

**ZIMBABWE EZEKIEL GUTI UNIVERSITY**



**DEPARTMENT OF ACCOUNTING AND FINANCE**

**B. COM MARKETING**

**COURSE: FINANCIAL ACCOUNTING 1B**

**COURSE CODE: CAC105**

**DURATION: 3 HOURS**

**DATE 20 JUNE 2017**

**INSTRUCTIONS TO CANDIDATES**

1. No cell phones are allowed in the examination venue.
2. Use of silent, non-programmable calculators is allowed.
3. Answer all questions.
4. Begin each question on a new page.
5. The number of marks for each question or part question is shown in brackets.



### Question One

The trial balance of Madzivadondo at 30 June 2016 was as follows:

	Dr	Cr
	\$'000	\$'000
7% Preferred shares of \$1		500
Ordinary shares of 50c		250
Share premium account		180
Retained earnings, at 1 July 2015		70
Inventory, 1 July 2015	450	
Land at cost	300	
Buildings at cost	900	
Buildings, accumulated depreciation, 1 July 2015		135
Plant at cost	1,020	
Plant, accumulated depreciation, 1 July 2015		370
Trade payables		900
Trade receivables	600	
Allowance for doubtful debts, at 1 July 2015		25
Purchases	2,030	
Administrative expenses	205	
Revenue		3,000
Distribution costs	240	
Other expenses	50	
Bank balance	110	
Ordinary dividend paid	25	
10% loan notes		500
	<b>5,930</b>	<b>5,930</b>

You are provided with the following additional information:

- i. Depreciation on buildings is to be provided at 5% per year on cost and allocated to administrative expenses.
- ii. Plant is to be depreciated at 20% per year using the reducing balance method and included in distribution costs.
- iii. Closing inventory is valued at \$500,000.
- iv. The allowance for doubtful debts is to be maintained at 5% of trade accounts receivables balances.
- v. An accrual for distribution wages of \$30,000 is required.
- vi. Interest on loan notes has not been paid during the year.
- vii. During June, a bonus (scrip) issue of two for five was made to ordinary shareholders. This has not been entered into the books. The bonus shares do not rank for dividend for the current financial year end.

viii. Provisions are to be made for the following:

- The preferred dividend for the year
- An income tax charge of \$55,000 for the year.

**Required**

Prepare for Madzivadondo for the year ended 30 June 2016:

- a. A statement of comprehensive income (10 marks)
- b. A statement of changes in equity (5 marks)
- c. A statement of financial position. (10 marks)

**Question Two**

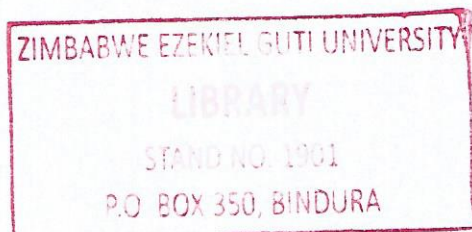
At the end of the financial year of Europe Ltd, the debit balance of \$8,792 on the sales ledger control account did not agree with the total of balances extracted from the sales ledger; the latter being included in the trial balance. The following errors have subsequently been discovered:

- i. The total of the discount allowed account in the cash book had been overcast by \$190.
- ii. No entry had been made in the accounts relating to the writing off as irrecoverable a balance of \$650 owed by James.
- iii. The return of goods value \$210 from Jackson's account.
- iv. Goods value \$460 sent to a customer on a sale or return basis have been included in the sales day book. The customer has not indicated whether or not he will purchase the items.
- v. The receipt of \$1,450 cash from S. Austin had been treated as a payment from S.J. Austin, a customer. The amount received related to the cash sale of a delivery van which was surplus to requirements.

**Required**

- i. A sales ledger control account showing clearly all the amendments to the original balance. (10 marks)
- ii. The journal entries to correct the above errors. (10 marks)
- iii. Outline the purposes of control accounts. (5 marks)

[Total: 25 marks]



### Question Three

F Ludo drew up the following trial balance as at 31 May 2017:

	Dr	Cr
	\$	\$
Capital		49,675
Drawings	28,600	
Cash at bank	4,420	
Cash in hand	112	
Debtors	38,100	
Creditors		26,300
Stock 31 May 2016	72410	
Van	5,650	
Office equipment	7,470	
Sales		391,400
Purchases	254,810	
Returns inwards	2,110	
Carriage inwards	760	
Returns outwards		1,240
Carriage outwards	2,850	
Motor expenses	1,490	
Rent	8,200	
Telephone charges	680	
Wages and salaries	39,600	
Insurance	745	
Office expenses	392	
Sundry expenses	216	
	<b>468,615</b>	<b>468,615</b>

#### Required

- a. Draft the Statement of profit and loss account for the year ended 31 May 2017. (13 marks)
- b. Prepare the Statement of financial position as at 31 May 2017. (12 marks)

[Total 25 marks]

**Question Four**

a. Clearly distinguish between a partnership and a company. (10 marks)

b. George Wayne is considering the option of converting his partnership with his wife into a company.

Advise him on the merits and demerits of a partnership to a company. (15 marks)

[Total: 25 marks]

**End of Paper**

