

ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF ACCOUNTING AND FINANCE

COURSE: FINANCIAL ACCOUNTING 1B

COURSE CODE: CAC105

DURATION: 3 HOURS

11 JUNE 2018

INSTRUCTIONS TO CANDIDATES

1. No cell phones are allowed in the examination venue.
2. Begin each question on a new page.
3. Answer **all** questions.

QUESTION 1

Kunaka commenced business on 1 April 2017 with \$5,000 in the business bank account and a motor vehicle at \$3,500 which he transferred to the business. He failed to keep ledger accounts. During the year to 31 March 2018, Kunaka drew goods which cost \$3,200 for his own personal use and drew cash amounting to \$8,150. At 31 March 2018, the business assets and liabilities were:

	\$
Motor car at valuation	2,800
Closing stock at cost	3,195
Rates prepaid	360
Wages accrued due	470
Cash in hand	190
Fixtures & Fittings (cost \$4,000)	3,600
Debtors	2,180
Creditors	1,310
Loan (at interest of 10% per annum) from Johnny	3,000
Interest on Loan accrued due	150,
Bank overdraft	1,420

Required:

- Prepare a Statement of Affairs to show Kunaka's Capital at 31 March 2018. (16 marks)
- Calculate capital at the start of business and using this figure together with his capital at end of the year, calculate Kunaka's profit for the year ended 31 March 2018. (9 marks)

QUESTION 2

The following information related to Mr. William for the year ended 30 September 2015: -

	\$
Interest charged to debtors	326
Carriage charged to debtors	3,290
Cash purchases	12,735
Returns inwards	1,938
Bad debts written off	853
Cheque payments to suppliers	64,320
Discount received	1,717
Allowance to debtor for damaged goods	500
Cash sales	76,321
Debtor's cheques dishonoured	2,639
Purchases Returns	1,222
Credit sales	132,845
Discount allowed	3,699
Transfer of debit balance in Sales Ledger to Purchases Ledger	2,850
Credit purchases	70,394
Cheques received from debtors	144,820
	144,820
Debit balances in Purchases Ledger at 30 September 2015	563
Credit balances in Sales Ledger at 30 September 2015	2,154
Provision for Doubtful debts	4,500

Balances in the books of Mr William at 1 October 2014:

Sales Ledger	Debit:	\$43,628
	Credit:	\$1,240
Purchases Ledger	Debit:	\$324
	Credit:	\$24,695

Required:

- a) Prepare the Purchases Ledger Control Account and Sales Ledger Control Accounts as they would appear in the General Ledger of Mr William for the year ended 30 September 2015

(18 marks)

- b) Prepare a Balance Sheet extract showing Trade Debtors and Trade Creditors at 30 September 2015 (7 marks)

QUESTION 3

Company XYZ uses a perpetual inventory system. Append below the following transaction relating to its merchandise inventory during the month of November 2016:

Date	Transaction
Nov 1	Inventory on hand – 3,000 units @ \$8 each
Nov 7	Bought 5,000 units for \$8.40 each
Nov 13	Sold 4,000 units for \$14.00 each
Nov 17	Bought 6,000 units for \$8.20 each
Nov 24	Sold 7,000 units for \$14.00 each
Nov 30	Inventory on hand -3000 units

Required:

- a) Compute the inventory balance company XYZ would report on its November 30 2006 balance sheet and (15 marks)
- b) the cost of goods sold for the period of November 2006 income statement using each of the following inventory methodology: (10 marks)
 - i) First-in, first-out (FIFO)
 - ii) Average cost

QUESTION 4

The table below shows Company XYZ's Income Statement and statement of financial position:

Income Statement for the year ended 31 December 2005

	(\$'000)
Net Sales	7,100
Interest expense	40
Income tax expense	150
Net Income	210

Statement of financial Position

(\$'000): -

Assets	2005
Cash	200
Accounts Receivable	810
Inventory	830
Property, plant and equipment (net)	2,590
Total Assets	4,430
Liabilities & Shareholders' Equity	
Current liabilities	710
Long-term liabilities	550
Paid-in capital	1,500
Retained earnings	1,670
Total Liabilities & Shareholders' Equity	4,430

Required:

Determine the following ratios for 2005:

- a) current ratio
- b) acid-test ratio
- c) Debt to equity ratio
- d) times interest earned ratio (15 marks)
- e) What are the limitations of accounting ratios (10 marks)

******END OF PAPER******