



**MANICALAND STATE UNIVERSITY
OF
APPLIED SCIENCES**

FACULTY OF AGRIBUSINESS AND COMMERCE

DEPARTMENT: ACCOUNTING

FINANCIAL ACCOUNTING FOR BUSINESS 1B

CODE: ACCT 123

SESSIONAL EXAMINATIONS

JULY 2022

DURATION: 3 HOURS

EXAMINER: MR C. MAIREVA

INSTRUCTIONS TO CANDIDATES

1. This paper contains **FOUR (4) questions**
2. Answer **ALL questions**
3. Each question carries 25 marks
4. Start each question on a new page
5. Candidates are allowed to use silent, non-programmable calculators

Question 1

The following list of balances as at 31 March 2022 has been extracted from the books of Seenzu Enterprises, a manufacturing company.

Inventories 1 April 2021	Amount \$
Raw materials	5,250
Finished goods	21,780
Work in progress	20,910
Raw materials purchased	75,825
Direct factory wages	59,250
Indirect factory wages	22,050
Indirect factory material	5,850
Factory maintenance and repairs	14,610
Factory heat, light and power	21,195
Sales	338,880
Head office administration expenses	34,935
Sales and distribution expenditure	13,500
Freehold buildings	
at cost	67,500
provision for depreciation	10,125
Plant and machinery	
at cost	246,000
provision for depreciation	135,300
Trade receivables	30,000
Trade payables	14,400
Balance at bank	66,300
Ordinary shares of \$0.50 each, fully paid	90,000
Share premium account	45,000
Retained earnings	22,950
Provision for unrealised profit at 1 April 2021	1,980

Additional information:

- i. Inventories at cost on 31 March 2022 are:
 - Raw materials - \$4,365
 - Finished goods - \$27,753
 - Work in progress - \$24,750
- ii. All goods manufactured are transferred from the manufacturing account to the income statement at cost plus 10%
- iii. It is company policy to provide for depreciation at the following annual percentages on the cost of fixed assets:
 - Freehold property 2.5%
 - Plant and machinery 10%Freehold property depreciation is apportioned $\frac{2}{5}$ to the factory and $\frac{3}{5}$ to the administrative and related overhead.

- iv. The board of Suzu Coach Builder is recommending a dividend is paid for the year ended 31 March 2022 of \$0.20 per share.

Required

- a) A manufacturing account for the year (8 marks)
 b) Statement of profit or loss for the year (7 marks)
 c) A statement of financial position as at 31 April 2022 (7 marks)
 d) A statement of changes in equity for year (3 marks)

[Total: 25 marks]

Question 2

The Statement of financial position of Tinashe Mukarati trading as Nash Enterprises at the end of two successive years were as follows:

Statement of Financial Position As At 31 March

	2021		2022
	\$		\$
Fixed Assets (NBV)			
Premises	313500		305250
Equipment	145200		377850
Motor Vehicles	133660		156174
	<u>592360</u>		<u>839274</u>
Investment Long Term	140250		206250
	<u>732610</u>		<u>1045524</u>
Current Assets			
Stock	126875	162279	
Debtors	118884	98670	
Short Term Investments	29700	39600	
Cash At Bank	14850	5775	
	<u>290309</u>	<u>306324</u>	
Current Liabilities			
Creditors	172839	264414	
Bank Overdraft	117470	232650	190740
	<u>850080</u>		<u>854784</u>
Financed By			
Opening Capital	560505	619080	
Capital Introduced (Withdrawn)	33000	(53622)	
Net Profit (Loss) For The Year	126225	207900	
Drawings	(100650)	(124824)	
	619080	648534	
Long Term Loan (FMB)	231000	206250	
	<u>850080</u>		<u>854784</u>

The net profit for the year ended 31 March 2022 was after considering the following:

Depreciation of fixed assets	\$
Premises	8,250
Equipment	24,750
Motor vehicles	35,000
Profit on disposal of equipment	3,549
Loss on disposal of motor vehicles	6,105

The net book values of fixed assets on the dates of disposal were as follows:

Equipment	42900
Motor vehicles	16584

Required

Prepare a statement of cash flows flow the year ended 31 March 2022 based on the indirect method (25 marks)

Show all workings

Question 3

Kuda and Barbra are in partnership making and selling pork pies. The trial balance of their business at 30 June 2022 was:

	Dr	Cr
	\$	\$
Irrecoverable debts	2,350	
Rent and rates	35,000	
Motor expenses (including depreciation)	17,400	
Allowance for receivables		5,450
Motor vehicles – cost	32,750	
Accumulated depreciation		15,578
Cash at bank	467	
Drawings – Ken	13,500	
Barbie	15,000	
Inventory	3,000	
Fixtures and fittings – cost	27,000	
accumulated depreciation		13,500
Sundry expenses	14,780	
Sales		157,000
Payables		9,800
Receivables	16,000	
Purchases	96,000	
Current account – Kuda		7,655
Barbra		9,264
Capital account – Kuda		35,000
Barbra		20,000
	<u>273,247</u>	<u>273,247</u>

They provide the following further information which is not reflected in the trial balance:

- a. Inventory held at the year-end cost \$4,500.
- b. Fixtures and fittings have not yet been depreciated – the applicable rate is 10% straight line.
- c. Prepayments at the year-end were \$2,500 in respect of rates.
- d. On the last day of the year, Ken paid \$13,000 to the business bank account as a loan.
- e. Barbie is awarded a salary of \$7,500.
- f. Interest on capital is provided at 8% per annum.
- g. The balance of profits is split equally

Required:

Prepare the following statements for the partnership:

- a. Statement of profit or loss (7 marks)
- b. Statement of division of profits (6 marks)
- c. The partners' current accounts (6 marks)
- d. Statement of financial position as at 30 June 2022 (6 marks)

[Total: 25 marks]

Question 4

The directors of Mhindu-pindu Pvt Ltd are optimistic about the future economic prospects and has decided to expand its operations. To expand, it will need to borrow funds to finance the acquisition of property, plant and equipment. The following data was extracted from the firm's financial statement for the years ended 31 September 2022 and 2021

	2022	2021
	\$	\$
Total assets	825,000	928,750
Ordinary shareholders' equity	472,500	415,000
Long term debt	125,000	237,500
Total debt	352,500	513,750
Earnings before interest and tax	134,900	40,250
Interest charges	18,750	15,000

Required:

- a. Compute any five (5) applicable shareholders' investment and/or financial leverage ratios for the two years. (15 marks)
- b. Comment on the financial leverage ratios calculated in (a) above from the point of view of a prospective lender. Clearly articulate the decision the prospective lender would most likely make and the justification thereof. (10 marks)

[Total: 25 marks]

END OF EXAMINATION PAPER