



**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** :

*Main Paper printed  
written*

**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 [30MARKS]

Each question carries **2 marks**

Answer **all** questions in this section

Select the **most** suitable answer

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

Provision for bad debts for the year ended 31 December 2018 \$2100

Provision for doubtful debts for the year ended 31 December 2019 \$4400

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

A. \$2100

B. \$6500

C. \$4400

D. \$2300

2. Revenues should be matched with expenses incurred in the generating that revenue in the in the period in which it relates, 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

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

- A debit balance in the sum of \$93 has been omitted from the list of balances extracted from the purchases 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. Poshtable, \$45 has been debited to A Protable's account in the sales ledger. On the trial balance there will be
- A. No difference
  - B. \$45 too little on the credit side and \$45 too much on the debit side
  - C. \$90 too little on the credit side
  - D. \$90 too much on the debit side
7. The total of the sales day book for one month is \$7510. It has been entered in the sales account as \$7150. The error must be corrected by
- A. Debiting the Sales account and crediting the Sales day book with \$360
  - B. Debiting the Sales day book and crediting Sales account \$360
  - C. Debiting the Sales account and crediting suspense account with \$360
  - D. Debiting suspense account and crediting sales account with \$360
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 \$438 from a customer, M Banks. She debited the cheque in error as \$438 to the account of another customer, M Darke. The difference between the two sides of the trial balance will be
- A. \$1314
  - B. \$438
  - C. 0
  - D. \$876
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 which 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 [70 MARKS]**

**Answer all questions in this Section**

**Question one**

1 (a) When Mrs Shows received her retrenchment package of \$60 000 on 31 July 2017. She decided to go into business. Her transactions for the month of August 2015 were as follows:

August

- 2 Bought a motor vehicle for \$20 000 cash
- 5 Bought office furniture for \$3000 cash
- 6 Bought a Deep freezer for \$400 cash
- 7 Paid rent for the month \$500 cash
- 10 Bought goods for re-sale from N Richards paying \$10 000 cash
- 12 Sold goods and received a total of \$15 000 cash
- 31 Paid wages \$500 cash

**Required**

Prepare ledger accounts to show how the above entries should be shown in the Books of Mrs Shows.

**[15MARKS]**

(b) A machine is bought on 1 January 2018 for \$1000 and another one on 1 October 2019 for \$1200. The first machine is sold on 30 June 2020 for \$720. The firm's financial year ends on 31 December. The Machinery is to be depreciated at 10% using the straight line method, and based on assets in existence at the end of each year ignoring items sold during the year.

**Required:** Prepare

- a) Machinery account **[4MARKS]**
- b) Provision for Depreciation Account **[4MARKS]**
  
- c) Machinery Disposal account **[4MARKS]**
  
- d) Profit & Loss Account (extract) **[3MARKS]**

**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 Lamb \$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. [10 MARKS]
- (b) Write up the suspense account showing the correction of the errors. [5MARKS]
- (c) The net profit originally calculated for 20X7 was \$28,400. Show your calculation of the correct figure. [5MARKS]

**Question T**

The following is the trial balance of V Matsika, a store owner,

**Trial Balance as at 31 December 2020**

	<i>Dr</i>	<i>Cr</i>
	\$	\$
Sales		400,000
Purchases	350,000	
Sales returns	5,000	
Purchases returns		6,200
Opening stock at 1 January 2017	100,000	
Provision for doubtful debts		800
Wages and salaries	30,000	
Rates	6,000	
Telephone	1,000	
Shop fittings at cost	40,000	
Van at cost	30,000	
Debtors and creditors	9,800	7,000
Bad debts	200	
Capital		179,000
Bank balance	3,000	
Drawings	<u>18,000</u>	
	<u>593,000</u>	<u>593,000</u>

- i. Closing stock at 31 December 2017 \$120,000.
- ii. Accrued wages \$5,000.
- iii. Rates prepaid \$500.
- iv. The provision for doubtful debts to be increased to 10 per cent of debtors.
- v. Telephone account outstanding \$220.
- vi. Depreciate shop fittings at 10 per cent per annum, and van at 20 per cent per annum, on cost.

**Required**

Prepare

- (a) Statement of Profit or Loss and Other comprehensive Income for the year ended 31 December 2020 [12MARKS]
- (b) Statement of Financial Position as at that date. [8MARKS]

**END OF EXAMINATION PAPER**