



**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:** FINAL EXAMINATION-NOV/DEC 2016 - PARA MTRE PAPER 1  
**LECTURER:** MR R CHIHOWA  
**TIME:** 3 HOURS

***INSTRUCTIONS***

Answer ALL questions. Total possible mark is 100.

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

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

**QUESTION 1 (20 marks)**

The following is a summary of receipts and payments of Mutare Sports club for the year ended 31 December 2014

	USD		USD
Balance b/d	1 100	Insurance	500
Members' subscription	20 000	Secretary's salaries	1 200
Donations	3 500	Rent	1 500
Sale of refreshments	4 500	Payments to suppliers of Ref	1 600
Refund-Rents	500	Donation to charity	500
		Telephone	200
		Salary	150
		Balance c/d	23 950
	29 600		29 600

The following information is also available:

10% of the salary relates to sale of refreshments and 50% of telephone costs relate to the same auxiliary activity

As at 31 December	2014	2015
	USD	USD
Motor vehicles (original cost \$1 200)	1 000	1 500
Equipment (original cost \$1 600)	900	800
Accounts payables	500	400
Inventory of Refreshments	200	100
Subscriptions in arrears	120	150
Subscriptions in advance	90	80
Rent accrued	10	12

During the year motor vehicles with an original cost of USD100 were sold for USD110 the accumulated depreciation then was USD9. The club replaced the vehicles with second hand vehicles costing USD150.

### Required

Prepare the income and expenditure plus the statement of financial position for the club as at the end of the period. (show workings)

### QUESTION 2 [30 marks]

C, R and V were partners for many years. According to their partnership deed they share profits and losses in the ratio 2:2:1 respectively. The partners had serious disagreement and they agreed to dissolve their partnership on 31 December 2015. At that time their financial position was as shown below.

### CRV partnership

#### Statement of financial position as at 31 December 2015

#### Asset

##### Non-Current Assets

Premises	20 000
Fixtures and fitting	5 000
Motor vehicles	2 000
	<b>27 000</b>

##### Current Assets

Inventory	8 000
Accounts receivable	13 000
Cash	1 000
Bank	12 000
	<b>34 000</b>
<b>Total Assets</b>	<b>61 000</b>

##### Equity and Liabilities

Capitals	-C	9 000
	R-	5 000
	V-	2 000
Current Accounts-C		1 000
	R	1 000
	V	500
<b>Total Equity</b>		<b>18 500</b>
<b>Liabilities</b>		
<b>Non-Current liabilities</b>		
Loan-Kennedy		30 000
<b>Current Liabilities</b>		
Accounts payables		10 000
Accrued rent		2 500
<b>Total Liabilities</b>		<b>42 500</b>
<b>Total Equity and Liabilities</b>		<b>61 000</b>

#### ADDITIONAL INFORMATION

The partners took over the stocks as follows, C;\$1 000,R;\$3 000 and V;\$500.The rest of the stocks were sold to an upcoming business in the area for \$6 000.V agreed to take over the premises at the carrying amount. Fixtures were sold for \$7 000 while motor vehicles were disposed for \$3 000.Debtors were realized only \$12 500 and the remainder was a discount. The partnership was allowed a discount of USD200 by creditors. After serious negotiations a winding up cost of USD1 000 was agreed on.

#### **Required:**

- a) Your subordinate is wondering why the partnership had to dissolve even though it still had the customer base it had. Briefly explain to him using any 5 the causes of dissolution that you have learnt. (5 Marks)
- b) Prepare the following for the dissolution of the partnership:
  - i. Realization account (8 Marks)
  - ii. Partner's capital accounts (6 Marks)
  - iii. Accounts payables account (3 Marks)
  - iv. Kennedy's loan account. (3 Marks)



- v. Briefly explain the Garner vs Murray rule (5 Marks)

### QUESTION 3

The following is a trial balance for Try-it Ltd as at 31 December 2015

	USD	USD
Sales		700 000
Sales returns	2 000	
Purchases	747 100	
Inventory 1 January 2015	20 000	
Purchases returns		25 000
Sales staff salaries	10 000	
Administration staff salaries	9 000	
Carriages	15 000	
Interest on Debentures	3 000	
Interest on overdraft	1 000	
Goodwill at cost	90 000	
Freehold premises at cost	40 000	
Accumulated Depreciation -Premises		14 000
Delivery Van	70 000	
Accumulated Depreciation -Delivery Van		7 000
Office machinery	30 000	
Accumulated depreciation-Office machinery		10 000
Trade receivables	20 000	
Trade payables		15 000
Bank	2 000	
Cash	1 000	
90 000 Ordinary shares of \$1/sh		90 000

5% Debentures		100 000
5% Cumulative preference shares		50 000
Share premium		20 000
General reserves		15 000
Retained profit 1 Jan 2015		16 000
Interim dividends paid-Preference	1 000	
Interim Dividend paid-Ordinary	900	
<b>Total</b>	<b>1 062 000</b>	<b>1 062 000</b>

#### ADDITIONAL INFORMATION

- Inventory at cost on 31 December 2015 USD60 000 and the net realizable value was USD61 000.  
Depreciation for the year was as follows
- Freehold was depreciation on a straight line bases at the rate of 10%.25% of the freehold property relates to administration while the remained is a warehouse.
- Delivery vans are depreciated at 20 % on a reducing balance method
- Office machinery is also depreciated on a reducing balance method but at 10% pa
- A provision is to be made for taxation of USD 10 000
- Of the carriages 10% are carriage outwards. The an outstanding amount of USD50 relation to carriage inwards
- Accrued expenditure on salesmen's salaries was USD80 while there was a prepayment of USD 70 on Administration salaries.
- The company sold 10 000 shares at a premium of \$.50/share. The whole transaction completely omitted from the books.
- USD1 000 was transferred to General reserve while USD 500 was transferred to Plant replacement reserve during the year.
- Credit debts were USD 800 these were not recorded in the books. No provision for credit losses had ever been made and the company policy now to apply 5% of debtors

#### Prepare the:

- a) Profit or loss and other comprehensive income statement for the year to comply with IFRS for SMES (analyze expenditure by function) (12 Marks)
- b) Statement of changes in equity for the year to comply with IFRS for SMES (8 Marks)
- c) Statement of Financial position as at 31 December 2015(10 Marks)

- d) Briefly explain the major characteristics of a company (5 Marks)

#### QUESTION 4

Godfrey Huni had the whole of his inventory burnt in a fire that was started by hunters looking for mice across the field on the night of 30 June 2015. The stocks were burnt together with some documents containing accounting records including the sales daybook and the purchases day book. Luck enough, the purchases ledger and the sales ledger were in another room. The following facts are known:

- Inventory at the last date of the statement of financial position, 1 Jan 2015, as at \$12 600 (cost).
- Receipts from debtors during the period 1 Jan 2015 to 30 June 2015 amounted to \$34 000.
- Accounts receivable balances were: 1 Jan 2015 - \$14 000, at 31 June 2015 12 500
- Payments to creditors during the period 1 Jan 2015 - 30 June 2015 USD 17 000
- Accounts payable balances were: at 1 Jan 2015 - \$7 600 and at 30 June 2015 \$6 200
- Cash sales and cash purchases for the period 1 Jan 2015 to 30 June 2015 were \$5 500 and \$2 500 respectively
- Gross profit margin remained constant at 20 % through out

#### Prepare

- a) Accounts receivable account (3 Marks)
- b) Accounts payables account (3 Marks)
- c) Calculate the value of stock lost in the fire (2 Marks)
- d) Prepare a Statement of profit and loss extract (7 Marks)