



"Investing in Africa's Future"

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

NMAC101: FOUNDATIONS OF ACCOUNTING

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER/ DECEMBER 2024

LECTURER: N. E CHIRIMA

TIME: 3 HOURS

INSTRUCTIONS

ANSWER ***ALL*** QUESTIONS on the Africa University answer booklet provided

MARKS ALLOTTED TO EACH QUESTION ARE SHOWN

CLEAR AND NEATLY PRESENTED WORK WILL BE AWARDED MARKS FOR PRESENTATION

QUESTION ONE (25 possible marks)

a. Distinguish between the following disciplines:

- i. Financial reporting and management accounting 3 marks
- ii. Financial reporting and financial auditing 3 marks
- iii. Financial reporting and financial management 3 marks
- iv. Information systems auditing and financial auditing 3 marks

b. Outline the accounting process, indicating how each stage is important in ensuring useful information is reported. 13 marks

QUESTION TWO (25 possible marks)

a. An analysis of ABC Ltd's stock-cards reveals the following information about inventory movement to and from the warehouse:

IN			OUT		
From September	27 units	\$7	2 October	17 units	\$10
16 October	42 units	\$14	9 October	6 units	\$10
18 October	37 units	\$15	15 October	2 units	\$18
25 October	21 units	\$17	19 October	22 units	\$20
			20 October	31 units	\$20

You are required to compute the inventory cost value as at 30 October 2025 using:

- i. First In First Out method 6 marks
- ii. Average Cost method 6 marks
- iii. Prepare an extract of the Trading Statement using each of the two methods FIFO and AVCO 8 marks
- iv. Comment on the effect of the use of each method on the gross profit amount 1 mark
- v. Advise on the type of businesses suitable for the use of each of the two methods. Justify your answer. 4 marks

QUESTION THREE (25 possible marks)

- a. Explain the purpose of a General Purpose Financial Report? 2 marks
- b. With reference to the relevant components of a General Purpose Financial Report, outline the importance of reporting financial performance. 13 marks
- c. With reference to the relevant components of a General Purpose Financial Report, outline the importance of reporting financial position. 10 marks

QUESTION FOUR (25 possible marks)

Chi Ltd's financial year end balances are summarized in the Trial Balance below:

ABC Ltd

Trial Balance for the Year Ended 30 September 2024

	DR	CR
Sales		\$ 727,740.00
Sales Returns	\$ 120.00	
Purchases	\$ 263,870.00	
Purchase Returns		\$ 50.00
Opening Inventory	\$ 14,000.00	
Carriage Inwards	\$ 1,390.00	
Carriage Outwards	\$ 130.00	
Marketing Expenses	\$ 12,000.00	
Distribution Expenses	\$ 17,000.00	
Administration Expenses	\$ 6,500.00	
Salaries and Wages	\$ 24,200.00	
Communication	\$ 1,000.00	
Property, Plant and Equipment	\$ 900,000.00	
Land	\$ 1,240,000.00	
Vehicles	\$ 150,000.00	
Receivables (Debtors)	\$ 23,000.00	
Payables (Creditors)		\$ 19,000.00
Bank Account 1	\$ 770.00	
Bank Account 2		\$ 3,100.00
Short term investments	\$ 10,000.00	
Cash	\$ 560.00	
Short term loan		\$ 6,700.00
Long term loan		\$ 113,000.00
Interest payable		\$ 740.00
Tax payable		\$ 260.00

Capital	\$	963,950.00
Retained Income	\$	830,000.00

\$	2,664,540.00	\$	2,664,540.00
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Additional Information:

1. Closing inventory is to be valued at the lower of net realizable value and cost as per the requirements of International Accounting Standard (IAS) 2. The cost of the inventory has been computed at \$13 476. It has been determined that it can be sold at \$13 756 but selling costs of \$300 will have to be incurred.
2. The company's policy is to charge depreciation at 5% per Annum for all property, plant and equipment; and 20% per annum for all vehicles. No depreciation is charged in the year of disposal and full depreciation is charged in the year of acquisition.
3. On the 31st of August 2024 an agreement to dispose of one of the company's vehicles was concluded. The disposal transaction was not captured in the trial balance above. The vehicle had initially been bought for \$20 000 and had accumulated depreciation of \$15 600. The vehicle was sold for cash of \$7 000.
4. The following expenses were appearing on the bank statement for the month of September but were not in the cash book: bank charges \$300; bank interest \$70
5. Salaries amounting to \$1 700 for the month of September had not yet been paid.

For the year ended 30 September 2024, you are required to prepare Chi Ltd's:

- a. Statement of Profit or Loss and other Comprehensive Income 14 marks
- b. Statement of Financial Position 11 marks

END OF EXAMINATION