



GRETSA UNIVERSITY - THIKA

UNIVERSITY EXAMINATIONS

JANUARY-APRIL 2025 SEMESTER

BACHELOR OF COMMERCE

COURSE CODE: BCAC 403

**COURSE TITLE: BANKRUPTCY AND REORGANISATION
ACCOUNTING**

DATE: 2025

TIME:

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **TWO** QUESTIONS.
3. **DO NOT** WRITE ANYTHING ON THIS QUESTION PAPER AS IT WILL BE AN EXAM IRREGULARITY.
4. ALL ROUGH WORK SHOULD BE AT THE BACK OF YOUR ANSWER BOOKLET AND CROSSED OUT.

CAUTION: All exam rooms are under CCTV surveillance during the examination period.

SECTION A: COMPULSORY

Question One

Bankruptcy is a process which starts from a state of insolvency to filling a petition and eventually discharge of the bankrupt from bankruptcy. It is not a days activity and takes long to come to the end of the bankruptcy. With respect to the process, explain;

- a) The options available to the creditor holding a charge over the bankrupt's property [8marks]
- b) The order in which debts are discharged in bankruptcy. [8 marks]
- c) The discharge of bankrupt from bankruptcy [8 marks]
- d) Three penalties available to the bankrupt for committing the bankrupts offences [6 marks]

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- a) Explain the following parties in relation to being adjudged bankrupt
 - i) Bankrupt [2 marks]
 - ii) Deceased [2 marks]
 - iii) Aliens [2 marks]
 - iv) Partnerships [2 marks]
 - v) Companies [2 marks]
- b) Explain five actions a court takes upon receiving an application for bankruptcy [10 marks]

Question three

- a) Peter Kaka carrying business in Kitui found himself insolvent and on 30th November 2011 and filed a petition in bankruptcy. The following balances were extracted from the books of his business on that date:

Description	Kshs	Description	Kshs
Peter Kaka Capital	4,800,000	Shop land and building	16,000,000

Mortgage on shop(land & Building)	12,000,000	Furniture and Fittings	4,000,000
Loan I.C.D.C Ltd	4,800,000	Stock of Goods	3,300,400
Loan – Equity	2,400,000	Debtors	2,565,200
Loan – Commercial Bank of Africa	800,000	Peter Kaka drawings	5,256,000
Loan – John Kiilu	400,000	Cash in hand	8,000
Loan – Peter Matua	80,000		
Trade Creditors	4,560,000		
N.H.I.F, N.S.S.F, and P.A.Y.E	144,000		
Salaries and Wages Payable	72,000		
Bank overdraft	73,600		
	30,129,600		30,129,600

Additional information

- (i) The trade creditors include kshs. 120,000 owing to Kitui County in respect of rates in for the current period and a small loan from Peter Kaka's friend Kalwa for Kshs. 40,000
- (ii) The amount owing for salaries and wages and statutory deductions are for 2006.
- (iii) There is a Kshs. 840,000 interest unpaid on the mortgage as at 30th November 2010 which was not recorded in the books.
- (iv) The loan from I.C.D.C. Ltd was secured by a second mortgage on the shop (land and building). The unrecorded interest owing as at November 2010 was kshs. 384,000
- (v) The loan from Commercial Bank of Africa was obtained when Peter Kaka pledged his wholly owned piece of land as security. The value of the piece of land was kshs. 1,200,000. There was no interest outstanding on his loan
- (vi) The interest on John Kiilu was to vary with profits, since the business was operating a loss, there was no interest due.
- (vii) There was no interest outstanding on the loan from Equity Bank
- (viii) Peter Matua is Peter Kaka's brother in law
- (ix) The value of the assets was estimated to be:

Shop – Land and Building	Kshs. 16,800,000
Furniture and fittings	Kshs. 3,200,000
Stock of goods	Kshs. 800,000
- (x) Of the debtors kshs. 1,600,000 were thought to be goods and kshs.800,000 doubtful of which kshs. 600,000 was collectable
- (xi) Peter Kaka uncle died recently and he was to receive kshs. 200,000 as inheritance.
- (xii) Peter Kaka has no personal creditors outside the business but she had other personal assets beside the piece of land amounting to kshs. 240,000, exclusive of households and personal effects.

Required:

- i) Prepare a statement of affairs for Peter Kaka as at 30th November 2011. [10marks]
- ii) Prepare a deficiency account as at that date [10marks]

Question Four

- a) Explain the procedure of proving a debt under bankruptcy [10 marks]
- b) Explain five basic principles under bankruptcy [10 marks]

Question five

- a) Discuss *five* consequences of making of the adjudication order. [10marks]
- b) A trustee is person appointed by the court, or an officer of the Department of Justice, to represent the debtor's estate in a bankruptcy proceeding. Explain *three* ways in which a trustee may be appointed. [10 marks]

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