



ZIMBABWE EZEKIEL GUTI UNIVERSITY

COLLEGE FOR LIFELONG LEARNING.

Faculty of Law, Business Intelligence and Economics.

DIPLOMA IN BANKING AND FINJANCE

COURSE CODE : DBF 111.
COURSE TITLE : INTRODUCTION TO FINANCIAL ACCOUNTING 1
SPECIAL REQUIREMENTS : NONE

DURATION : 2 Hours
LEVEL : 1.1
DATE : 10 FEB 2025

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer all questions in section A and choose any three (3) questions in Section B.
3. The number of marks for each question or part question is shown in brackets []
4. Begin each answer on a new page.
5. **DO NOT OPEN THIS PAPER UNTIL THE INVIGILATOR INSTRUCTS YOU.**

SECTION A.

ANSWER ALL QUESTIONS

Each question carries one (1) mark [total 25 marks].

1. A bad debt recovered during the year will be(1 mark)

- (a) Capital expenditure
- (b) Revenue expenditure
- (c) Capital Receipt
- (d) Revenue Receipt

2. Insurance claim received on account of machinery damaged completely by fire is(1 mark)

- (a) Capital Receipt
- (b) Revenue receipt
- (c) Capital expenditures (d) Revenue Expenditure

3. Amount of ` \$5,000 spent as lawyers' fees to defend a suit claiming that the firm' s factory site belonged to the

Plaintiff's land
is
.....(1 mark)

- (a) Capital expenditures
- (b) Revenue Expenditure
- c) Deferred revenue expenditures

d) None

4. Errors of carry forward from one year to another affects(1 mark)

(a) personal account

(b) real account

(c) nominal account

(d) both a and b

5. Goods worth \$272 returned by Lala passed through the books as \$722. The rectification entry is.....(1 mark).

(a) Lala will be debited by \$450

(b) Lala will be debited by \$272

(c) Lala will be credited by \$722

(d) Lala will be credited by \$272

6. If a receipt of \$200 from rajesh (debtor) has not been recorded in the books the profits would show.....(1 mark).....

(a) An increase of \$200

(b) A decrease of \$200

(d) None of the above

7. A credit purchase of \$950 from sudhir was recorded in purchases book as \$590. The rectification entry is(1 mark)

(a) purchases account will be debited by \$360

- (b) sudhir will be credited by \$590
- (c) purchases account will be debited by \$950
- (d) sudhir will be credited by \$950

8. Which of these errors affect only one account.....(1 mark)

- (a) errors of casting
- (b) errors of carry forward
- (c) errors of posting
- (d) All the three

9. The process of transfer of entries from day book to ledgers is called(1 mark)

- (a) Simple posting
- (b) Journal posting
- (c) Transaction
- (d) Ledger posting

10. The rent paid to landlord is credited to.....(1 mark)

- (a) Landlord' s A/c
- (b) Rent A/c
- (c) Cash A/c
- (d) None

11. Which financial statement represents the accounting equation:(1 mark)

Assets = Liabilities + Owner' s equity:

(a) Income Statement

(b) Statement of Cash flows

(c) Balance Sheet

(d) None

12. The debts written off as bad, if recovered subsequently are.....(1 mark)

(a) Credited to Bad Debts recovered A/c

(b) Credited to trade receivables Account

(c) Debited to profit and Loss Account

(d) None

13. A trial balance will not balance if(1 mark)

(a) correct entry is posted twice

(b) The purchase on credit basis is debited to purchases and credited to cash

(c) ` 500 cash payment to creditors is debited to creditors for ` 50 and credited to cash as ` 500

(d) None of the above

14. A trial balance shows.....(1 mark)

(a) Honesty of accountants

(b) Accuracy of account

(c) Only arithmetical accuracy of accounts

(d) none of these

15. Depreciation refers to the process of.....(1 mark)

- (a) Asset valuation
- (b) Allocation of cost of the assets over the period of its life
- (c) verification of assets
- (d) increasing or decreasing the value of asset

16. In case the depreciable assets are revalued, the provision for depreciation is based on.....**(1 mark)**

- (a) market value of the assets
- (b) historical cost of assets
- (c) depreciated value of the assets
- (d) The revalued amount over the estimate of the remaining useful life of such asset

17. Which of the following is the internal causes for depreciation?**(1 mark)**

- (a) Wear and tear
- (b) Depletion or exhaustion
- (c) Both a & b
- (d) none of the above

18. Which are the methods of depreciation is prescribed by the income tax act**(1 mark)**

- (a) straight line and annuity method
- (b) sinking fund and double declining method
- (c) equal instalment and written down value method
- (d) production hour and sum of year' s digit method

19. Depreciation is not provided for which of the following asset?**(1 mark)**

(a) goodwill

(b) land

(c) inventory of goods

(d) both B & c

20. Obsolescence means decline in the value due to.....(1 mark)

(a) physical wear and tear

(b) efflux of time

(c) fall in market price

(d) innovations and inventions

21. The depreciation account is closed at the end of the year by transfer to the.....(1 mark)

(a) general reserve a/c

(b) profit and loss a/c

(c) provision for depreciation a/c

(d) fixed asset a/c

22 Which of the following is an external cause for depreciation.....(1 mark)

(a) Obsolescence

(b) time element

(c) abnormal occurrences

(d) all of the above

23. Accumulated depreciation is an example of.....(1 mark)

- (a) A liability
- (b) An expense
- (c) An income
- (d) An unrecorded revenue

24. Purchase price of machine \$890,000, freight and cartage \$7000, installation charges \$30,000, Insurance charges \$20000, residual value is \$40,000, estimated useful life 5 years.

Calculate the amount of annual depreciation under straight line method?(1 mark)

- (a) \$1,77,400
- (b) \$181,400
- (c) \$ 197,400
- (d) \$177,900

25. The value of an asset after deducting depreciation from the historical cost is known as.....(1 mark)

- (a) Fair value
- (b) market value
- (c) net realizable value
- (d) book value

[Total 25 marks]

SECTION B

Answer any 3 questions

Each carries 25 marks [Total 75 Marks].

1. (a) Describe the term "bank reconciliation". (2 marks)
 - (b) Identify four items that may cause the balance as per bank statement and the cashbook at a given date to differ. (4 marks)
 - (c) Explain three books of prime entry. (6 marks)
 - (d) The following information relates to the business of Beshy Enterprises for the month of March 2022:
Opening cash balance was \$675,000 and the bank had an overdraft of \$1,875,000.
 - 2: Paid for stationery \$85,000 cash.
 - 4: Received cheque from Jessica Wambui \$2,275,000 after allowing a discount of \$12,500.
 - 5: Settled in full Linet Achieng's account of \$71,500 by cheque after being granted a 10% cash discount.
 - 9: Deposited \$500,000 to the bank account from the business.
 - 12: Withdrew \$81,250 for personal use from cash account.
 - 19: Bought a printer worth \$750,000 on account and paid half the amount by cheque.
 - 22: Paid Asili Sacco loan of \$187,500 by cheque.
 - 23: Withdrew \$200,000 for office use.
 - 31: Paid salaries of \$150,000 in cash and \$437,500 by cheque.
 - 31: Sold some equipment and received \$293,750 in cash.
- Required:**
- (c) Three column cashbook duly balanced as at 31 March 2022. (13marks)

[Total 25 marks]

2. (a) Explain four advantages of preparing financial statements. (4 marks)

(b) Jane Mutisya, a sole trader, extracted the following trial balance as at 31 December 2021:

	Dr \$	Cr \$
Capital (1 Jan 2021)		130 500,00
Trade receivables	205 000,00	
trade payables		172 500,00
Cash in hand	14 010,00	
Furniture and fittings at costs	211 000,00	
Discount received		6 000,00
Inventory(1 Jan 2021)	92 300,00	
Sales		2 437 750,00
Purchases	1 897 950,00	
Motor vehicles at costs	228 650,00	
Heating and lighting	30 500,00	
Motor vehicles expenses	16 250,00	
Rent expenses	53 750,00	
General expense	47 375,00	
Bank		100 500,00
Accumulated depreciation:		
Furniture		11 000,00
Motor vehicles		76 460,00
Drawings	137 925,00	
	2 934 710,00	2 934 710,00

Additional information as at 31 December 2021:

- i. Accrued motor vehicle running expenses amounts to \$26 000
- ii. Prepaid rent expenses and prepaid general expenses amounted to \$22,500 and \$12,500 respectively.
- iii. Depreciation is to be provided as follows:

Asset	Rate per annum	Method
Motor vehicle	20%	On cost
Furniture and fittings balance	10%	On reducing

- iv. Inventory was valued at \$102,500.
- v. During the financial year ended 31 December 2021, Jane took some goods costing \$40,000 for personal consumption and some cash amounting to \$2,500 for personal expenses. These transactions had not been recorded in the books.
- vi. An allowance for doubtful debts is to be maintained at 5% of the trade receivables balance at the end of the year.

Required:

- (a) Statement of profit or loss for the year ended 31 December 2021. **(11 marks)**
- (b) Statement of financial position as at 31 December 2021. **(10 marks)**

[Total 25 marks]

3. (a) The newly employed accountant of Hekima Ltd. extracted a trial balance which failed to balance. He placed the difference in a suspense account as shown below:

Hekina Ltd trial balance as at 31 March 2022

	Dr \$	Cr \$
Discount allowed	200,00	
Discount received		232,00
Motor vehicles at cost	33 280,00	
Trade receivables	1 384,00	
Trade payables		3 040,00
Prepayments	400,00	
inventory	1 968,00	
Bank Overdraft		608,00
Acruals		640,00
Drawings	14 384,00	
Capital		39 814,00
Sales		37 728,00
Accumulated Depreciation on Motor vehicles		5 656,00
Purchases	29 320,00	
Operating expenses	5 040,00	
Allowances for doubtful debts		152,00
Suspense Account	1 894,00	
	87 870,00	87 870,00

On further investigation the following were discovered:

- i. Purchases day book for January 2002 was undercast by \$1,120,000.
- ii. A payment to a creditor by cheque of \$340,000 was erroneously credited to the creditors account, but was correctly posted in the bank.
- iii. The sales for the month of March 2022 were overcast by \$992,000.
- iv. An amount of discount received of \$100,000 was debited to discount allowed account.
- v. A payment of \$162,000 for operating expenses was debited to the operating expenses account as \$216,000.
- vi. An amount of \$644,000 from a debtor was only recorded in the cashbook and no other entry was made.
- vii. On 1 April 2021, a motor vehicle was purchased at a cost of \$1,600,000. This was debited to purchases account.
- viii. Depreciation on the motor vehicles is charged at a rate of 10% per annum.

Required:

- (a) Journal entries to correct the above errors. **(12 marks)**
(Narrations not required)
- (b) Suspense account duly balanced. **(7 marks)**
- (c) A corrected trial balance as at 31 March 2022. **(6 marks)**

(Total 25 marks)

4. Below is a trial balance for B Banda, a sole trader extracted from the ledger for the year ended 31 December 2017:

B Banda's Trial Balance as at 31 December 2017

Dr	Cr
\$	\$

Cash in hand	2,400	
Bank overdraft		10,500
Capital at 1 January 2017		50,200
Trade receivables and payables	35,500	17,165
Allowance for receivables		1,420
Returns inwards	5,100	
Returns outwards		3,400
10% Bank loan repayable 2030		100,000
Rent received		8,500
Loan interest	5,000	
Discount allowed	2,400	
Discount received		1,415
Premises at cost	60,000	
Motor Vehicles at cost	50,000	
Allowance for depreciation:		
• Premises		1,200
• Motor Vehicles		2,500
Inventory at 1 January 2017	17,300	
Revenue		210,500
Purchases	200,600	
Motor expenses	3,300	
Lighting and heating	4,300	
Salaries	<u>20,900</u>	
	<u>406,800</u>	<u>406,800</u>

Notes:

- i. Inventory at 31 December 2017 was valued at \$18 700,000.
- ii. Cash purchases of \$500,000 were incorrectly entered in both the cash and purchases account as \$600,000.
- iii. Light and heating prepaid at 31 December 2017, \$1,000,000.
- iv. Salaries accrued at 31 December 2017, \$2,200,000.
- v. Rent receivable accrued at 31 December 2017 \$ 1,000,000.
- vi. Part of the loan interest was accrued at 31 December 2017.
- vii. Create an allowance for receivables of 3% on trade receivables at 31 December 2017.

viii. Allowance for depreciation for the year to 31 December 2017 is to be provided as follows:

Premises at 2% using reducing balance method.

Motor Vehicle's at 5% using the straight line method.

Required:

(a) Prepare B Banda's statement of profit or loss for the year ended 31 December 2017.

(15 marks)

(b) Prepare B Banda's statement of financial position as at 31 December 2017.

(10 marks)

[Total 25 marks]

END OF EXAMINATION PAPER