

ZIMBABWE EZEKIEL GUTI UNIVERSITY



DEPARTMENT OF ACCOUNTING AND FINANCE

B. COM MARKETING

COURSE: FINANCIAL ACCOUNTING 1B

COURSE CODE: CAC105

28 JULY 2017

DURATION: 3 HOURS

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 extracted from the books of Tavengwa at 31 December 2016 was as follows:

	Dr	Cr
	\$	\$
Inventory in trade 31 December 2015	52,800	
Sales		276,400
Purchases	141,300	
Carriage inwards	1,350	
Carriage outwards	5,840	
Returns outwards		2,408
Wages and salaries	63,400	
Business rates	3,800	
Communication expenses	714	
Commissions paid	1,930	
Insurance	1,830	
Sundry expenses	208	
Buildings	125,000	
Trade Receivables	45,900	
Trade Payables		24,870
Fixtures	1,106	
Cash at bank	31,420	
Cash in hand	276	
Drawings	37,320	
Capital		210,516
	514,194	514,194

Required

Prepare for Tariro at 31 December 2016 the following financial statements:

- A statement of profit or loss and other comprehensive income. (13 marks)
- A statement of financial position. (12 marks)

[Total: 25 marks]

Question Two

Alveira Limited prepares control accounts at the end of each month. For May 2017, balances and transactions were as follows:

	\$
Opening creditors	7,660
Opening debit balances on creditors' ledger	100
Opening debtors	17,100
Opening credit balances on debtors' ledger	100
Transactions for the month:	
Credit Sales	42,100
Discounts received	960
Sales returns	890
Discount allowed	700
Cheques from customers dishonoured	470
Payments to creditors	23,750
Credit purchases	33,650
Cheques from credit customers	29,420
Cash refund to customer	270
Bad debts written off	1,100
Amounts settled by contra	3,500
Closing credit balances on debtors' ledger	140
Closing debit balances on creditors' ledger	80

Required:

- a. Prepare trade receivables and trade payables control accounts for Alveira Limited for May 2017, inserting closing balances for debtors' and creditors' balances. **(16 marks)**

- b. A control account will not reveal errors of omission, errors of commission or errors of original entry. Explain, giving examples of each, for these types of errors. **(9 marks)**

[Total: 25 marks]

Question Three

Claudius Warren owns a retail business dealing in electrical goods. As he is extremely busy he has not given much attention to his accounting records. The main sources of information in respect of business transactions are bank statements, a rough cash book and a number of invoices. However, Claudius recognises that if the performance of the business is to be measured effectively, then details of assets and liabilities are crucial.

Details of all business assets and liabilities are as follows:

	At 31 May 2016	At 31 May 2017
	\$	\$
Shop premises (at cost)	42,000	42,000
Fixtures and equipment (original cost \$25,000)	15,000	19,000
Cash at bank	25,780	1,230
Trade payables	16,040	15,760
Accrued rent	450	-
Prepaid rent	-	500
Prepaid insurance	240	-
Accrued insurance	-	160
Trade Receivables	6,100	2,140
Inventory	25,810	26,230
Van (original cost \$7,000)	1,200	-
Capital	102,640	?
New van	-	9,000

A summary of the bank statements for the year produced the following details:

Receipts	\$	Payments	\$
Cheques from debtors	31,700	Cheques to creditors	156,300
Proceeds from sale of old van	800	Purchase of new van	9,000
Net cash takings banked	141,860	Rent	5,600
		Advertising	730
		Insurance	540

	Light and heat	1,630
	Business rates	1,900
	New fixtures and equipment	4,000
	Drawings	22,210
	174,360	201,910

It was found that prior to banking the cash takings the following items were paid:

	\$
Staff wages	23,500
Purchase of goods for resale	7,100
Sundry shop expenses	4,950

Additional information:

- i. Claudius took goods amounting to \$1,050 at cost for his own use.
- ii. The bank drawings figure includes \$50 per week paid to Claudius's wife for work done by her for the business (50 weeks).
- iii. Claudius has been advised that fixtures and equipment, and vans, should continue to be depreciated by 10% on cost at the end of each year.

Claudius finds that keeping accounting records is tedious and is considering the introduction of a computer which he feels will make things easier for him.

Required:

Prepare the following

- a. A statement of profit or loss and other comprehensive income for the year ended 31 May 2017. (15 marks)
- b. A statement of financial position as at 31 May 2017. (10marks)

[Total 25 marks]

Question Four

At the completion of the financial year ended 30 April 2017 the trial balance of Checheche Ltd failed to agree and the difference was recorded in a suspense account. The company does not maintain control accounts.

The following information has been subsequently discovered prior to the preparation of the final accounts:

- i. The purchase of a second-hand delivery van costing \$1,500 has been debited to the motor vehicle expenses account.
- ii. No entry has been made in the accounts to record the theft of \$250 from the business by a dishonest former employee. The cash will not be recovered.
- iii. The total of the discount allowed column in the cash book has been overcast by \$187.
- iv. The receipt of \$289 from Hand, a customer, has been correctly entered in the cash book but has been debited to Hand's account in the sales ledger as \$298.
- v. Although the return of goods, sold for \$45, from Brown, a customer, has been correctly entered in the returns inwards account no entry has been made in Brown's account in the sales ledger.

Required

- a. Journal entries correcting each of the five errors given above. Narratives are not required. (10 marks)
- b. A suspense account showing clearly the original discrepancy on the trial balance. (5 marks)
- c. List and explain any five errors that do not affect the trial balance. (10 marks)

[Total: 25 marks]

End of Paper