



**MANICALAND STATE UNIVERSITY  
OF  
APPLIED SCIENCES**

**FACULTY OF AGRIBUSINESS AND COMMERCE**

**ACCOUNTING DEPARTMENT**

**FINANCIAL ACCOUNTING FOR BUSINESS 1A**

**CODE: ACCT 102/HACC105**

**SESSIONAL EXAMINATIONS**

**SEPT/OCT 2021**

**DURATION: 3 HOURS**

**EXAMINER: MR S. SIZIBA**

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**INSTRUCTIONS**

1. *This paper contains five questions*
2. *Answer All questions*
3. *Each question carries 20 marks*
4. *Start each question on a new page*

### Question 1

On 1 January, Madzishe set up a business as a retailer in Fern Valley. His transactions for the first two weeks in January were as follows:

Date	Transaction	\$
Jan 1	Commenced business and deposited capital	10 000
Jan 2	Withdrew cash from the bank	2 000
Jan 3	Bought goods for cash	1 000
Jan 4	Bought second hand van on credit from Croco Motors	40 00
Jan 5	Sold goods for cash	20 00
Jan 7	Paid wages in cash	600
Jan 9	Bought goods on credit from Metro Peech	4 000
Jan 11	Sold goods on credit to Muparangi	5 000
Jan 12	Sent a cheque to Croco Motors	1 000
Jan 13	Sent a cheque to Metro Peech in full settlement for the goods bought on 9 January	3900
Jan 14	Paid wages for in cash	600
Jan 14	Received a cheque from Muparangi	2000

### Required

- a) Record the above transactions in double entry form and extract a Trial Balance as at that date. (16 marks)
- b) Explain the meaning of each of the following accounting Concepts and how they affect the preparation of financial statements.
  - i. Prudence. (2marks)
  - ii. Accruals/Matching. (2 marks)

**[Total 20 marks]**

## Question 2

For each of the following transactions given below, name the subsidiary book used, the account debited, the account credited and the source document.

Your answer should be in the form of a table as given below.

<b>Subsidiary book</b>	<b>Source documents</b>	<b>Account to be debited</b>	<b>Account to be credited</b>
i)			
ii)			
iii)			
iv)			
v)			

- (i) Bought goods for \$5 600 on credit from P. Poshai.
- (ii) Gumai Transport Operators charged the business \$600 for carriage on purchases.
- (iii) Paid for stationery \$1 500 out of petty cash.
- (iv) Paid \$5 600 by cheque to P. Poshai.
- (v) Sold goods on credit to B. Banda for \$6000.
- (vi) Withdrew \$10 000 from the bank for private use.
- (vii) A cheque of \$8 000 received from T. Thandiwe, a debtor, was dishonoured by the bank.

- (viii) Sold an old typewriter for \$5 000 on credit to J. Jamela.
- (ix) Received spoiled goods from B. Banda \$2 000 in respect of goods sold to him on (v) above
- (x) Bought office furniture for resale on credit.

**[Total marks 20 marks]**

### Question 3

Amanda owns a sportswear business and the following Trial balance was drawn at the end of the financial year which ends on 31 March 2018.

#### Amanda's Trial balance as at 31 March 2018:

	<b>Dr</b>	<b>CR</b>
	<b>\$</b>	<b>\$</b>
Capital		80 000
Premises	236 000	
Fixtures	90 000	
Motor Vans at cost	84 000	
Provision for depreciation :		
Fixtures		36 000
Motor vans		48 000
Trade receivables and Payables	10 000	6 000
Inventory (1 April 2017)	94 000	
Bank		56 000
Revenue		580 000
Purchases	220 000	
Wages	30 000	
General expenses	38 000	
Rent received		26 000
Discounts received		2 000
Drawings	32 000	
	<b>834 000</b>	<b>834 000</b>

The following information is available:

1. Inventory at 31 March 2018 was \$ 51 000.
2. Rent is still owed for the accommodation of the above premises. The occupier owes Amanda \$ 3 000 for the year ended 31 March 2018.
3. Depreciation is to be provided on fixtures at 20% per annum on cost. Motor vans are to be depreciated at 25% on the book value.
4. General expenses include prepaid electricity of \$ 600 at 31 March 2018.
5. During the year Amanda paid \$ 2000 for personal holiday in Nyanga. This has been paid through the business and entered as a general expense.
6. During the year, Amanda took some sports shoes costing \$ 1500 for personal use.

**Required**

- a) Income Statement for the year ended 31 March 2018. ( 12 marks)
- b) Statement of financial position as at 31 March 2018. ( 8 marks)

**[Total marks: 20]**

#### Question 4

The following is a summary of T. Dube's cash book (bank columns only) for the month of September 2018 .

	\$		\$
Balance b/f	1 020	Payments	15 684
Receipts	18 912	Balance c/f	3 248
	<b>19 932</b>		<b>19 932</b>

The cash book balance differed from that on the bank statement for the same month investigations revealed the following discrepancies:

1. Cheques drawn amounting to \$1 670 had not been paid into the bank payment.
2. Cash and cheques totalling \$2520 had been paid into the bank on 30 September but were not credited by the bank until the following day.
3. Bank charges of \$155 shown on the bank statement had not been entered in the cash book.
4. A cheque for \$1198 received from a customer W. Zuze, had been returned by the bank marked '**Refer to drawer**'. No adjustment had been made in the cash book.
5. The bank, in error, credited Dube's account with a deposit of \$500 made by another client T. Dubie.
6. A cheque payment of \$510 to a supplier Chisiri, had been recorded in the cash book as a receipt.
7. The balance carried forward (**\$3248**) in the cash book summary is incorrect.

## **Required**

- (a) Prepare a supplementary cash book showing the updated cash book balance after taking into account the above adjustments. (12 marks)
- (b) Prepare a Bank Reconciliation Statement as on 30 September 2018.  
(8 marks)

**[Total marks 20 marks]**



## Question 5

The following errors were discovered after the books of accounts were prepared by an inexperienced bookkeeper during the recent lockdown.

- i. No record has been made for a Delivery Van worthy \$ 900 000 brought in by the owner on February 4
- ii. A purchase of shop fittings for \$ 50 000 had been debited to the Purchases Account
- iii. Included in the general expenses is \$ 60 000 used by the owner to pay her private telephone bill.
- iv. A sales invoice of \$ 40 000 entered in the sales day book had not been posted to the customers personal account.
- v. The purchase day book was under cast by \$ 70 000.
- vi. A credit note for \$ 10 000 issued by Lunga to a customer had been completely omitted from the books.
- vii. A credit balance of \$ 110 000 in the purchases ledger had been omitted from the trial balance.
- viii. A sales invoice of \$ 205 000 was recorded in the sales day book as \$ 250 000

## Required

a) Identify the name of each of the above errors from **i-viii**. (8 marks)

b) Distinguish between revenue and capital and revenue expenditure. (4 marks)

State the effect (**increase or decrease**) of each of the following transactions on working capital. If there is none, write '**no effect.**'

- (i) purchase of equipment by cheque;
- (ii) Goods sold on credit;
- (iii) Payment of a business telephone account in cash;
- (iv) Goods taken by the owner for personal use;
- (v) Cash withdrawn from the bank for office use;
- (vi) Payment to a creditor by cheque. (6 marks)

c) Give the information represented by each of the following balances after final accounts have been prepared:

- (i) A debit balance in a packing Materials Account. (1mark)
- (ii) A debit balance in a Bank Account. (1 mark)

**[Total marks 20 marks]**

**END OF PAPER!**