



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF LAW, BUSINESS INTELLIGENCE AND ECONOMICS

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

EXAMINATION PAPER

COURSE CODE : MSTM 514
COURSE TITLE : Financial Accounting
SPECIAL REQUIREMENTS : Pencil, Ruler and calculator
DURATION : 3 Hours
LEVEL : 5.1
DATE : 30 JUL 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

Is Accounting an art or a science? Explain. (5 marks)

Classify the following items as either revenue or capital expenditure:

- (a) An extension to an office building costing \$24,000. (1 mark)
 - (b) Repairs to the warehouse roof. (1 mark)
 - (c). Annual service costs for a courier firm's fleet of vans. (1 mark)
 - (d) A new bicycle purchased by a newsagent for use by the newspaper delivery boy. (1 mark)
 - (e) Repairs to a refrigeration system of a meat wholesaler. (1 mark)
- "Accounting is an information system." Explain this statement. (10 marks)

Question 2

(a) The following trial balance was extracted from the books of M Jackson on 30 April 2023.

| | Dr | Cr |
|----------------------|--------|--------|
| | \$ | \$ |
| Sales | | 18,614 |
| Purchases | 11,570 | |
| inventory 1 May 2022 | 3,776 | |
| Carriage outwards | 326 | |
| Carriage inwards | 234 | |
| Returns inwards | 440 | |
| Returns outwards | 355 | |
| Salaries and wages | 2,447 | |
| Motor expenses | 664 | |

| | | |
|-----------------------|---------------|---------------|
| Rent | 576 | |
| Sundry expenses | 1,202 | |
| Motor vehicles | 3,400 | |
| Fixtures and fittings | 600 | |
| Debtors | 4,577 | |
| Creditors | | 3,045 |
| Cash at bank | 3,876 | |
| Cash in hand | 120 | |
| Drawings | 2,050 | |
| Capital | _____ | <u>13,844</u> |
| | <u>35,858</u> | <u>35,858</u> |

Note:

Closing inventory amounted to \$4,000. Depreciation is to be charged at rates of 10% on cost for Fixtures and Fittings and 25% on cost for Motor Vehicles. Bad debts of \$800 are to be written-off.

(i) Prepare a statement of financial performance for the year ending 30 April 2023.

(8 marks)

(ii) Prepare a statement of financial position as at 30 April 2023. (7 marks)

(b) Michael has indicated that he thinks that the debtors that have been written-off will be paid eventually. He is also querying why adjustments are made in the financial statements for bad debts and depreciation. Write a short note to him, making appropriate references to accounting concepts, outlining why these adjustments are made. (5 marks)

Question 3

On 1 January 20X1 a business purchased a laser printer costing \$1,800. The printer has an estimated life of 4 years after which it will have no residual value.

It is expected that the output from the printer will be:

| | |
|---------------------|----------------|
| Year Sheets printed | |
| 20X1 | 35,000 |
| 20X2 | 45,000 |
| 20X3 | 45,000 |
| 20X4 | <u>55,000</u> |
| | <u>180,000</u> |

Required:

(a) Calculate the annual depreciation charges for 20X1, 20X2, 20X3 and 20X4 on the laser printer

on the following bases:

- (i) the straight-line basis, (5 marks)
- (ii) the diminishing balance method at 60% per annum, and (5 marks)
- (iii) the units of output method. (5 marks)

Note: Your workings should be to the nearest \$.

b) Give an explanation of how any five accounting concepts may affect the preparation of the financial accounts. (5 marks)

Question 4

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.

- a) Using the absorption method, calculate the full production cost. (3 marks)
- b) Calculate the value of opening inventory, production cost and closing inventory. These values should be on full production cost per unit. (5 marks)
- c) Calculate under or over absorption fixed production overheads (at fixed absorption rate per unit) (2 marks)
- d) Prepare an absorption costing profit statement. (10 Marks)

Question 5

- a) Give advantages and disadvantages of budgeting. (10 Marks)
- b) Explain how the use of ratios can help to analyse the profitability, liquidity, efficiency and capital structure of businesses. (10 Marks)

END OF EXAMINATION QUESTION PAPER

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