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KIBABII UNIVERSITY
UNIVERSITY EXAMINATIONS
2020/2021 ACADEMIC YEAR
FOYRTH YEAR FIRST SEMESTER
SPECIAL/SUPPLEMENTARY EXAMINATION
FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCA404

COURSE TITLE: COMPANY ACCOUNTS

DATE: 8TH FEBRUARY, 2021 TIME: 8.00AM – 10.00AM

INSTRUCTIONS TO CANDIDATES

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

TIME: 2 Hours

KIBU observes ZERO tolerance to examination cheating

This Paper Consists of 2 Printed Pages. Please Turn Over.

QUESTION ONE

- (a) What is the difference between a holding and associate companies? (5marks)
- (b) Discuss factors that may drive business organization to merge (10 marks)
- (c) XYZ Ltd Company acquired Control of Mwamba Ltd in 2017 after making the payments as follows;

25% on 1st January 2015

20% on 1st January 2016

15% on 1st January 2017

Mwamba Ltd has not paid dividends from 2015 to date. Its total reserves at each 31st December were as follows:

Year	Reserves
2014	200,000
2015	600,000
2016	1,000,000
2017	1,200,000

Required:

Compute minority interest, post and pre-acquisition reserves based on the date when control was obtained. (5 marks)

QUESTION TWO

The following information relates to three Ltd companies X, Y, Z for the year ended 31st Dec 2014

	Z	Y	Z
Gross profit	726,000	348,000	101,000
Add proposed dividend From Y Ltd	8000	-	-
	734,000	348,000	101,000
Distribution costs	60,000	48,000	42,000
Administrative expenses	70,000	72,400	60,000
Amount written off in shares in Z Ltd	6000	-	-
Profit(Loss) on ordinary activities	597,200	227,600	(1000)
Tax on profit on ordinary activities	326,000	128,000	-
Profit(loss) after tax	271,200	99,600	(1000)

Proposed dividend	200,000	10000	-
Transfer to reserve	4,000	36,000	-
Retained profit(Loss) for the year	31200	43,600	(1000)
Profit (loss) b/f	60,000	80,000	(50,000)
Retained profit/f	91,200	123,600	(51,000)

The following information is available;

(i) On 1st January 2014, X acquired:

- 80% of the ordinary shares of Y ltd
- 75% of ordinary shares of Z

(ii) During the year X ltd had purchased goods for sh 54,000 from Y Ltd at a profit of sh 17,000 to that company and purchases of sh 30,000 which had yielded sh 10000 as profit was included in closing stock of X ltd at sh 28,000

(iii) included in plant and machinery account of Y ltd at cost is plant purchased during the year from X ltd who manufactured it at a profit to the company of sh 4,000

Required:

Consolidated profit and loss account for X ltd for the year ended 31st Dec 2014(20marks)

QUESTION THREE

The following information relates to Z limited company as at 31st December

	2014	2015
Share		
Issued share capital	900,000	1150,000
Retained profits	375,000	460,000
10% Debentures	300,000	375,000
Corporation Tax	45,000	160000
Creditors	160,000	170,000
Proposed Dividend	<u>25000</u>	<u>30,000</u>
	<u>1,905,000</u>	<u>2,345,000</u>
Fixed Assets at cost	1,150,000	1,250,000
Less depreciation	<u>282,500</u>	<u>310,000</u>
	867,000	940,000

Stock in Trade	600,000	734,750
Debtors	210,000	207,500
Bank	<u>227,500</u>	<u>462,750</u>
	<u>1905,000</u>	<u>2345,000</u>

During the year, assets were acquired at shsh 280,000. Fixed asset whose cost was sh 180,000 was disposed for sh125, 000. The book value of this asset was sh.75000 and the profit has been included in retained profits.

Required:

Prepare a funds flow statement (20 marks)

QUESTION FOUR

The following Trial balance was extracted from the books of accounts of a Limited Company for the year ended 31st December 2017.

	Sh(000)	Sh(000)
Authorized, Issued and Paid up capital		
Ordinary share capital @20		30,000
Share premium		2,100
Profit and Loss account(1.1.2017)		6,430
M. vehicles(cost,6000,000)	36,000	
Freehold Property at cost	18,000	
Purchases	80,276	
Sales		121,492
Goodwill	3,500	
Bad debts	400	
10% Loan		6000
Trade Debtors and Creditors	18,700	7,290
Rent Receivable	930	
General expenses	5,266	
Bank balances	6,188	
Salaries and wages	21,872	
Rates and insurance	794	
Stock	15,986	
Provision for bad debts		300
Rent		1000
Discounts	100	1000

	175,612	175,612

Addition information

- (i) Closing stock was sh 16,850,000
- (ii) Provision for bad debts is to be reduced to Sh 250,000
- (iii) Outstanding salaries as at 31st Dec was sh 120,000 while prepaid salaries on the same date were sh 60,000
- (iv) Depreciation on Motor vehicles is normally 20% of book value
- (v) Sh 80000 on profit is to be transferred to general reserve
- (vi) The loan was acquired 1st July 2017
- (vii) Corporation tax is 30 % of the profit
- (viii) A sum of sh 800,000 is to be transferred to Revenue Reserve account
- (ix) Proposed dividend is sh 2 per share

Required:

- (i) Income Statement for the year ended 31st Dec 2017
- (ii) Statement of financial position as at 1st Dec 2017 (20 marks)