



“Investing in Africa’s Future”

COLLEGE OF BUSINESS PEACE LEADERSHIP AND GOVERNANCE

NMAC 102: FOUNDATIONS OF ACCOUNTING 2

END OF SECOND SEMESTER EXAMINATIONS

NOVEMBER 2022

LECTURER: N. E CHIRIMA

TIME: 3 HOURS

INSTRUCTIONS

ANSWER **ALL** QUESTIONS on the Africa University answer booklet provided

MARKS ALLOTTED TO EACH QUESTION ARE SHOWN

CLEAR AND NEATLY PRESENTED WORK WILL BE AWARDED MARKS FOR
PRESENTATION

QUESTION 1 [35 possible marks]

MC Plc Ltd

Draft Trial Balance

Year Ended 31 January 2021

	DR	CR
	\$	\$
10% preference share capital par value \$1		200,000.00
Ordinary Share Capital par value 50c		700,000.00
5% Debentures par value \$1		250,000.00
10% 20 year loan		50,000.00
Share Premium		100,000.00
General Reserve		30,000.00
Revaluation Reserve		20,000.00
Intangible Assets	255,000.00	
Property, Plant and Equipment	1,354,200.00	
Provision for Depreciation 1/02/2020		175,600.00
Inventory 1/02/2020	84,912.00	
Purchases/ Revenue	439,100.00	1,022,000.00
Marketing Expenses	4,800.00	
Administration Expenses	324,090.00	
Distribution Expenses	8,720.00	
Receivables/ Payables	186,100.00	113,700.00
Debenture Interest Paid	6,250.00	
Bank 1	8,390.00	
Bank 2		2,050.00
Interim Ordinary Dividend Paid	35,000.00	
Retained Income		43,212.00
	2,706,562.00	2,706,562.00

MC Ltd has its financial year end on 31 January. The junior accountant, an intern from a local university, has just finished preparing the first draft of the trial balance as presented above. As the financial accountant you are required to prepare the year - end Financial Report for the year ended 31 January 2021 in accordance with the requirements of IAS 1.

In the process, you find the following issues have not been considered by the junior accountant:

1. Company policy is to value inventory based on IAS 2. The cost inventory value as at 31 January 2021 has been determined as \$76 857.
2. PPE is made up of the following:

	Cost	As At 1 February 2020	
		Provision for Depreciation	Carrying Amount
	\$	\$	\$
Land	250,000.00	-	250,000.00
Buildings	478,000.00	56,000.00	422,000.00
Plant	331,000.00	42,180.00	288,820.00
Equipment and Machinery	245,200.00	62,420.00	182,780.00
Motor vehicles	50,000.00	15,000.00	35,000.00
	1,354,200.00	175,600.00	1,178,600.00

In accordance with IAS 16 land is not depreciated. Company policy is to depreciate all PPE using SLM at the following rates: Buildings and Plant 5%, Equipment and Machinery 10%, Motor Vehicles 15%.

3. As at 31 January 2021, Buildings were revalued at \$658 000, Land \$700 000 and plant \$150 000.
4. A rights issue of 1 share for every 2 held was successfully concluded on the 30th of June 2020 at \$10 per share, the money being deposited into bank account 2.
5. A bonus issue of 1 share for every 10 held was successfully concluded on the 1st of November 2020.
6. A final ordinary dividend of 8% has been declared on all ordinary shares in issue on the 30th of September 2020.
7. A transfer of \$10 000 is to be made to the general reserve.
8. Provide for corporation tax \$16 000.

You are required to prepare Muzumbani Ltd's:

- a. Statement of Financial Position as at 31 January 2021 14 marks
- b. Statement of Comprehensive Income for the year ended 31 January 2021 15 marks
- c. Statement of Changes in Equity for the year ended 31 January 2021 6 marks

QUESTION 2 [25 possible marks]

1. The following have been extracted from the books of KuMa Manufacturers:

<i>Inventory 1 July 2021</i>	000
Raw Materials	29,900.00
Work in progress	39,000.00
Finished goods	153,000.00
<i>Inventory 30 June 2022</i>	
Raw Materials	42,000.00
Work in progress	36,000.00
Finished goods	177,000.00
Raw material purchases	156,300.00
Carriage Inwards	1,260.00
Direct wages	486,480.00
Factory Wages	70,480.00
Depreciation of machinery	222,000.00
Depreciation of equipment	42,000.00
Net Sales	1,124,101.00

For the year ended 30 June 2022, you are required to prepare

- a. The Manufacturing Statement 8 marks
 - b. An extract of the Statement of Comprehensive Income 5 marks
2. TSB firm has made a net operating profit of \$1 111 000 during the year ended 30 September 2022. The following information is available:
- i. Drawings: T \$270 000; S \$230 000; B \$170 000
 - ii. Opening capital account balances: T \$100 000; S \$50 000; B \$25 000

iii. Opening current account balances: T \$186 000; S \$94 600; B \$82 000

iv. Salaries: S \$200 000; B \$250 000

v. Interest on capital is 15%, interest on drawings is 10% and profits are to be shares T 45%; S 35%; B 20%

For the year ended 30 September 2022, you are required to prepare:

- | | |
|---|---------|
| a. TSB Firm's current account | 4 marks |
| b. TSB's extract of the Statement of Comprehensive Income | 5 marks |
| c. TSB's extract of the Statement of Financial Position | 3 marks |

QUESTION 3 [25 possible marks]

Based on the Financial Statement extracts below, you are required to prepare MC Ltd's Statement of Cash flows for the year ended 30 September 2022 using either the direct or the indirect method.

25 marks

MC's Extract of Statement of Profit or Loss
And Other Comprehensive Income for the
Year ended 30 September 2022

	000
Gross Profit	44,700.00
Other Income	1,030.00
Discount received	410.00
profit on sale of van	620.00
Gross Profit	45,730.00
Operating Expenses	22,490.00
Repairs and maintenance	1,940.00
Salaries	17,200.00
Internet and Communication	830.00
Bad Debts	520.00
Increase in allowance for receivables	200.00
Depreciation	1,800.00
Net profit before interest and tax	23,240.00
Interest	(250.00)
Net profit after interest	22,990.00

Tax	(160.00)
Net Profit after interest and tax	22,830.00

MC's Statement of Financial
Position

As as 30 September	2021	2022
ASSETS	000	000
Non Current Assets	27,100.00	44,730.00
PPE	32,400.00	47,830.00
Accumulated Depreciation	(5,300.00)	(3,100.00)
Current Assets	27,210.00	31,620.00
Inventory	18,600.00	24,000.00
Net Receivables	8,200.00	6,900.00
Bank	310.00	510.00
Cash	100.00	210.00
Total Assets	<u>54,310.00</u>	<u>76,350.00</u>

EQUITY AND
LIABILITIES

	000	000
Equity	38,410.00	61,240.00
Ordinary Share Capital	17,210.00	17,210.00
Retained Income	21,200.00	44,030.00
Non Current Liabilities	10,000.00	7,500.00
5% Loan	5,000.00	2,500.00
10% Debenture	5,000.00	5,000.00
Current Liabilities	5,900.00	7,610.00
Trade Payables	5,900.00	7,200.00
Interest Payable	-	250.00
Tax Payable	-	160.00
Capital Employed	<u>54,310.00</u>	<u>76,350.00</u>

QUESTION 4 [15 possible marks]

Discuss how financial statements for the six different types of organizations are structured so as to ensure useful information is presented to their users. 15 marks

END OF PAPER
