

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 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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SECTION A [30 MARKS, EACH QUESTION 2 MARKS]

1. Given figures showing: Sales \$8 200, Motor Vehicles \$1 300, Accounts Payable \$900, Accounts Receivables \$6 400, Cash \$200, Capital is
 - A. \$6 800
 - B. \$6 200
 - C. \$7 000
 - D. Another figure
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. Carriage inwards is charged to the trading account because
 - A. It is an expense connected with buying goods
 - B. It should not go in the statement of financial position
 - C. It is not part of motor expenses
 - D. Carriage outwards goes in the profit and loss account
4. Which of the following are personal accounts?
 - (i) Buildings
 - (ii) Wages
 - (iii) Accounts receivable
 - (iv) Accounts payable
 - A. (i) and (iv) only
 - B. (ii) and (iii) only
 - C. (iii) and (iv) only
 - D. (ii) and (iv) only
5. A credit balance of \$2 000 on the cash columns of the cash book would mean
 - A. We have spent \$2 000 more than we have received
 - B. We have \$2 000 cash in hand
 - C. The bookkeeper has made a mistake
 - D. Someone has stolen \$2 000 cash
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 [70 MARKS]

QUESTION 1

Klarna PLC makes cement which it sells to the wholesale trades. The following trial balance was extracted from the books of the company at 31 December 2023.

| | \$ | \$ |
|---|--------|---------|
| Inventory at 01.01.2023: | | |
| Raw materials, at cost | 3 920 | |
| Work in progress, at factory costs | 20 160 | |
| Finished goods (3 500 units) at factory costs | 39 200 | |
| Raw materials purchased | 44 240 | |
| Sales (12 000 units) | | 201 600 |
| Manufacturing wages | 33 600 | |
| Factory rent and rates | 15 680 | |
| Factory light, heat and power | 7 336 | |
| Plant, at cost | 67 200 | |
| Plant depreciation at 01.01.2023 | | 31 360 |
| Work manager's salary | 2 744 | |
| Plant repairs | 4 480 | |
| Administration overheads | 20 160 | |
| Factory lease at cost (20 year's period) | 44 800 | |
| Amortization at 01.01.2023 | | 13 440 |
| Share capital | | 84 000 |
| Debtors and bank balance | 52 080 | |
| Creditors | | 27 440 |
| Carriage inwards | 2 240 | |

Additional Information:

1. Plant depreciation is to be provided at 10% on cost of plant owned at the year-end.
2. Raw materials costing \$5 600 were in stock on 31 December 2023.
3. Finished goods are transferred to the warehouse as soon as they are completed. During the year under review, 10 000 units were completed and transferred to the warehouse.
4. Work in progress at close of 2023 (at factory cost) amounted to \$25 760. There was no wastage or pilferage during 2023.

Required:

Prepare the manufacturing, trading and profit and loss account for the year ended 31 December 2023.

[TOTAL 30 MARKS]

QUESTION 2

The following is a summary of a cash book as presented by Klarna Ltd for the month of October 2021:

| | \$ | | \$ |
|-------------|--------------|-------------|--------------|
| Receipts | 1 469 | Balance b/d | 761 |
| Balance c/d | 554 | Payments | 1 262 |
| | <u>2 023</u> | | <u>2 023</u> |

All receipts are banked and all payments are made by cheque.

On investigation you discover:

- a) Bank charges of \$136 entered on the bank statement have not been entered in the cash book.
- b) Cheques drawn amounting to \$267 had not been presented to the bank for payment.
- c) Cheques received totalling \$762 had been entered in the cash book and paid into the bank, but had not been credited by the bank until 3 November.
- d) A cheque for \$22 for sundries had been entered in the cash book as a receipt instead of as a payment.

- e) A cheque received from K. Matoro for \$80 had been returned by the bank and marked 'No funds available'. No adjustment has been made in the cash book.
- f) A standing order for a business rates instalment of \$150 on 30 October had not been entered in the cash book.
- g) All dividends received are credited directly to the bank account. During October amounts totalling \$62 were credited by the bank but no entries were made in the cash book.
- h) A cheque drawn for \$66 for stationery had been incorrectly entered in the cash book as \$60.
- i) The balance brought forward in the cash book should have been \$711, not \$761.

Required:

- a. Show the adjustments required in the cash book. (15 Marks)
- b. Prepare a bank reconciliation statement as at 31 October 2021. (5 Marks)

[Total 20 Marks]

QUESTION 3

PAGUMBEZE (PVT) LTD started business on 1 January 2023.

The following transactions were recorded in January:

| Date | Transaction |
|------|--|
| 1 | Started in business with \$8 000 which was deposited in the bank. |
| 2 | March 2 Bought goods on credit from: L. Famba \$550; G. JP \$540; P. Bigman \$610. |
| 5 | Cash sales \$510. |
| 6 | Paid wages in cash \$110. |
| 7 | Sold goods on credit to: J. Emerson \$295; K. Jamanda \$360; B. Rusemo \$640. |
| 9 | Bought goods for cash \$120. |
| 10 | Bought goods on credit from: G. JP \$410; P. Bigman \$1 240. |
| 12 | Paid wages in cash \$110. |
| 13 | Sold goods on credit to: K. Jamanda \$610; B. Rusemo \$205. |
| 15 | Bought shop fixtures on time from Tsoko Ltd \$740. |

| | |
|----|--|
| 17 | Paid G. JP by cheque \$700. |
| 18 | We returned goods to P. Bigman \$83. |
| 21 | Paid Tsoko Ltd a cheque for \$740. |
| 24 | B. Rusemo paid us his account by cheque \$845. |
| 27 | We returned goods to L. Famba \$18. |
| 30 | G. Gorogonya lent us \$1 000 by cash. |
| 31 | Bought a van paying by cheque \$6 250. |

Required:

- a. Enter the transactions above in PAGUMBEZE's ledger accounts and extract a trial balance. (12 Marks)
- b. Discuss the following two assumptions in the International Accounting Standards Board (IASB) framework:
 - i. Going concern (4 Marks)
 - ii. Accruals (4 Marks)

[Total Marks: 20]

.....**END OF PAPER**.....