



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

DEPARTMENT OF ECONOMICS, MARKETING AND
ENTREPRENEURSHIP

EXAMINATION PAPER

COURSE CODE : MTSM514 /MBA511

COURSE TITLE : STRATEGIC FINANCIAL ACCOUNTING/FINANCIAL
ACCOUNTING FOR MANAGERS

DURATION : 3 HOURS

LEVEL : 5.1

DATE : 11. OCT 2023

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **FOUR (4)** questions.
3. The number of marks for each question or part question is shown in brackets []
4. Use of non-programmable calculators is allowed.
5. Show all your workings in order to gain full marks.
6. Begin each answer on a new page.
7. **DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR INSTRUCTS YOU.**

Question 1

The users of accounting information are grouped into two main categories namely internal users and external users. The major debate is: For what sort of decisions do these users value accounting information? In view of this it should be noted that: i) All the users of company accounting information are faced with choices between alternative courses of action. ii) If they make decisions without adequate information (which happens all too often), they are likely to find that their expectations are not fulfilled. A good manager should be concerned with all the questions posed by all the interest groups set out above.

Required

In view of the foregoing discussion, identify **TWO** internal and **THREE** external users of accounting information and clearly show their information needs. (25 marks)

Question 2

The income of business belongs to owner and is a direct result of matching of revenues of a period and expenses of the same period. It is always calculated at the end of the period and, hence, is an ex-post or actual income. The matching of revenues and expenses of a period can be done on the three bases called Bases of Accounting.

Required

2 (a) Identify and explain the three bases of accounting. (9 marks).

(b) A business generates sales of \$ 30 000 (including \$ 10 000 as credit sales) and expenses amount to \$20 000 (including \$5 000 still payable) during an accounting period. Calculate the profit of the business as per three bases of accounting for the accounting period. (6marks).

(c) To have uniformity and consistency in the preparation of financial statement, accounting operates within a framework of 'Generally Accepted Accounting Principles' (GAAP), which follows a conceptual framework and adheres to the 'accounting standards' (AS) issued by the recognized regulatory body. Accounting, being a man-made system, must evolve and adjust itself to the changes in needs of the man-kind. As a result, accounting principles are not as exact and rigid as laws of natural sciences. Therefore emphasis is on general, instead of universal, acceptability of accounting principles and they are the pillars on which the structure of accounting is resting.

Required

Explain fully any five accounting principles (10 marks)

[Total 25 marks]

Question 3

The trial balance of Jose Investments as at 31 December 2019

	\$000	\$000
Issued share capital		17 250
Retained earnings		57 500
Long term loan		63 250
Bank overdraft		8 625
Tax reserves		5 750
Trade payables		29 900
Provision for depreciation-----equipment		3 450
-----vehicles		9 200
Freehold land	57 500	
Freehold buildings	57 500	
Equipment	14 950	
Motor vehicles	20 700	
Inventory I January 2018	43 125	
Trade receivables	28 750	
Cash in hand	4 600	
Purchases	258 750	
Bank interest	1 150	
Director's remuneration	1 150	
dividends	1 725	
Interest on debentures	6 325	
insurance	3 450	
Salaries & wages	18 055	
Motor expenses	9 200	
taxation	5 750	
Hire charges	300	
Light & power	920	
General expenses	275	
stationery	1840	
Repairs and maintenance	2760	

sales		<u>345 000</u>
	<u>539 925</u>	<u>539 925</u>

Year-end adjustments

The following information relating to accruals and prepayments has not yet been taken into account in the amounts in the trial balance.

- Inventory at cost at 31 December 2018 was \$25 875
- Depreciation is to be provided as follows:
 - 2% on freehold buildings using the straight-line method; – 10% on equipment using the reducing balance method;
 - 25% on motor vehicles using reducing balance.
- a \$2,300 was prepaid for repairs and a \$5 175 has accrued for wages.
- Freehold buildings were revalued at a \$77 500.

Required

- a) Prepare a statement of comprehensive income for year ended 31 December 2018 using International accounting standard 1(IAS 1) (13 marks)
- b) Construct a statement of financial position as at 31 December 2018 using IAS1.

(12 marks)

[Total 25 Marks]

Question 4

The following information was extracted from the financial statements of Good ltd :
Statement of financial position as at 31 December 2018

	2018	2017
Assets	\$	\$
Non-current assets		
Property ,Plant and Equipment at cost	290 000	200 000
Accumulated depreciation on property, plant and equipment	(60 000)	(40 000)
Goodwill	----	10 000
	230 000	170 000
Current assets		
Inventory	115 000	48 000
Trade receivables	98 000	40 000
Bank	12 000	10 000
	225 000	98 000
Total assets	455 000	268 000
EQUITY and LIABILITIES		
Equity		
Ordinary share capital, \$1share	240 000	200 000
Share premium	10 000	0
Retained earnings	74 000	20 000
	324 000	220 000
Non –current liabilities		
8% debentures	50 000	0
Current liabilities		
Trade payables	50 000	20 000
Current tax payable	18 000	15 000
Dividends payable	13 000	13 000
	81 000	48 000
Total liabilities	131 000	48 000
Total equity and liabilities	455 000	268 000

Statement of comprehensive income for the year ended 31 December 2018

	\$
Revenue	200 000
Operating expenses	(82 000)
Depreciation	(20 000)
Goodwill impairment loss	(10 000)
Debenture interest	(4 000)
Profit before tax	84 000

Income tax expense	<u>(17 000)</u>
Profit for the period	<u>67 000</u>

Additional information:

1. No items of property, plant and equipment were disposed of during the period.
2. Dividends amounting to \$13 000 were declared.

Required:

Prepare the statement of cash flows for the year ended 31 December 2018 using (1) the indirect method and (2) the direct method. The statement of cash flows must comply with the requirements of IAS 7. Comparative amounts and notes are not required. **(25 marks)**

Question 5

You are given results of Pindi Park Ltd as follows; all figures are in \$000:

Income statement for year ended 31 Dec	31.12.2020	31.12.2019
	\$000	\$000
Turnover/Revenue	60	50
Cost of sales	(42)	(34)
Gross profit	18	16
Operating expenses	(15.5)	(13)
Profit before interest and tax	2.5	3
Interest payable	(2.2)	(1.3)
Profit before tax	300	1.7
Taxation	(350)	(600)

Loss/Profit after taxation	(50)	(1,1)
Dividends	(600)	(600)
Transfer(from) to reserves)	(650)	(500)

Statement of Financial position as at:

	31.12.2020	31.12.2019
	\$000	\$000
Non Assets		
Intangible	.5	-
Tangible	<u>12</u>	<u>11</u>
	12.5	11
Current Assets		
Inventory	14	13
Trade receivables	16	15
Bank and cash	.5	.5
	30,5	28,5
Creditors due after one year	6	5.5
	13	14
Capital and Reserves		
Share capital	1.3	1.3
Share premium	3.3	3.3
Revaluation	2	2
Retained income	6.4	<u>7.4</u>
	13	14

Required :

a) Prepare a table of the following ratios, calculated for both years. Clearly showing the figures used in the calculations:

Current Ratio

Quick Asset ratio

Stock turnover in days

Trade receivables in days

Trade payables in days

Gross profit margin

Net profit margin (before taxation

Interest cover

Dividend cover

Return on Capital Employed (ROCE)

Gearing

(15 marks)

b) Discuss fully with the aid of examples information needs of the following business stakeholders:

i) Government

ii) Creditors

- iii) Employees
- iv) Customers
- v) Lenders

(10 marks)

[Total 25 marks]

[Total: 100 Marks]

17/7 (am)