



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

**DEPARTMENT OF ECONOMICS, MARKETING AND
ENTREPRENEURSHIP (DEME)**

EXAMINATION PAPER

COURSE CODE : MSTM514
COURSE TITLE : Financial Accounting
SPECIAL REQUIREMENTS : Pencil, Ruler and calculator
DURATION : 3 Hours
LEVEL : 5.1
DATE : 11 APR 2025

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 five (5) questions.
4. The number of marks for each question or part question is shown in brackets []

SECTION A

Answer all five (5) questions [20 marks each]

Question 1

(a) State the type of expenditure, capital or revenue, incurred in the following transactions

- I. Break-down van purchased by a garage. (1 mark)
- II. Repairs to a fruiterer's van. (1 mark)
- III. The cost of installing a new machine. (1 mark)
- IV. Cost of hiring refrigeration plant in a butcher's shop. (1 mark)
- V. The cost of acquiring patent rights. (1 mark)

(b) Draw an accounting cycle. (6 marks)

(c) Explain the role of accounting profession in influencing the accounting system in a country. (9 marks)

Question 2

J Wright, a sole trader, extracted the following trial balance from his books at the close of business on 31 March 2024:

	Dr	Cr
	\$	\$
Purchases and sales	61,420	127,245
Stock 1 April 2023	7,940	
Capital 1 April 2023		25,200

Bank overdraft		2,490
Cash	140	
Discounts	2,480	62
Returns inwards	3,486	
Returns outwards		1,356
Carriage outwards	3,210	
Rent and insurance	8,870	
Provision for doubtful debts		630
Fixtures and fittings	1,900	
Van	5,600	
Debtors and creditors	12,418	11,400
Drawings	21,400	
Wages and salaries	39,200	
General office expenses	319	
	168,383	168,383

Notes:

- (a) Stock 31 March 2024 \$6,805.
 - (b) Wages and salaries accrued at 31 March 2024 \$3,500; Office expenses owing \$16.
 - (c) Rent prepaid 31 March 2024 \$600.
 - (d) Increase the provision for doubtful debts by \$110 to \$740.
 - (e) Provide for depreciation as follows: Fixtures and fittings \$190; Van \$1,400.
- (1) Prepare a statement of financial performance for the year ending 31 March 2024. (10 marks)
- (2) Prepare a statement of financial position as at 31 March 2024. (10 marks)

Question 3

The following are the statement of financial position of T Holmes as at 31 December 2023 and 31 December 2024:

31.12.2023

31.12.2024

Non-Current assets	£	£	£	£
Premises at cost		25,000		28,800
Current assets				
Inventory		12,500		12,850
Debtors		21,650		23,140
Cash and bank balances		4,300		5,620
		38,450		41,610
Less Current liabilities				
Creditors		(11,350)		(11,120)
Working capital		27,100		30,490
		52,100		59,290
Financed by:				
Capital				
Opening balances b/d		52,660		52,100
Add Net profit for year		16,550		25,440
		69,210		77,540
Less Drawings		(17,110)		(18,250)
		52,100		59,290

Note: For simplicity, no depreciation has been charged.

Prepare a cash flow statement as at 31 December 2023

(20 Marks)

Question 4

You are to study the following financial statements for one furniture store and then answer the questions which follow.

Financial Statements

Profit and loss accounts for the year ending 31 December 2022

	\$	\$
Sales		750,000
Less Cost of goods sold		

Opening stock	80,000	
Add Purchases	320,000	
	400,000	
Less Closing stock	(70,000)	(330,000)
Gross profit		420,000
Less Depreciation	15,000	
Wages, salaries and commission	220,000	
Other expenses	35,000	(270,000)
Net profit		150,000

Statement of financial position as at 31 December 2022

Fixed assets

Equipment at cost	100,000	
Less Depreciation to date	(30,000)	70,000

Current assets

Stock	70,000	
Debtors	100,000	
Bank	12,500	
	182,500	

Less Current liabilities

Creditors	(100,500)	<u>82,000</u>
		<u>152,000</u>

Financed by:

Capitals		
Balance at start of year		72,000
Add Net profit		150,000
		222,000
Less Drawings		<u>(70,000)</u>
		<u>152,000</u>

Required:

(a) Calculate the following ratios for each business:

- (i) gross profit as percentage of sales; (2 marks)
- (ii) net profit as percentage of sales; (2 marks)
- (iii) expenses as percentage of sales; (2 marks)
- (iv) stock turnover; (3 marks)
- (v) rate of return of net profit on capital employed (use the average of the capital account for this purpose); (3 marks)
- (vi) current ratio; (2 marks)
- (vii) acid test ratio; (2 marks)
- (viii) debtor/sales ratio; (2 marks)
- (ix) creditor/purchases ratio. (2 marks)

Question 5

Moyo Plc manufactures and sells a single product. The following budget/actual information is provided in relation to the production of the product:

	\$
Selling price per unit	50
Direct material per unit	8
Direct labour per unit	5
Variable production overheads per unit	3

Fixed production overheads are budgeted at \$4 000 per month and are absorbed on a unit basis. The normal level of production is budgeted at 400 units per month.

Other costs

Fixed selling	\$4 000 per month
Fixed Administration	\$2 000 per month
Variable sales commission	5% of sales revenue

There was no opening inventory of Product A at the start of May.

Using the absorption method, calculate the full production cost. (3 marks)

Calculate the value of opening inventory, production cost and closing inventory. These values should be on full production cost per unit. (5 marks)

Calculate under or over absorption fixed production overheads (at fixed absorption rate per unit) (2 marks)

Prepare an absorption costing profit statement. (10 Marks)

END OF EXAMINATION QUESTION PAPER

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