



**FACULTY OF MANAGEMENT AND ADMINISTRATION**

**COURSE TITLE:   MAC 102, FOUNDATIONS OF ACCOUNTING 2**

**SEMESTER 1:       FINAL EXAMINATION-NOVEMBER/ DECEMBER 2013**

**PARALLEL PROGRAMME**

**LECTURER:         MS CHIRIMA**

**TIME:               3 HOURS**

**INSTRUCTIONS**

Answer ALL Questions

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

Credit will be awarded for logical, systematic and neat presentations. Show all working.

QUESTION 1 [23 MARKS]

Tari Ltd's accountant has produced the following Trial Balance as at 31 December 2012

	DR	CR
	USD	USD
Issued Ordinary Share Capital		375 000
5% Issued Preference Share Capital		120 000
Debtors/ Creditors	179 600	74 900
Stock 31 December 2011	91 300	
Bank	27 900	
Land	325 000	
Premises at cost	119 100	
Property, Plant and Equipment at cost	84 700	
Motor Vehicles	20 000	
Depreciation provisions 31 December 2011:		
Premises		41 400
Property' plant and equipment		18 200
Motor Vehicles		5 000
Purchases/ Sales	623 800	995 600
Motor Expenses	4 300	
Equipment Repairs	3 600	
10% Debentures		70 000
Sundry Expenses	2 900	
Wages and Salaries	241 500	
Directors' Remuneration	82 600	
Retained Income 31 December 2011		35 400
General Reserve		60 000
Revaluation Reserve		35 000
Auditor's Fees	24 200	
	<b>1 830 500</b>	<b>1 830 500</b>

The following was noted after year end:

- Authorized Ordinary Share Capital: \$500 000 ordinary shares of \$0. 20 each.
- Closing stock was valued at cost \$102 400
- Motor expenses owing \$280
- An ordinary dividend of 5% was proposed. The Preference Dividend was paid on the 25<sup>th</sup> of December 2012.
- \$7 500 is to be transferred to General Reserve.

- vi. Premises are to be revalued to \$51 400.
- vii. Depreciation is to be provided as follows: Premises 5% Reducing Balance Basis; P. P. E 10% Reducing Balance Basis and Motor Vehicles 20% on cost.
- viii. Tax expense for the year amounted to \$55 000.

### **REQUIRED**

- a) A Statement of Profit/ Loss and other Comprehensive Income for the year ended 31 December 2012 [10 marks]
- b) A Statement of Changes in Equity for the year ended 31 December 2012 [5 marks]
- c) A statement of Financial Position as at 31 December 2012. [8 marks]

### QUESTION 2 [24 MARKS]

Grant and Herd are in partnership. The following information relates to the year ended 31 March 2013 before any consequent adjustments have been made to the partners' respective capital accounts.

	<b>DR (\$)</b>	<b>CR (\$)</b>
Capital Accounts (1/04/2012):		
Grant		60 000
Herd		40 000
Cash	6 600	
Debtors/ Creditors	201 000	29 250
Herd: goods withdrawn	400	
Drawings:		
Grant (all at 31 December 2012)	20 000	
Herd (all at 30 September 2012)	15 000	
Accrued interest on Grant's Loan account		10 000
Non Current assets: at cost	200 000	
Accumulated depreciation		90 000
Loan Account - Grant		50 000
Net Profit for the year to 31 March 2013		179 750
Salary: Herd	12 000	
Stock	3 500	
Grant: private expenses paid (on 31 March 2013)	500	
	<b><u>459 000</u></b>	<b><u>459 000</u></b>

Additional Information:

1. The partnership agreement contains the following provisions:
  - a. Profits and losses are to be shared equally;
  - b. Current accounts are not to be kept;
  - c. The partners will be entitled to interest on their capital account balances as at 1 April of each year at a rate of 10% per year.
  - d. Herd is to be allowed a salary of \$16 000 per annum;
  - e. A specific loan made by any partner is to bear interest at a rate of 20% per annum;

- f. Upon the retirement of a partner, the partnership assets and liabilities are to be revalued at their market value as at the date of retirement of the partner.
2. Grant decided to retire on 31 March 2013. In accordance with the partnership agreement, the assets and liabilities were revalued as follows:

<b>Car (to be retained by Grant)</b>	<b>\$10 000</b>
Remaining Non Current assets taken over by the new partnership	\$50 000
Stock	\$5 000
Debtors	\$180 000
Creditors	\$35 000
Goodwill	\$40 000
Legal and other expenses connected with the partnership change	\$4 750

3. Following Grant's decision to retire, Herd invited Side to join him in the partnership as from 1 April 2013. Side agreed to pay \$75 000 into the new partnership as at that date as his capital contribution. Profits and losses are to be shared Herd 75% and Side 25%. No account for Goodwill is to be opened in the books of the partnership.
4. Grant agreed to leave half of the total amount owing to him on his retirement as a long term loan in the new partnership, the other half being paid to him in cash.
5. The legal and other expenses connected with the partnership change were due for payment on 30 April 2013.

#### **REQUIRED**

- a. Prepare Grant and Herd's profit and loss appropriation account for the year ended 31 March 2013.  
[8 marks]
- b. Prepare Grant, Herd and Side's respective capital accounts reflecting all the above transactions.  
[6 marks]
- c. Grant and Side's Statement of Financial Position as at 1 April 2013 immediately after all the above transactions had taken place.  
[10 MARKS]

*(Clearly show all your workings)*

#### **QUESTION 3 [16 MARKS]**

Briefly define the following terms:

- a) Authorized Share Capital [2 marks]
- b) Equity [2 marks]
- c) Initial Public Offer [2 marks]
- d) Rights Issue [2 marks]
- e) Reserves [4 marks]
- f) Briefly explain the various basis used to classify preference shares. [4 marks]

QUESTION 4 [19 MARKS]

Ess, Tee and Vee are in partnership sharing profits and losses 2: 2: 1, decide to dissolve their partnership on the 30th of September 2012 at which date their Statement of Financial Position was as follows:

**Ess Tee and Vee**

**Statement of Financial Position as at 30 September 2012**

**Capital Accounts**

	\$	\$
Ess	39 000	
Tee	13 000	
Vee	<u>2 000</u>	54 000

**Current Accounts**

Ess	700	
Tee	(300)	
Vee	<u>200</u>	600

**Current Liabilities**

Creditors	3 000	
Loan - Tee	<u>2 000</u>	<u>5 000</u>
		<b><u>59 600</u></b>

**Non - Current Assets (at NBV)**

Freehold Property	30 000	
Equipment	<u>15 000</u>	45 000

**Current Assets**

Stock	8 000	
Debtors	4 500	
Bank	<u>2 100</u>	<u>14 600</u>
		<b><u>59 600</u></b>

The partners disposed their assets for the following amounts: Freehold Property \$31 000, Equipment \$4 800, Stock \$2 900. Debtors paid in full. Creditors gave discounts amounting to \$100. Dissolution expenses amounted to \$800.

**REQUIRED**

- Prepare all the accounts of the partnership on dissolution.  
[10 MARKS]
- The proceeds of the realizations were received as follows: 10 October - \$600; 31 October - \$900; 11 November - \$1 800; 29 January - \$31 000; 23 February - \$8 900. Prepare the Piecemeal Distribution Schedule.  
[5 MARKS]
- What are the causes of the dissolution of partnerships?  
[4 MARKS]

QUESTION 5 [18 MARKS]

You are given the following information as at 31 December 2012 for J and Sons:

<b>Assets and LIABILITIES</b>	<b>1/ 01/ 2012</b>	<b>31/ 12/ 2012</b>
	\$	\$
<b>Creditors</b>	15 770	12 400
<b>Accrued Expenses</b>	600	330
<b>Assets (Non Current)</b>	11 610	12 040
<b>Stock</b>	8 040	11 120
<b>Cash in Hand and at Bank</b>	6 960	8 080
<b>Debtors</b>	?	17 870

The following further details of the transactions for the year 2012 are available:

<b>Cash and Discount credited to Debtors</b>	<b>\$64 000</b>	<b>Cash purchases</b>	<b>\$1 030</b>
Returns from Debtors	\$1 450	Non Current Assets purchased - cheque	\$430
Bad Debts	\$420	Personal drawings by cheque	\$3 180
Cash and Credit sales	\$71 810	Cash deposited into bank	\$5 000
Discount Received	\$700	Cash withdrawn from bank	\$9 240
Returns to creditors	\$400	Cash (31/ 12/ 2011)	\$1 200
Capital introduced - paid into bank	\$8 500	Payment to creditors by cheques	\$60 270
Cash received from debtors - paid into bank	\$62 500	Expenses paid (by cash)	\$9 570

**Required:**

- The Statement of Profit and Loss and other Comprehensive Income for the year ended 31 December 2012  
[10 MARKS]
- The Statement of Financial Position as at that date  
[8 MARKS]

END OF PAPER