



National University of Science and Technology

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

FIRST SEMESTER SUPPLEMENTARY EXAMINATION PAPER: 2013/2014

DATE: JULY 2014

SUBJECT: FINANCAL ACCOUNTING 1A (CAC 1101)

TIME ALLOWED: THREE (3) HOURS

MARKS: 100

INSTRUCTIONS TO CANDIDATES

1. Answer **all** questions
2. Use the examination book provided
3. Use black or blue pen
4. Begin each question on a new page and
5. Submit all answer books

QUESTION ONE (25 MARKS)

The following is the Receipts and Payments Account of NUST Club for the year ended 31st March, 2012:

Receipts	\$.	Payments	\$.
Opening balance (1.4.2011)	89 100	Sports materials	304 500
		Salaries	315000
		Equipment purchased on 1.10.2011	60 000
Subscriptions:		Bank on 31.3.2012	150000
For the year 2010-11	18 000	Rent	148500
For the year 2011-12	963 000	Ground maintenance	22 120
For the year 2012-13	4500	Insurance	38 400
Interest on bank		Stationery	3 450
Fixed deposits@10%	45 000	Sundry expenses	5 880
		Closing balance as on 31.3.2012	<u>71750</u>
	<u>1 119600</u>		<u>1 119600</u>

The following additional information is provided to you:

- i. The club has 220 members. The annual subscription is \$4500 per member.
- ii. Depreciation to be provided on furniture at 10% on cost p.a. and on sports equipment at 15% on cost p.a.
- iii. On 31st March, 2012, stock of sports material in hand (after members use during the year) is valued at \$78000 and stock of stationery at \$3 150.
- iv. Rent for 1 month is outstanding.
- v. Unexpired insurance amounts to \$9 600.
- vi. On 31st March, 2011 the club had the following assets:
 - Furniture \$270000
 - Sports equipment \$180000
 - Bank \$450000
 - Stock of stationery \$1500
 - Stock of sports material \$73500
 - Unexpired insurance \$8400
 - Subscription in arrear \$22 500

Note: There was no liability on 31.3.2011.

Required

- a. Statement of Activities for the year ended 31 March 2012 (12)
- b. Statement of Financial Position as at 31st March, 2012. (13)

QUESTION TWO**[25 MARKS]**

Mr A, Mr B & Mr C are partners who share profits and losses in the ratio of 3:2:1. They have agreed to convert the partnership into a limited company called ABC Pvt Ltd

Statement of Financial Position for ABC Partnership	\$
ASSETS	
Freehold premises	30,000
Plant & machinery	30,000
Inventory	40,000
Receivables	30,000
Bank	20,000
TOTAL ASSETS	150,000
CAPITAL AND LIABILITIES	\$
Capital – Mr A	80,000
Capital – Mr B	20,000

Capital – Mr C	20,000
	120,000
Trade Payables	30,000
TOTAL CAPITAL AND LIABILITIES	150,000

Additional information:

- i. Total purchase consideration is agreed at \$180,000, payable as follows:

\$90,000 in ordinary shares of \$1 each fully paid,

\$30,000 in 6% preference shares of \$1 each fully paid,

\$10,000 in 5% debentures and

(\$50 000) the balance in cash

REQUIRED:

- a. Show the ledger accounts closing the partnership's book (15)
b. Show the opening journal entries in ABC Pvt Ltd/ Purchaser's book (10)

QUESTION THREE

[25 MAKS]

The following are summaries of the cash book and bank accounts of P Sibanda who does not keep her books using the double entry system.

i. Bank Summary	\$	\$
Balance on 1 January 2012		6 000

Receipts

Receivables	35 000
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Cash banked	<u>2 200</u>	<u>37 200</u>
		43 200

Payments

Trade creditors	31 000	
Rent	1 100	
Machinery	3 400	
Wages	9 200	
Insurance	850	
Receivables (dishonored cheque)	80	
Loan interest	<u>500</u>	(46130)
Balance on 31 December 2012		(2 930)

ii. Cash Summary

\$

\$

Balance on 1 January 2012		60
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Receipts

Cash sales	9700	
Receivables	1 100	<u>10 800</u>
		10 860

Payments

Drawings	6 600	
Repairs	1 400	
Electricity	570	
Cash banked	2 200	<u>(10 770)</u>
Balance on 31 December 2012		90

iii. The following referred to 2012

\$

Bad debts written off	240
Discount received	600
Goods withdrawn by P Sibanda for own use	1 200
Credit note issued	640

iv. The following additional information is available.

	1 January 2012	31 December 2012
	\$	\$
Inventory	2 300	5 400
Machinery	9 800	10 400
Rent prepaid		100
Rent owing	150	
Receivables	8 100	9 200
Payables	5 700	4 800
Loan from bank at 10%	7 000	7 000
Loan interest owing		200

Required

- a. Statement of Comprehensive income for the year ended 31 December 2012. **(12)**
- b. Statement of Financial Position as at that date. **(13)**

QUESTION FOUR

[25 MARKS]

Allan is a Bachelor of Science degree in Pharmacy student operating a small medical supplies shop. He just attended a Financial reporting convention and needs some explanations on some of the issues that were discussed at the convention;

- Difference between gain, revenue and income **(5)**
- International Accounting Standards (IAS's) and International Financial Reporting Standards **(5)**
- Stakeholders of Financial Statements **(5)**
- Elements of Financial Statements **(5)**
- Conceptual Framework **(5)**

Required

Draft a memorandum to be sent to Allan in order to address his issues.

END OF EXAMINATION PAPER!!