



*"Investing in Africa's Future"*

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

**MAC 102 – FOUNDATIONS OF ACCOUNTING 2 (Full Time)**

**END OF SECOND SEMESTER EXAMINATIONS**

**APRIL/ MAY 2018**

**Ms. N E CHIRIMA**

**DURATION: 3 (Three) HRS**

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***INSTRUCTIONS***

Answer **ALL** questions

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Answers are to be presented clearly and neatly.

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Answer each question on a new page.

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### QUESTION ONE [25 marks]

- Briefly explain the accounting conceptual framework, stating the purpose of a regulatory framework in financial reporting as well as its current status. **10 marks**
- Differentiate between the term “recognition” and “disclosure”. **2 marks**
- Define each of the elements of financial statements and state the recognition criteria for each element **5 marks**
- The accounting conceptual framework identifies four measurement bases. Identify and explain each measurement base. **8 marks**

### QUESTION TWO [25 marks]

#### MUFARO LTD

#### STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended

	31 March 2018	31 March 2017
	\$000	\$000
Revenue	12 296	10 260
Profit on Sale of Investment	602	-
	12 898	10 260
Cost of Goods Sold	7 376	6 182
Depreciation	556	440
Distribution, Selling and Marketing Expenses	3 307	2 761
Directors' Emoluments	400	357
Finance Charge	72	-
Profit on ordinary activities before tax	1 187	520
Taxation	350	200
Profit after tax	837	320
Dividends Paid	180	180
Retained Profit for the year	657	140



**MUFARO LTD****STATEMENT OF FINANCIAL POSITION**

<i>As at</i>	<i>31 March 2018</i>	<i>31 March 2017</i>
	<i>\$000</i>	<i>\$000</i>
<b>Non – Current Assets</b>	<b><u>2 987</u></b>	<b><u>2 156</u></b>
Property Plant and Equipment at Net Book Value	2 647	1 756
Goodwill at cost	340	-
Quoted Investments at cost	-	400
<b>Current Assets</b>	<b><u>4 770</u></b>	<b><u>3 678</u></b>
Inventories	2 490	1 951
Trade Receivables	2 280	1 701
Cash and Cash Equivalents	-	26
<b>TOTAL ASSETS</b>	<b><u>7 757</u></b>	<b><u>5 834</u></b>
<b>Equity and Liabilities</b>	<b><u>5 478</u></b>	<b><u>4 641</u></b>
Called Up Share Capital (\$1 shares)	3 072	3 072
Retained Earnings	2 406	1 569
<b>Current Liabilities</b>	<b><u>2 279</u></b>	<b><u>1 193</u></b>
Overdraft	564	-
Trade Payables	1 545	983
Corporation Tax	170	210
<b>TOTAL CAPITAL EMPLOYED</b>	<b><u>7 757</u></b>	<b><u>5 834</u></b>

**Required:**

Prepare a report for the board of directors of Mufaro Ltd on the company's financial progress during the year to 31 March 2018 and on its financial position at that date based on the information provided above. You should support your analysis with relevant accounting ratios covering: profit margins; return on investment; asset utilization; and short-term liquidity. Clearly show your workings.

25 marks



QUESTION THREE [25 marks]

**Kumap Plc Ltd**  
**Trial Balance**  
**As At 30 September 2017**

	<i>DR\$000</i>	<i>CR\$000</i>
Revenue		740
Production Costs	414	
Inventory at 1 October, 2016	69, 5	
Distribution Costs	54	
Administrative Expenses	73	
Loan interest expense	6	
Land at Valuation	525	
Buildings at Cost	400	
Building – accumulated depreciation		100, 5
Plant and Equipment at cost	640	
Plant and Equipment – accumulated depreciation		124
Trade accounts receivable	206	
Trade accounts payable		112
Bank		4
Issued Ordinary Share Capital (par value 50c) at 30 September 2017		700
Share Premium at 30 September 2017		200
Revaluation Surplus		150
Retained Earnings		157
12% Loan repayable 2024		100
	<u>2387, 5</u>	<u>2387, 5</u>

The following issues are relevant in the preparation of the financial statements for the year ended 30 September 2017:

1. Inventory at 30 September 2017 amounted to \$78 000 at cost before adjusting for the following:
  - i. Items which had a cost of \$4 000 and which normally sell for \$6 000 were found to be faulty. \$1 000 needs to be spent on these items in order to sell them for \$4 500.
  - ii. Goods sent to a customer on a sale or return basis have been omitted from inventory and included as sales in September 2017. The cost of these items was \$800 and they were included in revenue at \$1 200. The goods were returned by the customer in October 2017.
2. Depreciation is to be provided on cost as follows:
 

Buildings	5% per year
Plant and Equipment	25% per year

80% of the depreciation is to be charged to cost of sales and 10% to each of distribution costs and administrative expenses.

3. Land is to be revalued to \$500 000.



4. Accrued expenses and prepayments were:

	Accrued Expenses	Prepayments
	\$000	\$000
Distribution Costs	9, 5	6
Administrative Expenses	3, 5	3

5. During the year 400 000 ordinary shares were issued at 75c each.
6. The directors of Kumap Plc Ltd declared an interim dividend of 2c per share in September 2017.
7. Loan interest is paid annually, in arrears, on 30 September each year.

Required:

For external use, you are to prepare (in accordance with IFRS for SMEs):

- |  |                |
|--|----------------|
| a. A Statement of Comprehensive Income | <i>8 marks</i> |
| b. A Statement of Financial Position   | <i>7 marks</i> |
| c. A statement of changes in Equity    | <i>5 marks</i> |

Notes to the Financial Statements are not required.

#### QUESTION FOUR [25 marks]

##### TRIAL BALANCE OF NOEL LTD

AS AT

	31 December 2017		31 December 2016	
	DR	CR	DR	CR
	(\$000)	(\$000)	(\$000)	(\$000)
Sales Revenue		31 000		-
Other Income (refer to breakdown below)		433		-
Reserves		350		300
Share Capital		20 250		20 000
Long Term Loans		4 890		5 000
Short Term Loans		98		-
Trade Payables		2 679		2 500
Retained Earnings		11 860		-



Cost Of Sales	20 744	-	
Other Expenses(refer to breakdown below)	9 000	-	
Tax Paid	492	-	
Dividends Paid	384	-	
Trade Receivables	4 687	4 000	
Allowance for doubtful debts		450	200
Inventory	1 891	1 500	
PPE (Net carrying amount)	33 185	33 300	
Investment assets	1 527	1 000	
Bank	100	60	

**Other expenses include the following**

Depreciation	556
Bad debts written off	450
Increase in allowance for doubtful debts	250
Interest paid	500

**Other income include the following**

Bad debts recovered	48
Interest received	120
Dividends received	225
Profit on sale of land (proceeds amounted to \$170 000)	40

*Repayments on long term loans amounted to \$310 000 during 2017.*

**Required:**

- Using the indirect method, prepare an extract of the Statement of Cash Flows for Noel Ltd for the year ended 31 December 2017 only showing Cash Flows from Operating Activities as per the requirements of IAS 7. 15 marks
- Outline the limitations inherent in Financial Reports. 5 marks

**END OF PAPER**