



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ACCOUNTING AND FINANCE

EXAMINATION PAPER

COURSE CODE : CAC 109
COURSE TITLE : Accounting for Business
SPECIAL REQUIREMENTS : Non-programmable calculator
DURATION : 3 Hours
LEVEL : 1.1
DATE : 14 NOV 2019

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer ALL questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []

Question 1

Rock owns a small engineering firm in Bindura; the following balances have been extracted from his accounts as at 31 December 2017.

	Dr \$	Cr \$
Capital		72,100
Bank		11,690
Carriage inwards	640	
Carriage outwards	1,270	
Discounts	1,510	2,190
Equipment:		
• At cost	77,360	
• Provision for depreciation		16,840
Drawings	10,740	
Long-term Loan		20,000
Motor expenses	16,740	
Premises:		
• At cost	60,000	
• Provision for depreciation		10,000
Purchases and Sales	132,700	276,300
Shop expenses	21,380	
Stock as at 1 January 2017	35,820	
Debtors and Creditors	12,490	9,210
Wages	46,330	
Telephone and Insurance	1,750	
Returns	1,300	1,700
Total	420,030	420,030

You have also been given the following information:

1. Stock as at 31 December 2017 was valued at \$29,700.
2. Motor expenses paid in advance were \$350.
3. Wages unpaid at year end amounted to \$1,840.
4. Equipment is to be depreciated at 12, 5% using the reducing balance method.
5. Premises need to be depreciated using the straight-line method at 5%.

You are required to prepare:

- (a) A statement of profit or loss and other comprehensive income for the year ended 31 December 2017. (14 marks)
- (b) A statement of financial position as at 31 December 2017. (13 marks)

(c) Statement of changes in Equity for the year ended 31 December 2017. (4 marks)

(d) Property, plant and equipment note. (9 marks)

[Total: 40 marks]

Question 2

(a) A trainee in the accounting department has been taught that assets carry a debit balance and liabilities, a credit balance. She is however confused why a favourable bank balance is called a credit balance. Explain this to her in point form. (4 marks)

(b) Identify six transactions that are recorded in the general journal. (6 marks)

(c) Calculate the missing figure in the following cases:

(i) (2 marks)

Machinery	\$4,000
Vehicles	\$5,000
Accrued expenses	\$1,000
Capital	?

(ii) (2 marks)

Equipment	\$12,000
Debtors	\$2,000
Creditors	\$3,000
Income received in advance	\$3,000
Equity	?
Drawings	\$2,000

(iii) (3 marks)

Equipment	\$29,000
Bank	?
Accrued expenses	\$1,000
Capital	\$15,000
Loan	\$5,000

(iv) (3 marks)

Machinery	\$19,000
Bank	?
Accrued expenses	\$1,000
Capital	\$15,000
Loan	\$5,000

[Total: 20 marks]

Question 3

(a) What are the main differences between financial accounting and management accounting?
(4 marks)

(b) Which information can be gleaned from the final accounts of a business that will assist the credit management in making informed decisions?
(6 marks)

(c) The trial balance can have some errors. State which error the following statements identifies:
(10 marks)

- (i) A transaction occurs but is not in any book of accounts.
- (ii) Where correct amounts are entered in wrong person's account.
- (iii) Motor vehicle expenses recorded as purchase of motor vehicle.
- (iv) Capital introduced debited in capital account and credited in bank account.
- (v) Purchases of \$2,000, recorded as \$200 on the purchases journal.

[Total: 20 marks]

Question 4

(a) Tort has extracted the balances from his sales ledger as at 31 July 2014 and they total \$17,200, which Tort has inserted as trade receivables in his trial balance. The trial balance does not agree, neither does the schedule of receivables with the balance on the sales ledger control account. An examination of the records reveals the following errors:

1. The discount allowed column in the cash book has been overcast by \$200.
2. An invoice for a sale to Jones has been completely omitted from the books. The invoice is for \$84.
3. Goods returned by Smith, which had been invoiced to him in the sum of \$160, had been correctly entered in the sales returns day book, but debited to his account as \$106.
4. Goods with a selling price of \$1,000 had been sent on 'sale or return' to Greg. Although Greg has not yet indicated his intention to purchase the goods, the transaction has been entered in the sales day book.

5. A bad debt of \$50 has been written off in the sales ledger but this item was not entered in the journal.

Required

- (i) Journal entries correcting the above errors. (5 marks)
- (ii) The sales ledger control account, showing clearly the original balance on the account at 31 July 2014, and the entries required to adjust the account for the above items.

(5 marks)

(b) Sobers extracted the balances from his ledgers on 30 June 2014 and prepared a trial balance as at that date. The trial balance failed to agree and he opened a suspense account to enable him to proceed with the preparation of final accounts. Subsequently, the following errors were discovered:

1. A cheque received from Lloyd, a trade receivable, had been correctly entered in the cash book as \$105, but had been credited to Lloyd's account as \$150.
2. An improvement to a machine at a cost of \$750 had been debited to machinery repairs instead of machinery account. Assets are depreciated on straight line basis at 10% per annum, (a full year's depreciation is charged on the year of purchase).
3. The total of the sales day book for February 2014, was \$10,860, this had been posted to the sales account as \$10,680.
4. An invoice for the purchase of goods from Engineer on 1 June 2014 had been entirely omitted from the books. The invoice amounted to \$300.
5. A debt of \$100 in the sales ledger had been proved to be bad and had been written off in the sales ledger, but the appropriate entry had not been made in the bad debts account.

Required

Prepare journal entries and the suspense account of Sobers showing clearly the difference on the trial balance and entries made to correct the above mentioned errors. (10 marks)

[Total: 20 marks]

'END OF EXAMINATION'