

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

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**REPORT OF
THE
AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
KARATINA UNIVERSITY COLLEGE FOR
THE YEAR ENDED 30 JUNE 2012**



Empowering Innovation and Leadership

KARATINA UNIVERSITY COLLEGE ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2012

Karatina University College

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KARATINA

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Institutional Information

Establishment

Karatina University College Order 2010, Legal Notice No. 163 is a body corporate established as a constituent college of Moi University.

Registered Office and Principal Place of Business

Karatina University College
P.O BOX 1957 - 10101,
KARATINA

Bankers

1. Kenya Commercial Bank,
P. O. BOX, 192-10101
KARATINA
2. Co-operative Bank of Kenya
P.O .BOX, 931-10101
KARATINA
3. Equity Bank of Kenya
P.O. Box 855 – 10101
KARATINA

Independent Auditors

Auditor General
Kenya National Audit Office
P.O Box 30084 -00100
NAIROBI.

Members of the University College Council

Title	Name	Qualification
Council Chairman	Prof. C.O. Okidi	B.A. (Magna Cum Laude) Alaska Methodist University, M.A, M.A.L.D., Ph.D (The Fletcher School of Law and Diplomacy) –Tufts University
Council Vice-Chairperson	Ms. Jane Mumbi Weru	Dip. in Law, B.A (Nairobi),M.Sc. (London School of Economics)
Vice-Chancellor	Prof. R. K. Mibey	B.A (Warren Wilson College), M.Sc (Appalachian State University), M.Sc (Oklahoma State University), D.Ed. (Oklahoma State University), Ph.D. (Nairobi)
Member	Mr. James .G. Wachira	CPA (K) (Strathmore),MBA,(Marquette University, USA)
Member	Mr. Tejpal S. Bedi	B.Sc (Hons) (University of Wales), MBA (University of Leicester)
Member	Ms. Grace Jemutai Kemei	Bachelor of Law (University of Nairobi), Master in Law (Nairobi)
Member	Mr.Evan Mwai, CBS	Dip. Public Accounts & Audit (UK),B.A. (Hon) (London)
Member	Ms. Juliana Kamanthe Muia Mutua	B A (Hons) (Nairobi),M.A Planning (Nairobi)
Principal/Secretary	Prof. Mucai Muchiri	B.Sc (Hons) (Nairobi),Ph.D. (University of Leicester)
Deputy Principal (P,F&A)	Prof. Linus. M. Gitonga	B.Ed (Kenyatta), M.Sc (Kenyatta), Ph.D (JKUAT)
Deputy Principal (AR&SA)	Prof. Peninah Aloo – Obudho	B.Ed (UoN), M.Sc (Nairobi), Ph.D. (Kenyatta)
Rep. Ministry of Finance	Mr. Samuel Macharia	CPA(K), Bcom (UoN), MBA (JKUAT)
Rep. MoHEST	Dr. Salome Gichura	Dip. Ed Planning (IIEP, Paris). B.Ed (UON), M.Ed (KU), Ph.D (UK)
Rep. College Academic Board	Dr. John Mwaruvie	BA, MPHIL(Moi), Ph.D(West Virginia)
Rep. Non-Academic	Dr. Johannes Njoka	BED, MPHIL (ED. Psy), D PHIL (Moi),Cert. (SNE) KISE
Rep. Students	Mr. Jared Mandere	Undergraduate Student

Functions and Responsibilities of Council

The Karatina University College Order 2010, Legal Notice No. 163 under paragraph 12 provides that the objects and functions of the Council shall be:-

- (1) Subject to this Order, the Council shall be the governing body of the University College through which the University College as a body corporate shall act and—
 - (a) shall administer the property and funds of the University College in a manner and for the purposes which shall promote the best interest of the University College; but the Council shall not charge or dispose of immovable property of the University College except in accordance with procedures laid down by the Government of Kenya.
 - (b) shall receive, on behalf of the University College, donations, endowments, gifts, grants or other moneys and make disbursements there from to the University College or other bodies or persons.
 - (c) shall approve the appointment criteria and the terms and conditions of service of staff;
 - (d) shall provide for the welfare of the staff and students of the University College.
 - (e) may enter into association with other universities, university colleges or other institutions of learning, whether within Kenya or otherwise, as the council may deem necessary and appropriate; and
 - (f) shall, after consultation with the Academic Board, make regulations governing the conduct and discipline of the students of the University College.
- (2) All documents, other than those required by law to be under seal, made on behalf of the Council, and all decisions of the Council may be signified under the hand of the Chairman, the Principal or any other members of the Council generally or specifically authorized by the Council in that behalf.
- (3) The Council shall ensure that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.
- (4) The Council shall monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University College.
- (5) The Council shall constantly review the viability and financial sustainability of the University College and shall do so once every year
- (6) The Council shall ensure that the University College complies with all the relevant laws, regulations, governance practices accounting and auditing standards

Corporate Information

Mandate

The Mandate of the University College, as provided by Karatina University College Order 2010, Legal Notice No. 163 includes:

- a) Participate in the discovery, transmission and preservation and enhancement of knowledge and to stimulate intellectual life in the economic, social, cultural, scientific and technological development of Kenya;
- b) Provide directly, or in collaboration with other institutions of higher learning, facilities for university education (including technological, scientific and professional education), the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya;
- c) Provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the council and senate shall from time to time determine and in so doing, contribute to manpower needs;
- d) Conduct examinations for such academic awards as may be provided in the status pertaining to University College;
- e) Examine and make proposals for new faculties, schools, institutes, departments, resource and research centers, degree courses and subjects of study;
- f) Play a leading role in the development and expansion of the opportunities for higher education and research;
- g) Develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research and consultancy services;
- h) Participate in commercial ventures and other activities to the benefit of the institution, the community and stakeholders;
- i) Development and provide educational, cultural, professional, technical and vocational services to the community and in particular foster corporate social responsibility and the practical arts;
- j) Provide programmes, products and services in ways that reflect the principles of equity and social justice;
- k) Facilitate student mobility between different programmes, different training institutions, universities and industry;
- l) Foster the general welfare of all staff and students.

Vision, Mission and Core Values

Vision

To be a University of global excellence, meeting the dynamic needs and development of society.

Mission

To conserve, create and disseminate knowledge through, training, research, innovation and community outreach.

Core Values

The University College is committed to:

- Equity
- Teamwork
- Meritocracy
- Academic Freedom
- Accountability
- Excellence
- Probity

Council Chairman's Report

I am pleased to present this report for the year ended 30th June 2012. This was a great year being the second year of operation of the University College.

The Council for University College was appointed in March 2011 and subsequently took up the challenge bestowed upon it of managing the resources of the College. During inception, the College had very few members of the academic and administrative staff but the numbers have grown tremendously.

During the financial year 2011/12, financial commitments were entered into with most efforts being directed to planning the course the University College should take.

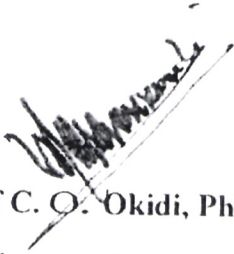
The Council initiated the process of recruiting Senior Management staff as well as other administrative and academic staff. It is hoped that reasonable staff numbers are in place and that the college will be able to implement its development programmes. In addition, several infrastructural developments are going on such as; additional lecture rooms, student hostels and recreational centre in order to accommodate the increasing student population.

The Council has initiated the process of acquiring important basic items such as library books, laboratory items and enhancing the transport system.

The Council is pleased with the efforts of the University College management to ensure prudent use of resources.

I thank the Government for its financial support so far. However, I would like to appeal for more funding for recurrent and capital expenditure. This will enable the institution recruit additional qualified staff as well as build new infrastructure that will support the growing student population.

I also would wish to thank parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.



Prof C. O. Okidi, PhD

Chairman, Karatina University College Council

Principal's Report

We present here the Annual Report and Financial Statements of Karatina University College for the year ended 30th June 2012 as per the Karatina University College Order and Exchequer and Audit Act 2003.

During the year under review, the University College generated Kshs 114M from students' fees which were used to fund purchase of equipment, support construction projects and in operations. The Government contributed a total of Kshs 180M to support capital projects and Kshs 250 for recurrent expenditure.

The University College has continued with its core business of teaching, training and research. The College had a student population of 1921. Student population is expected to increase to 2,700 by the end of financial year 2012/2013 with establishment of Town Campus, Itiati and Nanyuki campuses. Staff population stood at 240 and is expected to rise to 320 both academic and administrative staff.

On behalf of Karatina University College, I wish to take this opportunity to thank the government and all our development partners for their continued support.

Finally, I would like to express my sincere gratitude to the University College Council for providing policy and strategic guidelines, the entire University College staff and students who worked conscientiously to ensure smooth and successful operations of the University.

Thank you.



Prof. M. Muchiri, PhD

Principal

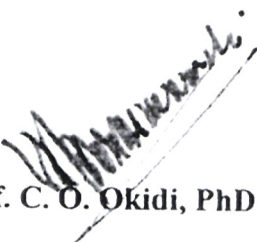
Statement of Council Members' Responsibilities


The Presidential Order 2007 requires the Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University College as at the end of financial year and of the University's surplus or deficit for the year. The order also requires the Council Members to ensure that the University keeps proper accounting records that disclose with reasonable accuracy, the financial position of the University. They are also responsible for safeguarding the University's assets.

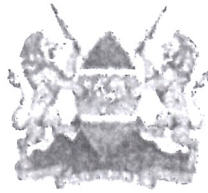
The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Financial Reporting Standards and requirements of the order that established the University College. The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June 2012 and the University's surplus. The Council further accepts the responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal controls.

With the current trend of events, the University College Council is optimistic that the University will remain a going concern for at least the next twelve months from the date of this statement.

This statement was approved by Council on 27th August, 2012 and it is signed on their behalf by:


Prof. C. O. Okidi, PhD
Chairman of Council


Prof. M. Muchiri, PhD
Principal



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KARATINA UNIVERSITY COLLEGE FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Karatina University College set out on pages 11 to 23, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of Public

Audit Act, 2003 and submit the audit report in compliance with Articles 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.195,073,240 as at 30 June 2012 includes land on which the University College is situated valued at Kshs.10,796,000 and which forms part of the non-current assets inherited from Moi University. However, the title deed for this land is in the name of Kenya Tea Development Authority. In addition, the property, plant and equipment balance of Kshs.195,073,240 as at 30 June 2012 includes an opening balance of Kshs.164,852,024. The explanation obtained is that the opening balance relates to assets granted by Moi University when Karatina University was established. However, no signed handover report was availed for audit review.

In the circumstances, it has not been possible to confirm the ownership status of the land and that the property, plant and equipment balance of Kshs.195,073,240 is fairly stated as at 30 June, 2012.

2. Work in Progress

Included in the financial statements under note 3 is work in progress amounting to Kshs.232,690,571. The audit verification of the work in progress revealed that the University entered into a contract with Ikiyu Enterprise Limited on 26 January 2012 for the construction of classrooms and offices at an initial contract price of Kshs.42,315,370. The commencement date of the contract was 26 January 2012 and the completion date was to be 17 May 2012 and later extended to 31 August 2012.

Information available indicates that on 4 July 2012, the University entered into another contract with the same contractor for additional works which varied the contract by Kshs 18,996,000 to a new contract sum of Kshs.61,311,320 thereby resulting to a variation of 44.89%. This is contrary to Section 47 of the Public Procurement and Disposal Act, 2005 read together with Section 31(b) and (c) of the Public Procurement Regulations, 2006 which requires that the quantity variation for goods and services should not exceed 15% of the original contract. Further, although the varied contract work was to be completed by 15 January 2013, as at the time of this report, the work had not been completed and there was no evidence of approval for the extension of the contract by the Council.

In the circumstances, the University is in breach of the law.

3. Trade and Other Receivables

Included in the figure for trade and other receivables balance of Kshs.76,715,620 as at June 2012 is an amount receivable from Moi University of Kshs.19,116,170 which had no movement during the year under audit and with some dating back to 2007/2008. Although evidence available indicates that this relates to fees paid by students into bank accounts of Moi University, no explanation was given as to why the same has not been recovered.

In the circumstances, it has not been possible to confirm recoverability of the trade and other receivables balance of Kshs.76,715,620 as at 30 June 2012.

4. Granted Assets from Moi University

As indicated under note 9 to the financial statements, the accumulated capital fund balance of Kshs.243,433,313 as at 30th June 2012 includes assets amounting to Kshs.86,322,861 taken over from Moi University. However, there was no evidence of signed handing/taking over of the assets.

In the circumstances, it has not been possible to confirm whether the figure for accumulated fund amounting to Kshs.243,433,313 as at 30 June 2012 is fairly stated.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the University College as at 30 June 2012, and of its financial performance and of its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Karatina University College Order, 2010 amended in 2011.




Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

28 May 2013

KARATINA UNIVERSITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2012

	Notes	2012 ksts
Assets		
Property, Plant & Equipment	2	195,073,240
Capital Work in Progress	3	232,690,571
Biological Assets	4	4,222,000
Total Non Current Assets		431,985,811
Current Assets		
Inventories	5	8,310,463
Trade & Other Receivables	6	76,715,620
Prepayments	7	8,922,874
Cash & Bank Balances	8	8,336,320
Total Current Assets		102,285,276
Total Assets		534,271,087
Capital Funds		
Accumulated Capital Fund	9	243,443,313
Revenue Reserve	10	19,052,577
Total Capital Fund		262,495,890
Non-Current Liabilities		
Deferred Income – Grant	11	155,607,720
Total Non-Current Liabilities		155,607,720
Current Liabilities		
Trade & Other Payables	12	115,567,478
Provision for Audit fees	13	600,000
Total Current Liabilities		116,167,478
Total Funds & Liabilities		534,271,087


 Prof. C. O. Okidi, PhD

Chairman of Council


 Prof. M. Machiri, PhD


Principal

**KARATINA UNIVERSITY COLLEGE
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2012**

		2012 Kshs
Tuition and Related Charges	14	120,147,862
Exchequer Grants	15	250,000,000
I.G.A and Other Incomes	16	14,493,416
Amortization of Granted Assets	11	9,244,304
Total Income		393,885,582
 EXPENDITURE		
Administration Expenses	17	96,610,774
Employment Expenses	18	150,270,844
Academic Expenses	19	70,323,517
Establishment Expenses	20	28,126,129
Board Expenses	21	9,016,630
Finance Expenses	22	445,382
Depreciation Of Assets	23	19,439,728
Audit Fees	13	600,000
Total Expenditure		374,833,004
 Surplus		 19,052,577


Prof. C. O. Okidi, PhD

Chairman of Council


Prof. M. Muchiri, PhD

Principal

KARATINA UNIVERSITY COLLEGE
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30TH JUNE 2012

	2012 KSHS
Cash flow from Operating expenses	
Surplus	19,052,577
Adjustment For	
Depreciation & Amortization	19,439,728
Provision for Audit Fees	600,000
Amortization of Granted Assets	(9,244,304)
	29,848,001
Operating Activities	
Change in:-	
Inventories	(8,310,463)
Trade and Other Receivables	(76,715,620)
Prepayments	(8,922,874)
Trade and Other Payables	115,567,478
Cash From Operating Activities	21,618,521
Net Cash from Operating Activities	51,466,522
Investing Activities	
Property, Plant & Equipment	(49,660,944)
Capital Work-in-Progress	(232,690,571)
Biological Asset	(4,222,000)
Net cash from investing activities	(286,573,515)
Financing Activities	
Capital Reserve	243,443,313
Net cash flow from financing activities	243,443,313
Net increase/(Decrease) In Cash & Cash Equivalents	8,336,320
Cash & Cash Equivalent at Start of Year	0
Cash & Cash Equivalent at End of Year	8,336,320
Analysis of Cash & Cash Equivalents	
Cash & Bank Balances	8,336,320

Karatina University College

Statement of Changes in Reserves for the Year Ended 30 June 2012

	Capital Fund	Revenue Reserves	Total
	Kshs	Kshs	Kshs
Surplus/Deficit for the year	0	19,052,577	19,052,577
Capital Grants	157,120,452	0	157,120,452
Granted Assets from Moi Univ.	86,322,861	0	86,322,861
Balance as at 30/06/12	243,443,313	19,052,577	262,495,890

NB/ the granted assets refer to the value of donations transferred to Karatina University College by Moi University as at 1st July 2011.

Notes to the Financial Statements for the year ending 30th June 2012

Note 1: Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principles adopted are as follows:

a) Basis of preparation

The financial statements have been prepared under historical cost convention and the figures are presented in Kenya Shillings (Kshs.) as the functional currency.

b) Revenue and expenditure recognition

Income including student fees is recognized in the period in which it is earned, while expenditure is recognized in period in which it is incurred.

c) Government grants

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis (IAS 20)

d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less any recognized impairment loss. Costs include professional fee. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

Buildings	2.5%
Furniture, Plant and Equipment	12.5%
Motor Vehicles	25%
Loose tools	33.3%
Computers and peripheral devices	30%

e) Inventories

Inventories are stated at lower of cost and net realizable value. Costs includes direct material and where applicable direct labour and those overheads that have been incurred to bring the

inventories to their present location and condition. Costs of issues are calculated using 'First In First Out' (FIFO) method. Net realizable value represents the estimated selling prices less all estimated costs of disposal (IAS 2)

f) Biological assets

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IAS (41)

g) Receivables

Receivables are recognized when commitments are effected at their nominal value.

h) Cash and cash equivalents

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

i) Retirement benefits obligations

After University College inherited the former Moi University Central Kenya Campus, the staff opted to remain in the Moi University Pension Scheme. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 7.5% and 15% respectively.

The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Kshs 200.00 per employee per month, while the employer contributes Kshs 200.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

KARATINA UNIVERSITY COLLEGE

Note (2)	FIXED ASSET SCHEDULE							TOTAL Kshs
	LAND Kshs	BUILDINGS Kshs	COMPUTER & ACCESSORIES Kshs	MOTOR VEHICLES Kshs	EQUIP & FURNITURE Kshs			
COST								
BAL AS AT 1/7/2011	10,796,000	132,611,946	775,320	16,417,705	4,251,053		164,852,024	
ADDITIONS	-	-	11,013,400	16,483,687	22,163,857		49,660,944	
DISPOSALS	-	-	-	-	-		-	
BAL AS AT 30.06.2012	10,796,000	132,611,946	11,788,720	32,901,392	26,414,910		214,512,968	
DEPRECIATION								
AMORTISATION FOR THE YEAR	-	3,788,913	332,280	4,104,426	1,018,685		9,244,304	
DEPRECIATION FOR THE YEAR			3,304,020	4,120,922	2,770,482		10,195,424	
ACCUM DEP RE 30/6/2012	-	3,788,913	3,636,300	8,225,348	3,789,167		19,439,728	
Net Book Value 30/6/2012	10,796,000	128,823,034	8,152,420	24,676,044	22,625,742		195,073,240	

Note: Opening balances consist of NBV of the assets granted from MOI University and whose amortization charge is based on the original cost. Amortization has been done to the granted assets as per IFRS/IAS 20 and depreciation charged on cost of the acquired assets during the financial year.

Notes to Financial Statements Cont.....

	2012	
	Kshs	
Note 3: Work-In-Progress		
Resource Center	106,461,962	
Student Hostel 750 bed capacity	48,500,633	
Tuition and Office Block	38,237,561	
Student Hostel 216 bed capacity	39,490,415	
	<u>232,690,571</u>	
	<u><u>232,690,571</u></u>	
Note 4: Biological Assets		
Tea bushes	156sh per tea bush X 59,000 Bushes	9,204,000
Cows		160,000
	Total as at 2011	9,364,000
Loss of Tea bushes (34000* 156)		(5,304,000)
		<u>4,060,000</u>
Additional Cows		162,000
	Total as at 2012	4,222,000
		<u><u>4,222,000</u></u>
Note 5: Inventories		Kshs
Stores		2,928,519
Library Books		5,381,945
		<u>8,310,463</u>
		<u><u>8,310,463</u></u>
Note 6: Trade & Other Receivables		Kshs
KTDA Bonus Payment For year 2011/12 &		
Tea Farm sales for the month of June 2012	1,978,222	
Student Balances	40,419,303	
Moi University	19,116,170	
Imprest Debtors	15,201,925	
	<u>76,715,620</u>	
	<u><u>76,715,620</u></u>	
Note 7: Prepayments		Kshs
Contractors	5,827,309	
Deposits : Rent (River Bank)	1,010,730	
Deposits : Rent (Town)	1,058,085	
Deposits :Fuel	1,026,750	
Total Prepayments	<u>8,922,874</u>	
	<u><u>8,922,874</u></u>	

Note 8: Cash & Bank Balances	Kshs
Co-operative Bank Of Kenya- Cash at bank	2,583,493
Kenya Commercial Bank - Cash at hand	64,210
Kenya Commercial Bank- Cash at bank	3,777,839
Equity Bank- Cash at Bank	1,822,596
Petty Cash	88,182
Total Cash & Bank Balances	<u>8,336,320</u>

Note 9: Accumulated Capital Fund

This comprise of Capital grants released by the Government for the financial year 2011/12 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

Capital Grants	157,120,452
Granted Assets from Moi Univ.	<u>86,322,861</u>
Balance as at 30/06/12	<u>243,443,313</u>

Note: These Granted Assets relate to opening balances B/f from operations carried out at Moi University as indicated below:

Granted Assets from Moi Univ.	
Cash & Bank balances	36,484,155
Biological Assets	9,364,000
Library Books	4,196,039
Tea Farm sales & bonuses for the month of June 2011	2,683,012
Student Balances	19,119,863
Moi University	<u>19,116,170</u>
	90,963,239
Trade Creditors	<u>(4,640,378)</u>
Total Granted Assets	<u>86,322,861</u>

Note 10: Revenue reserve

This is the accumulated surplus for the financial year 2011/2012

Surplus/Deficit B/F	-
Surplus/Deficit for the year	19,052,577
Prior Year Adjustments / Other	-
Surplus/ Deficit C/F	<u>19,052,577</u>

Note 11: Deferred Income - Grant

As per IFRS/IAS 20 there are two methods of accounting for the grant, Income method and Capital method. The institution has opted to use Income method because it gives full disclosure on the granted assets from Moi University. The granted assets have been recognized over the period necessary to match them with related costs, for which they are intended to compensate, on a systematic basis. The granted assets here relate to non-current assets appearing in the fixed assets movement schedule above.

Deferred Income	164,852,024
Amortization of Granted Assets	<u>(9,244,304)</u>
Deferred Income C/Forward	<u><u>155,607,720</u></u>

Note 12: Trade and Other Payables

	kshs
Trade Creditors	17,430,824
Part time Lecturers	33,719,714
Contractors' Balance	42,535,410
Contractors' Retention Fees	<u>21,881,530</u>
	<u><u>115,567,478</u></u>

Note 13: Audit fees

This comprises of the fees expected to be paid to the Auditor General for the audit of the current period.

Note 14: Tuition and Related Charges

	Kshs
Tuition & Accommodation JAB	34,175,550
Tuition & Accommodation SSP	85,424,050
Student Application Fees	<u>548,290</u>
	<u><u>120,147,862</u></u>

Note 15: Government Grants

	2012
	Kshs
Jul-11	20,833,333
Aug-11	20,833,333
Sep-11	20,833,333
Oct-11	20,833,333
Nov-11	20,833,333
Dec-11	20,833,333
Jan-12	20,833,333
Feb-12	20,833,333
Mar-12	20,833,333
Apr-12	20,833,333
May-12	20,833,333
Jun-12	<u>20,833,333</u>
	<u><u>250,000,000</u></u>

Note 16: I.G.A and Other Incomes	Kshs
Kitchen Food Sales	8,328,997
Tea Farm	2,656,340
Milk Sales	309,334
Laundry	17,850
Photocopier	48,987
Conference Facilities	8,500
Sale of Tender document	1,285,500
Fines	10,075
Graduation	73,500
Research funds	1,754,333
	<u><u>14,493,416</u></u>

EXPENDITURE	2012
Note 17: Administration Expenses	Kshs
Stationery	5,545,649
Motor vehicle expenses	3,736,260
Office expenses	4,124,080
Postage	57,300
Printing and photocopying	365,044
Computer expenses	3,591,210
Cleaning materials	1,006,277
Telephone	1,947,740
Insurance & Professional service	3,894,078
Public celebrations and funerals	248,225
Training expenses	1,357,612
Security	1,580,173
Water & Sewer	3,986,902
Electricity	5,903,971
Rent & Rates	6,938,805
Staff Uniforms	500,189
Medical Expenses	4,382,995
Advertising	10,775,536
Internet Charges	4,979,067
Farm Expenses	998,366
Catering Expenses	11,646,626
Loss of Biological asset	5,304,000
Traveling & Accommodation	5,481,229
External Travel & Accommodation	3,227,068
Seminars & Conferences	5,032,371
	<u><u>96,610,774</u></u>

Note 18: Employment Expenses	Kshs
Payroll expenses	142,756,654
Passage and Baggage	882,125
Casual Wages	6,632,065
	<u>150,270,844</u>

Note 19: Academic Expenses	Kshs
Students activities	4,437,906
External Examiners	1,435,824
Graduation	2,366,705
Teaching materials	2,733,800
Field courses	2,744,272
Research Program	1,346,204
PSSP Disbursement	55,258,842
	<u>70,323,553</u>

Note 20: Establishment Expenses	Kshs
Maintenance of buildings	24,398,688
Maintenance of Catering / Hostel equipment	2,512,568
Maintenance of plant & Equipment	1,214,873
	<u>28,126,129</u>

Note 21: Boards Expenses	Kshs
Sitting Allowance	5,400,000
Travelling & Subsistence	1,679,630
Accommodation	1,937,000
	<u>9,016,630</u>

Note 22: Finance Expenses	Kshs
Bank Charges	445,382
	<u>445,382</u>

Note 23: Prov. For Depreciation of Assets

	Kshs
Depreciation Buildings	3,788,913
Depreciation Computer & Accessories	3,636,300
Depreciation Motor Vehicle	8,225,348
Depreciation Equipment & Furniture	<u>3,789,167</u>
	<u>19,439,728</u>

Note 24 Accounting Period

This is one year financial statement for the financial year 2011/12 because transactions for the financial year 2010/2011 were reported under financial statements of Moi University.