Great Zimbabwe University

JULIUS NYERERE SCHOOL OF SOCIAL SCIENCES

DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

BACHELOR OF SCIENCE DEGREE

LEVEL 2 SEMESTER 1

EXAMINATION QUESTION PAPER

MODULE CODE HRMH215

MODULE NARRATION PRINCIPLES OF ACCOUNTING

DATE

DURATION 3 HOURS

INSTRUCTIONS TO CANDIDATES:

1. ANSWER ALL QUESTIONS
2. START EACH ANSWER ON A FRESH PAGE
3. SHOW ALL YOUR WORKINGS, WHERE APPLICABLE
4. SILENT NON-PROGRAMMABLE CALCULATORS MAY BE USED IN THE EXAMINATION ROOM.

QUESTION 1

a) A company maintains its non-current assets at cost. Depreciation provision accounts for each asset are kept. At 31 December 2022 the position was as follows:

	Total cost to date	Total depreciation to date
Machinery	$194 500	$68 350
Office furniture	$43 200	$10 280

The following additions were made during the financial year ended 31 December 2023:

- Machinery $31 000; Office furniture $14 560
- A machine bought in 2019 for $20 600 was sold for $4 500 during the year.
- The rates of depreciation are:
    - Machinery 20%, Office furniture 10% using the straight-line basis, calculated on the assets in existence at the end of each financial period irrespective of the date of acquisition.

You are required to show the following accounts for the year ended 31 December 2023.

i. The provision for depreciation account on machinery
ii. The provision for depreciation account on office furniture
iii. The machinery account
iv. The office furniture account
v. The disposal account [15 marks]

b) Show Journal entries necessary to record the following items which occurred in 2023:

i) June 1 – Bought a Furniture on credit from Mapuranga furnitures for $16 000.
ii) June 5 – A debt of $1000 owing from P. Moyo was written-off as a bad debt.
iii) June 10 – Office furniture bought by us for $600 was returned to the supplier Gumbo Ltd, as it was unsuitable. Full allowance will be given to us.
iv) June 15 – We are owed $600 by R. Tamai. He is declared bankrupt and we received 300 in full settlement of the debt.
v) June 17 – Took goods costing $250 out of the business inventory without paying for them.
vi) June 19 – Bought a Computer for $1000 on credit from Monarch Computers Ltd.
vii) June 26 – A computer that was bought on credit from Chip Computers was not working therefore it was returned to supplier.

viii) June 30 – Some time ago we paid an insurance bill thinking that it was all in respect of the business. We now discover that $350 of the amount paid was in fact insurance of our private house.

ix) June 30 – Bought Goods for $2 400 on credit from Shoko Ltd. [10 marks]

[Total 25 marks]

QUESTION 2

a) The following trial balance of Sunbird Ltd has been completed but errors have been made.

	Dr	Cr
	$	$
Sales		118 944
Purchases		76 574
Returns inwards	432	
Returns outwards		342
Equipment	20 000	
Rent received		1 220
Office expenses		314
Motor vehicles	10 300	
Discount received	1 000	
Provision for doubtful debts	2 000	
Inventory at 1 January 2022		9 950
Inventory at 31 December 2022	8 722	
Trade payables	6 900	
Trade receivables	8 786	
Bank overdraft	2 246	
Bad debts		330
Wages and salaries		12 000
Insurance	841	
Capital	20 000	
Drawings	13 125	
Suspense	125 322	
	219 674	219 674

You are required to:

Redraft the trial balance in correct form. You can assume that the balance on the suspense account will be zero in the correct version. [10 marks]

b) The bank columns in the cash book for March 2023 and the bank statement for that month for Falcon Investments are as follows:

Cash Book for March 2023

March 1	Balance b/d	30 000	March 5	E. Mugomo	7 300
8	A. Makanda	2 520	13	F. Tswanda	6 500
17	B. Watemwa	1 750	17	G. Hadyana	1 000
29	C. Sesedzai	5 250	30	H. Makari	995
31	D. Mateko	1 500	31	Balance c/d	25 225
		41 020			**41 020**

Bank Statement for March 2023

Date	Details	DR	CR	Balance
March 1	Balance			30 000
March 7	Cheque		2 520	32 520
March 8	E. Mugomo	7 300		25 220
March 16	Cheque		1 750	26 970
March 17	F. Tswanda	6 500		20 470
March 18	G. Hadyana	1 000		19 470
March 28	Cheque		5 250	24 720
March 29	Insurance: Standing order	3 520		21 200
March 30	Makomo: Trader's credit		2 640	23 840
March 31	Bank charges	1 590		22 250

Required

i) Write the cash book up to date [4 marks]

ii) Draw up a bank reconciliation statement as at 31 March 2023 [4 marks]

c) **Which concepts are being ignored in each of the following scenarios?**

i) Inventory is valued at selling price given that the business has never failed to sell its inventory.

ii) A sole trader decides to include the petrol costs in full as business expenses despite some of the mileage being for personal use.

iii) Including a sale to a regular customer before the order is received. [3 marks]

d) **In each case state which concept or concepts are relevant to the situation given.**

i) Subtracting an amount paid for insurance because it belongs to the next year.

ii) Maintain the same percentage rate of the provision for doubtful debts despite it not being always accurate in predicting future bad debts.
iii) Valuing inventory at likely selling price for a successful business
iv) Valuing a non-current asset at its likely market value. [4 marks]

[Total 25 marks]

QUESTION 3

S. Zhou a sole trader, extracted the following list of balances from his books at the close of business on 31 March 2023:

	$
Purchases	62 020
Sales	127 205
Inventory 1 April 2022	7 900
Capital 1 April 2022	25 200
Bank overdraft	2 490
Cash	230
Discount allowed	2 560
Discount received	142
Returns inwards	3 380
Returns outwards	1 250
Carriage outwards	3 220
Rent and insurance	8 870
Provision for doubtful debts	640
Provision for Depreciation: Van	690
Fixtures and fittings	1 900

Van	5 600
Accounts receivable	12 418
Accounts payable	11 400
Drawings	21 400
Wages and salaries	39 200
General office expenses	319

Notes:

(a) Inventory 31 March 2023 $6 700.
(b) Wages and salaries accrued at 31 March 2023 $3 800; Office expenses owing $60.
(c) Rent prepaid 31 March 2023 $800.
(d) Increase the provision for doubtful debts to $740.
(e) Provide for depreciation as follows: Fixtures and fittings 10%; Van $15%.

Required

(i) Prepare the statement of profit or loss and other comprehensive income **[13 marks]**
(ii) Prepare the statement of financial position as at 31 March 2023 **[12 marks]**

[Total 25 marks]

QUESTION 4

Defining assets, liabilities, and gains and losses (income statement) has been particularly problematical. These definitions form the core of any conceptual framework that is to be used as a basis for preparing financial statements. It is also in this area that the International Accounting Standards Committee's 'Framework for the Preparation and Presentation of Financial Statements (Framework)' has come in for some criticism. It seems that the current accounting treatment of certain items does not (fully) agree with definitions in the Framework. A major objective of the Framework is to exclude from the Statement of financial position items that are neither assets nor liabilities; and to make 'off balance sheet' assets and liabilities more visible by putting them on the Statement of financial position whenever practicable.

Required:

(a) List and discuss the three elements found in the statement of financial position and two elements found in the income statements as contained in the Accounting Framework. [10 marks]

(b) Briefly discuss any 5 users of financial statements and their needs [5 marks]

(c) Briefly discuss the 7 errors that do not affect the balancing of the trial balance and 3 errors that affect the balancing of a trial balance. [10 marks]

[Total 25 marks]

END OF EXAM