

# WOMEN'S UNIVERSITY IN AFRICA



*Addressing gender disparity and fostering equity in University Education*

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**FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES**

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**BSc HONOURS DEGREE IN MANAGEMENT AND ENTREPRENEURIAL  
DEVELOPMENT STUDIES SPECIALISING IN BANKING AND FINANCE**

**BACHELOR OF ACCOUNTING SCIENCE HONOURS DEGREE**

## **MAIN PAPER**

**BMF211: FINANCIAL ACCOUNTING**

**BAS121: INTERMEDIATE FINANCIAL ACCOUNTING**

**INTAKE 26: SECOND YEAR FIRST SEMESTER**

**INTAKE 12: FIRST YEAR SECOND SEMESTER**

**TIME: 2 HOURS**

## **INSTRUCTIONS TO CANDIDATES**

Answer any **three** questions.

### Question 1

The trial balance for Ms. Frances Kennedy, an IT contractor in Dublin, for the year ended 31 December 2018 does not balance. Ms. Kennedy had identified the following issues but is unsure how to account for them and has approached you for help and guidance in rectifying the issues:

1. Discount received of \$210 has been debited to the discount allowed account.
2. A rent expense of \$1,000 paid during the year was recorded by debiting the rates account.
3. A \$2,000 payment in relation to insurance expenses has been debited to insurance and debited to trade payables in error. The balancing entry was posted to suspense.
4. The total of the purchases day book has been carried forward as \$12,348, whereas the correct amount was \$12,843. The correct amount has been posted to trade payables.
5. Ms. Kennedy personally paid \$10,000 towards the purchase of a motor vehicle for her business. The following entry was made in her financial statements: Debit Bank \$10,000 Credit Motor Vehicle \$10,000
6. A VAT credit of \$2,000 on motor expenses was incorrectly assumed to be recoverable.
7. A prepayment of rent amounting to \$8,000 was correctly entered in the bank account and was also credited to rent payable. The balancing entry was posted to suspense. Ms. Kennedy included a suspense debit balance of \$12,075 to balance the trial balance.

### Required

Prepare journal entries for Ms. Frances Kennedy to record and correct relevant transactions from the above information for the financial statements for the year ending 31 December 2018.

[25]

### Question 2

TSF Ltd made a public offer of its 1 700 000 ordinary shares of \$1 each at \$1,40 per share. The shares were issued on the following terms.

	Per share
	\$
Application	0.30
Allotment	0.60
Final call	0.50

On 1 February 2017 applications for three (3) million shares were received. Applications for 300 000 shares were unsuccessful and the money involved was returned on 3 February 2017. Applications for 700 000 shares were given full allotment. The remainder of the available shares were allotted among the other applicants on a pro rata basis. The balance of the sums received on application was applied to the amounts due on allotment. The balances due were

on allotment were received on 1 March 2017. On 1 April 2017 the first and final call was made and paid in full.

**Required**

Prepare the relevant journal entries and ledger accounts [25]

**Question 3**

Tollgate Ltd made a public offer of its one (1) million ordinary shares of \$1 each at \$1.50 per share. The shares were issued on the following terms.

	\$
Application	0.6
Allotment on 01/04/18	0.2
First call on 01/06/18	0.5
Final call on 01/09/18	0.2

On 1 March 2018 applications for one (1) million shares were received and were given full allotment. All sums due were received on 10 April 2018. All money for the first call was received on 10 June except for 1 shareholder who had been allotted 1000 shares.

Case 1

All money for the final call was received on 15 September 2018 except for the shareholder who failed to pay the first call, the Directors had not declared the shares forfeited by 31 December 2018.

**Required**

Prepare the relevant ledger accounts for the above transactions. [25]

**Question 4**

Given the following financial position for J Ltd and K Ltd

	J Ltd	K Ltd
Property Plant and Equipment	200 000	220 000
Investment in K Ltd 30 000 ordinary shares	152 500	—
Bank	27 000	45 000
Trade and other receivables	50 500	80 000
<b>Total</b>	<b>430 000</b>	<b>345 000</b>
Equity and Liabilities		
Ordinary shares capital of \$2 each	100 000	80 000

Retained Earnings	270 000	190 000
Trade and other receivables	60 000	75 000
<b>Total</b>	<b>430 000</b>	<b>345 000</b>

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	<b>J Ltd</b>	<b>K Ltd</b>
Gross Profit	107 000	105 000
Dividends received from K Ltd	7 500	-
Profit before tax	114 500	105 000
Income tax expense	(34 500)	(35 000)
Profit for the year	80 000	70 000
Other comprehensive Income	-	-
<b>Total comprehensive Income</b>	<b>80 000</b>	<b>70 000</b>

Statement of Changes in Equity for the year ended 31 December 2018

	<b>Share Capital</b>		<b>Retained Earnings</b>	
	<b>J</b>	<b>K</b>	<b>J</b>	<b>K</b>
Balance b/d at 01/01/18	100 000	80 000	210 000	130 000
Total comprehensive income for the year			80 000	70 000
Dividend paid			(20 000)	(10 000)
<b>Total</b>	<b>100 000</b>	<b>80 000</b>	<b>270 000</b>	<b>190 000</b>

Additional information

J Ltd acquired its interest in K Ltd on 1 January 2011 when the retained earnings of K Ltd amounted to \$110 000.

**Required**

Draft the consolidated financial statements for J Ltd and its subsidiary for the year ended 31 December 2018.

[25]

### Question 5

The following income statement and information about changes in non cash current assets and current liabilities are reported.

Monad Company Income Statement For Year Ended December 31, 2018		
Sales		\$1,986,000
Cost of goods sold		963,340
Gross profit		1,002,660
Operating expenses		
Salaries expense	\$269,342`	
Depreciation expense	47,184	
Rent expense	53,082	
Amortization expenses-Patents	5,898	
Utilities expense	21,626	397,132
		605,528
Gain on Sale of equipment		7,864
Net income		\$613,392

Changes in current asset and current liability accounts for the year that relate to operations follow.

<b>Accounts receivable</b>	<b>\$41,850 increase</b>	<b>Accounts payable</b>	<b>\$10,575 decrease</b>
Merchandise inventory	33,825 increase	Salaries payable	5,450 decrease

### Required:

Prepare only the cash flows from operating activities section of the statement of cash flows using the indirect method. Amounts to be deducted should be indicated with a minus sign.

[25]

### Question 6

ABC Ltd had a share issue of 100 000 shares of \$1.00 each. On 2 January 2018 the directors decided to raise a further \$50 000 from rights issue. It was decided that every shareholder be offered 2 shares for every 5 held presently at \$1.25 each on or before 31 January 2018. On that day the shares were trading at \$1.35. All shareholders took up their rights except Mr. Lockdown

a holder of 5 000 shares who failed to raise the money and sold his right to Mr. Curfew who subscribed for the issue and paid the relevant account before the final acceptance was over. The Statement of Financial position extract showing the capital side of ABC Ltd before the rights issue was as follows:

Ordinary share capital(100 000 shares of \$1 each)	100 000
Share premium account	10 000
General reserves	30 000
Retained Profit	10 000
	<b>150 000</b>

**Required**

- (a) Calculate the amount of money Mr. Lockdown received from the sale of his rights. [6]
- (b) Show the ledger accounts to record the rights issue [7]
- (c) Show how the Statement of Financial Position extract above appears after the rights issue. [12]

**END**