

BINDURA UNIVERSITY OF SCIENCE EDUCATION

**FACULTY OF COMMERCE
ACCOUNTANCY DEPARTMENT
FINANCIAL ACCOUNTING 1B (AC107)**

Nov 2024

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
- (iv) Answer Section A, questions on the grid provided. Indicate by crossing diagonals in the appropriate box as shown in the example

SECTION A (30 MARKS, 2 MARKS PER QUESTION)

Multiple Choice Questions

1. Which of the following users assesses the attractiveness of investing in a business?
 - A. Tax authorities
 - B. Financial analysts
 - C. Bank
 - D. Employees

2. Which of the following entries will be entered in the General journal?
 - A. Sold goods on credit
 - B. Goods purchased and paid by cash
 - C. Investment made by the owner
 - D. Purchase goods on credit

3. A debit note is a document made out when goods are
 - A. returned
 - B. overcharged
 - C. sold
 - D. undercharged

4. Which of the following books of original entry should be used to record credit sales?
 - A. Sales journal
 - B. Sales returns journal
 - C. Purchases journal
 - D. Purchases returns journal

5. Credit notes issued for goods returned to a supplier will be entered firstly in the
 - A. General journal

- B. Returns inwards journal
- C. Returns outwards journal
- D. Petty cash journal

6. Which of the following concepts use the rules 'every transaction affects two or more ledger

accounts?'

- A. Going concern
- B. Double entry book-keeping
- C. Money measurement
- D. Periodicity

7. The purchase of a motor car on credit from Toy Automotive Company for use in a firm should be recorded as

- A. Dr. Maintenance of vehicle expense

Cr. Toy Automotive Company

- B. Dr. Purchases

Cr. Toy Automotive Company

- C. Dr. Motor vehicle

Cr. Toy Automotive Company

- D. Dr. Motor vehicle

Cr. Cash

8. Dividends are paid by

- I. Sole trading businesses
- II. Partnership companies
- III. Limited Liability companies
- IV. Co-operatives

- A. I and II

- B. I and III
- C. II and III
- D. III and IV

9. Which of the following companies must pay corporation tax?

- A. Co-operative society
- B. Limited liability Company
- C. Partnership Company
- D. Sole trading company

10. How should inventory be valued in a Statement of Financial Position?

- A. at the lower of net realisable value and selling price
- B. at the lower of replacement cost and net realisable value
- C. at lower of cost and replacement cost
- D. at lower of cost and net realisable value

11. A company had the following inventory transactions in June.

June 1 Purchased 50 units at \$3 per unit

14 Purchased 100 units at \$4.50 per unit

23 Sold 70 units

30 Purchased 62 units at \$5 per unit

What is the value of inventory on 30 June based on AVCO?

- A. \$4.292
- B. \$4.437
- C. \$4.50
- D. \$5.00

12. Gohl and Poast are partners sharing profits and losses equally. Gohl has lent the partnership \$8000 on which he is entitled to interest at 10% per annum. The partners are entitled to annual salaries as follow: Gohl \$6000; Poast \$4000. The partnership has made a profit of \$17 000.

How much is Gohl's share of the profit?

- A. \$3500
- B. \$3900
- C. \$8500
- D. \$9300

13. Inflation accounting is also called

- A. Revaluation
- B. Replacement
- C. None
- D. All

14. Any form of accounting which enables a business to be conducted more efficiently can be regarded as ___ accounting.

- A. Financial
- B. Management
- C. Cost
- D. None

15. A process of accounting that recognizes the impact of transactions on the financial statements in the time periods when revenues and expenses occur instead of when cash is received or disbursed is called ___ basis

- A. Accrual
- B. Cash
- C. Matching
- D. A and C

SECTION B

Question 1

Darel Limited Company:

Trial Balance as at 31 December 2023

	DR \$	CR \$
Authorised Capital		40,000
Preference Shares 9%		20,000
5% Debentures (100 each)		30,000
Purchases and Sales	100,400	175,600
Returns Inwards and Outwards	325	475
Bad debts provision		3,000
Rent and rates	2,800	
Electricity	840	
Salaries	15,480	
General expenses	4,700	
Acc. Deprn: Furniture and fittings		1,500
Debtors and Creditors	42,520	20,180
Furniture and fittings (cost)	13,320	
Buildings (cost)	80,000	
Stock	20,520	
Profit and loss		2,000
Bank	11,850	
	292,755	292,755

The following is available:

- (i) Electricity accrued \$142
- (ii) Rent and rates paid in advance \$150
- (iii) Closing inventory \$19,242
- (iv) Dividends declared ordinary shares 30%
- (v) Transfer to Reserves \$10,000
- (vi) Debenture interest has not been paid
- (vii) Depreciation: Furniture and fittings 10% on cost

Prepare Darel Limited Company's

(a) Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2023. (20 marks)

(b) Statement of Financial Position as at 31 December 2023. (25 marks)

Question 2

Omnifat sells furniture, clothing and electrical goods. The following information has been extracted from its books for the year ended 31 December 2023

		\$
Sales :	Furniture	272,000
	Clothing	138,000
	Electrical	110,000
Purchases:	Furniture	112,000
	Clothing	76,000
	Electrical	50,000
Inventory at 1 January 2020:	Furniture	28,000
	Clothing	19,000
	Electrical	22,000
Inventory at 31 December 2020:	Furniture	35,000
	Clothing	23,000
	Electrical	26,000

In the year ended 31 December 2023, Omnifat's expenses were as follows:

		\$
Salaries and wages	Furniture	35,000
	Clothing	28,000
	Electrical	25,000
Rent		60,000
Heating and lighting		15,000
Advertising		6,000
Delivery expenses		4,000
Depreciation of Non-Current Assets		10,000
Administration		30,000

Further information

1. Delivery and advertising costs are to be apportioned in proportion to departmental sales.
2. Administration costs are to be divided equally among the three departments.
3. Departmental statistics are:

	Furniture	Clothing	Electrical
Area occupied in sqm	150	90	60
Non-Current Assets \$	50,000	30,000	20,000

4. The manager of each department is entitled to a commission of 5% of his departmental net profit after charging the commission.

Required:

- (a) Prepare the Trading Section of the Departmental Statement of Profit or Loss for the year ended 31 December 2023, clearly showing the gross profit for each department and for the business as a whole". (5 marks)
- (b) Prepare the Profit or Loss Section of the Departmental Statement of Profit or Loss for the year ended 31 December 2023, clearly showing the net profit or loss for each department and for the business as a whole". (20 marks)
