INTERNATIONAL UNIVERSITY OF EAST AFRICA
'Learning to Succeed'

FACULTY OF BUSINESS MANAGEMENT

END OF SEMESTER EXAMINATIONS - DECEMBER 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:

Kato and Sons Limited

Kato and Sons Limited has an authorized share capital of 50,000 ordinary shares of $10 each. The company's Trial Balance as at 31st October 2024 was as follows:

Trial Balance as at 31st October 2024

	Dr $	Cr $
Ordinary shares		400,000
Share premium account		80,000
Freehold premises	350,000	
Plant and machinery	280,000	
Motor Lorries	200,000	
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. 2023	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. 2023)		40,000
	1,374,200	1,374,200

Additional Information

1. At 31st October 2024:
    - (a) Insurance $600 was prepared
    - (b) Stock was valued at $34,300
    - (c) A corporation tax of $10,000 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

Prepare Kato and Sons Ltd Comprehensive Income for the year to 31st October 2024 and the Financial Position as at that date. (40 Marks)

Question 2:

The following is a trial balance is extracted from the books of IUEA as on 31st December 2024

	Dr	Cr
10% Preference share capital		20,000
Ordinary share capital		70,000
10% Debentures (repayable 2029)		30,000
Goodwill at cost	15,500	
Buildings at cost	95,000	
Equipment at cost	8,000	
Motor vehicles at cost	17,200	
Provision for depreciation: Equipment 1.1.2024		2,400
Provision for depreciation: Motors 1.1.2024		5,160
Stock 1.1.2024	22,690	
Sales		98,200
Purchases	53,910	
Carriage inwards	1,620	
Salaries and wages	9,240	
Director's remuneration	6,300	
Motor expenses	8,120	
Rates and insurance	2,930	
General expenses	560	
Debenture interest	1,500	
Debtors	18,610	
Creditors		11,370
Bank	8,390	
General reserve		5,000
Share premium		14,000
Interim ordinary dividend paid	3,500	
Profit and loss account 31.12.2023		16,940
	273,070	**273,070**

The following adjustments are needed:

i. Stock at 31.12.2024 was $27,220
ii. Depreciate motors $3,000, equipment $1,200
iii. Accrue debenture interest $1,500
iv. Provide for preference dividend $2,000 and financial ordinary dividend of 10%
v. Transfer $2,000 to general reserve
vi. Write off goodwill $3,000
vii. Authorized share capital is $20,000 in preference shares and $100,000 in ordinary Shares
viii. Provide for corporation tax $5,000

Required;
Using IAS 1, Prepare the IUEA's Income Statement for the year ended 31.12.2024 and the Balance sheet as at 31.12.2024. **Notes to accounts are required.** (40 Marks)

SECTION B

ATTEMPT ANY THREE QUESTIONS FROM THIS SECTION

Question 1:

For a company to be formed, there must be some people who bring out the idea of forming one and setting it in operation. Such founder members are known as PROMOTERS.

To form a private company, it requires two and a public company seven promoters.

i) What are Documents required by the promoters to be submitted to the Registrar of Companies and their purposes (**10 Marks)**

ii) What are the characteristics of a Private Limited Companies **(10 Marks)**

Question 2:

a. Define ‘budgetary control’. State the advantages of budgetary control in an organisation. **(10 Marks**)

b. Discuss briefly the objectives and limitations of the budgetary control. **(5 Marks)**

c. Explain the process by which the various budgets are prepared. **(5 Marks)**

Question 3:

A. What are the Debentures and Why do debentures defer from share Capital (**10 Marks)**

B. Explain the different types of Capital of a Limited Company. **(10 Marks)**

Question 4:

Ahmed, Osman and Mohamed are in Partnership Sharing Profits and losses in the ratio of 2, 3, and 5. The net profit for the year was $ 1,500,000. The extract from the provision for Partnership agreement are as follows.

Interest on Capital was 5% while 10% interest was charged on drawings.

	Ahmed	**Osman**	**Mohamed**
Partners Salary	$ 8,000	$ 5,000	--
Current Accounts B/D	$ 6,000	$ 7,000	$ 9,000
Partners Drawings	$ 20,000	$ 30,000	$ 15,000
Capital A/Cs	$ 400,000	$600,000	$ 500,000

You are required to prepare.

1. Profit and loss Appropriation Account.
2. Partnership Current Accounts. **(20 Marks)**

Question 5:

Write short notes on the following:

A. Ordinary shares (**5** Marks)

B. Deferred shares (**5** Marks)

C. Authorized shares capital (**5** Marks)

D. Called-up capital (**5** Marks)

Question 6:

A. What are the Cumulative Preference Shares. (10 Marks)

B. The Capital of a Company is usually divided into Shares. Give the Two types of the Common Share capital, The Advantages and Disadvantages. (10 Marks)

Question 7:

The Companies Act classifies the following as. Explain with examples about the following.

A. Shareholders' funds , (**5 Marks)**
B. Reserves and Surplus, (**5 Marks)**
C. Secured loans, (**5 Marks)**
D. Unsecured loans, (**5 Marks)**

Question 8:

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 9:

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

Question 10:

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 11:

Give your Understanding how the following four Capital items are obtained. (20 Marks)

A. Debt Capital
B. Equity Capital
C. Working Capital
D. Trading Capital

Question 12:

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)**