



**AFRICA
UNIVERSITY**

(A United Methodist-Related Institution)

COLLEGE BUSINESS PEACE LEADERSHIP AND
GOVERNANCE

MAC 101: FOUNDATIONS OF ACCOUNTING

END OF FIRST SEMESTER EXAMINATIONS

APRIL-MAY 2019

LECTURER: MR I. RARAMI

TIME: 3 HOURS

INSTRUCTIONS

Answer **ALL Questions**. Total possible mark is 100

Credit will be awarded for logical, systematic and neat presentations.

The marks allocated to each question are shown at the end of the question.

Question 1 [25 marks]

6. Mr Money Money started a business in January 2018 and the following cash transactions took place in January 2018. Prepare a Cash Account from the following transactions and post to the ledger and prepare a trial balance.

2018

January 1	Started business with a capital of	10000
2	Made cash purchases of	1500
7	Paid rent for the shop	300
9	Bought Delivery Van	2600
12	Sold goods for cash	1200
14	Paid cash for delivery expenses	50
15	Motor Vehicle expenses	250
18	paid for Office Furniture and Fittings	1000
20	Withdrew money for own use	120
24	Paid wages	2500
27	Sold goods for cash	1500
28	Paid for Motor Vehicle expenses	350
30	Sold goods for cash	300
30	Bought goods for resale	250

Question 2 [25 marks]

- (a) What is a Trial balance? [2]
- (b) What is the purpose of a trial balance? [2]
- (c) i). List four errors that are revealed by a trial balance [4]
ii). List four errors that are not revealed by a trial balance [4]
- d). i). List five books of prime entry [5]
- e) Accounting concepts and conventions are important aspects in Accounting. List and explain eight accounting concepts. [8]

Question 3 [25 marks]

Prepare the Statement of Profit or Loss and other Comprehensive income for the year ended 31 March 2018 and the Statement of Financial Position as at that date, from the trial balance below of Kaddy Kaddy:

You are also provided with the following notes that you must take in account when preparing the above.

Notes:

1. Closing Inventories are valued at \$4 250
2. Telephone accrual is \$180
3. Advertising prepaid at Herald \$74

TRIAL BALANCE FOR KADDY KADDY, 31 MARCH 2018

	DEBIT	CREDIT
	\$	\$
Capital, 1 April 2017		10 000
Cash in hand	500	
Cash at bank	2 500	
Motor Vehicle	7 000	
Debtors	2 250	
Creditors		3 350
Sales		17 750
Purchases	11 775	
Wages	775	
Drawings in cash	625	
Rent and Rates	1 300	
Telephone	450	
Interest on cash at Zimbank		275
Inventory, 1 April 2017	2 250	
Insurance	610	
Fuel Expenses for business vehicle	840	
Advertising	500	
	31 375	31 375

Question 4 [15 marks]

a). The following information was extracted from the books of Marco Marco in January 2018.

	\$
1/1/18 Bought goods on credit from Mary	700
6/1/18 Bought goods on credit from Miriam	800
9/1/18 Bought goods on credit from Mather	1000

Required:

- i). Prepare the purchases journal of Marco Marco [2]
- ii). Open the personal accounts in the purchases ledger [3]
- iii). Open the purchases account in the general ledger. [2]

b). The following information was extracted again from the books of Marco Marco in January 2018.

	\$
3/1/18 Sold goods on credit to Benny	200
4/1/18 Sold goods on credit to Betty	500
8/1/18 Sold goods on credit to Better	300
9/1/18 Sold goods on credit to Best	100

Required:

- i). Prepare the sales journal of Marco Marco [2]
- ii). Open the personal accounts in the sales ledger [4]
- iii). Open the sales account in the general ledger. [2]

Question 5 [10 marks]

The following is the Statement of Profit or Loss and Other Comprehensive income of Elsa Elsa for the year ended 31 December 2018.

Statement of Profit or Loss & Other Comprehensive Income
For the year ended 31 December 2018.

Sales	150000
Less Cost of Goods Sold	
Opening Inventory	8000
Add: Purchases	<u>124000</u>
Goods available for Sale	132000
Less: Closing Inventory	<u>12000</u>
Cost of Goods Sold	<u>120000</u>
Gross Profit	30000
Less: Operating Expenses	<u>25000</u>
Net Profit	<u>5000</u>

Calculate the following accounting ratios:

- a). Gross Profit margin [2]
- b). Gross Profit mark up [2]
- c). Inventory turnover [2]
- d). Net Profit margin [2]
- e). Expenses as a percentage of sales [2]

END OF PAPER