



COLLEGE OF BUSINESS, PEACE, LEADERSHIP & GOVERNANCE

MAC 102 FOUNDATIONS OF ACCOUNTING 11

END OF FIRST SEMESTER EXAMINATIONS

APRIL/MAY 2019

LECTURER: I. RARAMI

DURATION: (3 HRS)

INSTRUCTIONS

Answer ALL questions

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

Show all your workings

Credit will be given for presentations that are neat, logical and grammatically well constructed.

Use of a non-programmable calculator is permissible.

Answer all questions in Answer Books provided

The following Financial Statements were for two companies for the year 31 December, 2018

	COMPANY A		COMPANY B	
	RTGS \$	RTGS \$		RTGS \$
Income Statement:				
Sales		650,000		850,000
Less Cost of Sales		<u>480,000</u>		<u>570,000</u>
Gross Profit		170,000		280,000
Less Total Expenses		<u>50,000</u>		<u>90,000</u>
Net Profit		<u>120,000</u>		<u>210,000</u>
Statement of Financial Position:				
Non-current Assets				
Property Plant & Equipment at Cost		350,000		470,000
Less Depreciation		<u>40,000</u>		<u>80,000</u>
		310,000		390,000
Current Asset				
Inventory	50,000		90,000	
Accounts Receivable	130,000		140,000	
Bank	<u>40,000</u>	<u>220,000</u>	<u>25,000</u>	<u>255,000</u>
Total Asset		530,000		645,000
Current Liabilities				
Accounts Payable		<u>(90,000)</u>		<u>(115,000)</u>
Net Assets		<u>440,000</u>		<u>530,000</u>
Financed By:				
Capital		320,000		320,000
Net Profit		<u>120,000</u>		<u>210,000</u>
		<u>440,000</u>		<u>530,000</u>

Note: Opening Inventory: Company A RTGS \$ 80,000, Company B RTGS \$70,000.

Required:

- (a) Calculate the following ratios for each company.
- i. Net Profit to Sales percentage
 - ii. Current Ratio
 - iii. Inventory Ratio
 - iv. Acid Test Ratio
 - v. Return on Capital Employed (ROCE) Based on Net Assets **(20 marks)**
 - vi. Brief Comment on the above ratios of the two companies **(5 marks)**

QUESTION 2

The following information was extracted from Passwell Manufacturing Company for the year ended 31 December 2018.

Sales	\$ 120000
Direct materials consumed: Inventory at 1/1/2018	7100
Purchase of raw materials	36402
Inventory at 31/12/2018	8450
Direct labour	21660
Supervisory and managerial labour	5600
Repairs and maintenance of factory plant & machinery	2640
Power	4050
Factory light and heat	870
Depreciation of plant & machinery	3100

Factory rent, rates and insurance	2700
Work-in- progress at 1/1/2018	2740
Work-in- progress at 1/12/2018	3050
Inventory of finished goods at 1/1/2018	8200
Inventory of finished goods at 31/12/2018	6200
Salaries	10100
Shop rent and rates	760
Depreciation office equipment	300
Electricity and water	2500
Advertising	4020
Carriage outwards	3100

Required:

- a). Prepare a manufacturing Account for the year ended 31 December 2018 of Passwell Manufacturing Company. **[15 marks]**
- b). Prepare a Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018. **[7 marks]**
- c). Prepare the Current Account extract in the Statement of Financial Position as at 31 December 2018. **[3 marks]**

QUESTION 3

- a). State and explain any five errors that are not revealed by a Trial Balance **[5 marks]**
- b). State four errors that are revealed by a Trial Balance. **[4 marks]**
- c). When a trial balance was extracted for Good Luck Stores at 31 December 2015, it did not agree. The net profit was \$764. Subsequent checking revealed the following errors.
 1. The amount in the sales account has been overcast by \$34

2. The Purchases on credit from Keith, have been posted to the debit side of his account \$53.
3. \$41 dollars for drawings have not been posted to the ledger from the cash book.
4. Pince's Payment to us for \$92 was erroneously posted as \$72.
5. \$600 for furniture bought was posted to the purchases account.

Required

1. Draft the necessary journal entries to clear the suspense account with narrations. **[8 marks]**
2. Prepare the suspense account. **[4 marks]**
3. Prepare a statement showing the corrected net profit for the year. **[4 marks]**

QUESTION 4

The following is a statement of Financial Position of Blake and White on 31 December 2018, on which date the partners decided to dissolve the partnership. They share profits and losses in the proportion of $\frac{3}{4}$ Blake and $\frac{1}{4}$ White.

ASSETS

	\$
Furniture and Fittings	2160
Inventory on hand	2990
Receivables	2780
Cash	<u>245</u>
	<u>8175</u>

Capital Accounts

Blake	1180
White	410
Payables	<u>6585</u>
	<u>8175</u>

The partnership is dissolved and the Fixtures and Furniture realises \$1120, Inventory \$1570, and Receivables \$2540. The expenses of realisation are \$120. To close the books of the partnership, prepare the following ledger accounts.

- a).The realisation account **[10 marks]**
- b).The Capital accounts **[6 marks]**
- c).The Payables account **[1 mark]**
- d).The cash account **[8 marks]**

END OF PAPER