



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 103
COURSE TITLE : **ACCOUNTING PRINCIPLES AND CONCEPTS**
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 1.1
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer **all** questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

SECTION A: (Each question carries 2 marks]

Answer **all** questions in this section

1. The financial statements of Kondo limited showed the following information

Provision for bad debts for the year ended 31 December 2018 \$1100

Provision for doubtful debts for the year ended 31 December 2019 \$2400

The amount to be recorded in the statement of profit or loss and other comprehensive income is:

A. \$1100 **B.** \$3500 **C.** \$2400 **D.** \$1300

2. Only items that are significant to the stakeholders must be recorded in the books of accounts, this is according to which accounting concept?

A. Prudence Concept

B. Consistency Concept

C. Materiality concept

D. Accruals Concept

3. In the Statement of financial position of Caps United football club at 31 December 2018, the accumulated fund represents

A. The assets of the club less its liabilities at 31. 12. 2018

B. The surplus of income over expenditure for the year

C. The surplus of receipts over payments for the year

D. The total assets of the club at 31.12.2018

4. A club's surplus of income over expenditure for a year is represented by:

A. The balance on its accumulated Fund at the end of the year

B. The increase in the balance on its Receipts and payments account over the year

C. The increase in its net assets over the year

D. The increase in its total assets over the year

In each of the following cases, a trial balance has failed to agree and the difference has been entered into a suspense account

5. A credit balance in the sum of \$93 has been omitted from the list of balances extracted from the sales ledger. The trial balance will not agree because

- A. The credit side is \$93 short
- B. The credit side total is \$93 too much
- C. The debit side total is \$93 short
- D. The debit side total is \$93 too much

6. A credit note for A. Moses has been debited to A Mason's account in the sales ledger. On the trial balance there will be

- A. No difference
- B. \$46 too little on the credit side and \$46 too much on the debit side
- C. \$96 too little on the credit side
- D. \$92 too much on the debit side

7. The total of the sales day book for one month is \$9160. It has been entered in the sales account as \$9610. The error must be corrected by

- A. Debiting the Sales account and crediting the Sales day book with \$450
- B. Debiting the Sales day book and crediting Sales account \$450
- C. Debiting the Sales account and crediting suspense account with \$450
- D. Debiting suspense account and crediting sales account with \$450

8. A debit balance on a ledger account may represent

- A. Cash or goods or services given, or liabilities or revenue, or a loss
- B. Cash or goods or services given, or liabilities, or revenue, or a profit
- C. Cash or goods or services received, or assets or expenses or a loss
- D. Cash or goods or services received or assets or expenses or a profit

9. Petros received a cheque for \$600 from P Green. He credited the \$600 to the account of P. Grey in error. He had made

- A. A compensating error
- B. An error of commission
- C. An error involving the complete reversal of entries
- D. An error of principle

10. Paul received a cheque for 4384 from a customer, M Banks. She debited the cheque in error as \$348 to the account of another customer, M Darke. The difference between the two sides of the trial balance will be

- A. \$36
- B. \$696
- C. \$732
- D. \$768

11. According to IAS 1, Presentation of financial statements, the elements of financial statements within the conceptual framework are

- A.** Income, losses, expenses, assets and liabilities
- B.** Income, expenses, Assets, Liabilities and Equity
- C.** Income, losses, assets, Liabilities and Gross Profit
- D.** Income, expenses, profits, assets and liabilities

12. Revenues must not be overstated while losses must not be understated. This is according to which accounting concept

- A.** Accruals
- B.** Prudence
- C.** Going concern
- D.** Substance over form

13. The balance on a purchase ledger control account at May 1 was \$4270. Purchase made during the month were: credit \$16000, cash \$2150. Payments made to creditors were:

Cheques \$17610, cash \$820.

The balance on the purchases ledger control account at May 31 was;

- A.** \$1840
- B.** \$2660
- C.** \$3990
- D.** \$4810

14. On July 1 the debit balance on a sales ledger control account was 45600. During the month sales invoices sent to customers totalled \$16000 and \$ 17200 was received from debtors. In addition, \$102 was received in respect of a debt which had been written off as bad in the previous March

The balance on the sales ledger control account was

- A.** \$4298
- B.** \$4400
- C.** \$4502
- D.** \$6800

15. IAS 1, Presentation of financial statements presented the qualitative characteristics of financial statements, identify the qualitative characteristics of financial statements:

- A. Understandability, Relevance, Reliability, and Comparability
- B. Accruals, Prudence, Realisation and Going concern
- C. Assets, Liabilities, Expenses and Profits
- D. Realisation, measurement and Business entity

[30 Marks]

SECTION B

Answer **all** questions in this section

Question One

T. Greshwood is a manufacturer of books. His trial balance at 31 December 2018 is as follows:

	DR	CR
	\$	\$
Delivery van expenses	1,760	
Lighting and heating: Factory	7,220	
Office	1,490	
Manufacturing wages	72,100	
General expenses: Factory	8,100	
Office	1,940	
Sales reps: commission	11,688	
Purchase of raw materials	57,210	
Rent: Factory	6,100	
Office	2,700	
Machinery (cost \$40,000)	28,600	
Office equipment (cost \$9,000)	8,200	
Office salaries	17,740	
Debtors	34,200	
Creditors		9,400
Bank	16,142	
Sales		194,800
Van (cost \$6,800)	6,200	
Stocks at 31 December 2018:		

Raw materials	13,260
Finished goods	41,300
Drawings	24,200
Capital	55,950
TOTAL	360,150 360,150

Give effect to the following adjustments:

(i) Stocks at 31 December 2018: raw materials \$14,510; finished goods \$44,490. There is no work in progress.

(ii) Depreciate machinery £3,000; office equipment \$600; van \$1,200.

(iii) Manufacturing wages due but unpaid at 31 December 2018 \$550; office rent prepaid \$140.

Prepare the:

(a) Manufacturing, statement of profit and loss and other comprehensive income for the year ended 31 December 2018. [16 marks]

(b) Statement of financial position as at that date. [9marks]

Question Two

Enter the following in the three-column Cash Book of an office supply shop. Balance off the cash book at the end of the month and show the discount accounts in the general ledger.

2017

June 1 Balances brought forward: Cash \$420; Bank \$4,940.

== 2 The following paid us by cheque, in each case deducting a 5 per cent cash discount:

S Braga \$820; L Pine \$320; G Hodd \$440; M Rae \$1,040.

== 3 Cash sales paid direct into the bank \$740.

== 5 Paid rent by cash \$340.

== 6 We paid the following accounts by cheque, in each case deducting 2,5 per cent cash discount: M Peters \$360; G Graham \$960; F Bell \$400.

== 8 Withdrew cash from the bank for business use \$400.

== 10 Cash sales \$1,260.

== 12 B Age paid us their account of \$280 by cheque less \$4 cash discount.

== 14 Paid wages by cash \$540.

== 16 We paid the following accounts by cheque: R Todd \$310 less cash discount \$15; F Dury \$412 less cash discount \$12.

- == 20 Bought fixtures by cheque \$4,320.
- == 24 Bought lorry paying by cheque \$14,300.
- == 29 Received \$324 cheque from A Line.
- == 30 Cash sales \$980.
- == 30 Bought stationery paying by cash \$56.

[25marks]

Question Three

The following trial balance of The Bindura Golf Club was extracted from the books as on 31 December 2017:

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Clubhouse	142,000	
Equipment	18,600	
Profits from raffles		6,508
Subscriptions received		183,400
Wages of bar staff	29,200	
Bar stocks 1 January 2017	9,400	
Bar purchases and sales	41,300	84,600
Greenkeepers' wages	21,500	
Golf professional's salary	37,000	
General expenses	910	
Cash at bank	3,924	
Accumulated fund at 1 January 2017	29,326	
	303,834	303,834

Notes:

- (i) Bar purchases and sales were on a cash basis. Bar stocks at 31 December 2017 were valued at \$6,410.
- (ii) Subscriptions paid in advance by members at 31 December 2017 amounted to \$1,870.
- (iii) Provide for depreciation of equipment \$2,400.

You are required to:

- (a) Draw up the bar statement of profit or loss and other comprehensive income for the year ended 31 December 2017. [5marks]

- (b) Draw up the:

(i) Income and expenditure account for the year ended 31 December 2017

[8 marks]

(ii) Statement of financial position as at 31 December 2017.

[7marks]

THE END