



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING & FINANCE

ACCOUNTING PRINCIPLES AND CONCEPTS

CAC103

TIME: 3 HOURS

21 January 2019

Instructions to candidates

Answer **ALL** questions on a separate answer sheet provided

Show all workings

Calculators may be used

Question one

Record the following transactions for the month of January of a small finishing retailer, balance off all the accounts, and then extract a trial balance as at 31 January 2016:

2016

Jan 1 Started in business with \$10,500 cash.

== 2 Put \$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 Returned goods to: F Hood \$30; M Smith \$42.

== 15 Bought van by cheque \$6,500.

== 16 Received loan from B Barclay by cheque \$2,000.

== 18 Goods returned to us 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 We 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 B Barclay by cash \$500.

== 30 Received \$614 cash from A Tom. **(25marks)**

Question two

The following balances remained in the ledger of TM Ltd after preparation of the statement of profit or loss and other comprehensive income for the year ended 31 March 2016

	\$000s
Stock	52
Debtors	24
Ordinary share capital	100
8% preference share capital	50
Creditors	37
Balance at bank	14
General reserve	30
Profit and loss account balance 2015	11
Net profit for the year to 31 March 2016	29
Fixed assets at cost, less depreciation	167

The directors propose:

- (i) a transfer to general reserve of **\$10,000**;
- (ii) payment of the preference dividend and a **12%** dividend on the ordinary shares.

Required:

- (a) Prepare a statement of profit or loss and other comprehensive income of TM Ltd for the year ended 31 March 2016. **(10marks)**
- (b) Prepare a statement of financial position as at 31 March 2016, showing clearly the ordinary shareholders' equity, the total shareholders' funds and the working capital. **(10 marks)**
- (c) Explain clearly the usefulness of the statement of financial position of a business **(5marks)**

Question three

Analyse fully the following accounting concepts, giving appropriate examples

- (a) Offsetting Concept **(5marks)**
- (b) Accruals Concept **(5marks)**
- (c) Materiality concept **(5marks)**
- (d) Business entity Concept **(5marks)**
- (e) Duality Concept **(5marks)**

Question Four

The financial year of The Better Trading Company ended on 30 November 2017. You have been asked to prepare a Total Debtors Account and a Total Creditors Account in order to produce end-of-year figures for Debtors and Creditors for the draft final accounts.

You are able to obtain the following information for the financial year from the books of original entry:

		\$
		344 890
Sales	– cash	268 187
	– credit	14 440
Purchases	– cash	496 600
	– credit	600 570
Total receipts from customers		503 970
Total payments to suppliers		5 520
Discounts allowed (all to credit customers)		3 510
Discounts received (all from credit suppliers)		3 070
Refunds given to cash customers		70
Balance in the sales ledger set off against balance in the purchases ledger		780
Bad debts written off		90
Increase in the provision for bad debts		4 140
Credit notes issued to credit customers		1 480
Credit notes received from credit suppliers		

According to the audited financial statements for the previous year debtors and creditors as at 1 December 2016 were \$26 555 and \$43 450 respectively.

Required:

- Draw up the relevant Total Accounts entering end of year totals for debtors and creditors. [20marks]
- Explain clearly the usefulness of control accounts to a business enterprise [5marks]