



(Knowledge for Development)

**KIBABII UNIVERSITY**

**UNIVERSITY EXAMINATIONS**

**2017/2018 ACADEMIC YEAR**

**FOURTH YEAR FIRST SEMESTER**

**SUPPLIMENTARY EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA 404**

**COURSE TITLE: COMPANY ACCOUNTS**

**DATE:** 4/10/2018

**TIME:** 11:30 A.M

INSTRUCTIONS TO CANDIDATES

Answer Question One in Section A and Any other TWO (2) Questions in Section B

TIME: 2 Hours

KIBUCO observes ZERO tolerance to examination cheating

## SECTION A ( COMPULSORY)

### Question One

- Describe how an associate company can be accounted for according to the recommended IAS. (10 marks)
- Sarah and Tom are partners in a business Sarah runs a head office in Kisumu and Tom runs a branch in Bungoma. Separate books are maintained for the head office and the branch. Profit and losses are shared equally.

The trial balance as at 30<sup>th</sup>, June 2012 were as follows:

	Head offices		Branch	
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
General expenses	680,000		400,000	-
Property plant and Machinery	760,000	-	308,000	-
Stocks at 1 <sup>st</sup> July 2012:	560,000	-	340,000	-
Goods sent from Head office to Bungoma	-	1,430,800	1,398,800	-
	348,960	-	78,080	-
Debtors	-	3,880,400	-	2,388,000
Sales	612,280	-	115,360	-
Bank and Cash	3,918,000	-	-	-
Purchases	-	2,247,600	2,257,200	-
Remittances	2,530,640	-	-	2,498,640
Branch current/Head office current account		324,680		10,800
		1,492,400		
Creditors		34,000		
Capital at 1 July 2001				
Pro				

Notes: Kisumu invoices goods to Bungoma at cost plus one ninth ( $\frac{1}{9}$ ) and at 30<sup>th</sup> June

**Notes:** Kisumu invoices goods to Bungoma at cost plus one month ( $\frac{1}{9}$ ) and at 30<sup>th</sup> June 2012:-

Stocks at head office 508,000

Stocks at branch office at transfer price 192,000

Stocks in transit at transfer price 32,000

Cash in transit to hand office 9,600

**Required:** Prepare the income statement and the balance sheet as at 30<sup>th</sup> June 2013 separately for Head office, Branch office and combined entity. **(20 marks)**

## SECTION B (CHOOSE ANY TWO QUESTIONS)

### Question two

Haber ltd Acquired Ken fey ltd a few years ago when the capital and Retained profit stood at £5,000 and £ 6,000 respectively. The following balance sheet relates to the two companies as at 30 Jan-2013

	Haber ltd (\$)	Ken joy ltd (\$)
Mon current assets:		
Tangible assets	50,000	40,000
20,000 ordinary shares in K ltd	<u>30,000</u>	-----
	<u>80,000</u>	
Current Assets:		
Inventory	3000	8000
Accounts receivable	20,000	<u>17,000</u>
Cash at bank	<u>2,000</u>	
Total assets	<u>105,000</u>	<u>65,000</u>

Ordinary shares	45,000	25,000
capital and reserves	12,000	5,000
Retained profits	<u>3,000</u>	<u>23,000</u>
	<u>87,000</u>	<u>53,000</u>
Current liabilities		
Account payable	<u>18,000</u>	<u>12,000</u>
	105,000	65,000

**Required:**

Prepare the consolidated balance sheet for Haber Ltd and its subsidiary Ken joy Ltd as at that date  
(20 marks)

**Question Three**

- From the company accounting knowledge attained. Write fully all the legal requirements for the formation of a company.(5 marks)
- Discuss fully all the types of companies common in Kenya (5 marks)
- What are the legal provisions relating to profit and loss on the side of the company shareholders (5 marks)
- Discuss the treatment of pre and post-acquisition of services (5 marks)

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