

ZIMBABWE EZEKIEL GUTI UNIVERSITY



**DEPARTMENT OF ACCOUNTING AND FINANCE
B. COM ACCOUNTING**

COURSE: ACCOUNTING CONCEPTS AND PRINCIPLES

COURSE CODE: CAC103

5 DECEMBER 2018

DURATION: 3 HOURS

Instructions to candidates

Answer all questions on a separate answer sheet provided

Show all workings

Calculators may be used

Question One

Record the following details relating to a carpet retailer for the month of November 2017 and extract a trial balance as at 30 November 2017:

2017

Nov 1 Started in business with \$15,000 in the bank.

== 3 Bought goods on credit from: J Small \$290; F Brown \$1,200; T Rae \$610; R Charles \$530.

== 5 Cash sales \$610.

== 6 Paid rent by cheque \$175.

== 7 Paid business rates by cheque \$130.

== 11 Sold goods on credit to: T Potts \$85; J Field \$48; T Gray \$1,640.

== 17 Paid wages by cash \$290.

== 18 We returned goods to: J Small \$18; R Charles \$27.

== 19 Bought goods on credit from: R Charles \$110; T Rae \$320; F Jack \$165.

== 20 Goods were returned to us by: J Field \$6; T Potts \$14.

== 21 Bought van on credit from Turnkey Motors \$4,950.

== 23 We paid the following by cheque: J Small \$272; F Brown \$1,200; T Rae \$500.

== 25 Bought another van, paying by cheque immediately \$6,200.

== 26 Received a loan of \$750 cash from B. Bennet.

== 28 Received cheques from: T Potts \$71; J Field \$42.

== 30 Proprietor brings a further \$900 into the business, by a payment into the business bank account. **(25marks)**

Question Two

You have extracted a trial balance and drawn up accounts for the year ended 31 December 2017. There was a shortage of \$78 on the credit side of the trial balance, a suspense

account being opened for that amount.

During 2018 the following errors made in 2017 were found:

- i) \$125 received from sales of old office equipment has been entered in the sales account.
- ii) Purchases day book had been overcast by \$10.
- iii) A private purchase of \$140 had been included in the business purchases.

- iv) Bank charges \$22 entered in the cash book have not been posted to the bank charges account.
- v) A sale of goods to K. Hondo \$230 was correctly entered in the sales book but entered in the personal account as \$320.

Required:

- a) Show the requisite journal entries to correct the errors. **(10marks)**
- b) Write up the suspense account showing the correction of the errors. **(6marks)**
- c) The net profit originally calculated for 2017 was \$28,400. Show your calculation of the correct figure. **(6marks)**
- d) With the aid of an appropriate example, explain the term “compensating error” **(3marks)**

Question Three

The trial balance of Dettlaff Books Ltd revealed a difference in the books. In order that the error(s) could be located it was decided to prepare purchases and sales ledger control accounts. From the following prepare the control accounts and show where an error may have been made:

2017	\$
Jan 1 Purchases ledger balances	19,420
Sales ledger balances	28,227
Totals for the year 2017	
Purchases journal	210,416
Sales journal	305,824
Returns outwards journal	1,452
Returns inwards journal	3,618
Cheques paid to suppliers	205,419
Petty cash paid to suppliers	62
Cheques and cash received from customers	287,317
Discounts allowed	4,102
Discounts received	1,721

Balances on the sales ledger set off against balances in the purchases ledger \$640

Dec 31 The list of balances from the purchases ledger shows a total of \$20,210

and that from the sales ledger a total of \$38,374 **(20marks)**

(b) Explain the usefulness of control accounts in making financial decisions **(5marks)**

Question Four

The following balances remained in the ledger of OK Ltd after preparation of the profit and loss account for the year ended 31 March 2016

DETAILS	AMOUNT \$000
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 profit and loss appropriation account for the year ended 31 March 2016
(9marks)
- b) Prepare a balance sheet as at 31 March 2016, showing clearly the ordinary shareholders' equity, the total shareholders' funds and the working capital. (10marks)
- d) Explain the purpose of preparing
 - i) The statement of financial position (3marks)
 - ii) The income statement (3marks)

END OF PAPER