



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING

PART I FIRST SEMESTER EXAMINATION

FINANCIAL ACCOUNTING IA [BAC1101]

JUNE 2025

DURATION: 3 HOURS

INSTRUCTIONS

1. Answer **All questions**.
2. Begin your answer to each question on a new page.

INFORMATION

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

This paper consists of six printed pages including the cover page

SECTION A- COMPULSORY TOTAL 60 MARKS

QUESTION 1 [30 MARKS]

Please select the most appropriate answer.

- 1.1. The accountant of a firm ensures that the assets are not overstated and the liabilities are not understated. Which accounting principle is being applied?
- A. Materiality
 - B. Consistency
 - C. Accruals
 - D. Prudence.
- [2 Marks]**
- 1.2. The IASB Conceptual Framework identifies certain enhancing qualitative characteristics of useful financial information. Which of the following is an enhancing characteristic?
- A. Faithful representation
 - B. Materiality
 - C. Understandability
 - D. Going concern.
- [2 Marks]**
- 1.3. Which of the following transactions would be recorded in the general journal?
- A. Credit sale of goods to a customer.
 - B. Cash purchase of stationery.
 - C. Credit purchase of inventory from a supplier.
 - D. Correction of an error in the sales journal.
- [2 Marks]**
- 1.4. The total of the Returns Outwards Journal is transferred to
- A. The credit side of the Returns Outwards Account
 - B. The debit side of the Returns Outwards Account
 - C. The credit side of the Returns Outwards Book
 - D. The debit side of the Purchases Returns Book.
- [2 Marks]**
- 1.5. \$50 cash taken from the cash till and banked is entered
- A. Debit cash column \$50; Credit bank column \$50
 - B. Debit bank column \$50: Credit cash column \$50
 - C. Debit cash column \$50: Credit cash column \$50
 - D. Debit bank column \$50: Credit bank column \$50.
- [2 Marks]**
- 1.6. Which of the following are not errors of principle?
- i. Motor expenses entered in Motor Vehicles account
 - ii. Purchases of machinery entered in Purchases account
 - iii. Sale of \$244 to M. Phili completely omitted from books
 - iv. Sale to A. Hadebe entered in A. Hambo account

- A. (ii) and (iii)
- B. (i) and (ii)
- C. (iii) and (iv)
- D. (i) and (iv).

[2 Marks]

1.7. Which of the following items would typically require an adjustment to the bank balance as per the bank statement in a bank reconciliation?

- A. Unpresented cheques
- B. Direct deposits by customers not yet recorded in the Cash Book
- C. Bank charges not yet recorded in the Cash Book
- D. Errors made by the company in the Cash Book.

[2 Marks]

1.8. ZimPharma had 500 bottles of a certain medicine in inventory at the start of the year, costing \$12 each. During the year, 300 bottles were sold. At year-end, due to a recall, the remaining 200 bottles have an estimated net realizable value of \$8 each. What is the total value of the inventory write-down required at year-end?

- A. \$800
- B. \$1,600
- C. \$2,400
- D. \$4,000.

[2 Marks]

1.9. On 1 March 2025, Tanyaradzwa Ltd. received a \$4,800 payment for accounting consultancy services to be rendered over the next 12 months (1 March 2025 to 28 February 2026). What amount of this revenue would be recorded as a prepayment on 31 December 2025?

- A. \$1,600
- B. \$3,200
- C. \$4,000
- D. \$4,800.

[2 Marks]

1.10. On 10 December 2024 a business bought a machine. The policy is to capitalise any expenditure over \$300. The breakdown of the invoice showed:

	\$
Cost of machine	20,000
Delivery costs	200
One year maintenance contract	800
Installation costs	500
	21, 500

- A. \$20,500
- B. \$21,000
- C. \$20,700
- D. \$21,500

[2 Marks]

1.11. A business has the following balances relating to non- current assets:

Balances as at	31 January 2024 (\$)	31 January 2025(\$)
Vehicle at cost	50,000	50,000
Vehicle accumulated depreciation	32,850	To be calculated

Depreciation is provided at 30% on a diminishing balance basis. What is the accumulated depreciation as at 31 January 2025?

- A. \$30,000
- B. \$32,850
- C. \$37,850
- D. \$37,995.

[2 Marks]

1.12. Which of the following is not a minimum line item that should be presented on the face of the statement of profit or loss and other comprehensive income according to IAS 1?

- A. Revenue.
- B. Finance costs.
- C. Income tax expense.
- D. Earnings per share presented separately for profit and loss and other comprehensive income.

[2 Marks]

1.13. A company has total assets of \$1,000,000 and profit before tax of \$100,000. Basing your answer on IAS 1- Presentation of Financial statements, which of the following errors is most likely to be considered material?

- A. An overstatement of advertising expense by \$1,000.
- B. An understatement of accounts receivable by \$50,000.
- C. An overstatement of petty cash by \$100.
- D. A misclassification of salaries expense between two different administrative departments amounting to \$15,000.

[2 Marks]

1.14. A company presents the following in its Statement of Financial Position: Inventory (\$120,000), trade receivables (\$80,000), cash (\$30,000), and plant & equipment (\$300,000). According to IAS 1, what is the total of the company's current assets?

- A. \$230,000
- B. \$300,000
- C. \$530,000
- D. \$200,000.

[2 Marks]

1.15. A Not- for- Profit Organisation earned \$120,000 in total income and incurred \$100,000 in total expenses for the year. What is the resulting figure, and how is it presented?

- A. \$20,000 net profit, shown in equity
- B. \$20,000 retained earnings

- C. \$20,000 surplus, added to accumulated funds
- D. \$20,000 reserve fund, shown under liabilities.

[2 Marks]

QUESTION 2 [30 MARKS]

The following is information of Bakossi, a sole proprietor operating in Filabusi.

- March 1 Started in business with \$1,500 in the bank and \$500 cash.
- 2 Purchased goods to the value of \$1,750 from C. Dombo, to pay within 60 days.
- 3 Bought fixtures and fittings for the bakery for \$150, paying through the bank.
- 6 Bought goods on credit from E. Fuzwayo for \$115.
- 10 Paid rent of \$300 paying cash.
- 12 Bought stationery - cash book and invoices -for \$75 - paying by cash.
- 14 Sold goods on credit, value \$125, to G. Hove.
- 20 Bought an old van for deliveries for \$2,000 on credit from I. Jamela.
- 30 Paid wages of \$450 net for the month by bank transfer.
- 31 Summarised cash sales for the month and found them to be \$2,500.
Took a cheque for \$500 as own wages for the month.
Banked \$2,000 out of the cash sales over the month.
- 31 Closing inventory was \$500.

Required:

- a) Record the transactions in the ledger of Bakossi.
- b) Prepare a trial balance at 31 March 2025.

[18 Marks]

[12 Marks]

SECTION B- TOTAL 40 MARKS

QUESTION 3 [20 MARKS]

- a) Explain three impacts of using the straight line method and reducing balance method of depreciation. [6 Marks]
- b) You are working on the accounts of a small business in Gwanda which had a year ended 31 December 2024. On 1 January 2024 the business part exchanged an old machine for a new one with a list price of \$3,500. A bank transfer of \$1,000 was made in full and final settlement and the amount was entered in the cash book.
 - The old machine cost \$4,000 on 1 January 2022.
 - The business depreciation policy for machinery is 20% using the diminishing balance method.
 - A full year's depreciation is applied in the year of acquisition and none in the year of disposal.

- The machine at cost account had a balance brought down before accounting for the disposal and purchase of \$12,500 and the accumulated depreciation was \$4,500.

Required:

Make entries to account for the disposal of the old machine and purchase of the new one showing clearly the balances carried down or transferred to the statement of profit or loss. **[14 Marks]**

QUESTION 4 [20 MARKS]

- a) Outline any four potential causes of errors and omissions that necessitate correction through year-end accounting adjustments. **[4 Marks]**
- b) A trial balance was extracted from the books of N. Pote, and it was found that the debit side exceeded the credit side by \$200. This amount was entered in the suspense account. The following errors were later discovered and corrected:
- Purchases were over-summed by \$129.
 - An amount paid to I. Lazarus was debited to the control account as \$98 instead of \$89.
 - Sales were under-summed by \$62.

Required:

Write up and rule off the suspense account as it would appear in Pote's ledger. **[7 Marks]**

- c) JB Trading has a balance on its receivables ledger control account at 28 February 2025 of \$100,00. Included in this balance is \$4,000 of irrecoverable debts to write off and a specific allowance to be made of \$1,000. On 28 February 2024 the allowance for doubtful receivables was \$2,500. On 28 February 2025 the allowance for doubtful receivables was to be 1% of the outstanding trade receivables.

Required:

Calculate the total closing allowance. Show all calculations. **[9 Marks]**

END OF EXAMINATION PAPER