

**BINDURA UNIVERSITY OF SCIENCE EDUCATION****FACULTY OF COMMERCE****ACCOUNTANCY DEPARTMENT***MAR 2024***PROGRAMS****BACHELOR OF ACCOUNTING HONOURS DEGREE****BACHELOR OF SCIENCE HONOURS DEGREE IN ECONOMICS****BACHELOR OF SCIENCE HONORS DEGREE IN POLICE AND SECURITY STUDIES****BACHELOR OF BUSINESS STUDIES HONOURS DEGREE IN MARKETING****BACHELOR OF BUSINESS STUDIES HONOURS DEGREE IN BANKING AND FINANCE****BACHELOR OF BUSINESS STUDIES HONOURS DEGREE IN HUMAN CAPITAL  
MANAGEMENT****BACHELOR OF SCIENCE HONOURS DEGREE IN INFORMATION TECHNOLOGY****BACHELOR OF SCIENCE EDUCATION IN FINANCIAL MATHEMATICS****BACHELOR OF BUSINESS ADMINISTRATION, POLICE AND SECURITY STUDIES HONOURS  
DEGREE****BACHELOR OF COMMERCE HONOURS DEGREE IN FINANCIAL INTELLIGENCE****COURSE: FINANCIAL ACCOUNTING 1A (AC101)****DURATION: 3 HOURS****INSTRUCTIONS TO CANDIDATE**

- (i) Answer all questions.
- (ii) Only use of non-programmable silent hand-held calculators is permitted.
- (iii) Cell phones are not allowed into the examination room.

**SECTION A [30 MARKS, EACH QUESTION 2 MARKS]**

1. Given figures showing Which financial statement shows a company's revenues and expenses over a specific period?
  - A. Balance Sheet
  - B. Income Statement
  - C. Cash Flow Statement
  - D. Statement of Retained Earnings
2. Which statement best describes non-current assets?
  - A. Items bought to be used in the business
  - B. Items which will not wear out quickly
  - C. Expensive items bought for the business
  - D. Items having a long life and not bought specifically for resale
3. Which financial ratio measures a company's ability to meet its short-term obligations?
  - A. Debt-to-Equity Ratio
  - B. Return on Equity (ROE)
  - C. Current Ratio
  - D. Gross Profit Margin
4. What does the Debt-to-Equity Ratio indicate about a company?
  - A. Its ability to generate profits
  - B. Its financial leverage and risk
  - C. Its operating efficiency
  - D. Its liquidity position.
5. A credit Which financial ratio measures a company's ability to generate profits from its total assets?
  - A. Return on Equity (ROE)
  - B. Debt-to-Equity Ratio
  - C. Return on Assets (ROA)
  - D. Current Ratio
6. Given a purchases invoice showing five items of \$80 each, less trade discount of 25 per cent and cash discount of 5 per cent, if paid within the credit period, your cheque would be made out for
  - A. \$285
  - B. \$280
  - C. \$260
  - D. None of these
7. Depreciation is
  - A. The amount spent to buy a non-current asset
  - B. The salvage value of a non-current asset
  - C. The part of the cost of the non-current asset consumed during its period of use by the firm
  - D. The amount of money spent replacing non-current assets

8. A firm bought a machine for \$3 200. It is to be depreciated at a rate of 25 per cent using the reducing balance method. What would be the remaining book value after two years?
- A. \$1 600
  - B. \$2 400
  - C. \$1 800
  - D. Some other figure
9. At the date of the statement of financial position the balance on the Accumulated Depreciation Account is
- A. Transferred to the Depreciation account
  - B. Transferred to Profit and Loss
  - C. Simply deducted from the asset in the Statement of Financial Position
  - D. Transferred to the Asset account
10. An Allowance for Doubtful Debts is created
- A. When debtors become bankrupt
  - B. When debtors cease to be in business
  - C. To provide for possible bad debts
  - D. To write-off bad debts
11. When the financial statements are prepared, the Bad Debts Account is closed by a transfer to the
- A. Statement of Financial Position
  - B. Profit and Loss Account
  - C. Trading Account
  - D. Allowance for Doubtful Debts Account
12. Working Capital is a term meaning
- A. The amount of capital invested by the proprietor
  - B. The excess of the current assets over the current liabilities
  - C. The capital less drawings
  - D. The total of Non-Current Assets - Current Assets
13. If \$1500 was shown added to Purchases instead of being added to a non-current asset
- A. Net profit only would be understated
  - B. Net profit only would be overstated
  - C. It would not affect net profit
  - D. Both gross profit and net profit would be understated

14. Which of the following do not affect trial balance agreement?
- (i) Sales \$105 to A. Henry entered in P. Henry's account
  - (ii) Cheque payment of \$134 for Motor expenses entered only in Cash Book
  - (iii) Purchases \$440 from C. Browne entered in both accounts as £404
  - (iv) Wages account added up incorrectly, being totalled \$10 too much
- A. (i) and (iv)
  - B. (i) and (iii)
  - C. (ii) and (iii)
  - D. (iii) and (iv)
15. A Bank Reconciliation Statement is a statement
- A. Sent by the bank when the account is overdrawn
  - B. Drawn up by us to verify our cash book balance with the bank statement balance
  - C. Drawn up by the bank to verify the cash book
  - D. Sent by the bank when we have made an error

## SECTION B: THREE QUESTIONS [TOTAL 70 MARKS]

### QUESTION 1

Chenjerai Famba has been trading for some years as a hardware merchant. The following list of balances has been extracted from his ledger as at 31 December 2023, the end of his most recent financial year.

	\$
Capital	83 887
Sales	259 870
Trade accounts payable	19 840
Returns out	13 407
Allowance for doubtful debts	512
Discounts allowed	2 306
Discounts received	1 750
Purchases	135 680
Returns inwards	5 624
Carriage outwards	4 562
Drawings	18 440
Carriage inwards	11 830
Rent, rates and insurance	25 973
Heating and lighting	11 010
Postage, stationery and telephone	2 410
Advertising	5 980
Salaries and wages	38 521
Bad debts	2 008
Cash in hand	534
Cash at bank	4 440
Inventory as at 01.01.2023	15 654
Trade accounts receivable	24 500
Fixtures and fittings - at cost	120 740
Accumulated depreciation on fixtures and fittings - as at 01.01.2023	50 946

The following additional information as at 31 December 2022 is available:

- (a) Inventory at the close of business on 31 December 2023 was valued at \$17 750.
- (b) Insurances included \$1 120 which was for January 2024.
- (c) The invoice from ZESA showing electricity charges for heating and lighting of \$1 360 was received on 5 January 2024.
- (d) A payment of \$5 435 was in respect of rates for the month of January 2024.
- (e) The allowance for doubtful debts is to be adjusted so that it is 3% of trade accounts receivable.

(f) It is company policy to depreciate non-current assets at 10% using the straight-line method.

**Required:**

- a. Discuss reliability and relevance qualitative characteristics of useful financial statements. (6 marks)
- b. Write-up journal entries to record adjustments from (b) through to (f) above. (5 marks)
- c. Prepare Chenjerai Famba's statement of profit or loss for the year ending 31 December 2023 and a statement of financial position as at that date. (20 marks)

**[Total: 31 Marks]**

**QUESTION 2**

Jennifer Agueliyah is a dealer in fancy designer clothes. At 1 January 2023 her ledger included the following balances:

	\$
Debtors	38 168
Provision for doubtful debts	6 270
Creditors	36 505

Debtors at 1 January 2024 were:

S Mahama	12 540
J Baafi	12 811
The Miklin Holidays	12 817

Creditors at 1 January 2024 were:

M Normenyo	12 058
James Nkomode	12 217
Obraku Sarpong	12 230

During January 2024 Agueliya's books of prime entry showed the following:

\$		\$	
Purchases day book		Sales day book	
Normenyo	6 270	Mahama	330
James Nkomode	4 521	Baafi	11 616
Obraku Sarpong	7 392	Miklin Holidays	10 989
	<b>18 183</b>		<b>22 935</b>
Cash payments book		Cash receipts book	
Normenyo	5 940	Baafi	12 540
James Nkomode	330	Miklin Holidays	12 817
Obraku Sarpong	5 432		
	<b>11 702</b>		<b>25 357</b>

The flowing information is relevant:

- (1) The opening provision for doubtful debts consisted of a 50% provision against Mahama's debt. During January Mahama was run over by an invalid car on the highway and was found to have died penniless.
- (2) Baafi argued about \$271 of her outstanding balance, saying that the goods concerned were of the wrong design. Agueliya decided to provide for this amount as a specific provision.

Required:

Write up for the month of January 2024

- (a) Individual debtors' and creditors accounts (4 marks)
- (b) Sales and purchases accounts (4 marks)
- (c) Debtors' and creditors' ledger control accounts (4 marks)
- (d) Provision for doubtful debts and bad debt expense accounts (4 marks)
- (e) The individual debtors and creditors listings (4 marks)

### QUESTION 3

NYOMBWE (PVT) LTD started business on 1 January 2023. The following transactions were recorded in the month of January 2023.

- Jan 1 The owners brought an incubator worth \$20 000, a delivery van worth \$10 000, and cash \$10 000.
- Jan 2 The \$10 000 cash brought by owners was deposited a BancABC Bank.
- Jan 3 The company paid through the bank a total of \$2 400 twelve months rent for offices at Finance House in Harare CBD, \$600 vehicle insurance premium covering 12 months ending 31 December 2023
- Jan 5 Withdrew \$500 cash and kept it in a safe.
- Jan 10 The company hired a manager and 2 general workers and their combined wages and salaries were \$1 200 per month.
- Jan 15 Purchased 5 000 chicks on credit from Irvine's Chickens for resale at 50 c each. 4 000 chicks were sold on credit to R. Ndaba the same day at \$1 each
- Jan 31 Except for the manager who was paid \$800 through bank transfer, the general workers' wages were delayed and paid on 5 February 2023

Required:

1. Define the following terms giving 2 examples for each:
  - a. Asset (3 marks)
  - b. Liability (3 marks)
2. Record all the necessary transactions for the business from its inception to 31 January 2023 in the ledger accounts. (8 marks)
3. Extract Nyombwe (Pvt) LTD trial balance for the month of January 2023. (5 marks)

[Total 19 Marks]

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