



ZIMBABWE EZEKIEL GUTI UNIVERSITY

FACULTY OF BUSINESS, ECONOMICS AND ACCOUNTING

DEPARTMENT OF ECONOMICS AND BUSINESS SCIENCES

EXAMINATION PAPER

COURSE CODE : CAC109
COURSE TITLE : ACCOUNTING FOR BUSINESS
SPECIAL REQUIREMENTS :
DURATION : 3 Hours
LEVEL : 1.1
DATE :

INSTRUCTIONS TO CANDIDATES:

1. No cell phones are allowed in the examination venue.
2. Answer any **FOUR (4)** questions.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets []
5. Non programmable calculators may be used

Question One: [15 Marks]

When Mrs Shows received her retrenchment package of \$60 000 on 31 July 2017. She decided to go into business. Her transactions for the month of August 2015 were as follows:

- August 2 Bought a motor vehicle for \$20 000 cash
5 Bought office furniture for \$3000 cash
6 Bought a Deep freezer for \$400 cash
7 Paid rent for the month \$500 cash
10 Bought goods for re-sale from N Richards paying \$10 000 cash
12 Sold goods and received a total of \$15 000 cash
31 Paid wages \$500 cash

Required

Show how the above entries should be shown in the Books of Mrs Shows [15]

Question Two: [15 Marks]

A delivery van costs \$8 000. The van has an expected useful life of four years, after which it will be sold for an estimated \$1500.

Required

- a) Calculate the depreciation charge per year using the reducing balance method. (10)
b) Assuming the company made a profit of \$2000 before operating expenses, show :
i) Profit and Loss Account (extract). (2)
ii) The Balance Sheet (extract) as at the end of year two. (3)

QUESTION Three: [50 Marks]

The following list of balances were taken from the books of A. Robertson on 31 December 2017. The bank balance had been deliberately omitted.

	\$
Capital	9000
Drawings	2 250
Motor vehicle @ cost	2500
Furniture and fittings @ cost	1850
Provision for Depreciation – MV (01/01/13)	600
Provision for Depreciation – Furniture & fittings (01/01/13)	250
Provision for Bad Debts (01/01/13)	60
Debtors	1200
Stock	1040
Purchases	12 270
Sales	15 540
Wages	1630
Salaries	1360
Carriage Inwards	620
Carriage outwards	280
Discount allowed	105

Discount received	174
Rent and rates	633
Bad Debts	63
Creditors	1100
Insurance	72
Electricity	229

Required:

- a) Prepare the Trial Balance as at 31 December 2017, make sure to include the Bank Balance. [20]
- b) After the Trial Balance was prepared, the following additional information came to light:
- Stock in hand 31 December 2013 was valued at \$1200
 - Insurance paid in advance \$40
 - An additional \$100 is to be written off debtors and the provision for bad debts adjusted to 5% of debtors figure
 - An accrual of \$150 for rent must be paid
 - During the year the proprietor took goods for \$250 for his own use. No entry had been made in the books
 - Motor vehicles are to be depreciated by 10% on the reducing balance method

Required:

Prepare the Profit & Loss Account for the year ended 31 December 2017 and Balance Sheet as at 31 December 2017 [30]

Question Four: [20 Marks]

A machine is bought on 1 January 2018 for \$1000 and another one on 1 October 2019 for \$1200. The first machine is sold on 30 June 2020 for \$720. The firm's financial year ends on 31 December. The Machinery is to be depreciated at 10% using the straight line method, and based on assets in existence at the end of each year ignoring items sold during the year.

Required: Prepare

- Machinery account (4)
- Provision for Depreciation Account (4)
- Machinery Disposal account (4)
- Profit & Loss Account (extract) (4)
- Balance Sheet (extract) as at 31 December 2020 (4)