



**MANICALAND STATE UNIVERSITY
OF
APPLIED SCIENCES**

FACULTY OF AGRIBUSINESS AND APPLIED SOCIAL SCIENCES

DEPARTMENT: APPLIED ACCOUNTING

FINANCIAL ACCOUNTING FOR BUSINESS 1A

CODE: ACCT 102

SESSIONAL EXAMINATIONS

NOVEMBER 2023

DURATION: 3 HOURS

EXAMINER: MR C. MAIREVA

INSTRUCTIONS TO CANDIDATES

- 1. This paper contains **FIVE (5)** questions*
- 2. Answer **ALL** questions*
- 3. Each question carries 20 marks*
- 4. Start each question on a new page*
- 5. Additional Materials: Silent, non-programmable calculator*

Question 1

The following trial balance was extracted from the books of accounts of Joyce Majuru, trading as Joy Stores, runs a general dealer store in Uptown, Mutare.

Joy Stores: Trial Balance as at 31 August 2023

	Dr (\$000)	Cr (\$000)
Sales		400
Purchases	350	
Sales returns	5	
Purchases returns		6
Opening inventory at 1 September 2022	100	
Provision for doubtful debts		1
Wages and salaries	30	
Rates	6	
Telephone	1	
Shop fittings at cost	40	
Delivery at cost	30	
Receivables	9	
Payables		7
Bad debts	1	
Capital		179
Bank balance	2	
Drawings	<u>18</u>	
	<u>593</u>	<u>593</u>

The following information is also provided:

- i. Closing inventory at 31 December 2022 \$120,000.
- ii. Wages and salaries in arrears at the end of the year were \$5,000.
- iii. Joyce had prepaid rates by \$500.
- iv. The provision for doubtful debts to be increased to 10% of accounts receivable.
- v. Telephone account outstanding \$220.
- vi. Depreciate shop fittings at 10% per annum, and delivery van at 20% per annum, on cost.

Required:

Taking into consideration the adjustments shown above, prepare a

- a. Statement of profit and loss for the year ended 31 August 2023 (8 marks)
- b. Statement of changes in equity for the year ended 31 August 2023 (2 marks)
- c. Statement of financial position as at 31 August 2023 (10 marks)

[Total: 20 marks]

Question 2

a. Identify the account to be debited and the account to be credited from the following transactions for a sole trader, Tongai Moya trading as Bvumavaranda Stores:

- i. A customer, N. Siyabonga, returned goods worth \$200 (2 marks)

- ii. Bought office equipment from Nathan and Neil Pvt Ltd for \$20,000 on credit (2 marks)
- iii. Used business money \$50 to pay for private electricity bill (2 marks)
- iv. Brought private vehicle \$1,500 into the business to use as delivery van (2 marks)
- v. Set-off an accounts receivable account against an accounts payable account (2 marks)

b. What type of errors do the following statements relate to:

- i. A transaction is not recorded anywhere in the books of accounts (2 marks)
- ii. A correct amount is entered in the wrong personal account (2 marks)
- iii. Office equipment repairs are entered in the office equipment account (2 marks)
- iv. A cash payment for electricity was debited in the cash account and credited to the electricity account (2 marks)
- v. An amount of \$890 is recorded in the books of account as \$980 (2 marks)

[Total: 20 marks]

Question 3

a. Classify the following as either capital or revenue expenditure:

- i. The cost of labour for constructing a warehouse (2 marks)
- ii. Legal cost of buying goods for resale (2 marks)
- iii. Motor vehicles acquired for resale in the normal course of business (2 marks)
- iv. Repairs to a delivery van (2 marks)
- v. Railage charges on plant and machinery (2 marks)

b. The following figures were extracted from accounts receivable and accounts payable ledgers and other associated books of original entry of Enesia Gumbi, a sole trader:

Balances on 1 September 2023	\$
Accounts receivable ledger – Debit	46,460
Credit	240
Accounts payable ledger – Debit	1,470
Credit	25,460

Totals for the month to 30 September 2023 from the respective books of original entry:

Purchases	76,470
Sales	126,020
Purchase returns	2,150
Accounts settled by contra	460
Bad debt written off	1,250
Discounts and allowances to customers	750
Cash received from customers	120,460
Cash discount received from suppliers	1,940
Cash paid to suppliers	70,480
Cash paid to customers	50

On 30 September:

Debit balances in the accounts payables ledger	110
Credit balances in the accounts receivable ledger	70

Required:

- a. Construct the accounts payable control account for September 2023 (5 marks)
- b. Draw up the accounts receivable control account for September 2023 (5 marks)

[Total: 20 marks]

Question 4

N. Sibusiso started in business as a retailer after receiving his pension from a 30-year period of employment. He has a very limited knowledge of accounting. He incorrectly draws up the following trial balance as at 31 August 2023:

Trial balance for the year ended 31 August 2023

	Dr (\$)	Cr (\$)
Capital 1 September 2022	7,845	
Drawings	19,500	
Inventories, 1 September 2022		8,410
Trade receivables		34,517
Furniture and fittings	2,400	
Cash in hand	836	
Trade payables		6,890
Sales		127,510
Sales returns		2,438
Discount received	1,419	
Business sundry expenses	3,204	
Purchases	<u>72,100</u>	
	<u>107,304</u>	<u>179,765</u>

In addition to the mistakes evident above, the following errors were also discovered:

1. A payment of \$315 made to an account payable was not posted from the cash book into the accounts payable ledger.
2. A cheque for \$188 received from an account receivable was correctly entered in the cash book but posted to the customer's account as \$180.
3. A purchase of fittings \$407 were erroneously entered in the purchases account.
4. The total of the discounts allowed column in the cash book of \$42 had not been posted into the general ledger.
5. A page of the sales daybook was correctly totalled as \$675 but carried forward as \$765.

Required:

Show the trial balance as it would appear after all the errors have been corrected. (Show all your workings.) (20 marks)

Question 5

Nathan runs a small landscape gardening business as a sole trader. On 1 February 2020, he purchased a sit-on lawnmower for \$3,000. He depreciates it at 10% straight line on a monthly basis. A few years later he decides to replace it with one which has an enclosed cabin for when it rains. He sells the lawnmower to an old friend, Neil for \$2,000 on 31 July 2023.

Required:

How much is charged to Nathan's income statement in respect of the asset for the year ended 31 December 2023? (Show all workings – marks will be awarded for the correct procedure to record these transactions in Nathan's books of account) (20 marks)

END OF EXAMINATION PAPER