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**UNIVERSITY EXAMINATIONS**  
**2023/2024 ACADEMIC YEAR**  
**FOURTH YEAR FIRST SEMESTER**  
**MAIN EXAMINATION**

**FOR THE DEGREE OF BACHELOR OF COMMERCE**

**COURSE CODE: BCA411**

**COURSE TITLE: COMPANY ACCOUNTS**

**DATE:** 11<sup>TH</sup> DECEMBER, 2023 **TIME:** 2.00PM - 4.00PM

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**INSTRUCTIONS TO CANDIDATES**

1. Answer Question One in Section A and Any other TWO (2) Questions in Section B
2. Question one carries 30 marks and each of the other Two questions carry 20 marks each.

TIME: 2 Hours

## SECTION A

### QUESTION ONE

- a) Quinsnet Company limited, has been incorporated with an authorised capital of Ksh.1, 000,000 divided into equity shares of Ksh.100 each. The company issued 5,000 shares to the public payable Ksh.20 per share on application, Ksh.20 on allotment, Kshs.30 on first call, and the balance on the final call. All the money was duly received. Make journal entries to record the issue of shares. (8 Marks)
- b) Define the term Joint Stock Company? Briefly explain the kinds of limited companies. (6Marks)
- c) Explain the different classes of preference shares? (6 Marks)
- d) Write short notes:
- i) Debenture (1Marks)
  - ii) Shares (1 Marks)
  - iii) Cum-interest and Ex-interest (2 Marks)
  - iv) Distinguish between accruals and prepayments (6 Marks)

**(Total: 30 Marks)**

## SECTION B

### QUESTION TWO

The pioneer Manufacturing Co. Ltd was registered at the registrar of Companies with a nominal capital of Kshs.1, 500,000 divided into shares of Shs.100 each. On 31<sup>st</sup> March 2022, the following were the ledger balance of the company:

	Kshs.		Kshs.
Calls in arrear	18,750	Preliminary Expenses	12,500
Plant and Machinery	900,000	Freight	32,750
Stock (1 <sup>st</sup> April 2021)	187,500	Goodwill	62,500
Fixtures	18,000	Wages	212,000
Sundry Debtors	217,500	Cash in Hand	5,875
Building	750,000	Cash at Bank	95,750
Purchases	462,500	Directors Fees	14,350
Interim Dividend Paid	18,750	Bad Debts	5,275
General Expenses	42,250	Salaries	36,250
Debenture Interest	22,250	6% Debentures	750,000

Bills Payable	95,000	Sales	1,037,500
General Reserve	62,500	4% Government Securities	150,000
Profit & Loss a/c (Cr.)	36,250	Provision for Bad Debts	8,750
Share Capital fully called up	1,150,000	Sundry Creditors	125,000

The stock on 31<sup>st</sup> march 2022 was estimated at Kshs.252, 500. The following adjustments have to be made:

- i) Depreciation on plant and Machinery at 10% and on Fixtures @5%
- ii) Kshs.25,000 of wages were utilized in adding rooms to the premises for which no entry has ever been made
- iii) Final Dividend @5% to be provided
- iv) Preliminary expenses to be written off by 20%
- v) A reserve @5% on Sundry Debtors was to be provided for doubtful debts
- vi) Kshs.25,000 was to be transferred to Reserves (General)
- vii) A Provision for Income –tax to the extent of Kshs.62,500 was to be made.

**Required:**

Prepare Profit and Loss Account (6 Marks) and Profit and Appropriation Account (4 Marks). Balance Sheet (10 Marks)

(Total: 20 marks)

**QUESTION THREE**

- a) Distinguish between shares and debentures in a company;
- b) Explain in detail five types of Debentures

(10 Marks)

(10 Marks)

(Total: 20 marks)

**QUESTION FOUR**

The Highway Co. Ltd has an authorized capital as follows:

150,000 Equity shares of Shs.10 each	Kshs.
150,000 preference Shares of Shs.10 each	1,500,000
	<u>1,500,000</u>
	<b><u>3,000,000</u></b>

It starts by purchasing the whole of an existing business owned and run by wellys whose balance Sheet shows the following assets:

Cash at Bank	12,000
Bills Receivable	15,000
Debtors	150,000
Stock	210,000
Furniture	30,000
Machinery	360,000

Premises	180,000
His liabilities show:	
Bills Payable	57,000
Creditors	240,000
Capital	660,000

The agreed purchase price is Kshs.750,000 which is to be paid as follows:

Kshs.150,000	fully paid equity shares
Kshs.150,000	fully paid preference shares
<u>Kshs.450,000</u>	cash.
<u>Kshs.750,000</u>	

The highway Co. Ltd offered the remaining shares to the public, which were all taken up and paid as follows:

Kshs.2.	On application
Kshs.3.	On Allotment
Kshs.4.	On First Call

Wellys is paid off as agreed. Give journal entries in the books of Highway Co. Ltd and its opening Balance Sheet.

**(Total: 20 marks)**

**QUESTION FIVE**

- Explain the different features of debentures
- Explain at least five canons of Accounting

(10 Marks)

(10 Marks)

**(Total: 20 marks)**