



**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 2: FINAL EXAMINATION-APRIL/MAY 2017 - PARA MTRE PAPER 1

LECTURER: MR R CHIHOWA

TIME: 3 HOURS

INSTRUCTIONS

Answer ALL questions. Total possible mark is 100.

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 working.

QUESTION 1 (40 Marks)

The following is a trial balance for Show-Them Ltd as at 31 December 2016

Details	Dr (USD)	Cr (USD)
Purchases/Sales	515 000	650 000
Returns	15 000	17 000
Inventory 1.01.16	20 000	
Salaries-Warehouse	12 000	
Salaries-Office	25 000	
Carriage	20 000	
Interest on Debentures	8 000	
Freehold premises at cost	217 200	
Accumulated Dep- on premises		7 000
Delivery Van	70 000	
Accumulated Dep- on Van		7 000
Trade receivables/payables	20 000	25 000
Bank	50 000	
Cash	2 000	
100 000 Ord- Shares of \$1 each		100 000
7% Debentures		70 000
5% Preference Shares		50 000
Share Premium		20 000
General reserves		15 000
Retained profit 1 Jan 2016		16 000
Preference Dividends	1 000	
Ordinary Dividends	1 800	
Total	977 000	977 000

ADDITIONAL INFORMATION

- Inventory at cost on 31 December 2016 USD60 000 and the net realizable value was USD61 000.
- Freehold was depreciation on a straight line bases at the rate of 1%. 50% of the freehold property relates to administration while the remainder is a warehouse.
- Delivery vans are depreciated at 20 % on a reducing balance method
- A provision is to be made for taxation of USD 9 000
- Of the carriages 25% are carriage outwards. An outstanding amount of USD50 related to carriage inwards
- Accrued expenditure on salesmen's salaries was USD100 while there was a prepayment of USD 80 on administration salaries.
- The company sold 15 000 shares at a premium of \$.25/share. The whole transaction was completely omitted from the books.
- USD2 000 was transferred to General reserve while USD1 500 was transferred to Plant replacement reserve during the year.

- ix. No provision for credit losses had ever been made and the company policy is now to apply 5% of accounts receivables

Prepare the:

- Profit or loss and other comprehensive income statement for the year to comply with IFRS for SMES (analyze expenditure by function) (13 Marks)
- Statement of changes in equity for the year to comply with IFRS for SMES (9 Marks)
- Statement of Financial position as at 31 December 2015 (9 Marks)
- Briefly explain the term bonus issues and rights issues (5 Marks)
- Briefly explain the difference between a Private Ltd Company and a Public Company (4 marks)

QUESTION 2 [30 marks]

The following is a summary of receipts and payments of Gweru Sports club for the year ended 31 December 2015

	USD		USD
Balance b/d	2 000	Insurance	1 500
Members' subscription	33 000	Secretary's salaries	800
Donations	4 500	Rent	2 500
Sale of refreshments	5 000	Payments to suppliers	20 800
Refund-Rents	500	Donation to charity	900
		Telephone	300
		Salary	150
		Balance c/d	18 050
	45 000		45 000

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	900
Equipment (original cost \$1600)	900	800

Accounts payables	500	400
Inventory of Refreshments	300	400
Subscriptions in arrears	200	150
Subscriptions in advance	100	180
Rent accrued	15	10

During the year motor vehicles with an original cost of USD100 were sold for USD150 the accumulated depreciation then was USD10. The club replaced the vehicles with second hand vehicles costing USD100.

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 3[30 marks]

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

BRY partnership

Statement of financial position as at 31 December 2015

Asset

Non-Current Assets

Premises	30 000
Fixtures and fitting	8 000
Motor vehicles	6 000
	44 000

Current Assets

Inventory	7 000
Accounts receivable	15 000
Cash	2 000
Bank	15 000

		39 000
Total Assets		83 000
Equity and Liabilities		
Capitals	B	15 000
	R	10 000
	Y	3 000
Current Accounts-B		2 000
	R	1 000
	Y	500
Total Equity		31 500
Liabilities		
Non-Current liabilities		
* Loan-Jane		35 000
Current Liabilities		
Accounts payables		14 500
Accrued rent		2 000
Total Liabilities		51 500
Total Equity and Liabilities		83 000

ADDITIONAL INFORMATION

- i. The partners took over the stocks as follows, B;\$1 200,R;\$3 000 and Y;\$500.
- ii. The rest of the stocks were sold to chicken farmer in the area for \$5 000.
- iii. Y agreed to take over the premises at the carrying amount. Fixtures were sold for \$37 200 while motor vehicles were disposed for \$3 500.
- iv. Debtors realized only \$12 200 and the remainder was a discount.
- v. The partnership was allowed a discount of USD300 by creditors. After serious negotiations a winding up cost of USD800 was agreed on this was paid out to the local Accountant.

Required:

- a) 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. Jane's loan account. (3 Marks)
 - v. Bank account (5 Marks)
 - vi. Other that the reason given above suggest 5 other causes of partnership dissolution (5 marks)

[illegible]

END OF PAPER