

ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF ACCOUNTING AND FINANCE

B. COM ACCOUNTING

DATE 21 JUNE 2017

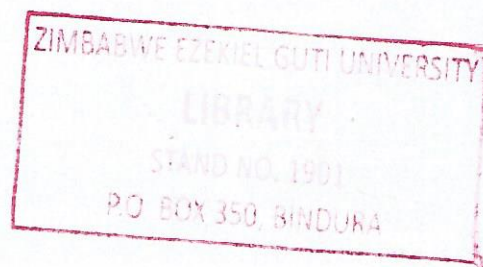
COURSE: ACCOUNTING CONCEPTS AND PRINCIPLES

COURSE CODE: CAC103

DURATION: 3 HOURS

INSTRUCTIONS TO CANDIDATES

1. No cell phones are allowed in the examination venue.
2. Answer **ALL FOUR** questions
3. Begin each question on a new page.
4. The number of marks allocated to each question or part question is shown in brackets
5. All questions carry twenty five marks each.
6. Hand-held, self-powered, non-programmeable, silent calculators are allowed into the examination.
7. Your answers must comply with the requirements of International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).



Question 1

Given below are the transactions for the month of January 2017 of Goodies, a small retailer

Jan 1	Started in business with \$10,500 cash.
2	Deposited \$9,000 of the cash into a bank account.
3	Bought goods for cash \$550.
4	Bought goods on credit from: T Dry \$800; F Hood \$930; M Smith \$160; G Low \$510.
5	Bought stationery on credit from Buttons Ltd \$89.
6	Sold goods on credit to: R Tong \$170; L Fish \$240; M Singh \$326; A Tom \$204.
8	Paid rent by cheque \$220.
10	Bought fixtures on credit from Chiefs Ltd \$610.
11	Paid salaries in cash \$790.
14	Goodies returned goods to: F Hood \$30; M Smith \$42.
15	Bought vehicle by cheque \$6,500.
16	Goodies received a loan from B Barclay by cheque \$2,000.
18	Goods returned to Goodies by: R Tong \$5; M Singh \$20.
21	Cash sales \$145.
24	Sold goods on credit to: L Fish \$130; A Tom \$410; R Pleat \$158.
26	Goodies paid the following by cheque: F Hood \$900; M Smith \$118.
29	Received cheques from: R Pleat \$158; L Fish \$370.
30	Received a further loan from Banca by cash \$500. Received \$614 cash from A Tom.

Required

- Record the above transactions in the books of Goodies (12 marks)
- Extract a trial balance as at 31 January 2017. (7 marks)
- Briefly outline the uses of any two books of original entry. (6 marks)

[Total: 25 marks]

Question 2

The trial balance as at 30 April 2017 of Timber Products Limited was balanced by the inclusion of the following debit balance:

Difference on trial balance suspense account \$2,513.

Subsequent investigations revealed the following errors:

- i) Discounts received of \$324 in January 2017 have been posted to the debit of the discounts allowed account.
- ii) Wages of \$2,963 paid in February 2017 have not been posted from the cash book.
- iii) A bank transfer of \$940 received from K Mitcham in November 2016 was posted to the credit of B Mansell Limited.
- iv) In December 2016, the company took advantage of an opportunity to purchase a large quantity of stationery at a bargain price of \$2,000. No adjustments have been made in the accounts for the fact that three-quarters, in value, of this stationery was in stock on 30 April 2017.
- v) A payment of \$341 to J Winters in January 2017 has been posted in the personal account as \$143.
- vi) A cheque of \$3,000 received from D North, a credit customer, in April 2017 has been credited to sales.

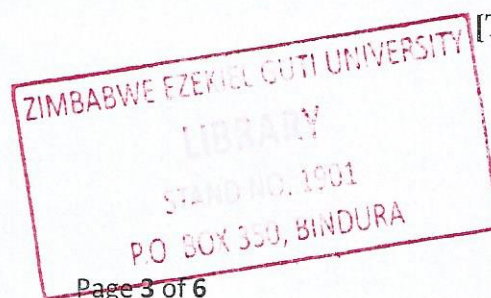
The draft accounts for the year ended 30 April 2017 of Timber Products Limited show a net profit of \$24,760.

Timber Products Limited has very few personal accounts and therefore does not maintain either a purchases ledger control account or a sales ledger control account.

Required:

- a) Prepare the journal entries necessary to correct the errors above. (9 marks)
- b) Prepare the suspense account starting with the difference as per trial balance above. (6 marks)
- c) Compute the corrected profit for the year ended 30 April 2017, after correction of the above accounting errors. (6 marks)
- d) Outline the principal uses of trial balances. (4 marks)

[Total: 25 marks]



Question 3

Read the following and answer the questions which follow:

- i) On 31 December 2016 the bank column of C Tench's cash book showed a debit balance of \$1,500.
 - ii) The monthly bank statement written up to 31 December 2016 showed a credit balance of \$2,950.
 - iii) On checking the cash book with the bank statement it was discovered that the following transactions had not been entered in the cash book:
 - iv) Dividends of \$240 had been paid directly to the bank.
 - v) A credit transfer – Customs and Excise VAT refund of \$260 – had been collected by the bank.
 - vi) Bank charges were \$30.
 - vii) A direct debit of \$70 for the RAC subscription had been paid by the bank.
 - viii) A standing order of \$200 for C Tench's loan repayment had been paid by the bank.
 - ix) C Tench's deposit account balance of \$1,400 was transferred into his bank current account.
- A further check revealed the following items:
- x) Two cheques drawn in favour of T Cod \$250 and F Haddock \$290 had been entered in the cashbook but had not been presented for payment.
 - xi) Cash and cheques amounting to \$690 had been paid into the bank on 31 December 2016 but were not credited by the bank until 2 January 2017.

Required

- a) Starting with the debit balance of \$1,500, bring the cash book (bank columns) up to date and then balance the bank account. (8 marks)
- b) Prepare a bank reconciliation statement as at 31 December 2016. (7 marks)
- c) Define the following terms and phrases as used in accounting:
 - i) Asset (2 marks)
 - ii) Liability (2 marks)
 - iii) Accounting (2 marks)
 - iv) Going concern (2 marks)
 - v) Capital (2 marks)

[Total: 25 marks]

Question 4

Chai has been trading for some years as a wine merchant. The following list of balances has been extracted from his ledger as at 30 April 2017, the end of his most recent financial year.

	\$
Capital	83,887
Sales	259,870
Trade payables	19,840
Returns outwards	13,407
Allowance for credit losses (provision for doubtful debts)	512
Discounts allowed	2,306
Discounts received	1,750
Purchases	135,680
Returns inwards	5,624
Carriage outwards	4,562
Drawings	18,440
Carriage inwards	11,830
Rent, rates and insurance	25,973
Heating and lighting	11,010
Postage, stationery and telephone	2,410
Advertising	5,980
Salaries and wages	38,521
Bad debts	2,008
Cash in hand	534
Cash at bank	4,440
Stock as at 1 May 2016	15,654
Trade receivables	24,500
Fixtures and fittings – at cost	120,740
Accumulated depreciation on fixtures and fittings – as at 30 April 2017	63,020
Depreciation	12,074

The following additional information as at 30 April 2017 is available:

- i) Stock at the close of business was valued at \$17,750.
- ii) Insurances have been prepaid by \$1,120.
- iii) Heating and lighting is accrued by \$1,360.
- iv) Rates have been prepaid by \$5,435.
- v) The provision for doubtful debts is to be adjusted so that it is 3% of trade debtors.

Required:

Prepare for Chai

- a) A statement of profit or loss and other comprehensive income for the year ended 30 April 2017 (12 marks)
- b) A statement of changes in equity for the year ended 30 April 2017 (5 marks)
- c) A statement of financial position as at 30 April 2017 (8 marks)

[Total: 25 marks]

***** END OF PAPER*****