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DMI-ST. EUGENE UNIVERSITY

ZAMBIA

DEGREE EXAMINATION – DECEMBER 2023

Semester: VI 551 AC63 ADVANCED FINANCIAL ACCOUNTING

Time: 3:00 Hours

Max. Marks: 100

Answer any FIVE Questions (5 x 20 = 100 Marks)

1. a) Outline the essentials of a partnership Business. (6 Marks)
- b) T and C are partners in a firm sharing profits and losses in the ratio of 3:2. Their capitals were K60, 000 and K40, 000 as on April 01, 2020. During the year they earned a profit of K30, 000. According to the partnership deed both the partners are entitled to K1, 000 per month as salary and 5% p.a. interest on their capital. They are also to be charged an interest of 5% p.a. on their drawings, irrespective of the period, which is K12, 000 for T, K8, 000 for C.

Requirements

Prepare Partner’s capital and current Accounts when capitals are fixed. (14 Marks)

2. a) Outline some of the reasons that lead to Dissolution of a Partnership business. (6 Marks)
- b) S and M are partners, who share profit in the ratio of 3:2. Following is the balance sheet as on March 31, 2020.

Balance Sheet of S and M as on March 31, 2020

Liabilities	Amount	Assets	Amount
S-Capital	32,500	Cash & bank	40,500
M-Capital	11,500	Stock	7,500
Sundry creditors	48,000	Sundry debtors-21,500	
Reserves	13,500	Less:Provision for doubtful debts (500)	21,000
		Fixed assets	36,500
	105,500		105,500

The firm was dissolved on March 31, 2020. Close the books of the firm with the following information:

- (i) Debtors realized at a discount of 5%,
- (ii) Stock realized at 7,000,
- (iii) Fixed assets realized at 42,000,
- (iv) Realization expenses of 1,500,
- (v) Creditors are paid in full.

Close the books of the dissolution of a firm. **(14 Marks)**

3. a) What is the meaning of Farm Accounting? **(2 Marks)**
- b) Explain the methods used in preparation of final accounts of farms. **(4 Marks)**
- c) From the following particulars, prepare Cattle Account for the year ending 31.12.2019.

Cattle stock (1.1.19)	80,000
Stock of cattle feed (1.1.19)	6,000
Purchase of cattle during year	50,000
Purchase of cattle feed	14,000
Sale of cattle during year	95,000
Sale slaughtered cattle	16,000
Cattle stock (31.12.19)	70,000
Stock of cattle feed (31.12.19)	5,000

Food grains grown in the farm worth k5,000 used to feed cattle, wage for cattle roaring amounted to k7,000 and cattle insurance k1,000. **(10 Marks)**

4. a) List at least ten (10) items included in the preparation of Voyage Accounting. **(10 Marks)**
- b) A ship was chartered from Lagos to Accra on 31st December. The accounts were closed after the arrival of the ship. The details for the voyage to Accra and back were:

	\$		\$
Store consumed	7000	Freight	90000
Coal consumed	15000		
Depreciation	6000		
Port charges	3000		
Salaries of crew	8000		

Insurance of ship	10000		
Insurance of freight	5000		
Address commission	5%		
Fuel	1050		

\$40000 freight was received on return with 10% primage. **(10 Marks)**

5. a) Define the term deficiency account. **(2 Marks)**
- b) Mrs. Anikonde Of Chibombo, finding herself unable to meet his creditors has to prepare a statement of Affairs for which the following particulars are available.
- Leasehold property k100, 000 estimated to realize at k90, 000.
 - plant & machinery k40,000 estimated to realize k30,000
 - stock in trade k20,000 estimated to realize k14,000
 - Book debts k60,000, doubtful k5,000 estimated to realize 50%; bad k14,000
 - bills in hand k3,750
 - life policy for k25,000 whose surrender value is k5,000 held by the insurance company against a loan of k2,000.
 - household furniture k3,600; household debts k2,900.
 - Bills Discounted k6,000; k2,000 likely to be dishonored.
 - Loan on mortgage of leasehold k50,000; cash in hand k100.
 - Bank overdraft secured by personal guarantee of Phiri's brother and second mortgage on leasehold k50,000.
 - unsecured creditors k150,000. Loan from N, k2500 secured by a second charge on life policy. Ground rent on leasehold for three months accrued;k250
- He could not pay his office clerks' (two in number) salaries for six months, k1,500 and also rates and taxes amounting to k1,500.

Requirements

- Prepare the statement of Affairs. **(13 Marks)**
- c) As a professional Accountant, explain how to prepare realization account when all partners are insolvent? **(10 Marks)**
6. a) State the distinction between statement of affairs and statement of Financial Position. **(10 Marks)**
- b) Show how to prepare a deficiency account by giving a clear format of an Account. **(10 Marks)**
7. a) State the Content of a Partnership Deed. **(8 Marks)**

b) A and K are partners of a firm sharing profits and losses in the ratio of 2:1. Their capital were k90,000 and K60,000. The profit during the year were k45,000. According to partnership deed, both partners are allowed salary of k700 per month to A and 500 per month to K. interest allowed on capital @ 5% p.a. the drawings during the year were 8,500 for A and 6,500 for K. interest is to be charged @ 5% p.a on drawings.

Required

Prepare partners' capital Accounts, assuming that the Capital Accounts are
Fluctuating.

(12 Marks)