MANICALAND STATE UNIVERSITY
OF
APPLIED SCIENCES

FACULTY OF AGRIBUSINESS AND COMMERCE

ACCOUNTING DEPARTMENT

FINANCIAL ACCOUNTING FOR BUSINESS 1B

CODE: ACCT 122/HACC126

SESSIONAL EXAMINATIONS

SEPT/OCT 2021

DURATION: 3 HOURS

EXAMINER: MR S. SIZIBA

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

Joy and Shingie who have been in partnership for many years decided to retire and dissolve the partnership on 31 December 2015. Profit and losses were shared in the ratio of 2:1. The partnership's Statement of Financial position at 31 December 2015 was as follows:

Non-current Assets (at net book values	**$**
Buildings	41 600
Fixtures and Fittings	14 000
Motor vehicles	10 400
	66 000
Current Assets	
Inventory	4 200
Trade receivables	6 892
Bank	380
Total Assets	**76 472**
Capital and liabilities	
Capital accounts : Joy Shingie	 32 000 16 000
Current accounts : Joy Shingie	 5 772 (1032)
Liabilities	
Trade payables	3 692
Long term liabilities Loan form Joy	 21 040
Total Capital and Liabilities	**76 472**

The partnership ceased trading on 31 December 2015 and the assets realised as follows:

Buildings	$ 40 000
Fixtures and Fittings	$14 800
Another motor vehicle	$ 6 000

The remaining motor vehicle was taken by Joy at an agreed valuation of $ 3800

Inventory	$ 2 080

- All debts outstanding were collected and banked except for bad debts totalling $360.Discount allowed amounted $80.
- Trade payables were settled in full payment totalling $ 3600
- Dissolution expenses of $ 572 were paid by cheque.
- Joy's loan was repaid from the bank account.
- Partner's current account balances were transferred to their capital Accounts.

Required

a) Prepare the following:

i.	Dissolution/Realisation account	(6 marks)
ii.	Partners' capital Accounts	(8 marks)
iii.	Bank Account	(4 marks)

b) Outline the reasons why partners may dissolve their partnership. (2 marks)

[Total marks 20 marks]

Question 2

The following are statements of Financial position for Gamuchirai :

Non-current Assets		**31 March 2019 $**		**31 March 2020 $**
Equipment at cost	28 500		26 100	
Less depreciation	(11450)	**17 050**	(13010)	**13 090**
Current Assets				
Inventories	18 200		15 500	
Trade Receivables	8 050		13 390	
Short Investments	370		750	
Bank	4 060		3 700	
		30 680		**33 340**
Total Assets		**47 730**		**46 430**
Capital and Liabilities				
Opening capital		35 760		33 590
Add net profit		10 240		11 070
Add cash introduced		-----		600
		46 000		**45 260**
Less drawings		(12 410)		(8 560)
		33 590		**45 260**
Loan from Chenge		10 000		4 000
		43 590		40 700
Current liabilities				
Trade payables		4 140		5 730

Total capital and liabilities		**47 730**		**46 430**

- The loan form Chenge carries interest at the rate of 10% per annum and was paid on 31 March 2020.
- Equipment with a net book value of $ 1350 was sold for $ 900. Depreciation on Equipment during the year was $ 2 610.

Required

Prepare a cash flow statement for the year ended 31 March 2020 in accordance with IAS7. (20 marks)

Question 3

The following Trial Balance was extracted from the books of Pachedu Ltd on 31 December 2018

	DR $	**CR** $
Ordinary shares of $ 1 each		20 000
Share premium Account		3 000
Retained earnings		9 000
Freehold land at cost	32 000	
Fixtures at cost	6 000	
Depreciation on fixtures		3 600
Sales revenue		124 000
Cost of sales	86 000	
Insurance	800	
Wages	13 600	
General expenses	4 880	
Motor vehicles at cost	11 200	
Depreciation on Vehicles		5 600
Motor expenses	800	
Bad debts	120	
Provision for Bad debts		400
Trade receivables	12 000	
Trade payables		9 600
Bank	4 840	
12% Debentures		16 000
Debenture interest	960	
Inventory at cost	18 000	

	191 200	**191 200**

Additional information

i. Depreciation is to be provided as follows; Fixtures 10% per annum on cost and Motor vehicles @ 20% per annum on cost.
ii. A customer who owed $ 3000to the company was declared bankrupt on 31 December 2018. The provision for doubtful debts was estimated on remaining debtors 3%.
iii. Wages of $ 1200 were accrued and insurance of $ 120 had been prepaid at the year end.
iv. Taxation of $ 1090 is to be provided
v. A final ordinary dividend of 15% was proposed.
vi. Transfer $ 2 000 to general reserve.

Required

a) A statement of Comprehensive Income for the year ended 31 December 2018. (10 marks)
b) A statement of changes in equity (3 marks)
c) A statement of Financial Position as at 31 December 2018. (7 marks)

[**Total marks: 20]**

Question 4

The following information for the year ended 28 February 2014 relates to GI, trading as a retail business with two departments.

	Computers	**Furniture**	**Total**
Sales	54,000.00	36,000.00	90,000.00
Purchases	27,000.00	18,000.00	45,000.00
Inventory 01-03-2013	9,000.00	7,200.00	16,200.00
Sales returns	560.00	474.00	1,034.00
Carriage on purchases			900.00
Insurance			203.00
Credit losses			720.00
Salesman's commission			2,700.00
Delivery expenses			1,800.00
Stationery			540.00
General expenses			360.00
Import duty			500.00
Rent			1,500.00
Interest on investment			630.00
Telephone expenses			1,080.00

Additional Information:

a) Inventories @ 28 February 2014:

	Computers	\$13,500.00
	Software	\$10,800.00

b) Floor space occupied:

	Computers	400m²
	Software	600m²

c) It is the policy of the entity to insure its closing inventory.

d) Salesman's commission is apportioned in proportion to revenue.

e) Stationery, delivery, general and telephone expenses are to be allocated in proportion to sales.

f) Only the Furniture department sells goods on credit.

g) Import duty was charged on computers bought from South Africa.

h) ZIMRA has assessed income tax liability amounting to \$14,020.00

Required:

a) Prepare the departmental statement of Profit or Loss and other Comprehensive Income of GI, for the year ended 28 February 2014. **(**16 marks)

b) Outline the factors to be considered before closing a department within a firm. (4 marks)

[Total marks: 20]

Question 5

The following information was obtained from the financial records of Mambudzi Manufacturers Ltd for the year ended 30 June 2011.

Inventories	01 July 2010 $	30 June 2011 $
Finished Goods	1,600.00	1,800.00
Work in Progress	600.00	950.00
Raw materials	3,000.00	3,500.00

	$
Insurance	600.00
Motor vehicle repairs	300.00
Raw material purchases	25,000.00
Factory wages	12,000.00
Factory rent paid	3,000.00
Freight on raw material	300.00
Factory equipment@ cost	15,000.00
Delivery on sales	250.00
Depreciation on delivery vehicles	50.00
Electricity (Factory 70% and Administration 30%)	1,200.00
Sales	70,000.00

Additional Information:

a) Products are transferred to the sales department at cost plus 33⅓%
b) The factory equipment is depreciated at 10% per annum.
c) Factory rent had been prepayment by $30.00

d) The motor vehicle is used by all departments. The factory foreman used it for 400kms while the salesman used it for 200kms.

e) Insurance accrued due amounted to $150.00. The amount of insurance is allocated two-thirds to factory and one-third to administration.

Required:

a) Prepare the Manufacturing Cost Statement for Mambudzi Manufacturers for the year ended 30 June 2011. **(**16 Marks**)**

b) Given that P manufactured 5 000 units of finished goods during the year, calculate cost per unit. (4 marks)

[Total marks: 20]

END OF PAPER!