



GRETSA UNIVERSITY – THIKA

**UNIVERSITY EXAMINATIONS
MAY - AUGUST 2018 SEMESTER**

BACHELOR OF COMMERCE

COURSE CODE: BCAC 401

COURSE TITLE: COMPANY ACCOUNTS

DATE: 9 AUGUST 2018

TIME: 11.30 AM – 2.30 PM

INSTRUCTIONS TO CANDIDATES

1. SECTION A IS **COMPULSORY**.
2. SECTION B: ANSWER ANY OTHER **THREE** 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

- a) Accounting standards are authoritative standards for financial reporting and are the primary source of generally accepted accounting principles (GAAP). Accounting standards specify how transactions and other events are to be recognized, measured, presented and disclosed in financial statements. Explain five disadvantages of accounting standards. **[10**

marks]

- b) The following trial balance was extracted from the books of Blair for the year ended December 2012.

	Dr. Kshs	Cr. Kshs
Stock 1 st December 2011	2,368,000	
Carriage outwards	200,000	
Carriage inward		310,000
Returns inwards	205,000	
Returns outwards		322,000
Purchases	11,874,000	
Sales		18,600,000
Salaries and wages	3,862,000	
Rent	304,000	
Insurance	78,000	
Motor Vehicle expenses	664,000	
Office sundry expenses	216,000	
Lighting and heating	166,000	
General Expenses	314,000	

Premises	5,000,000	
Motor Vehicles	1,800,000	
Fixtures and fittings	350,000	
Debtors	3,896,000	
Creditors		1,731,000
Cash at bank	482,000	
Drawings	1,200,000	
Capital		12,636,000
	33,289,000	33,289,000

Required:

- a) Draw up a trading, profit and loss account for the year ended 31st December 2012 **[12 marks]**
- b) Draw up a balance sheet as at 31st December 2012 **[6 marks]**
- c) Write short notes on the following terms:-
- (i) Issued share capital **[3 marks]**
 - (ii) Uncalled up share capital **[3 marks]**
 - (iii) Revenue Reserve **[3 marks]**
 - (iv) Right Issue **[3 marks]**

SECTION B: ANSWER ANY THREE QUESTIONS

Question Two

- (a) The memorandum of association is a legal document prepared in the formation and registration process of a limited liability company to define its relationship with shareholders. Discuss the clauses contained in a memorandum of understanding.

[10 marks]

(b) A limited company wishes to raise capital by issuing 900,000 ordinary shares at kshs. 9 each at par value and the issue price (selling price) is kshs. 13.50 Each. Pass the journal entries. **[6 marks]**

(c) Bonus shares are shares issued to existing shareholders when a company capitalizes free reserves and accumulation profits. Discuss the process of issuing bonus share and how they are financed. **[4 marks]**

Question Three

(a) The following is a trial balance extracted from the books of Mr. Mambo who has been in business for some years as at 31st December 2009

DESCRIPTION	KSHS. DR	KSHS. CR
Issued share capital (ordinary shares of kshs 100)		4,200,000
Leasehold property at cost	7,500,000	
Motor vans	250,000	
Provision for depreciation on motor vans 31 Dec 2008		100,000
Administration expenses	765,000	
Distribution expenses	1,000,000	
Stock 31 st December 2008	1,200,000	
Purchases	13,875,000	
Sales		20,650,000
Directors remuneration	2,500,000	
Rent Receivable		360,000
Investment at cost	675,000	
Investment income		34,000
7% Debentures		1,500,000
Debenture interest	105,000	
Bank Interest	16,200	
Bank overdraft		73,000
Debtors and creditors	3,100,000	2,410,000
Interim Dividend paid	126,000	
Profit and Loss account		1,785,200
	31,112,200	31,112,200

Additional information

- (i) The motor vans were purchased on 1st January 2009. Depreciation is at 20% per annum on cost from the date of purchase to date of sale on 31st December 2009 one van, which had a cost of kshs. 90,000 was sold at kshs 55,000 as part settlement of the price of kshs. 80,000 of a new van, but no entries with regard to these transactions were made in the books
- (ii) The estimated corporation tax liability for the year to 31st December 2009 is 1,270,000
- (iii) It is proposed to pay a final dividend of 10% for the year 31st December 2009
- (iv) Stock at lower of cost or net realizable value on 31st December 2009 is kshs.1,670,000

Required

- (i) Prepare a profit and loss account for the ended 31st December 2009 **[12 marks]**
- (ii) Prepare a balance sheet as at 31st December 2009 **[8 marks]**

Question Four

- a) Distinguish between a parent and a subsidiary company. **[6 marks]**
- b) A limited company had estimated the corporation tax for the year 2010 as kshs 900,000. In 2011, the liability was agreed as kshs. 960,000 and the company paid. At the end of year 2011, the company estimates that tax liability was kshs. 840,000
Required:
Prepare a tax A/C to show the amount to be deducted **[8 marks]**
- c) Distinguish between intangible and tangible assets. **[6 marks]**

Question Five

- a) Distinguish between joint venture and jointly controlled operations. [4 marks]
- b) The following information was extracted from Kaka Ltd Head office in Makueni and its branch in Machakos as 31st March 2012.

	Makueni Head Office		Machakos Branch	
	DR	CR	DR	CR
	Kshs. '000		Kshs. '000	
Premises	20,000		10,000	
Machinery	4,000		800	
Fixtures	6,200		2,800	
Motor Vans	3,000		1,800	
Closing Stock	7,600		1,400	
Debtors	2,200		1,600	
Bank	24,400		1,200	
Head Office Current Account				17,240
Branch Current Account	17,240			
Goods in Transit	400			
Cheques in Transit	160			
Returns in Transit	120			
Creditors		2,600		2,360
Capital account as at 28 th February 2010		75,720		
Net profit(Branch 1,500 + Head Office 2,000)		7,000		
	<u>85,320</u>	<u>85,320</u>	<u>19,600</u>	<u>19,600</u>

Required:-

Draw a combined balance sheet

[16 marks]