



**AFRICA
UNIVERSITY**

(A United Methodist-Related Institution)

“Investing In Africa’s Future”

FACULTY OF MANAGEMENT AND ADMINISTRATION

COURSE TITLE: MAC 102 FOUNDATIONS OF ACCOUNTING

SEMESTER 1: MAIN EXAMINATION-NOVEMBER 2014

LECTURER MR I. RARAMI

TIME: 3 HOURS

INSTRUCTIONS

Answer **all four (4)** questions

Start each question on a new page in your answer booklet.

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.

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Answer all questions in Answer Books provided

Question 1

The trial balance of Hope Hope Ltd at 31 December 2013 appears as follows:

	\$	\$
Ordinary shares of \$1 each, fully paid	100000	
Purchases/Sales	620000	440000
Retained Profit		60000
Freehold Land at Cost	160000	
Fixtures at cost	30000	
Provision for Depreciation on Fixtures	18000	
Rates	6000	
Motor Vehicles at cost	56000	
Provision for Depreciation on Vehicles	28000	
Insurance	4000	
Inventory -1 January 2013	80000	
Debtors/Creditors	60000	48000
Bank	24000	
12% Debentures (issued in 2010)	80000	
Debenture interest	4800	
Wages & Salaries	68000	
Heat and Light	8200	
Professional Fees	7800	

General Expenses	2400	
Motor Expenses	4000	
Provision for Doubtful Debts		2000
Bad Debts	<u>600</u>	<u> </u>
Total	<u>956000</u>	<u>956000</u>

Additional Information

- (i). Inventory at 31 December 2013 was \$90000
- (ii). Depreciation for 2013 has yet to be provided on the following basis, Furniture-10% straight line and Motor vehicles-20% straight line.
- (iii). Provision for Doubtful Debts is set at Debts at 3% of Debtors.
- (iv). Insurance of \$600 had been prepaid at the year end and wages of \$6000 were accrued.
- (v). The Directors propose a dividend of \$15000 for the year.
- (vi). Taxation of \$5 450 is to be provided for.

Required

- a). Prepare a Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013. **[10 marks]**
- b). Prepare a Statement of Financial Position as at 31 December 2013 **[8 marks]**
- c). Briefly distinguish between ordinary shareholders and preference shareholder. **[2 marks]**
- d). State and explain the difference among the three types of preference shares **[5 marks]**

QUESTION 2

The following information was extracted from Passwell Manufacturing Company for the year ended 31 December 2013.

Sales	\$ 120000
Direct materials consumed: Inventory at 1/1/2013	7100
Purchase of raw materials	36402
Inventory at 31/12/2013	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 1/1/2013	2740
Work-in- progress at 1/12/2013	3050
Inventory of finished goods at 1/1/2013	8200
Inventory of finished goods at 31/12/2013	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 2013 of Passwell Manufacturing Company. **[15 marks]**
- b). Prepare a Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2013. **[7 marks]**
- c). Prepare the Current Account extract in the Statement of Financial Position as at 31 December 2013 **[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 2013, 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 2010, 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