



**COLLEGE OF BUSINESS, PEACE, LEADERSHIP, AND GOVERNANCE**

**NMAC 202: INTERMEDIATE ACCOUNTING**

**END OF SECOND SEMESTER EXAMINATIONS**

**APRIL 2023**

**LECTURER: T. TEMBO**

**DURATION: 3 HOURS**

### ***INSTRUCTIONS***

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**ANSWER ALL QUESTIONS**

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

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Show all your workings

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Credit will be given for presentations that are neat, logical and grammatically well constructed.

### QUESTION 1 (IAS 1)

The trial balance of Mukundi at 31 March 2022 was as follows:

Trial Balance as at 31/03/2022

	DR	CR
	\$	\$
15% preference share capital: \$2 shares		280 000
Ordinary share capital: \$1 shares		400 000
General reserve		35 000
Foreign exchange reserve		20 000
Retained earnings 31/03/2021		29 400
Sales	1 848 000	
Returns inwards	47 600	
Purchases	870 000	
Carriage inwards	18 500	
Inventories 31/03/2021: Finished goods	257 600	
Salaries & wages (administration)	182 600	
Salaries & wages (sales)	193 800	
Motor vehicle expenses	85 600	
General distribution expenses	53 800	
General administration expenses	32 000	
Debenture interest	2 800	
Rent income		17 000
Trade receivables	263 500	
Provision for bad debts	26 700	
Directors' remuneration	117 600	
Discount allowed	19 600	
Discount received		15 400
Plant & machinery at cost	336 000	
Accum. for depreciation (plant & mach)	100 000	
Motor vehicles at cost	168 000	
Accum. for depreciation (motor vehicles)	68 000	
Goodwill	250 000	
Trade payables	100 000	

Share of profit of associates	63 000	
Cash at bank	57 800	
Bills receivable	28 700	
10% unsecured debentures	45 000	
Preference dividend	42 000	
Ordinary dividend	<u>20 000.</u>	
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	<u>3 047 500</u>	<u>3 047 500</u>

### **Additional information**

- (i) Inventories as at 31 March 2022 were as follows: finished goods \$320 000.
- (ii) Provide for annual depreciation on non-current assets as follows:  
Plant and machinery : 10% on cost Motor vehicles : 15% on reducing balance
- (iii) Motor vehicle expenses and depreciation on motor vehicles should be apportioned as follows: Selling and distribution:  $\frac{3}{4}$  Administration:  $\frac{1}{4}$
- iv) Plant and machinery depreciation should be apportioned as follows: Cost of goods sold:  $\frac{6}{10}$  Selling and distribution:  $\frac{3}{10}$  Administration:  $\frac{1}{10}$
- (v) An impairment test for goodwill showed that this asset was impaired by \$50 000 in the current financial year.
- (vi) Company tax is payable at the rate of 35% of profits.

### **Required**

- (a) Draw up Money Link's Statement of Profit or Loss and other comprehensive income based on Function of Expense Method

**[10 Marks]**

- (b) Draw up Money Link's Statement of Financial Position **[10 Marks]**

- (c) Statement of changes in equity **[5 Marks]**

- (d) Notes to the financial statements **[5 Marks]**

## QUESTION 2 (CONCEPTUAL FRAMEWORK)

a. Define assets, liabilities, equity, income and expenses according to conceptual framework and related generally accepted accounting practices [15marks]

b. Differentiate between fundamental qualitative characteristics and enhancing qualitative characteristics in terms of conceptual framework [10marks]

## QUESTION THREE [IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS]

The main aim of IFRS 15 is to recognize revenue in a way that shows the transfer of goods/services promised to customers in an amount reflecting the expected consideration in return for those goods or services.

Required

- a. As a financial advisor clearly explain the five step model to a new intern [20 marks]
- b. Outline the recognition criteria of a valid contract in terms of IFRS 15 [5 marks]

## QUESTION FOUR [CASHFLOW STATEMENT IAS 7]

The Statement of Financial Position of Justin for the year ended 31 December 2021 and 31 December 2022 are given below:

	2021		2022
	\$		\$
Opening Capital	100000		111000
Add Net Profit	<u>22000</u>		<u>25300</u>
	122000		136300
Less Drawings	<u>11000</u>		<u>13000</u>
	111000		123300
Long term loans	<u>21600</u>		<u>20000</u>
	<b><u>132600</u></b>		<b><u>143300</u></b>
<b>Fixed Assets</b>			
Premises at cost	74500	74500	
Acc Depreciation	<u>. - .</u>	<u>. - .</u>	74500
Vehicles at cost	38000	45000	

Acc Depreciation	<u>17400</u>	20600	<u>15000</u>	30000
Office Equip @ cost	21000		<u>23000</u>	
Acc Depreciation	<u>6500</u>	<u>14500</u>	<u>9400</u>	<u>13600</u>
		109600		118100

### **Current Assets**

Inventory	19800		16900
Receivables	6700		8100
Bank an Cash	3800		9010
Prepayments	<u>80</u>		<u>250</u>
	30380		34260

### **Current Liabilities**

Payables	( 7200)		(8900)
Accrued Expenses	<u>(180)</u>	<u>23000</u>	<u>(160)</u>
		<u>132600</u>	<u>143300</u>

### **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:**

a). Prepare a cash flow Statement in accordance with IFRS for SMEs and IAS No 7. Use the Indirect Method. **[18 Marks]**

b). Explain the difference between the direct and indirect method. **[2 Marks]**

**END OF EXAMINATION**