



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 :
: 12 FEB 2024

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.

Chigubu Brotherly Investments is involved in the banking service industry and its financial statements are as follows:

Chigubu Brotherly Investments Statement of Financial Position as at:

	2022	2021
	\$000	\$000
Non-Current Assets		
Plant and Equipment	2 850	2 050
Total non –current assets	<u>2 850</u>	<u>2 050</u>
Current Assets		
Inventories	580	600
Trade Receivables	420	300
Cash and cash equivalents	30	50
Total Current Assets	<u>1 030</u>	<u>950</u>
Total Assets	<u>3 880</u>	<u>3 000</u>
Equity and Liabilities		
Equity Share Capital	1 100	900
Share Premium	200	100
Retained Earnings	980	610
Revaluation surplus	300	100
Total Equity	2 580	1 710
Non –current liabilities		
Long –term loan	950	800
Total non- current liabilities	950	800
Current liabilities		
Trade payables	290	320
Bank overdraft	20	120
Tax payable	40	50
Total current liabilities	<u>350</u>	<u>490</u>
Total equity and Liabilities	<u>3 880</u>	<u>3 000</u>

Chigubu Brotherly Investments statement of comprehensive income for year ended 31 December 2022

	\$000
Revenue	11 700
Cost of sales	(10 400)
Gross profit	1 300
Distribution	(520)
Administrative costs	(250)
Finance costs	(50)
Profit before tax	480
Income after tax	(60)
Profit for year	420
Other components of comprehensive income – revaluation gain	200
Other comprehensive income net of taxes	200
Total comprehensive income for year	<u>620</u>

Additional information

- 1) Property, Plant and Equipment with a carrying value of \$280 00 was sold during 2021 for \$290 000. This asset had originally cost \$450 000.
- 2) Depreciation of Property, Plant and Equipment during 2022 amounted to 400 000
- 3) Dividends paid during 2022 amounted to \$50 000 and are reported in the Statement of Changes in Equity.

Required:

Prepare a statement of cash flows for the year ended 31 December 2022 for Chigubu Brotherly Investments in accordance with IAS 7 – Statement of Cash Flows. (25 marks)

Question 2

Maguire, a director at Gwatec pvt ltd , a management consultant leading, a small team which has been commissioned to prepare a consultancy report for the Manuel Pvt ltd , Company which has two product areas . The largest area is manufacture of data communications components which it, mainly sells to original equipment manufacturers (OEM). The other small and less developed area is based on supply and support contracts for specialist IT management network systems, mainly to domestic medium sized enterprises has just come from a conference, “dubbed stakeholder analysis”. Due to a tooth ache, he failed to understand the discussion; He has now approached you for a clarification

In view of the foregoing, Discuss FIVE stake holders of a business of your choice showing clearly their information needs

[Total: 25 Marks]

Question 3

Accounting is the art of recording, clarifying and summarizing the financial transactions and interpreting the results thereof. The accounting recording system is based on the simple, notion that all economic resources acquires by an entity must be funded from somewhere. This is based on accounting equation

- a) The following took place for Tambidzai a merchant from period beginning January 2020
- i. Tambidzai commences his business on 1January 2023 with \$25 000 cash
 - ii. Out of these cash resources he purchases plant and equipment for \$15 000
 - iii. Inventories of raw materials are purchased on credit for \$7 000
 - iv. \$3 500 worth of inventory is processed at a labour of \$300 to form finished goods inventory
 - v. The accountant , an employee of the business, is paid his wage of \$100 in cash
 - vi. The entire finished goods inventory is sold for \$5 000 on credit
 - vii. \$3 500 of the amount due to suppliers is paid with an advertising bill of \$100

Required to:

Show the effect of the above transaction on accounting equation (10 Marks)

- b) GAAP is used to describe, rules or guidelines variously called concepts, conventions, axioms, assumptions, postulated, principles, modifying principles etc., developed for the preparations of financial statement. Accounting principles are constantly evolving and are influenced by changes in the social, legal and economic environment ; professional bodies and the needs of the users of financial information

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 briefly **FIVE** accounting principles used when recording transactions on the books of account (15 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
	<u>225 000</u>	<u>98 000</u>
Total assets	<u>455 000</u>	<u>268 000</u>
EQUITY and LIABILITIES		
Equity		
Ordinary share capital, \$1 share	240 000	200 000
Share premium	10 000	0
Retained earnings	<u>74 000</u>	<u>20 000</u>
	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
	<u>81 000</u>	<u>48 000</u>
Total liabilities	<u>131 000</u>	<u>48 000</u>
Total equity and liabilities	<u>455 000</u>	<u>268 000</u>

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	(17 000)
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. The statement of cash flows must comply with the requirements of IAS 7. Comparative amounts and notes are not required.

(25 marks)

[Total 25 Marks]

Question 5

The following information is available for Matombo Ltd:

Income Statement for Matombo Ltd for year ended 31 December 2022	
	\$000
Revenue	960
Cost of sales	(568)
Gross profit	452
Operating expenses	(393)
Earnings before interest and taxes	59
Interest payable	(22)
Earnings before taxation	37
Taxation payable	(9,25)
Earning after taxation /profit for year	<u>27.75</u>

Statement of Financial position for Matombo Ltd as at 31 December 2022		
	\$000	\$000
Non-current Assets		
Tangible Assets	152	
Intangible Assets	45	197
Current Assets		
Inventory	91	
Trade Receivables	25	
Cash and cash equivalents	78	195
Total assets		<u>392</u>
Equity and Liabilities		
Equity		
Share capital(10 000shares@90.00)	90	
Retained earnings	97	
Owner's equity		187
Long term liabilities		
Loan		150
Current liabilities		
Trade creditors		55
Total equity and liabilities		<u>392</u>

- a) Determine stability of Matombo ltd for the year 2021 with the help of a Z-score if the Z- score model is stated as; $Z = 1,2x_1 + 1,4x_2 + 3,3x_3 + 0,6x_4 + 1,0x_5$. The market value of one equity share is \$10.00 (15 Marks)
- b) Explain the term financial Distress and show factors that cause financial distress using an example of the organisation of your choice. (10 marks)

[Total 25 Marks]

[Total: 100 Marks]