NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

FACULTY OF INDUSTRIAL TECHNOLOGY

DEPARTMENT OF TECHNICAL TEACHER EDUCATION

GENERAL EXAMINATION

CAC 1208 – BUSINESS ACCOUNTING 1B

BEd PART 1: September 2010 **DURATION: 3 HOURS**

Instructions To Candidates:

1. Answer Any **ALL** questions.
2. All questions carry equal marks.
3. Start the answer to each question on a fresh page of the answer sheet.
4. Show all your workings
5. Questions may be written in any order, but must be legibly numbered.

Question 1 (25 marks)

The following is the receipts and payments account of the Friendship club for the year ended 31 December 2009:

	$		
Balance at bank			
31 December 2008	102	bar purchases	4 434
Entrance fees	42	wages	416
Subscriptions: 2008	25	rent	186
2009	305	heating and lighting	128
2010	35	postage and stationery	33
Bar sales	5 227	insurance	18
Sale of investments	750	payments on account of	
		new furniture	450
		balance at bank, 31 Dec 2009	775
	6 486		6486

The following information is also supplied:

1)	31 December 2008	31 December 2009
Bar stock, at cost	272	315
Creditors for bar purchases	306	358
Rent due	18	36
Heating and lighting expenses due	16	19
Subscription due	25	40
Insurance paid in advance	5	7

2) On 31 December 2008, the club held investments which cost $500. During the year ended 31 December 2009, these were sold for $750.

3) Furniture was valued at $300 on 31 December 2008. On 30 June 2009, the club purchased additional furniture at a cost of $520. Depreciation of all furniture is to be provided for at the rate of 10 % per annum.

You are required to prepare:

a) An income and expenditure account for the year ended 31 December 2009
b) A statement of financial position at that date

Question 2 (25 marks)

The statements of financial position of Merlin Ltd as at 31 October 2008 and 31 October 2007 are as follows:

	2008		2007	
	$000	$000	$000	$000
Non current assets:				
Property, at cost	4 000		3 000	
Plant and equipment,at cost	7 390		4 182	
Less accumulated depreciation	(1 450)		(1 452)	
	9 940		5 730	
Current assets:				
Inventory	5 901		4 520	
Trade receivables	2 639		2 233	
Bank	-	8 540	1 007	7 760
		18 480		13 490
Equity and liabilities:				
Ordinary shares	5 000		3 500	
Share premium	2 500		1 000	
Retained earnings	2 110	9 610	3 090	7 590
Non-current liabilities				
10%loan stock		4 750		3 750
Current liabilities:				
Trade payables	1 237		1 700	
Taxation	550		450	
Bank overdraft	2 333	4 120	-	2 150
		18 480		13 490

the statement of Comprehensive Income of Merlin Ltd for the year ended 31 October 2008 is as follows:

	$000	$000
Credit sales		9 500
Cash sales		1 047
Cost of sales		(8 080)
Gross profit		2 467
Distribution costs	(501)	
Administration expenses	(369)	(870)
Operating profit		1 597
Interest on loan stock		(425)
Loss on disposal of non current assets		(102)
Profit before tax		1 070
Tax		(550)
Profit after tax		520

Notes

1. The statement of changes in equity disclosed a divdend paid of $ 1 500 000during the year to 31 October 2008.
2. Non current assets schedule revealed the following details:

Property additions cost $1 000 000.

Plant and equipment	cost	depreciation	NBV
	$000	**$000**	**$000**
Balance at 31 October 2007	4 182	(1 452)	2 730
Additions	6 278	-	6 278
Annual charge	-	(540)	(540)
	10 460	(1 992)	9 468
Disposal	(3 070)	542	(2 528)
Balance at 31 October 2008	7 390	(1 450)	5 940

Required:

a) Prepare a statement of cash flows of Merlin Ltd for the year ended 31 October 2008 using the direct method in accordance with the IAS 7 format. (**20 marks**)
b) Prepare cash generated from operations using the indirect method. (**5 marks**)

Question 3 (25 marks)

Kellie, Rocky and Mike are in partnership, trading as Fighting fists, and share profits and losses in the ratio of 2:2:1 respectively. Kellie decided to retire from the partnership. His last day as a partner in the partnership will be 31 May 20.6, which is also the financial year end of Fighting Fists. The new partnership will pay out Kellie's capital in cash on 30 November 20.6. Rocky and Mike decided to admit Gerrie as from 1 June 20.6. the new partnership will trade as Fighting Fit. The profit sharing ratio between Rocky, Mike and Gerrie will be 3:2:1 respectively. The balance sheet of Fighting Fists as at 31 May 20.6, immediately prior to the recording of valuation adjustments in preparation for the change in the ownership structure of the partnership is as follows:

FIGHTING FISTS
BALANCE SHEET AS AT 31 MAY 20.6

	$
ASSETS	
Non current assets	
Property, plant and equipment (land and buildings)	80 000
Current assets	
Inventories	48 000
Trade and other receivables (trade debtors)	36 000
Cash and cash equivalents	18 000
Total assets	182 000
EQUITY AND LIABILITIES	
Total equity	168 000
Capital $ (56 000 + 74 000 + 38 000)	
Current liabilities	
Trade and other payables (trade creditors)	14 000
Total equity and liabilities	182 000

Additional information

1. The following agreement was reached for the purposes of the change of ownership:
   Goodwill must be calculated at three times the average revenue for the past two years.
   Bad debts must be provided for at 10% of the carrying amount of the debtors.
   Inventories must be valued at $60 000
   Land and buildings must be valued at market value, namely $140 000.

2. The revenue for the past two years was $65 000 and $73 000.
3. Gerrie will contribute $80 000 in cash to the new partnership.
4. The change in the ownership structure of the partnership is viewed from a legal perspective.

REQUIRED

Prepare the valuation account and the capital accounts of Kellie, Rocky and Mike, properly closed off, in the general ledger of Fighting Fists at 31 May 20.6

Question 4 (25 marks)

The trail balance as at 30 April 2007 of Timber products Limited was balanced by the inclusion of the following debit balance: difference on trial balance suspense account is $2 513.

Subsequent investigations revealed the following errors:

i) Discounts received of $324 in January 2007 have been posted to the debit of the discounts allowed account
ii) Wages of $2 963 paid in February 2007 have not been posted from the cash book.
iii) A remittance of $940 received from K Moyo in November 2006 has been posted to the credit of B Moyo .
iv) In December 19X6, the company took advantage of an opportunity to purchase a large quantity of stationery at a bargain price of $2 000. No adjustments have been made in the accounts for the fact that three quarters in value, of this stationery was in stock on 30 April 2007.
v) A payment of $341 to J Ndlovu in January 2007 has been posted in the personal account as $143.
vi) A remittance of $3 000 received from D North, a credit customer, in April 2007 has been credited to sales.

The draft accounts for the year ended 30 April 2007 of Timber Products Limited show a net profit of $24 760.

Timber Products Limited has very few personal accounts and therefore does not maintain either a purchases ledger control account or a sales ledger control account.

REQUIRED:
a) Prepare the difference on trial balance suspense account showing where appropriate the entries necessary to correct the accounting errors.
b) Prepare a computation of the corrected net profit for the year ended 30 April 2007 following corrections for the above accounting errors.
c) Outline the principal uses of trial balances.

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SUPPLEMENTARY EXAMINATION

CAC 1109 – BUSINESS ACCOUNTING

BEd PART 1: October 2010 **DURATION: 3 HOURS**

Instructions to Candidates:

1. Answer Any **ALL** questions.
2. All questions carry equal marks.
3. Start the answer to each question on a fresh page of the answer sheet.
4. Show all your workings
5. Questions may be written in any order , but must be legibly numbered.

Question 1 (25 marks)

The following trial balance has been extracted from the ledger of Mr. Yourself, a sole trader.

TRIAL BALANCE AS AT 31 MAY 20X6

	Dr	Cr
	$	$
Sales		138 078
Purchases	82 350	
Carriage	5 144	
Drawings	7 800	
Rent, rates and insurance	6 622	
Postage and stationery	3 001	
Advertising	1 330	
Salaries and wages	26 420	
Bad debts	877	
Provision for doubtful debts		130
Debtors	12 120	
Creditors		6 471
Cash on hand	177	
Cash at bank	1 002	
Stock as at 1 June 20X5	11 927	
Equipment		
At cost	58 000	
Accumulated depreciation		19 000
Capital		53 091

216 770 216 770

The following additional information as at 31 May 20X6 is available.

a) Rent is accrued by $210
b) Rates have been prepaid by $880
c) $2 211 of carriage represents carriage in wards on purchases
d) Equipment is to be depreciated at 15% per annum using the straight line method
e) The provision for bad debts to be increased by $40
f) Stock at the close of business has been valued at $13 551

REQUIRED

Prepare a Statement of comprehensive income for the year ended 31 May 20X6 and a statement of financial position as at that date. (25 marks)

Question 2(25 marks)

The following information was obtained from the financial records of Tshiyaso Manufactures Co for the year ended 30 June 20.2

Inventory	1 July 20.0	30 June 20.1
	$	$
Finished products	1 600	1 800
Work in progress	600	950
Raw materials (direct)	3 000	3 500

	$
Provision for unrealized profit in inventory: finished products (1 July 20.0)	400
Raw materials purchased (direct)	25 000
Direct wages	12 000
Factory rental	3 000
Freight on raw materials purchased	300
Depreciation on factory equipment	150
Delivery expenses on sales	250
Depreciation on delivery vehicles	50
Electricity (factory 75% and administration 25%)	1 200
Sales	70 000

Additional information

1. Finished products are transferred to the sales department at cost plus 33 ½%.
2. During the financial year 300 units were completed.

3. The actual normal income tax in respect of the financial year amounted to $8 700 and must still be recorded.

Required

a) Prepare the manufacturing cost statement of Tshiyaso Manufacturers Co for the year ended 30 June 20.1
b) Prepare the income statement of Tshiyaso Manufactures Co for the year ended 30 June 20.1.
c) Calculate the cost price per unit manufactured during the financial year.

Question 3 (25 marks)

A year ago, you prepared accounts for A Zodwa, a retailer. His closing position was then:

The statement of financial position at 31 March 2008

	$	$
Delivery van (cost $4 800 in may 2006)		2 880
Stock		6 410
Debtors ($1 196 less provision $72)		1 124
Owing from Askard Limited		196
		10 610
Bank balance	70	
Trade creditors	2 094	
Accountant's fee	120	
Provision for legal claim	600	
		2 884
Zodwa's capital		7 726

Mr Zodwa does not keep full records (despite your advice) and once again you have to use what information is available to prepare his accounts to 31 March 2009.

The most reliable evidence is a summary of the bank statements for the year. It shows:

		$	$
Balance at 1 April 2008 (overdraft)			(70)
Cash and cheques from customers			33 100
Cheques from Askard Limited			7 840
			40 870
Less:	cheques drawn for:		
	Wilson's personal expenses	7 400	
	Van – tax, insurance, repairs	440	
	Rent, rates and general expenses	2 940	
	Cash register	400	
	Accountant's fees	120	
	Trade creditors	28 284	
	Legal claim settled	460	

	40 044
Balance at 31 march 2009	826

Additional information

1. For some of the sales, Askard credit cards are accepted. Askard Limited charges 2% commission. At the end of the year, the amount outstanding from Askard Limited was $294.

2. Some other sales are on credit terms. Zodwa keeps copies of the sales invoices in a box until they are settled. Those still in the 'unpaid' box at 31 March 2009 totaled $1 652, which included one of $136 outstanding for four months – otherwise they were all less than two months old.
3. Zodwa thinks he allowed cash discounts of about $150 during the year.
4. The debt of $72 outstanding at the beginning of the year, for which a provision was made, was never paid.
5. The amount of cash and cheques received from credit customers and from cash sales was all paid into the bank except that some cash payments were made first. These were estimated as:

	$
Part – time assistance	840
Petrol for van	800
Miscellaneous expenses	200
Zodwa's drawings	2 000

6 Invoices from suppliers of goods outstanding at the year-end totaled $2 420.
7 Closing stock was estimated at $7 090 (cost price)
8 Your fee has been agreed at $200
9 It has been agreed with the inspector of taxes that $440 of the van expenses should be treated as Zodwa's private expenses.

Required
Prepare the statement of comprehensive income for Zodwa's business for the year to 31 March 2009 and a statement of financial position at that date.

QUESTION 4 (25 marks)

Penn and Penzil were in partnership for 38 years, trading as Manual Accounting services and sharing profits and losses of the partnership equally. Owing to a steady decline in their clientele and profits, they decided to liquidate the partnership at a public auction on 30 June 2005. On this date, prior to the auction, the following trial balance was prepared by them for Manual Accounting Services:

	Debit	Credit
	$	$
Land and buildings at valuation	500 000	
Furniture at cost	102 000	
Vehicles at cost	215 000	
Accumulated depreciation: furniture		20 000
Accumulated depreciation: vehicles		15 000
Goodwill	120 000	
Inventory	45 000	
Trade debtors	75 000	
Provision for bad debts		7 000
Capital: Penn		150 000
Capital: Penzil		80 000
Current account: Penn	30 000	
Current account: Penzil		10 000
General reserve		60 000
Reserve on valuation of land and buildings		210 000
Mortgage on land and buildings		300 000
Bank overdraft		90 000
Trade creditors		145 000
	1 087 000	1 087 000

Additional information

On June 2005 the following transactions took place:

1. The land and buildings were sold for $849 500 at the auction.
2. The furniture was sold for $60 200, cash.
3. The inventory was sold for $50 050, cash.
4. All the trade debtors (as recorded in the above trial balance) settled their accounts, and received a discount of 20 % on their accounts.
5. A previous client, whose outstanding debtors account of $650 was written off as bad, paid $500 to the partnership.
6. There were two vehicles in the partnership. Penn took over one of these vehicles at a fair value of $60 000, and Penzil the other at a fair value of $70 000.
7. The liquidation costs amounted to $10 000 and were paid.

8. The mortgage loan was paid in full.
9. All the trade creditors were paid. A discount of $29 000 was received on these settlements.
10. Penzil paid $250 for a farewell luncheon out of the funds of the partnership.

REQUIRED

Prepare the realization account, the bank account, and the partners capital accounts in the general ledger of Manual Accounting Services in order to record its liquidation at 30 June 2005. (it was anticipated that discounts would be allowed and earned in respect of trade debtors and trade creditors)
NB: show all calculations.