

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

ACCOUNTANCY DEPARTMENT

NOV 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 the use of non-programmable silent hand-held calculators is permitted.
 - (iii) Cell phones are not allowed in 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, 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 a trade discount of 25 per cent and a cash discount of 5 per cent, if paid within the cash settlement 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 or 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 or 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]

16. Christian James 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 2022, 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
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 2022	15 654
Trade accounts receivable	24 500
Motor Vehicles - at cost	120 740
Accumulated depreciation on fixtures and fittings - as at 31 December 2022	63 020

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

- (a) Inventory at the close of business on 31 December 2022 was valued at \$17 750.
- (b) Insurances included a payment of \$1 120 to Old Mutual for vehicle insurance cover of \$20 120 which was for the first quarter of 2023.
- (c) The invoice from ZESA showing electricity charges of \$1 360 was received on 5 January 2023.
- (d) It is the policy of the company to depreciate non-current assets at 10% using the straight-line method.
- (d) A payment of \$5 435 was in respect of rates for the month of January 2023.
- (e) The allowance for doubtful debts is to be adjusted so that it is 3% of trade accounts receivable.
- (f) The company received a 1.29% discount on purchases

(g) The company allowed a discount of 0.8875% on sales

Required:

- a. Discuss reliability and relevance qualitative characteristics of useful financial statements. (10 marks)
- b. Prepare Christian James' statement of profit or loss for the year ending 31 December 2021 and a statement of financial position as at that date. (20 marks)

[Total: 30 Marks]

QUESTION 2

The following is a summary of a cash book as presented by Klarna Ltd for the month of October 2022:

	\$		\$
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 2022. (5 Marks)

[Total 20 Marks]

QUESTION 3

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

The following transactions took place in January 2023:

Date	Transaction
1	Started in business with \$8 000 which was deposited in the bank.
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 credit 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:

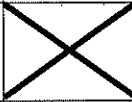
- a. Enter the transactions above in PAGUMBEZE's ledger accounts and extract a trial balance. (12 Marks)
- b. Discuss the following two assumptions in the International Accounting Standards Board (IASB) framework:
 - i. Going concern (4 Marks)
 - ii. Accruals (4 Marks)

[Total Marks: 20]

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

Student ID _____ Exam Date _____

Make sure you put your answer in line with the correct question number.

	A	B	C	D
Example: If Answer is D				
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				