



REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

**Bachelor of Commerce Honours Degree in Logistic and Supply Chain
Management**

Financial and Management Accounting for Business

HLSM 120

Part 1 Semester 2 Main Examination

Total Marks [100]

Date: December 2021

Time: 3 Hours

INSTRUCTIONS

1. This paper has *six (6)* questions
2. Answer question *one (1)* and *any* other *three (3)*
3. Each question carries *25 marks*
4. Start each question on a new page

1. The following information has been extracted from the accounts of Chigumba Ltd:

Statement of Comprehensive income for the year to 30 April

	2019	2020
	\$000	\$000
Turnover (all credit sales)	7,650	11,500
Less Cost of sales	(5,800)	(9,430)
Gross profit	1,850	2,070
Other expenses	(150)	(170)
Loan interest	(50)	(350)
Profit before taxation	1,650	1,550
Taxation	(600)	(550)
Profit after taxation	1,050	1,000
Dividends (all ordinary shares)	(300)	(300)
Retained profits	750	700

Statement of Financial Position as at 30 April

	2019	2020
	\$000	\$000
<i>Fixed assets</i>		
Tangible assets	10,050	11,350
<i>Current assets</i>		
Stocks	1,500	2,450
Trade debtors	1,200	3,800
Cash	900	50
	3,600	6,300
Creditors: Amounts falling due within one year	(2,400)	(2,700)
Net current assets	1,200	3,600
Total assets less current liabilities	11,250	14,950
<i>Creditors:</i>		
Amounts falling due after more than one year		
Loans and other borrowings	(350)	(3,350)
	10,900	11,600
<i>Capital and reserves</i>		
Called-up share capital	5,900	5,900
Profit and loss account	5,000	5,700
	10,900	11,600

Additional information:

During the year to 30 April 2020, the company tried to stimulate sales by reducing the selling price of its products and by offering more generous credit terms to its customers.

Required:

- (a) Calculate eight accounting ratios specifying the basis of your calculations for each of the two years to 30 April 2019 and 2020 respectively which will enable you to examine the company's progress during 2020. (20)
- (b) Explain any five classes of ratios (5)

2. (a) The following information relates to Chabika Manufacturing for the year ended 31 December 2020

	\$
Stock at 1 January 2020	
Raw materials	7566
Work in Progress	11884
Finished goods	12716
Direct factory wages	39212
Indirect factory wages	26076
Licence fees to patent holder	15440
Heating and lighting	4506
General Factory expenses	12710
Plant insurance	5274
Rates on factory premises	3244
Purchase of Raw materials	135556
Raw materials returned to supplier	1652
Plant at cost	65280
Depreciation provision: Plant	26112
Stocks at 31 December 2020	
Raw materials	6354
Finished goods	10034
Market value of goods completed	350162

NOTES

- (a) Licence fees are to be treated as direct expenses
- (b) Expenses owing at 31 December 2020 were : Direct wages \$580, Indirect wages \$666, General expenses \$223
- (c) Expenses prepaid at 31 December 2020 were: Insurance \$422, Rates \$274, heating and lighting \$156
- (d) Plant is to be depreciated at the rate of 5% on cost for that year.

Required

Prepare manufacturing and statement of comprehensive income for the year ending 31 December 2020 (25)

3. Explain the following with clear examples where necessary:

- i) Absorption or total costing (5)
- ii) Job or batch costing (5)
- iii) Process costing (5)
- iv) Marginal costing (5)
- v) Prime costs (5)

4. The following information was extracted from the books of Jaymay Football Club 31 December 2020

Payments and payments account

December 31	Subscriptions	\$ 12 600	2020 Jan 1	Balance	b/d	\$ 3 000
	Donations	800	Dec 31	Stationery		600
	Sales of refreshments	18 000		New Equipment		8 000
	Sales of calendars	1 400		Motor fuel		400
	Rent received	1 200		Cost of refreshments		4 000
				Calendar production		500
				Salaries		1 500
				Balance	c/d	16 000
		34 000				34 000

The following information was also available:

	\$	\$
Stock of refreshments	2 400	1 600
Subscriptions paid in advance	300	200
Subscriptions in arrears	1 800	1 000
Stock of unused stationery		100
Rent due	240	
Equipment at valuation	2 000	7 800
Salaries owing		120
Owings to suppliers for refreshments	60	

Required

- (a) The refreshment Trading account for the year ended 31 December 2020 (4)
- (b) Income and expenditure account for the year ended 31 December 2020 (8)
- (c) Statement of financial position as at 31 December 2020 (13)
- 5. Explain **three** elements found in the comprehensive income statement and two elements found in the statement of financial position as contained in the accounting framework. (25)
- 6. The following information has been extracted from the books of Murehwa Limited for the year to 31 December 2020:

Statement of comprehensive income for year to 31 December extract

	2019	2020
	\$000	\$000
Profit before taxation	9,500	20,400
Taxation	(3,200)	(5,200)
Profit after taxation	6,300	15,200
Dividends:		
Preference (paid)	(100)	(100)
Ordinary: interim (paid)	(1,000)	(2,000)
final (proposed)	<u>(3,000)</u>	<u>(6,000)</u>
Retained profit for the year	<u>2,200</u>	<u>7,100</u>

Statement of Financial position as at 31 December

	2019	2020
	\$000	\$000
<i>Fixed assets</i>		
Plant, machinery and equipment, at cost	17,600	23,900
Less Accumulated depreciation	9,500	10,750
	8,100	13,150
<i>Current assets</i>		
Stocks	5,000	15,000
Trade debtors	8,600	26,700
Prepayments	300	400
Cash at bank and in hand	600	—
	14,500	42,100
<i>Current liabilities</i>		
Bank overdraft	—	(16,200)
Trade creditors	(6,000)	(10,000)
Accruals	(800)	(1,000)
Taxation	(3,200)	(5,200)
Dividends	(3,000)	(6,000)
	(13,000)	(38,400)
	9,600	16,850
<i>Share capital</i>		
Ordinary shares of \$1 each	5,000	5,000
10% preference shares of \$1 each	1,000	1,000
Profit and loss account	3,000	10,100
	9,000	16,100
<i>Loans</i>		
15% debenture stock	600	750
	9,600	16,850

Additional information:

1 During the year to 31 December 2020, fixed assets originally costing \$5,500,000 were sold for \$1,000,000. The accumulated depreciation on these assets as at 31 December 2019 was \$3,800,000.

Required:

Prepare a cash flow statement for the year to 31 December 2020 using the indirect method.

(25)

End of Paper