

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF ACCOUNTING

SUPPLEMENTARY EXAMINATIONS: OCTOBER 2009

FINANCIAL ACCOUNTING 1A CAC 1101

TIME ALLOWED : 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. Answer **ALL FOUR** questions.
2. Start each question on a new page.
3. Show all workings.

QUESTION	TOPIC	MARKS
1	STATEMENT OF CASH FLOWS	20
2	NON-TRADING ORGANISATIONS	30
3	COMPANY FINANCIAL STATEMENTS	30
4	ANALYSIS OF FINANCIAL STATEMENTS	20

QUESTION 1 (Total 20 Marks)

The following information has been extracted from the records of TK Ltd :

Statement of Comprehensive Income for the year ended 30 September 2009

	\$	\$
Sales		6 500
Less Cost of goods sold		<u>(3 000)</u>
		3 500
Less Expenses		
Wages	2 000	
Other costs	600	
Depreciation	500	
Interest	<u>100</u>	
		<u>(3 200)</u>
Profit for the year		300
Proposed dividend		<u>(40)</u>
Retained profit		<u><u>260</u></u>

Statement of Financial Position as at 30 September 2009

	2009		2008	
	\$	\$	\$	\$
Fixed assets at cost		4 500		3 800
Less Accumulated depreciation		<u>2 300</u>		<u>1 800</u>
Net book value		2 200		2 000
Current assets				
Stock	400		500	
Trade debtors	150		200	
Cash	<u>200</u>		<u>100</u>	
		750		800
Less Current liabilities				
Trade creditors	275		250	
Accrued wages	25		50	
Proposed dividends	<u>40</u>		<u>50</u>	
		<u>(340)</u>		<u>(350)</u>
		<u><u>2 610</u></u>		<u><u>2 450</u></u>
Financed by:				
Debentures		900		1 000
Ordinary share capital		1 000		1 000
Retained profits		<u>710</u>		<u>450</u>
		<u><u>2 610</u></u>		<u><u>2 450</u></u>

Cash Account for 2009

	\$		\$
Opening balance	100	Wages	2 025
Cash from customers	6 550	Other expenses	600
		Cash paid to suppliers	2 875
		Interest paid	100
		Cash purchase of fixed assets	700
		Cash paid to debenture holders	100
		Dividends paid	50
		Closing balance	<u>200</u>
	<u>6 650</u>		<u>6 650</u>

Required:

- a) Prepare for TK Limited, a Statement of Cash Flows for the year ended 30 September 2009. The statement should comply with the requirements of IAS 7. *[14 marks]*
- b) Explain what information is provided by the Statement of Cash Flows which is not provided by the statement of comprehensive income and the statement of financial position. *[6 marks]*

QUESTION 2 (Total 30 Marks)

The following is a summary of the receipts and payments of the Nortonville Rotary Club during the year ended 31 July 2007.

Nortonville Rotary Club

Receipts and Payment Accounts for the year ended 31 July 2007

	\$		\$
Cash and Bank balances b/d	210	Secretarial expenses	163
Sales of competition tickets	437	Rent	1 402
Members' subscriptions	1 987	Visiting speakers' expenses	1 275
Donations	177	Donations to charity	35
Refund of rent	500	Prizes for competitions	270
Balance c/f	<u>13</u>	Stationery for printing	<u>179</u>
	<u>3 324</u>		<u>3 324</u>

The following valuations are also available:

<i>As at 31 July</i>	2006	2007
	\$	\$
Equipment (original cost \$1 420)	975	780
Subscriptions in arrears	65	85
Subscriptions in advance	10	37
Owing to suppliers of competition prizes	58	68
Stock of competition prizes	38	46

Required:

- a) Calculate the value of the Accumulated Fund of the Nortonville Rotary Club as at 1 August 2006. **[4 marks]**
- b) Re-construct the following accounts for the year ended 31 July 2007.
 - (i) the Subscriptions Account **[4 marks]**
 - (ii) the Competition Prize Account **[3 marks]**
- c) Prepare an Income and Expenditure Account for the Nortonville Rotary Club for the year ended 31 July 2007 and a Statement of Financial Position as at that date. **[19 marks]**

QUESTION 3 (Total 30 Marks)

XYZ Ltd has the following trial balance at 31 March 2008:

	Dr	CR
	\$	\$
Freehold land at cost	60 000	
Buildings at cost	50 000	
Plant and equipment at cost	120 000	
Motor vehicles at cost	32 000	
Provisions for depreciation:		
Buildings		20 000
Plant and equipment		74 000
Motor vehicles		16 800
Stock at 1 April 2007	74 000	
Debtors and creditors	122 500	
Cash at bank	3 500	
Sales (all on credit)		349 760
Purchases (all on credit)	134 630	
Returns	12 900	4 875
Discounts	3 200	1 850
Administration expenses	22 150	
Selling and distribution expenses	6 900	
Ordinary shares if \$1 each, fully paid		100 000
Profit and loss account		69 695
General reserve		<u>5 000</u>
	<u>641 780</u>	<u>641 780</u>

NOTES:

1. The closing stock of finished goods at 31 March 2008 was valued at \$124 875;
2. A review of the year-end ledger accounts shows that the following accruals and prepayments must be provided for:

	<i>Accruals</i>	<i>Prepayments</i>
	\$	\$
Administration expenses	4 500	12 000
Selling and distribution expenses	5 300	8 000

3. Depreciation is to be provided in full on all assets held at the end of the year using the following rates:
 - Buildings 4% per annum on cost
 - Plant and equipment 20% per annum on cost
 - Motor vehicles 25% per annum reducing balance
4. Transfer \$5 000 to General reserve
5. The directors propose a dividend of 5 cents per ordinary share.

Required:

Prepare the following for XYZ Ltd in accordance with the requirements of IAS 1:

- a) a Statement of Comprehensive Income for the year ended 31 March 2008, *[9 marks]*
- b) a Statement of Changes in Equity for the same period, and, *[5 marks]*
- c) a Statement of Financial Position as at 31 March 2008. *[12 marks]*
- d) Notes to the Financial Statements for the year ended 31 March 2008. *[4 marks]*

QUESTION 4 (Total 20 Marks)

Describe the type of information each of the following parties would require from a set of financial statements of Tashias Ltd, a company in the retail industry.

- a) Buscod Retailers Co. Ltd, *[5 marks]*
- b) Barclays Bank Ltd *[5 marks]*
- c) Arenel Ltd (sweets and biscuits manufacturers), *[5 marks]*
- d) Sakhelene Zinini, a Part One student at NUST. *[5 marks]*