



"Investing in Africa's Future"

COLLEGE OF BUSINESS AND MANAGEMENT SCIENCES

ACC1101: FOUNDATIONS OF ACCOUNTING 1

END OF FIRST SEMESTER EXAMINATIONS

NOVEMBER 2025

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. Discuss the five key stages in the accounting process highlighting how each stage contributes towards meeting the objective of financial reporting as given by the International Accounting Standards Board (IASB) Accounting Conceptual Framework. 15 marks
- b. Contrast the three financial statements reporting an entity's financial performance for the year. 10 marks

QUESTION TWO (25 possible marks)

- a. List the five components of a General Purpose Financial Report. 5 marks
- b. The presentation and classification of items in the financial statements should be consistent from one reporting period to the next. International Accounting Standard (IAS) 1 identifies two situations where consistency need not to be applied.
- i. List the two situations described above. 2 marks
- ii. Discuss the implications for the presented comparative information. 3 marks
- c. Below is an extract of Cristie Ltd's final trial balance for the year ended 30 September 2025:

	USD
Revenue	1 600 000
Cost of Sales	500 000
Other expenses (all tax deductible)	450 000
Gain on disposal of vehicle (taxable profit USD55 000)	55 000
Gain on disposal of land (not taxable)	75 000
Loss due to damaged inventory (tax deductible)	19 000
Impairment of Goodwill (not tax deductible)	15 000
Payment received from a supplier from a breach of contract (not taxable)	42 000
Allowances for credit losses (taxable)	61 000
Investment (at cost) in redundant machinery written off (not tax deductible)	15 000
Loss on long term construction contract (tax deductible)	8500
Income tax expense (refer to note 1 below)	56 000

Additional information:

1. The income tax expense has been computed as follows:

	USD
Revenue	1 600 000
Cost of Sales	(500 000)
Other expenses	(450 000)
	<u>650 000</u>
Tax at 25%	162 500

2. Assume all amounts are material for the purposes of disclosure

3. Assume a tax rate of 25%

4. The following items are included in other expenses:

	USD
Depreciation - Machinery	42 000
Depreciation - Vehicles	35 000
Depreciation - Equipment	24 000

You are required to

- i. Prepare Cristie Ltd's Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2025 10 marks

In accordance with the requirements of IAS 1. Comparative amounts and notes are not required.

- ii. Che Ltd was incorporated on 1 January 2024. Profit for the year ended 31 December 2024 amounted to USD2 350 000. There were one million shares in issue throughout the year and the issued non-cumulative share capital has remained unchanged during the year. All shares were listed on 1 January 2024. The following transactions for the year ended 31 December 2024 relate to dividends:

1. Paid an interim dividend of USD25 000 on 30 June 2024
2. Paid an interim preference dividend of USD30 000 on 30 June 2024

3. The directors proposed a final ordinary dividend of USD50 000 and a final preference dividend of USD30 000 on 31 December 2024.

You are required to disclose dividends paid (and dividends per share) for Che Ltd for the year ended 31 December 2024 in accordance with the requirements of IAS 1. 5 marks

QUESTION THREE (25 possible marks)

Tate Ltd entered the following inventory transactions during November 2025:

November	
1	Inventory on hand 45 units: ✓ 25 units at USD1, 50 each ✓ 20 units at USD2, 00 each
7	Purchased 180 units at USD2, 50 each
9	Purchased 120 units at USD2, 80 each
13	Sold 105 units
15	Purchased 50 units at USD3, 50 each
19	Sold 160 units
23	Purchased 45 units at USD3, 90 each
25	Sold 50 units

You are required to:

- a. Compute the Cost of Sales to be included in Tate Ltd's Statement of Profit or Loss and Other Comprehensive Income for the month ended 30 November 2025 using
- i. FIFO (first in first out) 9 marks
 - ii. Weighted Average Cost method 9 marks
- b. Compute Tate Ltd's value of the inventory on hand at at 30 November 2025 using
- i. FIFO (first in first out) 1 mark
 - ii. Weighted Average Cost method 1 mark

- c. Disclose the above information in Tate Ltd's Statement of Profit or Loss and Other Comprehensive Income for the month ended 30 November 2025 in accordance with the requirements of IAS 2. 5 marks

QUESTION FOUR (25 possible marks)

- a. Using examples, illustrate the difference between the direct and the indirect method of computing Operating Activities to be included in the Statement of Cash Flows in accordance with IAS 7 requirements. 10 marks
- b. Discuss the qualitative characteristics of useful information in accordance with the Accounting Conceptual Framework. 15 marks

END OF PAPER