



NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY
FACULTY OF SCIENCE AND TECHNOLOGY EDUCATION
DEPARTMENT OF SCIENCE, MATHEMATICS AND TECHNOLOGY EDUCATION
FINANCIAL ACCOUNTING 1
PST1165

Main Examination Paper

First Semester November 2024

This examination paper consists of 7 pages

Time Allowed: 3 hours

Total Marks: 100

Special Requirements: None

Examiner's Name: Bernard Moyo

External Examiner: Dr B Dlamini

INSTRUCTIONS

1. Answer all questions

Question One [25 Marks]

- (a) Explain the purpose of the Conceptual framework for reporting. [4]
- (b) Explain the criteria that must be met for assets and liabilities to be recognised in the entity's Financial Statements. [3]
- (c) Define the Five elements of the Financial Statements in terms of the 2018 Framework. [10]
- (d) explain the four enhancing qualitative characteristics of financial information identified in the IASB Conceptual Framework for Financial Reporting (2018). [8]

Question two [25 Marks]

A, B & C Statement of Financial Position immediately before dissolution of the partnership at 31 December 2010 was as follows.

<u>ASSETS</u>	\$	\$
Non-current assets		
Property plant and equipment		36000
Goodwill		<u>16000</u>
		52000
Current assets		
Inventory	128000	
Trade receivables	<u>152000</u>	<u>280000</u>
TOTAL ASSETS		<u>332000</u>
<u>EQUITY AND LIABILITIES</u>		
EQUITY		
Capital: A		40000
B		120000
C		80000
Current account		<u>32000</u>
		272000
CURRENT LIABILITIES		
Trade Payables	48000	

Bank	<u>12000</u>	<u>60000</u>
TOTAL EQUITY AND LIABILITIES		<u>332000</u>

You are provided with the following additional information;

1. A, B & C are partners sharing profits and losses in the ratio of 5:3:2 respectively.
2. The partners maintain a combined current account which should be distributed to the partners according to their profit sharing ratios
3. The partners decide to dissolve the partnership on 1 January 2011. The assets are sold and the proceeds divided among the partners at the end of each month in such a way that it will not be necessary for any partner to repay amounts which he has already received.
4. Details of assets carrying amount and cash proceeds received;

Realization of assets

DATE PROCEEDS	ASSETS	CARRYING AMOUNTS	
		\$	\$
15 January 2011	Inventory	80000	48000
31 January 2011	Sundry receivables	124000	120000
28 February 2011	Remaining assets	????	64000

5. The partnership was bound by a contract to pay a rental of \$3200 for the building each month up to the end of 31 May 2011. The lessor (owner of the building) agreed to accept three months notice with effect from 31 December 2010 on condition that new tenants could be found. The partners were informed on 2 February 2011 that new tenants would move into the premises on 1 April 2011. The partners complied strictly with the conditions of the amended lease.
6. All creditors were paid within 30 days of the date of statement after a 2% discount had been granted throughout.

7. All the partners are solvent and they are all able to pay any deficit that may occur in their capital accounts as the final settlement.

REQUIRED

Prepare a columnar statement showing the calculations for the distribution of cash among the partners according to the **Loss absorption capacity method**. (25)

Note: Show all workings clearly

Question three [25 Marks]

Makadzi Ltd, wholesale fruit and vegetable merchant does not keep a full set of accounting records. However, the following information has been provided from the business records.

Summary of the bank account for the year ended 31 August 2014

	\$		\$
1 Sept 2013 Balance b/d	1 970	Payment to suppliers	72 000
Cash from trade receivables	96 000	Purchase of Motor van (Vtz)	13 000
Sale of private yacht	20 000	Rent and local taxes	2 600
Sale of motor van (Demio)	2 100	Wages	15 100
		Motor Vehicle expenses	3 350
		Postages and Stationary	1 360
		Drawings	9 200
		Repairs and renewals	650
		Insurances	800
		Bal c/d 31 August 2014	<u>2 010</u>
	<u>120 070</u>		<u>120 070</u>
1 September 2014 Bal b/d			2 010

Assets and Liabilities other than balance at bank

1 Sept 2013	31 Aug 2014
\$	\$

Trade accounts payable	4 700	2 590
Trade accounts receivable	7 320	9 500
Rent and Local Taxes accrued	200	260
Motor vans :Demio At cost	10 000	
Accumulated depreciation	8 000	
: Vitz At cost		13 000
Accumulated depreciation		to be determined
Inventory	4 900	5 900
Insurance prepaid	160	200

b) All receipts are banked and all payments are made from the business bank account.

c) A trade debt of \$300 owing by J Ltd and included in trade accounts receivable at 31 August 2014, is to be written off as an irrecoverable debt.

d) It is Makadzi's policy to provide for depreciation at the rate of 20% on the cost of motor vans held at the end of each financial year; no depreciation is provided in the year of sale or disposal of a motor van.

e) Discounts received during the year ended during the year ended 31 August 2014 from trade accounts payable amounted to \$ 1 100

Required:

- a) Prepare Makadzi 's Statement of Comprehensive for the year ended 31 August 2014 (13 marks)
- b) Prepare Makadzi Statement of Financial Positions for the year ended 31 August 2014 (12 Marks)

Question four [25 Marks]

The IASB's *Conceptual Framework for Financial Reporting* identifies the attributes that make financial information useful to the various users of financial statements.

a) List the 5 users of financial statements (5 marks)

b) On 1 October 2012 Tinashe Mugabe acquired a machine under the following terms.

	<i>Hours</i>	<i>\$</i>
Manufacturer's base price		1,050,000
Trade discount (applying to base price only)		20%
Early settlement discount taken (on the payable amount of the base cost only)		5%
Freight charges		30,000
Electrical installation cost		28,000
Staff training in use of machine		40,000
Pre-production testing		22,000
Purchase of a three-year maintenance contract		60,000
Estimated residual value		20,000
Estimated life in machine hours	6,000	
Hours used – year ended 30 September 2013	1,200	
– year ended 30 September 2014	1,800	
– year ended 30 September 2015 (see below)	850	

On 1 October 2014 Tinashe Mugabe decided to upgrade the machine by adding new components at a cost of \$200,000. This upgrade led to a reduction in the production time per unit of the goods being manufactured using the machine. The upgrade also increased the estimated remaining life of the machine at 1 October 2014 to 4,500 machine hours and its estimated residual value was revised to \$40,000.

Required

a) Calculate the cost of the machine at 1 October 2012. (**10 Marks**)

b) Prepare extracts from the Statement of Profit or Loss and Other Comprehensive Income (SOCl) and Statement of Financial Position for the above machine for each of the three years to 30 September 2015. (**10 marks**)