AFRICA UNIVERSITY

(A United Methodist-Related Institution)

"Investing In Africa's Future"

FACULTY OF MANAGEMENT AND ADMINISTRATION

COURSE TITLE: MAC 202 INTERMEDIATE ACCOUNTING 1

SEMESTER 1: FINAL EXAMINATION-NOVEMBER 2013

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.

Answer all questions in Answer Books provided

QUESTION 1

The following Trial Balance was extracted from the books of Miracle Money (Pvt) Ltd on 31 May 2013.

	Debit	Credit
$1 Ordinary shares		1500000
General Reserves		63600
Profit and Loss Balance		67680
Inventory 1-June 2012	292665	
Purchases	1594383	
Sales		3256587
Premises at cost and provision	1440000	288000
Office Equipment at cost	186000	
Provision for depreciation-Office Equipment		102000
Delivery Van at cost	93000	
Provision for Depreciation-Delivery Van		36000
Provision for bad debts		15360
Trade Payables		257055
Trade Receivables	580998	
Discount Received		48435
General Administration Expenses	798801	
Bad Debts	21600	
Bank		53400
General Distribution Expenses	678570	
Loss on sale of delivery van	2100	
	5688117	**5688117**

Additional Information

1. The authorised capital is 2 400 000 in ordinary shares of $1 each

2. Depreciation is to be provided as follows:

Delivery vehicles 20% per annum on cost
Office Equipment 10% per annum on cost
Premises 2,5% per annum on cost

It is company policy to charge a full year's depreciation on all assets held at the year end.

3. The Office Equipment costing $18 000 was bought during the year. A delivery van bought during the year ended 31 May 2011 for $21 000 was sold for $10500 on 1 January 2013. These transactions have already been correctly dealt with in the accounts. The premises are divided between distribution and administration in the ratio 3:2

4. At 31 May 2013, Inventory was valued as follows:

a). At net realisable value	$298260
b). At cost to the company	$285600

5. Provision for bad debts is to be provided as $1 758 for a specific debt plus 2,5% on the remainder of the debtors. The item is to be treated as an administration expense. $480 is owing for general distribution expenses and the general administration expenses include a prepayment of $2 760.

6. The directors recommended a transfer to general reserve of $30 000 and ordinary share dividend of 6%.

7. Corporation tax for the year on the profit from ordinary activities is estimated at $52 200

NB: Apart from fixed assets purchase and disposal in Note 3 above, the rest of the transactions have not been taken into account.

You are required to prepare:

a) Statement of Comprehensive Income for the year ended 31 May 2013. [20]

b) Statement of Financial Position as at 31 May 2013 [10]

c) Statement of Changes in Equity [5]

NB : The statements should conform to the requirements of IFRS for SMEs and relevant International Accounting Standards.

QUESTION 2

The Statement of Financial Position of Dzidzai Dzidzai for the year ended 31 December 2011 and 31 December 2012 are given below:

		2011		2012
		$		$
Opening Capital		100000		111000
Add Net Profit		22000		25300
		122000		136300
Less Drawings		11000		13000
		111000		123300
Long term loans		21600		20000
		132600		**143300**
Fixed Assets				
Premises at cost	74500		74500	
Acc Depreciation	-	74500	-	74500
Vehicles at cost	38000		45000	
Acc Depreciation	17400	20600	15000	30000
Office Equip @ cost	21000		23000	
Acc Depreciation	6500	14500	9400	13600
		109600		118100
Current Assets				
Inventory	19800		16900	
Receivables	6700		8100	
Bank an Cash	3800		9010	
Prepayments	80		750	
	30380		34260	
Current Liabilities				
Payables	(7200)		(8900)	
Accrued Expenses	(180)	23000	(160)	25200
		132600		**143300**

Additional Notes

1. A delivery truck which had cost $16 000 and had an accumulated depreciation of $10000 was sold for $7500 during the year.

2. Some Office Equipment which had been bought for $5 500 was found to be unsuitable and was sold for $4 800. The equipment had not yet been depreciated.

3. No new capital was introduced.

Required

Prepare a cash flow Statement in accordance with IFRS for SMEs and IAS No 7. Use the Indirect Method. [20].

Question 3

a). Study More (Pvt) Ltd offered for subscription 50 000 shares of $1 each, payable 25c on application, 50c on allotment and 25c on first call. Applications were received for $60 000 shares. The deposits on 5000 shares were returned to those persons to whom no shares were allotted. Deposits on the other 5000 shares were retained and placed against what was due on allotment from those persons to whom a lesser number of shares was allotted. All the monies were duly received.

Required:

Draw up:

a). The bank account [5]
b). The share capital account [3]
c). The Application and Allotment account [4]
d). The First and Final call account [1]

b. The following is the Statement of Financial Position of Pass More (Pvt) Ltd, as at 31 December 2012.

Authorised Share Capital		
15000 ordinary shares of $1 each		15000
2000 10% redeemable preference shares of $1 each		2000
		17000
Issued Share Capital		
5000 ordinary shares of $1 each		5000
2000 10% redeemable preference shares of $1 each		2000
Share Premium		50
Profit and Loss		2800
		9850
Fixed Assets		4000
Net Current Assets (excluding bank)		3350
Bank	2500	
		9850

Notes

1. Redeemable preference shares are redeemed at a premium of 25%.

2. An equitable number of ordinary shares are issued at a premium of 5%.

Required:

i). Show the journal entries to record the issue of shares and redemption of the redeemable preference shares.[4]

ii). Show the summarised statement of financial position after redemption. [4]

c. Work More Holdings issued 10 000 debentures on 1 January 2008. They are redeemable 5 years later on 31 December 2012 on identical terms. The company, Work More Holdings therefore decides to set aside an equal amount, which at interest of 5% will provide $10 000 on 31 December 2012. Work More need to invest $1 809,75 annually.

Required:

Draw up:
a). Profit and Loss Appropriation account [2]
b). Debenture Sinking Investment account. [2]
c). Debenture Redemption Reserve account [5]

Question 4

The IFRS Framework acknowledges that a variety of measurement bases are used to different degrees and in varying combinations in financial statements, including:

i). Historical cost
ii). Current cost
iii). Net realisable value
iv). Present value.

Define each of the above measurement bases. [8]