REFORMED CHURCH UNIVERSITY

FACULTY OF COMMERCE

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

FINANCIAL ACCOUNTING II B

HACC 217

PART 2 SEMESTER 2 EXAMINATION

TOTAL MARKS [100]

DATE: OCTOBER 2024

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

Question 1

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)	(3,000)	(6,000)
Retained profit for the year	**2,200**	**7,100**

Statement of Financial position as at 31 December

	2019	*2020*
	$000	*$000*
Fixed assets		
Plant, machinery and equipment, at cost	17,600	23,900
Less Accumulated depreciation	9,500	10,750
	8,100	**13,150**
Current assets		
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**
Current liabilities		
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**
Share capital		
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**
Loans		
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 ended 31 December 2020 using the indirect method. (25)

Question 2

Frank entered into a joint venture with Graham for the purchase and sale of robot mowers. They agreed that profits and losses should be shared equally.

The following transactions took place:

(a) Frank purchased mowers for $120,400 and paid carriage $320.

(b) Graham purchased mowers for $14,860 and paid carriage $84.

(c) Graham paid to Frank $70,000.

(d) Frank sold mowers for $104,590 and sent a cheque for $50,000 to Graham.

(e) Graham sold for $19,200 all the mowers he had purchased.

(f) The unsold mowers in the possession of Frank were taken over by him at a valuation of

$40,000.

(g) The amount due from one venturer to the other was paid and the joint venture was dissolved.

You are required to prepare:

(i) a statement to show the net profit or loss of the joint venture. (12)

(ii) the accounts for the joint venture in the books of Frank and Graham. (13)

Question 3

A company leased a mineral mine at a minimum rent of $1500 per annum, merging into a royalty of $0.025 per tonne of minerals. The short-workings are recoverable during the first 5 years of the lease only. The output for the first 6 years of the lease were as follows

Year	Minerals (tonnes)
1	36 000
2	52 000

3	58 000
4	72 000
5	76 000
6	96 000

Required:

Draw up the ledger accounts showing,

i)	Royalties payable account	(10 marks)
ii)	Landlord's account	(10 marks)
iii)	Short-working account	(5 marks)

Question 4

Squid Ltd, whose head office is in Aberdeen, operates a branch in Dundee. All goods are purchased by head office and invoiced to and sold by the branch at cost plus 50 per cent. Other than a sales ledger kept in Dundee, all transactions are recorded in the books in Aberdeen.

The following particulars are given of the transactions at the branch during the year ended

30 June 20X6.

	$
Stock on hand, 1 July 20X5, at invoice price	26,400
Debtors on 1 July 20X5	23,676
Stock on hand, 30 June 20X6, at invoice price	23,688
Goods sent from Aberdeen during the year at invoice price	148,800
Credit sales	126,000
Cash sales	14,400
Returns to head office at invoice price	6,000
Invoice value of goods stolen	3,600
Bad debts written off	888
Cash from debtors	134,400
Normal loss at invoice price due to wastage	600
Cash discount allowed to debtors	2,568

You are required to: Write up the branch stock account and branch total debtors account for the year ended 30 June 2006, as they would appear in the head office books, showing clearly any abnormal wastage. (25)

Question 5

Parents United Ltd acquires 95 per cent of the shares of Son and Friends Ltd. The following balance sheets are then drafted. You are to draw up the consolidated statement of financial position (balance sheet).

Parents United Balance Sheet

	$
Investment in Son and Friends Ltd: 12,160 Ordinary £1 shares	13,200
Fixed assets	39,000
Stock	15,600
Debtors	10,200
Bank	2,000
	80,000
Share capital – Ordinary £1 shares	80,000
	80,000

Son and Friends Balance Sheet

	$
Fixed assets	9,600
Stock	4,300
Debtors	1,700
Bank	400
	16,000
Share capital – Ordinary £1 shares	16,000
	16,000

Total Marks (25)

Question 6

Draw up a cash budget for F. Jack showing the balance at the end of each month, from the following information for the six months ended 31 December 2004:

(a) Opening cash (including bank) balance on 1 July 2004 $3,600

(b) Production in unit

2004										2005
March	April	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan
720	810	900	960	1,050	1,110	1,140	1,020	930	780	750

(c) Raw materials used in production cost $15 per unit. Of this, 90 per cent is paid in the month of production and 10 per cent in the month after production.

(d) Direct labour costs of $24 per unit are payable in the month of production.

(e) Variable expenses are $6 per unit, payable 40 per cent in the same month as production and 60 per cent in the month following production.

(f) Sales at $60 per unit:

2004									
Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov
780	600	960	870	1,200	900	1,050	1,200	1,170	1,200

Debtors to pay their accounts three months after that in which sales are made.

(g) Fixed expenses of $1,200 per month payable each month.

(h) Machinery costing $6,000 to be paid for in September 2004.

(i) Will receive a legacy of $7,500 in November 2004.

(j) Drawings will be $900 per month.

Total Marks (25)

END OF PAPER