



**AFRICA  
UNIVERSITY**

*(A United Methodist-Related Institution)*

***“Investing in Africa’s Future”***

**FACULTY OF MANAGEMENT AND  
ADMINISTRATION**

**COURSE TITLE: MAC 102 Foundations of Accounting 2  
(Conventional)**

**SEMESTER 1: Final Examination November 2013**

**LECTURER: Mr S.N. Chuchu**

**TIME: 3 HOURS**

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***INSTRUCTIONS***

Answer **all five (5)** 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 logical, systematic and neat presentations.

### Question 1

(a) The following is a summary of Libra's bank account for the year ended 31 December 2012:

	\$		\$
Balance at 1 January 2012	8 200	Payments to creditors	134 720
Receipts form debtors	182 380	Rent	7 900
Balance at 31 December 2012	12 600	Insurance	2 940
		Sundry expenses	1 220
	<u>-----</u>	Drawings	<u>56 400</u>
	<u>203 130</u>		<u>203 130</u>

The assets and liabilities of the business as at 1 January 2012 are as follows:

	\$
Inventory	21 600
Trade payables	25 400
Trade receivables	42 400
Insurance prepaid	840
Rent owing	780
Fixtures	3 600

#### Required:

Prepare the statement of affairs as at 1 January 2012 to determine the capital of the business at the beginning of the 2012 financial year. **[10 marks]**

(b) Gemini and Taurus, who share profits or losses equally, decided to dissolve their partnership as at 31 December 2012. The statement of financial position of the business on that date was as follows:

	\$
<b>ASSETS</b>	
Buildings	160 000
Tools and fixtures	5 800
Trade receivables	16 800
Bank	<u>1 200</u>
Total assets	<u>183 800</u>
<b>EQUITY AND LIABILITIES</b>	
Capital	
Gemini	105 360
Taurus	70 240
Trade payables	<u>8 200</u>
Total and equity and liabilities	<u>183 800</u>

#### Additional information:

1. The assets realized the following amounts: trade receivables \$16 400, buildings \$132 000 and tools and fixtures \$3 600.

2. Discounts totaling \$600 were received from trade payables.
3. The expenses of dissolution were \$800.

**Required:**

Prepare the realization account on dissolution of the partnership business. [10 marks]

**Question 2**

A summary of the Scorpio Bowling Club's bank account is shown below:

	\$		\$
Balance at 1 January 2012	5 600	Purchase of equipment	1 200
Collections at matches	17 200	Rent for pitch	4 800
Profit on sale of refreshments	22 000	Printing and stationery	200
		Secretary's expenses	320
		Repairs to equipment	280
		Groundsmen's wages	16 000
		Sundry expenses	240
	-----	Balance at 31 December 2012	<u>21 760</u>
	<u>44 800</u>		<u>44 800</u>

**Additional information:**

1. At 1 January 2012, equipment was valued at \$6 000.
2. Depreciate equipment at 10% for 2012.
3. At 31 December 2012, rent paid in advance was \$1 200.
4. At 31 December 2012, there was \$80 owing for printing.

**Required:**

Prepare the income and expenditure account for the year ended 31 December 2012.

[20 marks]

**Question 3**

Pisces and Aries are in partnership sharing profits or losses in the ratio 3:2, respectively.

The following is the trial balance of the partnership business as at 31 December 2012:

	Dr \$	Cr \$
Buildings at revaluation	320 000	
Fixtures at cost	16 400	
Accumulated depreciation on fixtures at 1 January 2012		8 400
Trade receivables	122 800	
Trade payables		53 180
Bank	12 260	
Inventories at 1 January 2012	125 480	
Sales		726 222

Purchases	420 000	
Carriage outwards	6 820	
Discounts allowed	1 240	
Interest on loan from Alpha Bank	7 800	
Office expenses	9 520	
Salaries and wages	115 618	
Credit losses	3 264	
Allowance for credit losses at 1 January 2012		2 800
Loan from Alpha Bank		130 000
Capital: Pisces		200 000
Capital: Aries		150 000
Current account: Pisces		8 200
Current account: Aries		2 400
Drawings: Pisces	63 600	
Drawings: Aries	<u>56 400</u>	<u>-----</u>
	<u>1 281 202</u>	<u>1 281 202</u>

**Additional information:**

1. Inventories at 31 December 2012 amount to \$148 420.
2. Expenses to be accrued: office expenses \$420; wages \$1 440.
3. Depreciate fixtures by 15% on the reducing balance basis.
4. Depreciate buildings by \$10 000.
5. Partnership salary for Pisces not yet entered: \$60 000.
6. Reduce allowance for credit losses to \$2 500.
7. Interest on drawings: Pisces \$1 800; Aries \$1 200.
8. Interest on capital account balances is 5 %.

**Required:**

Prepare the statement of profit or loss and other comprehensive income for the year ended 31 December 2012. **[20 marks]**

**Question 4**

The following is the statement of financial position of the partnership of Leo, Virgo and Cancer who have always been sharing profits or losses in the ratio 4:2:1, respectively:

**Statement of financial position as at 31 December 2012**

	\$
<b>ASSETS</b>	
Buildings	160 000
Motor vehicles	33 000
Office fittings	3 600
Inventories	12 200
Trade receivables	14 800
Bank	<u>1 600</u>
Total assets	<u>225 200</u>

## EQUITY AND LIABILITIES

Capital	
Leo	120 000
Virgo	60 000
Cancer	<u>45 200</u>
Total equity and liabilities	<u>225 200</u>

### Additional information:

1. On 1 January 2013, the assets were revalued as the profits or losses sharing ratios were to be altered as from that date.
2. The assets were revalued as follows: buildings \$212 000; motor vehicles \$26 000; office fittings \$2 900; Inventories \$9 788.

### Required:

- (a) Prepare the revaluation account **[7 marks]**
- (b) Prepare the capital accounts in columnar form after revaluation **[4 marks]**
- (c) Prepare the statement of financial position as at 1 January 2013 after revaluation **[9 marks]**

## Question 5

After preparation of the statement of profit or loss and other comprehensive income for the year ended 31 December 2012, the following balances were in the financial records of Aquarius (Private) Limited:

	Dr	Cr
	\$	\$
Inventories	104 000	
Trade receivables	48 000	
Ordinary share capital		200 000
8% preference share capital		100 000
Trade payables		74 000
Bank	28 000	
General reserve		60 000
Retained earnings at 1 January 2012		54 000
Property, plant and equipment	334 000	
Profit for the year ended 31 December 2012		58 000

### Additional information:

1. The company paid ordinary dividends amounting to \$ 24 000 and preference dividends amounting to \$8 000 during the year.
2. A transfer of \$20 000 to general reserve is to be made.

### Required:

- (a) Prepare the statement of changes in equity for the year ended 31 December 2012. **[10 marks]**
- (b) Prepare the statement of financial position as at 31 December 2012. **[10 marks]**