



**FINANCIAL ACCOUNTING**

**Module Code : ACCF 1102**

**ASSIGNMENT  2**

**100 Marks**

**ASSIGNMENT INSTRUCTIONS AND GUIDELINES:**

1. This assignment carries a total of 100 marks and represents 50% of the final marks.
2. **All Three** questions are compulsory.
3. Assignment should be submitted by email to the following TWO addresses:

Address 1: kinallan@umail.utm.ac.mu

Address 2: cssbmfexams@umail.utm.ac.mu

1. Submit your assignment in **PDF format only** using font style Arial – size 12 and 1.50line spacing
2. Justify all paragraph. Show all workings
3. Answer **Each question** on a fresh page and in an orderly manner.
4. Kindly include your Full Name, Student ID and Cohort details on the cover page.
5. Deadline for submission of assignment:
6. Include proper references in your bibliography.
7. Any case of plagiarism will be penalized.

**QUESTION 1: [40 marks]**

The following Trial Balance was extracted from the books of Alicante Limited at 31 December 2020.

|  |  |  |
| --- | --- | --- |
|  | **Debit Rs** | **Credit Rs** |
| Land at cost | 1 700 000 |  |
| Furniture at cost | 162 000 |  |
| Provision for depreciation on furniture |  | 36 000 |
| Motor vehicles at cost | 112 000 |  |
| Provision for depreciation of motor vehicles |  | 56 000 |
| Investments in Sun Bazar Ltd | 400 000 |  |
| Ordinary shares of Rs 1 each |  | 500 000 |
| 10% Redeemable preference shares of Rs 1 |  | 500 000 |
| General Reserves |  | 36 000 |
| Retained Earnings |  | 160 000 |
| Share premium |  | 20 000 |
| Ordinary goods purchased | 880 000 |  |
| General Insurance | 37 000 |  |
| Advertising | 32 000 |  |
| Discount received |  | 15 000 |
| Inventory at 01 January 2020 | 160 000 |  |
| Trade receivables | 320 000 |  |
| Trade payables |  | 265 000 |
| Revenue |  | 1 740 000 |
| Cash and cash equivalent | 68 400 |  |
| 12% Debentures |  | 800 000 |
| Interest on debentures | 48 000 |  |
| Wages - administration | 80 000 |  |
| Wages - Distribution | 56 000 |  |
| Light and Heat | 12 600 |  |
| Ordinary share dividend paid | 24 000 |  |
| Redeemable preference share dividend paid | 10 000 |  |
| Motor expenses | 24 800 |  |
| Allowance for irrecoverable debts |  | 14 000 |
| Irrecoverable debts | 21 200 |  |
| Loss on discontinued operations | 20 000 |  |
| Dividend received |  | 26 000 |
|  |  |  |

**Additional Information**

1. Inventory at 31 December 2020 amounted to Rs 180 000.
2. General Insurance of Rs 5 000 had been prepaid and motor expenses of Rs 16 000 were outstanding at year end.
3. Furniture is to be depreciated at the rate of 10% per annum reducing balance method and motor vehicles at the rate of 20% on cost. Furniture is used solely for administrative purposes and vehicles are used exclusively for delivery of goods.
4. Taxation of Rs 55 000 is to be charged for the current year.
5. On 01 January 2020, land was revalued at Rs 1 900 000. No entries have been made yet to record the revaluation.
6. Rs 100 000 is to be transferred to general reserves.
7. No entries have been made for a bonus issue of 1 share for every 10 shares held effected on 30 June 2020.
8. The market price of an ordinary share is Rs 2.40.
9. The allowance for irrecoverable debts is to be maintained at 6% of trade receivables.
10. A final dividend of Rs 1.20 per ordinary share has been recommended for payment at 31 December 2020.

**REQUIRED:**

1. Prepare an Income Statement for the year ended 31 December 2020 for publication in accordance with IAS 1. **[18 marks]**
2. Prepare a Statement of changes in equity for the year ended 31 December 2020 suitable for publication in accordance with IAS 1. **[4 marks]**
3. Prepare a Statement of Financial Position as at 31 December 2020 in accordance with IAS 1. **[12 marks]**
4. Calculate the following ratios for Alicante Ltd for the year ended 31 December 2020.
   * 1. Inventory turnover (times)
     2. Return on Capital Employed
     3. Gearing ratio
     4. Current ratio
     5. Dividend yield
     6. Price earnings ratio (times) **[ 6 marks]**

[In case of decimal, give your answer to 2 decimal places]

**QUESTION 2: [ 30 marks]**

The Golden Club is a not for profit organization. Accounts are prepared annually on 31

December. Below are the assets and liabilities of the club at the beginning of the year 2018.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Assets and liabilities as at 1 Jan 2018** | | | | | | | | | | | | |
| **Assets** | | **$** | | |  | | **Liabilities** | | | **$** | | | |
| Building | | 40000 | | |  | Accumulated fund | | | 79605 | | | | |
| Furniture | | 10000 | | |  | Life Membership | | | 5600 | | | | |
| Sport Equipment | | 15000 | | |  | Old People’s Welfare | | | 2100 | | | | |
| Inventory– Refreshments | | 3500 | | |  | Needy Students | | | 4440 | | | | |
|  | |  | | |  |  | | |  | | | | |
| Bank Deposit | | 25000 | | |  | Refreshments Trade payable | | | 2750 | | | | |
| Cash in hand | | 1000 | | |  | Subscriptions in advance | | | 170 | | | | |
| Subscription in arrears | | 375 | | |  | Expenses accrued(Elec & Water) | | | 210 | | | | |
|  | | **94875** | | |  | |  | | **94875** | | | | |
| **Receipts & Payments Account for the year ended 31 Dec 2018** | | | | | | | | | | | | |
| **Receipts** | | | | **$** | | **Payments** | | | | | | **$** |
| Subscriptions | | | 14440 | | | Purchases of Refreshments | | | | | 29880 | |
| Subscriptions Life Membership fees ( 5 members) | | | 3500 | | | General Expenses | | | | | 18770 | |
| Profit on Fancy fair | | | 15220 | | | Old people’s Welfare activities | | | | | 9990 | |
| Donations | | | 18600 | | | Needy Students Welfare activities | | | | | 10710 | |
| Sale of Refreshments | | | 47680 | | | Electricity & Water | | | | | 2975 | |
|  | | |  | | | Annual Dinner & Ball | | | | | 6800 | |
|  | | |  | | | Bank Deposits | | | | | 16000 | |
|  |  | | | | | New Sports Equipment | | | | | 3000 | |
|  |  | | | | |  | |  | | | | |
|  |  | | | | |  | |  | | | | |

1. Life Membership Scheme was launched for the first time during the year ended 31 Dec 2017,

the life membership fee being $700 per member. It was then decided to write off the life

membership fee over five years and this policy is to be continued.

2. Subscriptions received in advance and in arrears were $430 and $370 respectively on 31 Dec

2018.

3. The electricity and water bill for December 2018, $270, has not yet been settled yet.

4. The donations are to be utilized as follows:

Old people welfare, 1/3; Needy students welfare, 2/5 and balance for general purposes.

5. Interest, $3,800 is receivable on bank deposit on 31 Dec 2018. Such interest is normally

credited to bank deposits a/c.

6. Of the subscriptions receivable, 1/5 is to be credited to Needy students welfare fund.

7. $2,900 of the profit on fancy fair is to be transferred to old people’s welfare fund.

8. Stock of Refreshments on hand on 31 Dec 2018, $4200.

9. Creditors for refreshments on 31 Dec 2018, $2900

10. Of the surplus on refreshments, $3,000 is to be transferred to Premises Renovation Fund.

11. Renovation activities are scheduled to start as from 1 Feb 2019.

12. Depreciation to be provided as follows:

Building, $ 800

Furniture, $ 800

Sports Equipment, $1,500

**Required**

**(a)** A Refreshment Account and an Income and expenditure account for the year ended 31 Dec 2018. **[14 marks]**

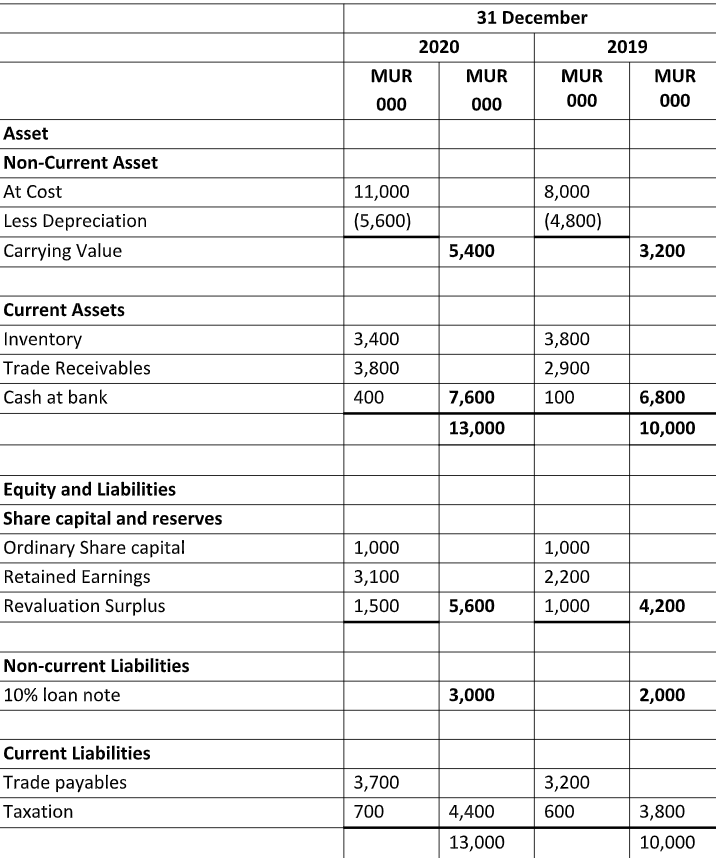
**(b)** A Statement of Financial position as at 31 Dec 2018**. [14 marks]**

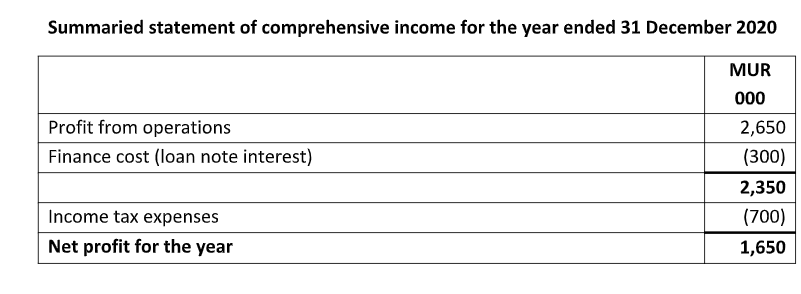
**(c)** Explain why the Golden club transfers life membership fund to the income and

expenditure accounts over 5 years. **[2 marks]**

**QUESTION 3: [ 30 marks]**

The following information is available for Koler, a limited liability company:



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**Notes:**

1. During the year non-current assets which had cost MUR 800,000, with a carrying

value of MUR 350,000, were sold for MUR 500,000.

2. The revaluation surplus arose from the revaluation of some land that was not being

depreciated.

3. Dividend paid during the year amounted to MUR 750,000.

**Required:**

**(a)** Prepare the company’s statement of cash flows for the year ended 31 December

2020, using the indirect method, adopting the format in IAS 7 statement of cash

flow. **[24 marks]**

**(b)** The director of Koler Ltd believes that the company does not need to prepare a cash

flow statement. Using your own words explain the benefits of preparing a cash flow

statement for Koler Ltd. **[6 marks]**

**END OF ASSIGNMENT**