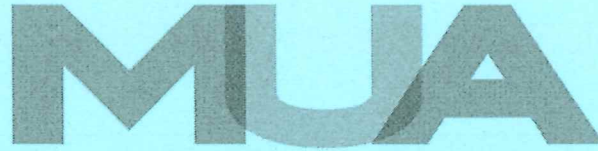


The
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UNDERGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF BACHELOR OF COMMERCE

ACC 411: COMPANY ACCOUNTS

DATE: 10TH DECEMBER 2024

DURATION: 2 HOURS

MAXIMUM MARKS: 70

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

QUESTION ONE

The following balances were extracted from the books of Tajiri Bank as at 31 December 2019.

	Shs '000	Shs '000
Interest on loans		40,000
Interest on overdrafts		15,000
Discounts earned on bills discounted		35,000
Reserve fund		100,000
Share premium		87,500
Commission exchange & brokerage received		22,500
General charges recovered		825
Profit and Loss B/F		81,330
Ordinary share capital		150,000
Current account deposits		958,000
Savings A/C deposits		146,500
Fixed deposits		353,500
Deposits from other banks		183,000
Sundry Creditors		9,685
Acceptances & endorsements	350,000	350,000
Investment in government securities	500,000	
Investment in Shares	249,500	
Furniture & Fixtures (NBV)	22,500	
Loans	540,000	
Overdrafts	121,500	
Bills discounted (and purchased)	496,500	
Interest paid on deposits	18,000	

Exchange and commission paid	1,500	
Stationery & advertising	5,500	
Miscellaneous expenses	5,000	
Salaries & wages	37,500	
Land & Buildings	52,500	
Cash in hand and with CBK	10,340	
Balances with other banks	100,000	
Money at call and at short notice	<u>22,500</u>	_____.
	<u>2,532,840</u>	<u>2,532,840</u>

Notes:

1. Provision is to be made as follows:
 - a) Provision for doubtful debts – Sh 1,500,000
 - b) Provision for taxation (corporate) at 35% of net profit
 - c) Provision for depreciation on furniture and fixtures at 20% on written down value
2. Rebate on discounted bills amounted to Sh 2,500,000 as at 31 December 2019
3. The directors require the bank's investment in shares to be shown in the balance sheet as market value on 31 December 2019 – which was Sh 250,000,000.
4. Liability on bills rediscounted is Sh 385,000
5. Liability in respect of forward exchange contracts outstanding is Sh 5,200,000
6. Interest earned on investments, but not yet received is Sh 13,125,000.

Required:

- (a) Prepare Statement of Financial Position for Tajiri bank for the year ended 31 December 2019 (12 Marks)
- (b) Prepare Statement of Comprehensive Income for Tajiri bank as at 31 December 2019 (8 Marks)
- (c) Discuss five disclosures that are presented on the financial statements. (5 Marks)

QUESTION TWO

- (a) Discuss three strategic approaches that companies can employ to optimize their tax position. **(6 Marks)**
- (b) Outline four primary objectives that company accounts aim to achieve for both internal and external stakeholders. **(4 Marks)**
- (c) Explain the following terms as used in accounting for insurance companies
- i) Re-insurance **(1 Mark)**
 - ii) Commission on reinsurance ceded **(1 Mark)**
 - iii) Endowment Policy **(1 Mark)**
 - iv) Surrender Value **(1 Mark)**
 - v) Reversionary Bonus **(1 Mark)**

QUESTION THREE

- (a) Discuss how effective corporate governance practices contribute to transparency, accountability, and the prevention of financial fraud. **(5 Marks)**
- (b) Sash Company has the following information for the year ended 2018

Details	Sh '000'
Revenue:	500,000
Cost of Goods Sold:	200,000
Operating Expenses:	100,000
Interest Expense:	10,000
Shareholders' equity of	700,000
Taxes:	15,000
Common shares 100,000	
Sales:	1,000,000
Debt	500,000

Required: Calculate:

- i) Net Profit for the company.
- ii) Earnings per Share (EPS)
- iii) Gross Profit Margin as a percentage.
- iv) Total Revenue for the company.
- v) Debt-to-Equity Rate **(10 Marks)**

QUESTION FOUR

- (a) Explain five regulatory frameworks that govern company accounts, emphasizing the role of accounting standards. **(5 Marks)**
- (b) Discuss three assumptions and seven limitations associated with Dividend Discount Model as a method of share valuation. **(10 Marks)**

QUESTION FIVE

- (a) State and explain the **three** measurement elements of financial statements **(6 Marks)**
- (b) The following trial balance has been extracted from the books of account of Mcjay Limited as at 31 December 2021

Items	Dr Sh'000	Cr Sh'000
Administrative expenses	2,370	
Bank overdraft		130
Called up share capital:		
Ordinary shares of Sh 1 each		800
10% cumulative preference shares		200
Creditors		600
Debtors	570	
Dividends received (from fixed asset investments)		120
Distribution costs	900	
Fixed asset investments at cost	700	
Furniture and fittings:		
At cost	100	
Accumulated depreciation (at 1 January 2021)		40
Interim dividend paid (Sh 10 per ordinary share)	80	
Plant and equipment:		
At cost	7,000	
Accumulated depreciation (at 1 January 2012)		4,000
Preference dividend paid	10	
Profit and loss account		3,000
Purchases	8,000	
Sales		13,200
Share premium account		380

Stock (at 1 January 2012)	2,000	
Trade creditors		1,480
Trade debtors	2,220	
	23,950	23,950

Additional information:

- 1) Stock at 31 December 2021: Sh 2,400,000.
- 2) Depreciation is charged on furniture and fittings at a rate of 10% on cost. The plant and equipment relates entirely to distribution activities and depreciation is charged on it at a rate of 50% on the reduced balance.
- 3) The amount due for corporation tax at the year end and based on the profits for 2002 was estimated to be Sh 530,000.
- 4) The directors propose to pay a final ordinary dividend of Sh 20 per ordinary share.

Required:

Prepare Mcjay Limited profit and loss account for the year to 31 December 2021 and a balance sheet as at that date. **(9 Marks)**

QUESTION SIX

- (a) Explain **four** methods used for the valuation of shares in the final accounts of joint stock companies **(8 Marks)**

- (b) The following data was extracted from the books of Huduma Insurance Agent as at 31st December 2019:

	Sh. 'million'	Sh. 'million'
Claims paid	235,000	
Legal expenses regarding claims		5,000
Premiums received	600,000	
Reinsurance premiums paid	60,000	
Commissions	100,000	
Expenses of management	150,000	
Provision against unexpired risk (1 November 2018)		260,000
Claims unpaid (1 November 2018)	20,000	
Claims unpaid (31 December 2019)		35,000

Required

From the above particulars prepare a Revenue Account for the year 2019 **(7 Marks)**