ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

SUBJECT: Financial Accounting II **PAPER NO:** 500/15/S07

DURATION: 3 Hours

MARCH/APRIL 2023 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer ALL questions.
2. All solutions to be presented in acceptable format.
3. A silent and non programmable calculator may be used.
4. Show all workings where necessary.

QUESTION 1 (20 MARKS)

The following information was extracted from the books of H Ltd and S Ltd its wholly owned subsidiary.

Statement of financial position as at 31 December 2018

	H Ltd	S Ltd
Assets	$	$
Non-current assets		
Premises	140000	40000
Investment in S Ltd (40000 shares)	40000	
Current assets		
Inventory	10000	5000
Accounts receivable	5000	2000
Bank	10000	5000
	205000	52000
Equity and liabilities		
Capital and reserves		
Ordinary share capital of $1 each	140000	40000
Retained profit	60000	10000
Current liabilities		
Accounts payable	5000	2000
	205000	52000

Additional information

(a) H Ltd took over S Ltd on 1 January 2018 when the retained profit was $5000 (DR). During 2018 S Ltd sold goods to H Ltd at a mark up of 25%. The total selling price of these goods was $8000 and H Ltd still had $4000 of these goods in stock at 31 December 2018.

(b) The figure for creditors of H Ltd on 31 December 2018 included $500 due to S Ltd for goods supplied. S Ltd's debtors included that figure as well.

Prepare:

(i) An analysis of equity of H Ltd in S Ltd. (5 marks)

(ii) A consolidated statement of financial position of H Ltd and its subsidiary company as at 31 December 2018. (15 marks)

QUESTION 2 (20 MARKS)

The following information was extracted from the books of Palat Ltd

Statements of financial position as at 30 September.

ASSETS	2018	2019
	$000	$000
Non -current assets at cost	2740	4995
Accumulated depreciation	(700)	(1000)
	2040	3955
CURRENT ASSETS		
Inventory	380	490
Accounts receivable	410	380
Cash	10	15
Total assets	2840	4880
EQUITY AND LIABILITIES		
Capital and reserves		
Ordinary shares of $0.50 each	1000	1500
Share premium	600	800
Revaluation reserve	-	400
Profit and loss	460	860
	2060	3560
Non- current liabilities		
12% debentures	500	1000
Current liabilities		
Accounts payable	200	250
Bank overdraft	80	70
Total equity and liabilities	2840	4880

Additional information:

(a) During the year land with a carrying amount of $800 000 was revalued to $1200000. There is no depreciation that has been provided for on this land and some non-current assets which had cost $200000 were sold for $55000. Their book value at the time of sale was $40000.

(b) Debentures of 500000 were issued on 1 October 2018.

(c) Interest on the bank overdraft for the year was $8000.

(d) A final dividend of $60000 for the year ended 30 September 2018 was paid on 10 December 2018. An interim dividend of $40000 was paid on 10 May 2019.

Required:

Prepare a statement of cash flows for the year ended 30 September 2019 using the indirect method and in compliance with IAS No.7.

QUESTION 3 25 MARKS

Danai Ltd has a nominal capital of $500000 divided into 500000 ordinary shares of $1 each. The issued share capital on 1 January 2019 was $300000 which was fully paid. On that date the directors decided to increase the share capital of the company by offering a further 100000 ordinary shares of $1 each at a price of $1.50 per share payable as follows:

	$
On application including premium	0.75
On allotment	0.25
On first call	0.25
On second call	0.25

Applications were received for $150000 shares and it was decided to allot shares to applicants for 125000 shares on the basis of 4 shares for every 5 for which applications had been received. The balance of the money received on application being applied to the amounts due on allotment. Shares were allotted on 1 March 2019 and the cash paid to unsuccessful applicants was returned to them on the same date.

All monies were received with the exception of one shareholder of 1000 shares who failed to pay his first and second calls. His shares were duly forfeited. The shares were later reissued to another member at a price of $1.25 each two months after the second call.

Required:

The accounts necessary to record the above transactions.

QUESTION 4

A, B and C have been in partnership for several years sharing profits and losses in the ratio 3:2:1. Their last statement of financial positions prepared on 31 December 2018 was as follows:

Statement of financial position of ABC as at 31 December 2018

		Cost	Acc dep	NBV
Assets				
Non – current assets		20000	6000	14000
Current assets				
Inventory			5000	
Accounts receivable			21000	
				26000
				40000
Equity liabilities				
Capital	A			4000
	B			4000
	C			2000
				10000
Current liabilities				
Bank			13000	
Accounts payable			17000	
				30000
				40000

A customer K.White Ltd who owed $12000 and to whom the partnership had become dependent on became insolvent and could not pay his debt to the partnership. A, B and C agreed to dissolve the partnership on the following terms:

(a) The inventory is to be sold to Nelson for $4000.

(b) The non-current assets will be sold for $8000 except for certain items with a book value of $5000 which will be taken over by A at an agreed value of $7000.

(c) The debtors except for K White ltd paid their accounts in full.

(d) The costs of dissolution was $800 and discounts received from creditors amounted to $500. C is unable to meet his liability to the partnership out of his personal funds.

Required:

(i) The realisation account (7 marks)

(ii) The partner's capital accounts (8 marks)

(iii) Bank account (5 marks)

QUESTION 5 15 MARKS

Kentwill Private Ltd, the owner of Kentwill Minerals granted Zamar a licence to extract mineral ore form a gold mine in return for royalties. The contract was for 4 years and the terms are:

(a) Royalties payable per tonne extracted is $1.50.

(b) Minimum rent was agreed at $20000 per year.

(c) Shortworkings are recoverable within the two years after the year in which they would have occurred.

(d) Payments of royalties are made at the end of the year.

The following information was extracted from Zamar Ltd.

Year	Tonnes extracted
2014	10000
2015	13000
2016	17000
2017	20000

Required:

The following accounts in the books of Zamar Ltd;

(i) Royalties payable account.

(ii) Kentwill or Landlord account.

(iii) Short workings account.

........./cn