



"Investing in Africa's Future"

COLLEGE OF BUSINESS PEACE LEADERSHIP AND GOVERNANCE

NMAC 102: FOUNDATIONS OF ACCOUNTING 2

END OF SECOND SEMESTER EXAMINATIONS

APRIL 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 [40 possible marks]

- a. Organizations can be classified based on either their ownership or nature. Compare and contrast two types of organizations of your choice. 10 marks
- b. Users' information needs significantly influence the information disclosed in financial reports. Outline how users' need influence financial reporting with reference to:
 - i. private companies, 10 marks
 - ii. non – profit making organizations 9 marks
- c. Explain the difference between a rights issue, a bonus issue and a split issue; giving examples to clearly illustrate the difference. 11 marks

QUESTION 2 [35 possible marks]

MUZUMBANI 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

Muzumbani Ltd is a public agro – chemical company operating in Zimbabwe. Its financial year end is 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. As at that date, the inventory can be sold for \$78 649 and selling costs amounting to \$1 800 will be incurred.
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. The following information is also available:

	Accrued \$	Prepaid \$
Marketing expenses	1,200.00	-
Distribution Expenses	-	720.00
Administration Expenses	4,200.00	520.00

4. A rights issue of 1 share for every 2 held was successfully concluded on the 1st of November 2020 at an issue price of \$3 per share. Amounts received were deposited into a long term investment account.
5. A final ordinary dividend of 8% has been declared on all ordinary shares in issue on the 30th of September 2020.
6. A transfer of \$10 000 is to be made to the general reserve.
7. 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 3 [25 possible marks]

Ted Baker plc
Statement of Financial Position
 (2019-2020)

	2020 £	2019 £
<u>Assets</u>		
Non-current assets		
Intangible assets	100,000	80,000
Property, plant and equipment	242,088	106,573
	342,088	186,573
Current assets		
Inventories	131,663	205,648
Trade and Other receivables	71,936	79,183
Cash and cash equivalents	55,255	14,654
	258,854	299,485
Total Assets	600,942	486,058
Current Liabilities		
Trade and other payables	(100,386)	(109,317)
Short term loan	(216,381)	(100,355)
	(316,767)	(209,672)
Non-Current Liabilities		
Long Term Loan	(3,588)	(4,918)
Debentures (5%)	(131,956)	(43,000)
	(135,544)	(47,918)
Total liabilities	(452,311)	(257,590)
Net Assets	148,631	228,468

Equity

Share capital	2,228	2,228
Share premium	10,555	10,555
General reserves	(743)	(183)
Revaluation reserve	6,328	4,856
Retained Earnings	<u>130,263</u>	<u>211,012</u>
Total equity attributable to equity shareholders of the parent company	<u>148,631</u>	<u>228,468</u>

For each of the two years, you are required to compute:

- a. The acid test ratio 5 marks
- b. The current ratio 5 marks
- c. The debt – equity ratio 5 marks
- d. Analyze the three ratios you have computed in a, b and c over the two year period.

10 marks

END OF PAPER
