



MAASAI MARA UNIVERSITY

**REGULAR UNIVERSITY EXAMINATION
2022/2023 ACADEMIC YEAR
THIRD YEAR SECOND SEMESTER**

**SCHOOL OF BUSINESS AND ECONOMICS
BACHELORS OF COMMERCE**

**COURSE CODE: BCM 3208-1
COURSE TITLE: ACCOUNTING FOR
RETIREMENT BENEFITS**

DATE : 27/4/2023

TIME: 1430-1630 HRS

INSTRUCTIONS TO CANDIDATES

Answers question one and any other Two

QUESTION ONE

- a) Explain the following term in Retirement Benefit plan
- I) Defined Contributions Schemes **(2marks)**
 - II) Prior services costs**(2marks)**
 - III) Other PostRetirement/ Post-Employment benefits**(2marks)**
- b) Wafanyakazi Retirement Benefit Scheme has provided you with the following extract of the trial balance for the year ended 31 October 2022

	Shs''000''	Shs.''000''
Accumulated fund as at 1 November 2021		
923,120		
Accrued expenses		
480		
Administration expenses	5,680	
Cash and demand deposits	46,920	
Change in market value of investment	45,280	
Lumpsum retirement benefits	9,640	
Contribution due in 30 days	9,880	
Normal contribution by:		
- Employer		76,960
- Employees		
36,480		
Transfer in from other schemes		
6,300		
Individual transfers out to other schemes	3,720	
Investment income		
94,800		
Immovable property	264,640	
Government securities (long-term)	527,210	
Members voluntary contributions		
9,120		
Pension	15,280	
Equity investments: Quoted	175,670	
; Unquoted	39,900	
Unpaid benefits		
<u>640</u>		
	<u>1,143,900</u>	<u>1,143,900</u>

Required:

Statement for charges in net assets for the year ended 31stOctober2022.(8marks)

Statement of net assets as at 31/10/2022(6marks)

QUESTION TWO

The following information was extracted from the books of comfort Retirement Benefit Scheme for the year ended 31 October 2021 and 31 October 2022

	2021	2023
Discount rate on 1 November	10%	
8%		
Expected rate of return on plan assets- 1 November	12%	10%
Average remaining service life (years)	10	
10		
	Sh. "000"	"Sh. 000"
Fair value on plan assets-1 November	192220	
Present value of plan obligations- 1 November	200250	
Current service cost	1620	
Benefits paid	3048	
Contributions to the scheme	1822	
Past service cost	810	

Additional Information

As at 1 November 2020, the present value of plan obligations and the fair value of plan assets were both Sh.200 million

Assume all transactions occurred at the year end

Required:

For each of the years ended 31 October 2021 and 31 October 2022, determine:

The actuarial gain loses (6mark)

The net pension cost to be charged in the income statement for each years(6mark)

Balances to be reflected in the statement of financial position as at the end of eac(3mark)

QUESTIO 3

Ufanisi Ltd. Operates a defined benefit plan for its employees. The details of Post Retirement Benefit plan for the year ended 30 November 2022 were as

follow

	Sh. "000"
Retirement benefits plan for the year	0
Fair value of plan asset	16,000
Actual and expected returns on plan assets	0
Accumulated post retirement obligation Jan 1 st	26,000
Service cost	54,000
Funding Contribution for the year are	38,000
Benefits payment for the year	28,000

Required

a) Prepare the Post-Retirement benefits worksheet and pass the necessary journal.

(12 marks)

b) Extract of a balance sheet

(3marks)

QUESTION FOUR

The following information is given about a funded defined benefit plan.

The present values of the obligation and the fair value of the plan asset were both 2000 at 1st Jan 2021

The average remaining lives of the current employees is 10 years

2021 2022 2023

Discount rate at start of the year	10%	9%	8%
Expected rate of return on plan assets			
At start of year	12%	11%	10%
Current service cost	320	280	300
Benefits paid	300	360	280
Contributions paid	180	200	220
Present values of obligations at 31/12	2200	1260	2910
Market value of plan assets at 31/12	2380	2744	2376

In 2022 plan was amended to provide additional benefits with effect from 1st January 2022. The present value as at 1st January 2022 of additional benefits for employer service before 1st January 2022 was sh.100 all vested benefits.

Required

Show how the pension scheme would be shown in the accounts for 2021, 2022 and 2023.

(15mark)

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