



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

**BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING
BACHELOR OF COMMERCE HONOURS DEGREE IN MARKETING MANAGEMENT**

PART I FIRST SEMESTER EXAMINATION

FINANCIAL ACCOUNTING 1 [BAC1101]

MAY/JUNE 2023

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **ALL** QUESTIONS
2. Begin each question on a new page.
3. Please indicate the study format (Conventional/Block/Parallel) on the cover of your answer script.

INFORMATION

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

This paper consists of seven printed pages including the cover page

QUESTION 1 [30 MARKS]

- 1.1. Which of the following statements would be most useful for managers? [2 Marks]
- A. Tax records for the past six years
 - B. Financial statements for the past year
 - C. Bank statements for the last quarter of the previous year
 - D. Budgets for the coming financial year
- 1.2. The financial statements of a limited liability company will consist solely of the statement of financial position and the statement of comprehensive income. [2 Marks]
- A. True
 - B. Not quite
 - C. Unsure
 - D. False
- 1.3. The International Accounting Standards Board (IASB) guides the standard setting process. [2 Marks]
- A. True
 - B. False
 - C. Not really
 - D. Unsure
- 1.4. Which of the following statements best describes the consistency concept? [2 Marks]
- A. Only material items are disclosed
 - B. The way an item is presented always remains the same
 - C. Presentation and classification of items should remain the same unless a change is required by an IFRS or an IAS
 - D. Materiality is important
- 1.5. Making an allowance for receivables loss is an example of which concept? [2 Marks]
- A. Accruals
 - B. Going concern
 - C. Materiality
 - D. Prudence
- 1.6. Which of the following is correct? [2 Marks]
- A. $\text{Capital} = \text{assets} + \text{liabilities}$
 - B. $\text{Capital} = \text{liabilities} - \text{assets}$
 - C. $\text{Capital} = \text{assets} - \text{liabilities}$
 - D. $\text{Capital} + \text{assets} = \text{liabilities}$
- 1.7. What is the double entry to record a credit sale of \$50 000? [2 Marks]
- A. Debit cash \$50 000, credit sales \$50 000
 - B. Debit receivables \$50 000, credit sales \$50 000
 - C. Debit sales \$50 000, credit receivables \$50 000
 - D. Debit sales \$50 000, credit cash \$50 000
- 1.8. What is the double entry to record a purchase of office chairs for \$100 000? [2 Marks]

- A. Debit non-current assets \$100 000, credit cash \$100 000
- B. Debit cash \$100 000, credit purchases \$100 000
- C. Debit purchases, credit office chairs
- D. Debit sales, credit purchases

1.9. Sinempilo General dealer has the following opening balances on its ledger accounts.

	\$
Fixtures	10 000
Trade accounts receivable	4 000
Loan	6 000
Bank account	2 000

- a. What is the value of total assets? **[2 Marks]**
- A. \$12 000
 - B. \$10 000
 - C. \$16 000
 - D. \$6 000
- b. What is the amount for opening capital? **[2 Marks]**
- A. \$12 000
 - B. \$10 000
 - C. \$16 000
 - D. \$6 000
- 1.10.** An item of inventory was purchased for \$100 000. However, due to a fall in its demand, its selling price will be only \$80 000. In addition, further costs of \$10 000 will be incurred prior to the sale. What is its net realisable value? **[2 Marks]**
- Marks]**
- A. \$70 000
 - B. \$80 000
 - C. \$100 000
 - D. \$110 000
- 1.11.** What is included in the cost of inventories according to IAS 2 *Inventories*? **[2 Marks]**
- A. Purchase price less trade discount
 - B. Purchase price plus transport costs less trade discount
 - C. Purchase price less import duties less trade discount
 - D. Purchase price plus import duties plus transport costs less trade discount
- 1.12.** A company's bank statement shows \$7150 direct debits and \$3530 investment income not recorded in the cash book. The bank statement does not show a customer's cheque for \$8750 entered in the cash book on the last day of the accounting period. If the cash book shows a credit balance of \$6100 what balance appears on the bank statement? **[2 Marks]**
- Marks]**
- A. \$18 470 debit
 - B. \$18 470 credit

- C. \$9 720 credit
- D. \$9 720 debit

1.13. Which of the following is the correct formula for calculating the cost of sales? [2 Marks]

- A. Purchases – closing inventory + sales.
- B. Opening inventory + closing inventory – purchases
- C. Opening inventory – purchases + closing inventory.
- D. Opening inventory + purchases – closing inventory.

1.14. If a business owner takes goods out of inventory for his own use, how is this dealt with? [2 Marks]

- A. Credited to drawings at cost
- B. Credited to drawings at selling price
- C. Debited to drawings at cost
- D. Debited to drawings at selling price

QUESTION 2 [25 MARKS]

- a. Identify and explain the fundamental characteristics of useful information, according to the IASB Conceptual Framework. [7 Marks]
- b. Using examples, explain the importance of the following business documents:
 - i. Goods received voucher [1 Mark]
 - ii. Delivery note [1 Mark]
 - iii. Sales order [1 Mark]
 - iv. Goods despatched voucher [1 Mark]
- c. Briefly explain the importance of the Trial Balance. [3 Marks]
- d. Explain any five (5) errors that cannot be revealed by a trial balance. [5 Marks]
- e. The transactions below were identified to have been erroneously recorded by One One Enterprises.
 - i. A sale of goods worth ZWL 1 911 120 was recorded in the sales account as ZWL 1 119 120.
 - ii. A bank transfer to a supplier amounting to ZWL 1 400 000 was recorded on the credit side of the cashbook.
 - iii. Acquisition of a new state of the art machine worth ZWL 3 500 000 was recorded in the purchases account.

Required:

Identify the type of error in each of the transactions above and prepare journal entries to correct the errors. [6 Marks]

QUESTION 3 [25 MARKS]

The following trial balance was extracted from the books of M Moyo at the close of business on 31 December 2021

	ZWL \$	ZWL \$
Opening inventory	20 672	
Sales		449 000
Purchases	312 000	
General expenses	8 881	
Salaries	54 535	
Administration costs	13 123	
Insurance	4 535	
Rent	9 789	
Credit losses	545	
Plant at cost	62 000	
Equipment at cost	18 000	
Accumulated depreciation: Plant		9 500
Accumulated depreciation : Equipment		5 200
Allowance for credit losses		280
Trade receivables	10 200	
Trade payables		7 800
Bank	8 500	

Capital		72 000
Drawings	21 000	
	543 780	543 780

Additional information:

1. Inventory at 31 December 2021 was ZWL 19 122
2. Salaries accrued at 31 December 2021 amounted to ZWL 5 435
3. Administration costs owing at 31 December 2021 were ZWL 312
4. Insurance paid in advance at 31 December 2021 was ZWL 765
5. The allowance for credit losses is to be maintained at 5% of trade receivables
6. The entity calculates depreciation as follows:
 - a. Plant: 20% on cost
 - b. Equipment: 20% reducing balance

Required:

- a. Prepare a statement of profit or loss and other comprehensive income for the year ended 31 December 2021. [15 Marks]
- b. Prepare a statement of financial position as at 31 December 2021. [10 Marks]

QUESTION 4 [20 MARKS]

A. Brown Ltd has the following transactions in its cashbook and bank statement for June 2022

CASHBOOK

RECEIPTS	ZWL \$	PAYMENTS	ZWL \$
Cheque# 6789	14 000	Cheque #123456	4 000
4591	12 000	123457	6 000
4826	9 500	123458	7 500
4725	19 000	123459	12 500
4228	9 000	123460	8 000
Cash	66 000	123461	1 500
		Bal c/d	90 000
	129 500		129 500
Bal b/d	90 000		

ABC BANK

BANK STATEMENT FOR: BROWN LTD

CHEQUE #	DR \$	CR \$	BALANCE \$
Opening balance			0.00
123459	12 500		(12 500)

123458	7 500		(20 000)
4826		9 500	(10 500)
6789		14 000	3 500
123460	8 000		(4 500)
4826 contra	9 500		(14 000)
ICAZ standing order	250		(14 250)
Bank charges	500		(14 750)
Commission	1 750		(16 500)
4228		9 000	(7 500)
123457	6 000		(13 500)
Cash		66 000	52 500

Required:

- a. Prepare an adjusted cashbook for Brown Ltd. **[2 Marks]**
- b. Reconcile the adjusted cashbook balance with the bank statement. **[6 Marks]**
- c. Explain any five benefits of preparing a bank reconciliation statement. **[5 Marks]**

B . The Tokwana Community Rowing Club has a scheme whereby as an alternative to paying annual subscription fees, members can at any time opt to pay a lump sum which gives them life membership. The amount is then credited to the Income and Expenditure account in equal instalments over a ten-year period, beginning in the year when the lump sum was paid and life membership is acquired. The treasurer of the club, Kudzi, established the following:

- i. At 31 December 2021 the balance on the Life Membership Fund was \$8250
- ii. Of this amount, \$1220 should be credited as Income for the year to 31 December 2021
- iii. During the year to 31 December 2021 new Life members made lump sum payments totalling \$1500

Required:

Show the movement in Life Membership Fund and how much should be transferred as income to the Income and Expenditure Account. **[7 Marks]**

END OF EXAMINATION PAPER

