

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

ACCOUNTANCY DEPARTMENT

EXAMINATION PAPER

 **MAR 2023**

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.
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1. The following figures were obtained from Klarna Investments Assets: Premises \$20 000; Inventory \$8 500; Cash \$100. Liabilities: Accounts payable \$3 000; Loan from T. Famba \$4 000. What is the amount of Capital?
 - A. \$21 100
 - B. \$21 600
 - C. \$32 400
 - D. \$21 400
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 of the following should not be called 'Sales'?
 - A. Office fixtures sold
 - B. Goods sold on time
 - C. Goods sold for cash
 - D. Sale of item previously included in 'Purchases'
4. Which of the following is correct?
 - A. Profit does not alter capital
 - B. Profit reduces capital
 - C. Capital can only come from profit
 - D. Profit increases capital
5. A debit balance of \$5 000 on the cash columns of the cash book would mean
 - A. We have spent \$5 000 more than we have received
 - B. We have \$5 000 cash in hand
 - C. The bookkeeper has made a mistake
 - D. Someone has stolen \$5 000 cash
6. A purchase invoice received from B 'n' B Wholesalers showed five items of \$80 each, less trade discount of 25 per cent and cash discount of 5 per cent, if paid within the cash discount 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. Bindura University bought a vehicle for \$50 000. It is to be depreciated using the straight line method over 5 years. What would be the remaining book value after two years?
 - A. \$10 000
 - B. \$20 000
 - C. \$50 000

- D. \$30 000
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 \$1 500 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
14. \$50 cash taken from the cash till and banked is entered
- A. Debit cash column \$50; Credit bank column \$50
 - B. Debit bank column \$50; Credit cash column \$50
 - C. Debit cash column \$50; Credit cash column \$50
 - D. Debit bank column \$50; Credit bank column \$50
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 [70 MARKS]

Question 1

1. Discuss the implications of Artificial Intelligence on the accounting industry
(10 marks)
2. Bindura Pvt Ltd's bank statement for the month of April 2022 showed a credit of \$10 140. The company's cashbook showed a debit balance of \$9 518 at April 30, 2022.

Additional information is as follows:

- i. Cash receipts for April 30, recorded on the company's books were \$12 000 but this amount does not appear on the bank statement.
- ii. The bank statement shows bank charges of \$80 not in the cash book.
- iii. A cheque from Grace Pvt Ltd recorded in the cashbook as \$496 was shown in the bank statement as \$496. Later on it was discovered that Grace Pvt Ltd should have paid \$568. Grace Pvt Ltd underpaid Bindura Pvt Ltd.
- iv. The total amount of cheques still outstanding at April 30 amounted to \$11 600.
- v. A cheque was correctly written and paid by the bank for \$818. The cashbook reflects an entry for this cheque as a debit entry to accounts payable and as a credit to cash in bank for \$980.
- vi. The bank returned a bounced cheque from a customer for \$1 120.
- vii. Direct deposit of \$2 060 from customer who owed \$2 000, not showing in the cashbook. Interest of \$60 had not been accrued in the books of accounts

Required:

- a. Define the following terms:
i. Drawer
ii. Drawee
iii. Stale cheque
iv. RD cheque
v. Bank overdraft
5 marks
- b. Prepare a cashbook update using adjustments in the additional information above
Prepare a bank reconciliation statement for Bindura Pvt Ltd for the month of April 2022
10 marks

[Total:25 Marks]

Question 2

The following transactions were extracted from the books of Kiklan (Pvt) Limited as at 31 March 2022.

- 1 March, 2022 Started in business with \$8 000 in the bank.
- 2 March, 2022 Bought goods on time from: L. Frank \$550; G. Byers \$540; P. Lee \$610.
- 5 March, 2022 Cash sales \$510.
- 6 March, 2022 Paid wages in cash \$110.
- 7 March 2022 Sold goods on time to: J. Snow \$295; K. Park \$360; B. Tyler \$640.
- 9 March 2022 Bought goods for cash \$120.
- 10 March, 2022 Bought goods on time from: G. Byers \$410; P. Lee \$1 240.
- 12 March, 2022 Paid wages in cash \$110.
- 13 March, 2022 Sold goods on time to: K. Park \$610; B. Tyler \$205.
- 15 March, 2022 Bought shop fixtures on time from Stop Ltd \$740.
- 17 March, 2022 Paid G. Byers by cheque \$700.
- 18 March, 2022 We returned goods to P. Lee \$83.
- 21 March, 2022 Paid Stop Ltd a cheque for \$740.
- 24 March, 2022 B. Tyler paid us his account by cheque \$845.
- 27 March, 2022 We returned goods to L. Frank \$18.
- 30 March, 2022 G. Prince lent us \$1 000 by cash.
- 31 March, 2022 Bought a van paying by cheque \$6 250.

Required:

- a. Enter Kiklan (Pvt) Limited transactions in the ledger accounts (17 Marks)
- b. Extract a trial balance as at 31 March 2022. (7 Marks)

[Total:25 Marks]

Question 3

BUSE (Pvt) Ltd has been trading for some years as a hardware merchant. The following list of balances has been extracted from the company's ledger as at 31 December 2021, the end of the 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 1 January 2021	15 654
Trade accounts receivable	24 500
Fixtures and fittings - at cost	120 740
Accumulated depreciation on fixtures and fittings - as at 31 December 2021	63 020
Depreciation expense	12 074

The following additional information as at 31 December 2021 is available:

- (a) Inventory at the close of business was valued at \$17 750.
- (b) Insurances have been prepaid by \$1 120.
- (c) Heating and lighting is accrued by \$1 360.
- (d) Rates have been prepaid by \$5 435.
- (e) The allowance for doubtful debts is to be adjusted so that it is 3% of trade accounts receivable.

Required:

- a. Explain five components of financial statements according to IAS1
(5 marks)
- b. Prepare BUSE (Pvt) ltd statement of profit or loss for the year ending 31
December and a statement of financial position as at that date.
(15 marks)

[Total: 20 Marks]

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