

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

ACCOUNTANCY DEPARTMENT

OCT 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 1B (AC107)

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.**
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SECTION A (30 MARKS, 2 MARKS PER QUESTION)

1. In the business of Mr Tavonga, who owns a clothing store, which of the following are Capital Expenditure?
 - i. Shop fixtures bought
 - ii. Wages of assistants
 - iii. New van bought
 - iv. Petrol for van
 - A. i and iii
 - B. i and ii
 - C. ii and iii
 - D. ii and iv
2. Given cost of goods sold \$16 000 and margin of 20 per cent, then sales figure is
 - A. \$20 160
 - B. \$13 600
 - C. \$21 000
 - D. \$20 000.
3. Which of the following costs should not be included in the cost of inventory according to IAS2?
 - A. Willowton, paid insurance of \$3 000 related to the shipment of crude oil from a South African company.
 - B. An invoice amounting to \$30 000 excluding VAT was issued in respect of the purchase of a delivery van.
 - C. Willowton paid customs duty amounting to \$13 500 related to a shipment of raw materials used in the manufacturing of powdered milk.
 - D. VAT on goods for resale imported by Mr Madondo a sole trader amounting to \$2 025 was charged by ZIMRA. Mr Madondo is not registered for VAT.
4. If opening inventory is \$3 000, closing inventory \$5 000, sales \$40 000 and margin 20 percent, then inventory turnover is
 - A. 8 times
 - B. 7 1/2 times
 - C. 5 times
 - D. 6 times
5. Capital Expenditure is
 - A. The extra capital paid in by the proprietor
 - B. The costs of running the business on a day-to-day basis
 - C. Money spent on buying non-current assets or adding value to them
 - D. Money spent on selling non-current assets

6. If \$500 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
7. You are to buy an existing business which has assets valued at Buildings \$50 000, Motor vehicles \$15 000, Fixtures \$5 000 and Inventory \$40 000. You are to pay \$140 000 for the business. This means that:
- A. You are paying \$40 000 for Goodwill
 - B. Buildings are costing you \$30 000 more than their value
 - C. You are paying \$30 000 for Goodwill
 - D. You have made an arithmetical mistake
8. Assets can be revalued in a partnership change because
- A. The law insists upon it
 - B. It helps prevent injustice to some partners
 - C. Inflation affects all values
 - D. The depreciation charged on them needs to be reversed
9. Any loss on revaluation is
- A. Credited to old partners in old profit-sharing ratios
 - B. Credited to new partners in new profit-sharing ratios
 - C. Debited to old partners in old profit-sharing ratios
 - D. Debited to new partners in new profit-sharing ratios
10. The Issued Capital of a company is
- A. Always the same as the Authorised Capital
 - B. The same as Preference Share Capital
 - C. Equal to the reserves of the company
 - D. None of the above
11. Given opening accounts receivable of \$11 500, Sales \$48 000 and receipts from debtors \$45 000, the closing accounts receivable total should be
- A. \$8 500
 - B. \$14 500
 - C. \$83 500
 - D. \$18 500
12. The statement of cash flow clarifies cash flows according to
- A. Operating and Non-Operating Cash Flows
 - B. Inflow and Outflow
 - C. Investing and Non-Operating Cash Flows
 - D. Operating, Investing, and Financing Activities

13. Which of the following items would be subtracted from net income when using the indirect method of calculating cash flows provided by operating activities?
- A. Depreciation expense
 - B. Repayment of bonds payable
 - C. A gain on the sale of land
 - D. A loss on the sale of equipment
14. Under the indirect method, which of the following items must be deducted from reported net income to determine net cash flow from operating activities?
- A. depreciation of fixed assets
 - B. decreases in current assets
 - C. decreases in current liabilities
 - D. loss on sale of equipment
15. A company wishes to pay out all available profits as dividends. Net profit is \$26 600. There are 20 000 8% Preference shares of \$1 each, and 50 000 Ordinary shares of \$1 each. \$5 000 is to be transferred to General Reserve. What ordinary dividends are to be paid, as a percentage of the ordinary share capital?
- A. 20 per cent
 - B. 40 per cent
 - C. 10 per cent
 - D. 60 per cent

SECTION B (70 MARKS):

Question 1

- a. Briefly discuss any five contents of a partnership agreement. (5 Marks)
- b. At 31 December 2022, the Statement of Financial Position (SFP) of Alpha, Beta, and Sigma who are equal partners, was as follows:

	\$	\$
<i>Non-Current Assets</i>		
Freehold premises		16,000
Machinery and tools		15,100
Investment, at cost		<u>4,000</u>
		35,100
<i>Current assets</i>		
Inventory	16,000	
Trade Receivables	12,800	
Bank	<u>12,100</u>	
	40,900	
<i>Less: Current liabilities</i>		
Trade Payables	<u>(14,000)</u>	
		<u>26,900</u>
		62,000
<i>Represented by:</i>		
Capital accounts		
Alpha		20,000
Beta		17,000
Sigma		<u>25,000</u>
		62,000

Alpha retired at that date. In order to determine the amount due to him the following revaluations were made: Freehold premises \$18 000; machinery and tools \$16 000; investments \$5 100.

The value of the goodwill was agreed at \$8 000. It was arranged that Alpha should take over the investments in part payment of the amount due to him, the balance to be settled in cash. Beta and Sigma would increase their capitals by paying in \$10 000 and \$6 000 respectively. These changes were all carried out.

Required:

- a. Prepare the revaluation account, bank account and capital accounts. (15 marks)
- b. Prepare the opening balance sheet of Beta and Sigma (10 marks)

[Total: 30 Marks]

QUESTION 2

Kong Ltd was recently incorporated and registered for VAT. Goods were purchased on two occasions during its first month of business. The details of these purchase transactions are as follows:

Transaction 1

Goods were purchased from a supplier who wants to establish a long-term business relationship with Kong Ltd. With this in mind, the following terms were laid down:

- The purchase price of the goods before any rebates or discount is \$703 703.70 (including VAT levied at 14%).
- Kong Ltd will receive a 10% volume rebate on the purchase price of the goods.
- Kong Ltd will receive a further 10% settlement discount if the outstanding amount is settled within 30 days.

Transaction 2

Goods were purchased from a foreign supplier (the transaction was denominated in dollars) for \$400 000 (excluding VAT). Ownership of the goods was transferred to Kong Ltd upon delivery at the harbour. Kong Ltd entered into a contract with an independent transport company to transport the goods from the harbour to the entity's premises at a cost of \$50 000.

When the goods were inspected by Kong Ltd.'s foreman, it was discovered that 30 of the 300 containers had suffered water damage during shipping from South Africa. Following negotiations with the supplier, it was agreed that the goods would be returned to the supplier.

Calculate cost of the two purchase transactions.
marks]

[20

QUESTION 3

The following information relates to Rushinga (PVT) LTD, for the year ended 31 December 2021.

Extracts from the statement of profit or loss for the year ended 31 December 2021

	\$'000
Profit before tax	15 000
Less tax	4 350
Profit for the year	10 650

Rushinga (PVT) LTD Statement of financial position as at 31 December

	2021 \$'000	2020 \$'000
Assets		
Non-current assets	44 282	26 574
Current assets		
Inventory	3 560	9 635
Receivables	6 405	4 542
Cash	2 045	1 063
	12 010	15 240
Total assets	56 292	41 814
Equity and liabilities		
Equity		
Ordinary share capital	19 365	17 496
Retained earnings	17 115	6 465
	36 480	23 961
Non-current liabilities		
Loan	8 000	10 300
Current liabilities		
Bank overdraft	1 230	429
Trade payables	7 562	4 364
Taxation	3 020	2 760
	11 812	7 553
Total equity and liabilities	56 292	41 814

Additional information:

- (1) Depreciation expense for the year was \$4 658 000
- (2) Assets with a carrying amount of \$1 974 000 were disposed of at a profit of \$720 000

Required:

Prepare a cash flow statement for Rushinga (PVT) LTD for the year ended 31 December 2021. Use the indirect method. **[Total: 20 Marks]**

END OF PAPER