

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE

ACCOUNTANCY DEPARTMENT

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)
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DURATION:	3 HOURS
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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
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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 an edible oil manufacturer, paid insurance of \$3 000 related to the shipment of raw material-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 for raw material-crude oil 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 classifies 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 non-current 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, in percentage terms?
- 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. Zim Trading is a partnership with Emerson and Nelson as partners. The information below pertains to the business activities of the partnership for the year ended 31 December 2022.

ZIM TRADING BALANCES AS AT 31 DECEMBER 2022

	\$
Capital: EMERSON	282 500
Capital: NELSON	144 000
Land and buildings at cost	180 000
Vehicles at costs	144 000
Accumulated depreciation: Vehicles (1 January 2022)	12 000
Equipment at cost	130 000
Accumulated depreciation: Equipment (1 January 2022)	24 000
Long-term loan	108 000
Bank	94 840
Creditors control	47 070
Debtors control	59 680
Sales	536 820
Purchases	302 530
Salaries and wages	123 600
Interest on long-term loan	4 320
General expenses	38 720
Water and electricity	41 160
Depreciation (31 May 2022)	75
Settlement discount received	2 400
Settlement discount granted	2 000
Credit losses recovered	3 000
Telephone	23 160
Allowance for settlement discount granted	1 305
Property rates	17 010

Additional information:

Abstract from terms of the partnership agreement:

1. Interest on capital is calculated at a rate of 10% per annum on Opening balances of the capital accounts.
2. Each partner is entitled to a monthly salary of \$5 000 per month.

3. Emerson and Nelson share profits and losses in the ratio of 2:3 respectively.

Year-end adjustments:

1. On 31 August 2022, salaries for services rendered according to the partnership agreement were paid to the partners as follows:

Emerson: \$36 000
Nelson: \$38 000

- Both these amounts were debited to the salaries and wages account.
2. The only transaction involving equipment occurred on 28 February 2022 when equipment with a cost price of \$15 000 and accumulated depreciation of \$14 000 on 1 January 2022, was traded in for a new one. The new machine was purchased at a cost of \$25 000 and the supplier thereof allowed \$1 500 as a trade-in value on the old equipment and the difference was paid in cash.
 3. Depreciation is to be provided for as follows:
Vehicles: 20% per annum according to the straight-line method
Equipment: 15% per annum according to the diminishing balance method.
 4. The long-term loan was obtained from Klarna Bank on 1 June 2022 at an interest of 12% per annum, payable on 30 June of every year. The capital amount of the loan must be repaid on 1 January 2023.
 5. Included in the amount of water and electricity is \$10 400 relating to advertising expenses paid during the year. Advertising expenses are payable in advance in equal amounts and the January 2023 payment is included in this figure.
 6. An invoice for an amount of \$5 280 relating to delivery expenses in respect of purchases delivered on 31 December 2022 was received on 2 January 2023.
 7. On 31 December 2022 the inventory on hand amounted to \$28 080.

Required:

Prepare the statement of profit or loss and other comprehensive income of ZIM Trading for the year ended 31 December 2022 to comply with the requirements of International Financial Reporting Standards (IFRS), appropriate comparative figures are NOT required.

(25 Marks)

[Total 30 Marks]

QUESTION 2

Dande Intelligent Solutions (PVT) LTD (DIS) is a company registered in Zimbabwe under the Companies Act Chapter 24:03. DIS is a retailer of IBR roofing sheets, window frames, door frames, sliding gates, iron tubes. DIS imports some of their rectangular iron tubes from German.

In February 2022 DIS imported rectangular iron tubes from German Steel. The following details pertaining to the transaction were found in the company records:

- (i) On 1 January 2022 German Steel issued an invoice with a value of \$38 546.00 (FOB) for 25 000 units of rectangular iron tubes.
- (ii) On 2 January 2022 Shasha Shipping issued a profoma invoice with a total of \$3 450. This invoice comprised [Freight (\$2 500), Insurance (\$500) & VAT (450)].
- (iii) On 3 February 2022 Takura Shipping informed DIS Operations Director Yang Yang that the goods arrived at Mutare GMS (Dry Port) and customs duty of \$2 099 plus \$314 VAT must now be paid within 10 days to avoid penalty charges for the container from Maersk and J&J trucking company.
- (iv) On 10 February 2022 when customs duty was finally paid and the container released by Zimbabwe Revenue Authority (ZIMRA), the Haulage truck broke down and was repaired at a cost of \$500.
- (v) The driver incurred extra costs during the breakdown amounting to \$350
- (vi) The Operations Director Yang Yang's salary for the month of January including all allowances was \$2 500.
- (vii) DIS registered for VAT in July 2018 when revenue exceeded the threshold required to register for VAT.
- (viii) The received goods were recorded at the warehouse on 11 February 2022 when the container was finally received.

Additional information:

- (i) On 1 January 2022 DIS had 1 000 rectangular iron tubes in the warehouse that were acquired at a cost of \$2.50 each.

- (ii) On 12 January 2022, DIS received 5 000 units of rectangular iron tubes that were purchased at a total cost of \$10 000 locally from Steel Supplier (PVT) LTD.
- (iii) On 22 January DIS sold 3 000 units of rectangular iron tubes at \$5 each
- (iv) On 1 February 2022 DIS acquired 4 000 units from a Local Supplier (PVT) LTD at a cost of \$2
- (v) On 12 February soon after the shipment received from German, DIS invoiced T&T Manufacturing 10 000 units of rectangular iron tubes at \$4 and the goods were immediately delivered to T&T.

Required:

- a. Define inventories according to IAS2. (2 Marks)
- b. Explain the difference between Net Realisable Value (NRV) and Fair Value (FV) (2 Marks)
- c. Identify the costs to be charged to inventories purchased from German Steel on 1 January 2022 and delivered to the warehouse on 11 February 2022 according to IAS2, and state which costs if any must be excluded. (4 Marks)
- d. Calculate the value of closing inventories for DIS as at 12 February 2022 using the FIFO and Perpetual Weighted Average Cost Methods. (10 Marks)
- e. Using the results in (d) above, comment on the implications of using different cost formulas. (2 Marks)

[Total:20 Marks]

QUESTION 3

The following information relates to Rushinga (PVT) LTD, for the year ended 31 December 2022.

Extracts from the statement of profit or loss for the year ended 31 December 2022

		\$'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		
	2022	2021
	\$'000	\$'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

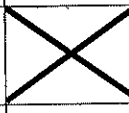
Required:

Prepare a cash flow statement for Rushinga (PVT) LTD for the year ended 31 December 2022. Use the indirect method. [Total: 20 Marks]

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				
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