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# **UNIVERSITY EXAMINATIONS**

## **2019 /2020 ACADEMIC YEAR**

**FIRST YEAR FIRST SEMESTER REGULAR EXAMINATION**  
**FOR THE DEGREE OF BACHELOR OF BUSINESS**  
**MANAGEMENT**

**COURSE CODE: EDB 302(E)**

**COURSE TITLE: COMPANY ACCOUNTS**

**DATE: 11/12/2019**

**TIME: 9.00am -12.00pm**

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### **INSTRUCTION TO CANDIDATES**

- **SEE INSIDE**

**THIS PAPER CONSISTS OF 4 PRINTED PAGES**

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ANSWER QUESTION ONE AND ANY OTHER TWO

**QUESTION ONE**

a) Explain the following terminologies in relation to company accounts;

- i. Authorised Share capital
- ii. Nominal (or par) value
- iii. Issue price
- iv. Called share Capital and Uncalled share Capital
- v. Paid –up Capital

[5 marks]

b). Bowdon Ltd is a wholesale company; its trial balance at 31 March 2018 is as follows:

Ordinary shares of shs 0.50 each fully paid	70,000
8% Loan notes (issued 2007)	40,000
Retained earnings - 1 April 2017	18,000
Land and buildings at cost (land element shs40,000)	120,000
Buildings depreciation - 1 April 2017	20,000
Plant and machinery at cost	85,000
Plant and machinery depreciation - 1 April 2017	35,000
Trade payables	29,500
Trade receivables	30,000
Inventory - 1 April 2017	27,500
Revenue	210,000
Purchases	114,000
Returns outwards	2,500
Administrative expenses	21,000
Selling and distribution costs	16,500
Dividends paid	13,000
Bank	3,600
Loan interest paid	1,600
428,600	428,600

The following notes are relevant:

- (i) Inventory was counted and valued at cost of shs 35,000 on 31 March 2018. Shs5,000 (at cost) of the stock had a net realisable value of only shs3,500.
- (ii) The buildings are depreciated over a 20 year life. Plant and machinery is depreciated at 15 % per annum on the reducing balance basis. All depreciation is to be treated as cost of sales.
- (iii) An allowance for doubtful receivables of 2% needs to be made which should be included in selling and distribution costs.

- (iv) Included in administrative expenses, was an amount of shs9,000 for an annual insurance premium that runs to 31 July 2018. (v) Provide for the outstanding interest on the loan notes.
- (v) A provision for corporation tax for the year ended 31 March 2011 of shs17,500 is required.

**Required:**for the year ended 31 March 2018, prepare for Bowdon Ltd:

- i) The income statement (12 marks)
- ii) A statement of financial position (8 marks)
- c). Discuss the classification of expenditures FOR company FINANCIAL STATEMENT PRESENTATION AS REQUIRED BY International Accounting Standard(IAS 1). [5 marks]

### QUESTION TWO

- a). A company issues 200,000 shares £1 nominal value for £1.60 each.Show journal entry for this transaction [5 marks]
- b). ABC Ltd. issues 10000 equity shares of shs100 each at 25% premium. Premium is due at the time of allotment. The amount payable is as follows:
- Jan 1, 2018: On Application shs 20
- Feb 1, 2018: On Allotment shs 75
- Mar 1, 2018: On First and Final Call shs 30.

The company makes allotment properly.

Required. Showthe necessary journal entries [15 marks]

### QUESTION THREE

- a) Explain the distinctions of company accounts with those of partnership and sole proprietorship.[10 marks]
- b). Fashion Fabrics Ltd. issued 100000 shares of shs. 10 each on 1st April, 2006.The amount payable on these shares was as under:
- Shs 2 per share on application.
- Shs 3 per share on allotment.
- Shs 5 per share on call

Make journal entries and prepare relevant accounts in the books of company. [ 10 marks]

**QUESTION FOUR**

- a) Show FIVE distinctions between Common Stock and preference stock [ 10 marks]
- b) Discuss uses and limitations published company accounts [ 10 marks]

**QUESTION FIVE**

Lake Enterprises ltd is a retailing company; its trial balance at 31 March 2018 is as follows:

	SHS '000	SHS '000
Ordinary shares of SHS 0.25 each fully paid		
100,000		
8% Irredeemable preference shares		40,000
Retained earnings - 1 April 2017		
16,400		
Revenue 224,500		
Purchases	128,000	
Administrative expenses	12,900	
Directors emoluments	3,400	
Distribution costs	17,300	
Land at cost and buildings at cost (land 15,000)	90,000	
Buildings depreciation - 1 April 2017		
45,000		
Development expenditure at cost 20,000		
Amortisation of development expenditure		8,000
Plant and machinery at cost	125,000	
Plant and machinery depreciation - 1 April 2017	37,000	
Trade payables		19,000
Trade receivables	20,400	
Inventory - 1 April 2017	31,900	
Bank	600	
Interim dividends paid (note vi)	40,000	
Bank interest paid	1,600	

490,500

490,500

The following notes are relevant:

- (i) Inventory was valued at cost of SHS 24.5 million on 31 March 20X1.
- (ii) Land was revalued at SHS20 million on 1 April 20X0.
- (iii) The buildings are depreciated at 4% per annum on cost. Plant and machinery is depreciated by 15% per annum on the reducing balance basis. Development expenditure has a five year life. All depreciation/amortization is to be treated as cost of sales.
- (iv) The directors are entitled to a yearend bonus payment of SHS400,000.
- (v) The audit fee for the current year is estimated at shs700,000
- (vi) The interim dividends represent half of the preference dividend and an interim ordinary dividend. The final preference dividend for the year needs to be accrued for.
- (vii) A provision for income tax for the year ended 31 March 2018 of SHS 0.5 million is

**REQUIRED:** Prepare for Lake Enterprises Ltd for the year ended 31 March 2018:

- (a). The income statement [12 marks]
- (b). The movement on retained earnings; and [4 marks]
- (c). A statement of financial position [4 marks]