INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - APRIL 2025

PROGRAMME: MBA
YEAR/SEM: YEAR 2/SEMESTER 1
COURSE CODE: MBA 811
NAME: CORPORATE FINANCE

DATE:
TIME:

INSTRUCTIONS TO CANDIDATES:

SECTION A

SECTION A IS COMPULSORY

Question 1:

Muhamed and Ibrahim are in a partnership sharing profits and losses in the ratio of 2,1. Their Trial Balance as at 31st December 2022, is as follows;

Details		Dr	Cr
Building		75,000,000	
Fixtures at cost		11,000,000	
Provision of Building			10,000,000
Provision of fixtures			5,300,000
Debtors		16,243,000	
Creditors			11,150,000
Cash at bank		3,677,000	
Stock 31.12.21		41,979,000	
Sales			123, 650, 000
Purchases		85,416,000	
Carriage outwards		1,288,000	
Carriage Inwards		1,200,000	
Discount allowed		115,000	
Loan interest King		4,000,000	
Office expenses		2,416,000	
Discount Received			2,500,000
Salaries and wages		10,917,000	
Bad debts		503,000	
Rent		3,800,000	
Provision for bad debts			400,000
Loan from King			40,000,000
Interest on Capital-	Muhamed		1,306,000
	Ibrahim		298,000
Drawings	Muhamed	6,400,000	
	Ibrahim	5,650,000	
Capital	Muhamed		50,000,000
	Ibrahim		25,000,000
		269,604,000	269,604,000

Required. Prepare Muhamed and Ibrahim 1. Income Statement, 2. Appropriation A/C, 3. Partnership Current A/C and the Balance Sheet as at 31/12/2022. Stock on 31/12/22 23,300,000

a) Expenses to be accrued - Office expenses 770,000- and Wages 2,070,000

b) Pre-paid Rent 500,000

c) Depreciate Fixtures by 10% and Buildings by 5% on reducing balance basis,

d) Reduce provision for bad debts to 300,000

e) Partnership salary 1,800,000 to Ibrahim not yet entered

f) Interest on drawings Muhamed 155,000 Ibrahim 188,000

g) Interest on capital a/c balances at 10% per annum. (40 Marks)

Question 2:

Broadways Limited has an authorized share capital of 50,000 ordinary shares of shs. 10 each. The company's trial balance as at 31st October 2021 was as follows:

	Dr Shs	Cr Shs
Ordinary shares		300,000
Share premium account		80,000
Freehold premises	350,000	
Plant and machinery	230,000	
Motor Lorries	150,000	
Debtors and creditors	85,000	67,000
10% Debentures		100,000
Purchases and sales	285,000	428,000
General expenses	15,500	
Bad debts	4,300	
Stock 1st Nov. 2020	32,600	
Debenture Interest (half year)	5,000	
Discount received		4,200
Bank	47,800	
Salaries	45,000	
Director's salaries	20,000	
Insurance	4,000	
Provision for depreciation		
Plant and machinery		175,000
Motor lorries		80,000
Profit and Loss account (1st Nov. 2020)		40,000
	1,274,200	1,274,200

Additional information:

1. At 21st October 2021

(a) Insurance shs. 600 was prepared

(b) Stock was valued at shs. 34,300

(c) A corporation tax of shs. 15,000 is to be made

(d) The directors propose to pay a dividend of 10% to the ordinary shareholders.

2. Depreciation is to be calculated on fixed assets at 20% on the reducing balance basis.

3. The debenture interest for the second half of the year is to be accrued.

Required:

Trading and Profit and loss account for the year to 31st October, 2021 and a Balance Sheet as at that date.

(40 Marks)

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

The Capital of a company is divided into share, which are allotted to the members for cash or other assets transferred by them to the company. Shares may be further classified as Ordinary shares and preference shares. In the month of October 2021 MTN Uganda, listed on the Uganda Securities Exchange IPO Prospectus 2021, an offer of 4.5 billion ordinary shares at Ug 200 per share. At least 2.9 billion shares were allotted out of the 4.5 billion shares that were offered to public.
Required. What is involved in Ordinary Share Capital? Give the Advantages and Disadvantages of the Ordinary Shares (20 Marks)

Question 2:

A. What are the Debentures and Why do debentures defer from shares (10 Marks)
B. What are the main characteristics of Debentures. (10 Marks)

Question 3:

The shares and debentures may be issued as under:
(a) At par
(b) At a premium
(c) At a discount

Explain with Examples how the above three are issued. (20 Marks)

Question 4:

a) Give the differences between Revenue Reserves and Capital Reserves (10 Marks)
b) Give the Importance of the Working Capital. (10 Marks)

Question 5:

1. Write short notes on:
(i) Preference shares
(ii) Deferred shares

(iii) Participating preference shares
(iv) Authorized shares capital
(v) Called-up capital
(20 Marks)

Question 6:

A. Explain the different types of Capital of a Limited Company. (10 Marks)
B. What do you understand by Loan Stock. (10 Marks)

Question 7:

A. What do you think are the essentials of an effective budgetary control system? (10 Marks)
B. Discuss the nature and functions of a budget committee. (10 Marks

Question 8:

Write short notes on Application of Funds on the following
A. Fixed assets
B. Investments
C. loans and advances
D. Miscellaneous expenditure and losses.

Question 9:

A. What are the drivers for firms becoming more socially responsible: (10 Marks)
B. Discuss the five benefits of the Corporate Social Responsibility (10 Marks)

Question 10:

Give your Understanding how the following four Capital items are obtained.
A. Debt Capital
B. Equity Capital
C. Working Capital
D. Trading Capital
(20 Marks)

Question 11:

A complete set of Financial Statements includes the following five components:

1) Income statement
2) Balance sheet
3) Statement of changes in Equity
4) Cash flow statement
5) Accounting policies and Explanatory Notes

What are the purposes of these Financial Statements (20 Marks)

Question 12:

The Budgetary control system has impressive advantages, but a budget is not a cure for all organisation ills. Budgetary control system suffers from certain limitation and those using the system should be fully aware of them.

What are main limitations of the Budgetary Control System? (20 Marks)