

ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF ACCOUNTING AND FINANCE

B. Com Marketing

B. Com Business Administration and Management

COURSE: FINANCIAL ACCOUNTING 1B

COURSE CODE: CAC105

DURATION: 3 HOURS 21 January 2019

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

ABC Sport Club produced the following information relating to the CAPS financial year ended 31 May 2006.

Receipts and Payments Account for the year ended 31 May 2006

	\$		\$
Balance at bank at 1 Jun 2005	1,076	CAPS wages	18,500
Sales of refreshments	7,160	Purchase of refreshments	3,110
Subscriptions	70,066	Wages of refreshment staff	3,700
Social events- receipts	19,240	Repairs & renewals	21,240
		Sports equipment, Dec 2005	30,000
		Insurance	1,500
		Rates	500
		Telephone	222
		Light & heat	368
		Expenses of social events	15,110
		Balance @ bank at 31 May 2006	3,292
	97,542		97,542

Additional information

	31 May 2005	31 May 2006
Subscriptions in advance	100	450
Subscriptions in arrears	1,230	1,340
Rates prepaid	60	70
Insurance prepaid	210	340
Light & heat accrued	67	98
Sports equipment at net book value	15,000	?

Sports equipment is to be depreciated at 31 May 2006 on the reducing balance basis at the rate of 30% per annum, charging full year depreciation in the year of purchase.

Required:

Prepare the following Ledger Accounts, posting the necessary adjustment and showing the transfer to the Income and Expenditure Account at 31 May 2006:

(a) Subscriptions

- (b) Rates
- (c) Insurance
- (d) Light and Heat
- (e) Sport Equipment

(25 marks)

Question 2

Jim keeps control accounts for his Purchases and Sales Ledgers. He extracted the following balances from his books of accounts for the month of July 2008:

1 July	Purchase Ledger balances	Dr \$186	
		Cr \$17,960	
	Sales Ledger balances	Dr \$28,240	
		Cr \$235	
31 July	Purchase on credit		\$49,216
	Cash purchases		\$4,820
	Sales on credit		\$63,140
	Cash sales		\$6,280
	Bad debts written off		\$190
	Returns outwards		\$1024
	Returns inwards		\$1,642
	Cash received from credit customers		\$67,930
	Discount received		\$1,045
	Dishonored cheque recharged to credit customer		\$315
	Legal fees charged to customers		\$150
	Payments to suppliers		\$47,310
	Discount allowed		\$1,820
	Sales ledger debit balances transferred to purchases ledger per contra		\$450
	Purchase ledger debit balances at 31st July		\$212
	Sales ledger credit balance at 31st July		\$287

	Provision for bad and doubtful debts		\$320
--	--------------------------------------	--	-------

Required:

- a) Open the Purchases Ledger and Sales Ledger Control Accounts and post the entries for the month of July 2008, balancing at 31 July (20 marks)
- b) Show how the Debtors and Creditors should appear in the Balance Sheet as at 31 July 2008 (5 marks)

Question 3

When the trial balance of XYZ Ltd as at 30/9/08 was prepared, a difference was found. A Suspense Account was created to achieve the balance:

Examination of the books showed the following:

- i) Discount allowed of \$76 had been credited to the Discount Received Account
- ii) A sale of \$151 to Mr. A had been posted correctly to the personal account but entered in the Sales Day Book as \$115
- iii) A cheque received from Mr. B entered correctly in the Cash Book as \$766 had been posted to the company's account as \$760
- iv) The purchase of new machinery for \$1,200 had been posted to the Stock Account. Depreciation is ignored for the year in which the machinery is purchased
- v) A sale of \$265 to Mr. C had not been posted to his account
- vi) A petty cash balance of \$100 was omitted from Trial Balance
- vii) Bank interest charges of \$720 were correctly entered in the Cash Book but the other side of the double entry had been omitted.

Required:

- (a) Prepare Journal entries to correct the above errors, without narrations (14 marks)
- (b) Prepare a Suspense Account (7 marks)
- (c) What kind of errors may cause the trial balance not to balance (4 marks)

Question 4

Tables below show Company XYZ's Income Statement and Statement of financial position:

Income Statement (\$000)

	2005	2004
Net Sales	7,050	6,200
Net Income	340	410

Statement of financial Position

(\$000)

Assets	2005	2004
Current Assets	1,840	1,570
Property, plant and equipment (net)	2,590	2,420
Total Assets	4,430	3,990
Current Liabilities	1,150	1,190
Long term liabilities	810	440
Paid-in capital	1,500	1,500
Retained earnings	970	860

Required:

- a) Determine the following ratios for 2005:
- i) profit margin on sales
 - ii) return on assets (ROA)
 - iii) return on shareholders' equity
- b) Determine the amount of dividends paid to the shareholders during 2005.

(25 marks)

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