

ORDINARY LEVEL

PRINCIPLES OF ACCOUNTS

2005-2012

QUESTIONS AND ANSWERS

\$ £

130000
T. H. O. R. C. H. E. R. S. O. N. S.

THEORY QUESTIONS

1. You are required to state the word(s) which are missing from the sentences (a) to (g) below. The example illustrates how you should answer the question.

Example: The working capital amount is obtained by deducting (i) _____ from (ii) _____

Answer: (i) current liabilities
(ii) current assets

- (a) Fixtures and fittings are (i) _____ assets and arise from (ii) _____ expenditure, but stock in trade is a (iii) _____ asset and arises from (iv) _____ expenditure.
- (b) A favourable balance is shown as a _____ balance on the bank statement.
- (c) In a limited company, shareholders are (i) _____ of the company while debenture holders are (ii) _____ of the company.
- (d) If a fixed asset is depreciated by a percentage of the book value each year, the method of depreciation called _____
- (e) Subscriptions owing from the club members are shown as a current _____ in the balance sheet.
- (f) The rate of stock turnover is arrived at when (i) _____ is divided by (ii) _____
- (g) In addition to fixed capital accounts, partners are required to maintain _____ accounts. [12]

[J 05 Q7]

2. Write down the word (s) or figures required to complete each of the following sentences. Do not copy the whole sentence.

- (a) A company's issued share capital is made up of 200 000 ordinary shares of \$2 each. If a dividend of 10 cents per share is declared, total dividends paid to shareholders will be \$ _____
- (b) If the purchase of a breakdown vehicle by a garage is recorded in the purchases account, this is an error of _____
- (c) If a trial balance does not agree and the credit side is bigger than the debit side, the difference is placed on the (i) _____ side of the (ii) _____ account.
- (d) In the books of a partnership, interest on capital due to a partner is entered on the _____ side of the current account.
- (e) In a manufacturing business, expenses that can be traced easily to each unit of production are called _____ expenses.
- (f) A _____ is sent to a customer when he/she returns goods previously sold to him /her on credit.
- (g) Carriage on sales is charged as an expense in the _____ account.
- (h) An overdraft is shown as a _____ balance on the bank statement.
- (i) The following information relates to a non profit making organisation

	\$
Subscriptions owing on 1 January 2004	2 500
Total subscriptions received	66 000
Subscriptions owing on 31 December 2004	4 500
Subscriptions received for year 2005	3 500

In the income and expenditure account for the year ended 31 December 2004, the figure for the subscriptions will be (i) _____

Subscriptions owing on 31 December will be shown as a current (ii) _____ and those paid in advance will be shown as a current (iii) _____ in the balance sheet.

- (j) If fixed assets are \$25 000, current assets \$17 500, long term liabilities \$10 000 and current liabilities \$5 000, the capital is (i) \$ _____ and the working capital is (ii) \$ _____
- (k) The subsidiary book used for adjusting provision for bad debts is the _____ [15]

[N 05 Q 4]

3. State the word (s) required to complete each of the sentences given below. Do not copy the whole sentence.

- (a) Nominal accounts are those that refer to (i) _____ and _____
- (b) Accounts of debtors are found in the _____ ledger.
- (c) The _____ is the source document for the petty cash book.
- (d) If the payment for repairs to machinery is debited to machinery account, this is an error of _____
- (e) The excess of expenditure over income for a club is known as _____
- (f) Errors that prevent the totals of trial balance from agreeing are corrected through the _____ account.
- (g) Working capital is the excess of current (i) _____ over (ii) _____
- (h) Entries on the sale of fixed assets are passed through the _____ account.
- (i) If closing stock is overvalued, net profit will be _____

- (j) Subscriptions received in arrears appear as in the balance sheet.
 (k) Cost of raw materials consumed added to direct expenses are called costs. [13]
 [J 09 Q 7]

4. Write down the word (s) or figures required to complete each of the following sentences. **Do not write the whole sentence.**

- (a) The profits made in the bar trading account were \$66 000. The barman is entitled to a commission of 10% of the profits. The commission earned by the barman is \$
 (b) A negative balance is shown as a _____ balance on the bank statement.
 (c) The errors of _____ occur when a transaction is entered in the wrong class of accounts.
 (d) The total of shareholders' funds include (i) _____ share capital and the (ii) _____
 (e) Interest on drawings is debited to the partners (i) _____ accounts and credited to the (ii) _____ account.
 (f) Legal costs incurred in the transfer of freehold buildings are known as (i) _____ expenditure and wages of the workers engaged in building extension are classified as _____ expenditure.
 (g) Accounts of suppliers of goods are recorded in the _____ ledger.
 (h) The list price of goods is \$120 000. The trade discount is $33\frac{1}{3}\%$ and cash discount is 5%. The final amount paid by the trader is (i) \$ _____ and the discount received is \$ _____ [12]
 [J 07 Q 3]

5. Write down the word (s) or figure (s) required to complete each of the following sentences. **Do not write the whole sentence.**

- (i), (ii)ii Carriage inwards is charged to the (i) _____ account and carriage outwards is debited to the (ii) _____ account.
 (i), (ii)iii Loans that are going to be repaid in full within the next six months are shown under (i) liabilities, and goodwill is classified as (ii) _____ asset.
 (i), (ii)iv Stock of stationery at the close of business is shown in the stationery account as a _____ balance.
 (i), (ii)v The accounting equation that shows how a business is being financed is stated as
 (i) _____ = (ii) _____ + liabilities
 (i), (ii)vi The provision for bad debts on 1 January 2004 was \$6 500. The sundry debtors on 31 December 2004 were \$150 000. The provision for bad debts was maintained at 5% of debtors. The provision transferred to the profit and loss account is (i) _____ and the net debtors amounted to (ii) \$ _____
 (i), (ii)vii Given that the total fixed assets are \$600 000, current assets \$280 000, long term liabilities \$80 000, and current liabilities \$100 000, the working capital is equal to \$ _____
 (i), (ii)viii The opening stock of a business is valued at \$75 000 and its closing stock at \$25 000. The business' cost of sales total \$250 000. The rate of stock turnover is _____ times. [11]
 [N 07 Q 4]

6. State the word (s) or figure (s) required to complete each of the sentences given below. Do not copy the whole sentence.

- (a) Assets accounts have (i) _____ balances and accounts of liabilities have (ii) _____
 (b) Rate of stock turnover is found by dividing the cost of sales by _____
 (c) A _____ note is sent to a customer showing an allowance given by a supplier for goods damaged in transit.
 (d) The purchase of fixed assets is (i) _____ expenditure and payments for operating expenses are (ii) _____ expenditure.
 (e) If closing stock is undervalued, the net profit will be _____
 (f) Debentures earn a fixed rate of (i) _____ and preference shares earn a fixed rate of (ii) _____
 (g) Interest on capital is a _____ entry in the profit and loss appropriation account.
 (h) Fixed assets are valued at \$600 000, current assets are \$200 000 and current liabilities total \$300 000. The purchase price of a business is \$900 000. Goodwill is therefore \$ _____
 (i) Prime cost is sum of (i) _____ and (ii) _____
 (j) The production cost of goods sold completed is added to the (i) _____ stock of finished goods in the (ii) _____ account.
 (k) Two methods of depreciation are (i) _____ method and the (ii) _____ method.
 (l) Expenses incurred by the business for which no payment has been made are called (i) _____ and appear in the _____ balance sheet as current (ii) _____ [19]
 [N 08 Q 3]

7. State the words or words required to complete each of the sentences given below. Do not copy the whole sentence.

- (a) The purchase of stationery on credit for use in a business is recorded in the _____ before posting to the ledger.
 (b) To encourage debtors to settle their accounts promptly, a _____ discount is given.
 (c) The cost of goods sold is deducted from (i) _____ or (ii) _____

- (d) The main source of information for the Sales Day Book is the _____
- (e) Stock is usually valued at the lower of (i) _____ (ii) _____
- (f) In a limited company, debenture holders receive (i) _____ while shareholders receive (ii) _____
- (g) In a non-profit making organisation, profit made from activities during the year is called (i) _____ while a loss is called (ii) _____

[11]

[N 10 Q4]

8. Write down the word(s) or figure(s) required to complete each of the following sentences. Do not write the whole sentence.
- (a) The profits made in a bar trading account were \$66 000. The barman is entitled to a commission of 10% of the profits. The commission earned by the barman is \$ _____
 - (b) A negative balance is shown as a _____ balance on the bank statement.
 - (c) The errors of _____ occur when a transaction is entered in the wrong class of accounts.
 - (d) The total shareholder's funds (equity) includes (i) _____ share capital and the (ii) _____ account.
 - (e) Interest on drawings is debited to the partners (i) _____ accounts and credited to the (ii) _____ account.
 - (f) Legal costs incurred in the transfer of freehold buildings are known as (i) _____ expenditure and wages of workers engaged in building extension are classified as (ii) _____ expenditure.
 - (g) Accounts of suppliers of goods are recorded in the _____ ledger.
 - (h) The list price of goods is \$120 000. The trade discount is 33½ % and cash discount is 5%. The final amount paid by the trader is (i) \$ _____ and the discount received is (ii) \$ _____ [12]

[N 11 Q3]

9. Write down the word(s) or figure(s) required to complete each of the following sentences. Do not write the whole sentences.
- (a) In the books of a non-profit making organisation, capital is replaced by _____.
 - (b) In a manufacturing firm, _____ is made up of cost of raw materials used, direct labour and direct expenses.
 - (c) If a payment by cheque of \$506 for electricity is recorded in error in both Bank Account and electricity Account as 45 064, this is an error of _____
 - (d) Cost of transporting new machinery to be used in the business is (i) _____ expenditure whereas cost of repairing machinery after one month's use is _____ expenditure.
 - (e) Goodwill occurs when the (i) _____ of a business exceeds the value of net (ii) _____ taken over.
 - (f) In the books of a partnership business, goods taken by a partner for own uses are entered on the _____ side of the Current Account.
 - (g) A _____ statement is drawn up to make the cash book transactions agree with the transactions compiled by the bank.
 - (h) A business has total fixed (non-current) assets of \$100 000, current assets \$60 000 [including stock (inventory) \$15 000], current liabilities \$30 000. And long term loan \$20 000. The current ratio is (i) \$ _____ and the quick ratio is (ii) \$ _____.
 - (i) Given that the opening capital is \$30 000, closing capital \$40 000 and drawings \$9 000, the net profit is \$ _____.
 - (j) A document issued to the business for a fixed (non-current) asset bought on credit is known as the (i) _____ and the transaction for the fixed (non-current) asset is first recorded in the (ii) _____

[J 12 Q4]

10. Write down the word(s) in each of the following statements. Do not write the whole sentence.
- (a) Shareholders are (i) _____ of a company, while debenture holders are (ii) _____ of a company.
 - (b) Machinery is a (i) _____ asset and arises from (ii) _____ expenditure but salaries and wages are an (iii) ----- and arise from (iv) _____ expenditure.
 - (c) An overdraft is shown as a _____ balance on the bank statement.
 - (d) Drawings are transferred to the _____ side of the Capital Account.
 - (e) Goodwill occurs when the purchase price of a business is greater than the net value of the _____ taken over.
 - (f) In addition to fixed capital accounts, partners are also required to maintain _____ accounts
 - (g) If a fixed asset is depreciated by a percentage of the original cost each year, the method of depreciation is called _____.
 - (h) In a subscriptions account, subscriptions due at the end of the financial year are reflected as (i) _____ balance and appear as a current (ii) _____ in the balance sheet.
 - (i) If the purchase of delivery vans for resale by MC Motors is recorded in the Delivery Vans Account, this is an error of _____.

[14]

[N12 Q4]

11. Write down the word(s) in each of the following statements. Do not write the whole sentence.
- (a) The three main methods of calculating depreciation are the straight line method, the reducing balance method and the _____ method. [1]
 - (b) The total in the purchases returns day book is posted to the _____ account. [1]
 - (c) If the owner takes goods at cost price for personal use, debit the (i) _____ account and credit the _____ account. [2]
 - (d) Profit made on the sale of fixed assets is debited in the _____ account. [1]
 - (e) Given that a company issued 20 000 10% debentures at \$5 each, the interest paid at the end of a year will be _____ [1]
 - (f) Creditors' accounts, capital accounts and debtors' accounts are examples of _____ accounts. [1]
 - (g) If a football club considers legacy as a capital receipt, its amount is added to _____ in the balance sheet [1]
 - (h) Interest on an overdue account is entered on the (i) _____ side of a purchase ledger control account and _____ side of a sales ledger control account. [2]
 - (i) Gross profit expressed as a percentage of turnover is a _____ [1]
 - (j) Machine operator's wages are a _____ cost in a manufacturing account. [1]
 - (k) A _____ is a list of debit and credit balances extracted from the cash book and the ledger at a given date _____ [1]
 - (l) Taurai rented premises for \$10 000 per month. He paid \$80 000 by cheque and \$5 000 cash. His annual profit and loss account figure is _____ [1]
 - (m) The _____ is the main book of accounts. [1]

[J 2013 Q 3]

12. Write down the word(s) in each of the following statements. Do not write the whole sentence.
- (a) The source document used for writing up a petty cash book is known as _____ whilst an _____ is a business document for all credit transactions. [2]
 - (b) The rate of stockturn is found by dividing cost of sales by _____ [1]
 - (c) A record of rent paid by cheque \$500 entered as \$5 000 in both Rent and Bank account is an error of _____ [1]
 - (d) The assets and liabilities of a business are as follows: Premises \$50 000, Accounts Receivable \$29 000, Accounts Payable \$30 000, Inventory \$15 000, Bank \$16 000. Thandi's current ratio is _____ and her quick ratio is _____ [2]
 - (e) Goodwill of a business is the excess of its purchase price over its _____ [1]
 - (f) Premises are _____ assets and arise from _____ expenditure [2]
 - (g) Trading stock is a _____ asset arising from _____ expenditure. [2]
 - (h) When the debit side of the trial balance is greater than the credit side the difference is shown on the credit side of the _____ account. [1]

[J 2014 Q 4a]

BANK RECONCILIATION STATEMENTS

13. K. Kondo a hairdresser, received her bank statement on 1 May 2005 with the following details:

	\$
Balance as on 30 April 2005	275 000
Bank charges	10 000
Standing order: Insurance	29 500
Credit transfer: Dividends	67 300
Dishonoured cheques R/D	13 700
Direct debit: ZESA	18 450
Interest earned	9 550

The following information was also made available: \$

The balance brought down in the cash book was	249 800
Unpresented cheques	65 000
Bank deposits entered in the cash book but not on the bank statement	70 000

On analysis of the bank statement, Kondo discovered that she had been incorrectly credited with \$25 000 belonging to R. Kondo by the bank.

You are required to prepare:

- (a) An amended cash book [8]
- (b) The bank reconciliation statement as on 1 May 2005 [8]

[J 08 Q 3]

12. On 31 July 2004, C. Flint's cash book showed a debit balance of \$1 500 at the bank. The monthly bank statement showed a credit balance of \$2 850 on the same date.

On comparing the cash book with the bank statement, it was discovered that the following transactions were not entered in the cash book:

- i. Dividends of \$500 were paid directly into the bank account.
- ii. A standing order of \$820 for Development Bank loan repayment was paid by the bank.

A further check also revealed the following:

- i. The bank had incorrectly credited C. Flint account with a deposit of \$600 from another client, J. Flint
- ii. Cheques drawn amounting to \$1 940 had been entered in the cash book but not yet presented for payment at the bank.
- iii. Cash and cheques amounting to \$690 paid into the bank on 30 July had been recorded in the cash book but not yet credited by the bank.
- iv. A cheque payment of \$310, correctly entered on the bank statement, had been recorded in the cash book as \$130.

You are required to prepare:

(a) C Flint's updated cash book for the month of July 2004. [5]

(b) The bank reconciliation statement on 31 July 2004 [8]

[N 05Q 5]

13. The following information relates to the business of Khumalo Advertising Agents.

CASH BOOK (BANK COLUMNS ONLY)

	\$		\$
2006		2006	
Mar 1 Balance b/d	90 000	Mar 2 Drawings	(061) 45 000
Mar 10. F. Flowers	110 000	Mar 7 City Motors	(062) 30 000
Mar 13. Sales	65 500	Mar 12. T. Stationers	(063) 76 000
Mar 15 T. Seedcat	75 650	Mar 16. Corner Photos	(064) 100 000
Mar 20. Sales	80 000	Mar 20. Wages	(065) 160 000
Mar 31 Balance c/d	<u>24 850</u>	Mar 26. City Motors	(066) <u>35 000</u>
	<u>446 000</u>		<u>446 000</u>

Khumalo's Bank Statement for the month of March 2006 was as follows:

DATE	DETAILS		DEBIT	CREDIT	BALANCE
2006			\$	\$	\$
Mar 1	Balance				90 000
2	Withdrawal	061	45 000		45 000
7	City Motors	062	30 000		15 000
13	Deposit			65 500	80 500
20	Deposit			80 000	160 500
	Withdrawal	065	160 000		500
25	Credit Transfer: Dividends			156 500	157 000
28	Standing Order: Insurance		57 000		100 000
	Bank Charges		55 000		45 000
	Direct Debit: A. Amos			75 000	120 000
30	Corner Photos	064	100 000		20 000

You are required to prepare:

(a) The updated cash book [6]

(b) The bank reconciliation statement as on 31 March 2006. [7]

[J 06 Q6]

14. The cash book of A. Alma showed a debit balance of \$82 500 at the bank on 31 July 2006.

The following details were made available;

	\$
Unpresented cheques	16 950
Deposits not credited by the bank	33 750
A standing order for insurance paid by the bank	1 800
A credit transfer received by the bank	5 250
Bank charges on the bank statement	2 700
Balance as per bank statement	64 950

A cheque for \$12 000 from a debtor was incorrectly entered as \$13 500 in the cash book.

You are required to prepare:

(a) An updated Cash Book, [6]

(b) A bank reconciliation statement as at 31 July 2006. [7]

[N10Q6]

15. The following are extracts from the Cash Book and the Bank Statement of Batanai Supermarket.

Cash book (bank columns)			
2008	\$	2008	\$
Oct 1 Balance b/d	1 300	Oct 5 Purchases	2 050
4 B. Bara	450	12 City Council	1 600
8 C. Calvin	600	16 Zesa	800
17 S. Sarawoga	325	23 Insurance	950
22 L. Limo	550	26 Purchases	2 500
27 G. Gara	375		
31 Balance c/d	4 300		
	<u>7 900</u>		<u>7 900</u>
		Nov 1 Balance b/d	4 300

Bank Statement				
DATE	DETAILS	DEBIT	CREDIT	BALANCE
2008		\$	\$	\$
Oct 1	Balance			1 300
4	Deposit		450	1 750
5	0031	2 050		300 O/D
8	Deposit		600	300
12	0032	1 600		1 300 O/D
17	Deposit		325	975
22	Deposit		550	425 O/D
23	0034	950		1 375 O/D
31	Interest on bank overdraft	235		1 610 O/D
	Dividends		715	895 O/D
	Ledger fees	305		1 200 O/D

You are required to:

- (a) update the Cash Book [5]
 (b) draw up the Bank Reconciliation Statement on 31 October 2008. [8]

[N12Q5]

16. G. Moyo's cash book at 30 September 2009 had a debit balance of \$83 000. On the same date the bank statement had a credit balance of \$64 000.

After checking the cash book against the bank statement the following differences were found:

- (i) The bank had paid a standing order for insurance of \$17 000
 (ii) The bank had received by credit transfer the sum of \$8 500 from Y. Mwayera.
 (iii) Cheques issued for \$7 000 had not been presented for payment.
 (iv) An amount of \$18 000 paid into the bank by Moyo did not appear on the bank statement.
 (v) A cheque of \$33 500 issued by Moyo had been entered wrongly as \$33 300 in the cash book but had been recorded correctly on the bank statement

You are required to:

- (a) update the cash book [6]
 (b) prepare a bank reconciliation statement on 30 September 2009. [7]

[J 2013 Q 6]

17. The cash book of Rugare Stores showed a credit balance of \$8 600 on 31 January 2010. The bank statement received for the month of January reflected an overdraft of \$2 500 on 31 January 2010.

Comparison of bank statement and cash book revealed the following matters:

Entries not entered in the cash book:

- | | |
|---------------------------------|--------|
| 1. Bank charges | 3 340 |
| 2. Credit transfer | 14 000 |
| 3. Standing order- City Council | 2 000 |
| 4. Interest on overdraft | 2 260 |

Entries not entered in the bank statement:

1. Deposits amounting to \$1 800 had not been cleared and credited by the bank.
 2. Cheques drawn and sent to Creditors amounting to \$1 500 had not been presented to the bank.

You are required to

- (i) Write up a Cash Book update, [5]
 (ii) Prepare a Bank Reconciliation Statement as at 31 January 2010. [5]

[J 2014 Q 2b]

LEDGER ACCOUNTS

18. (a) Prepare journal entries for each of the following transactions. *Narrations are not required.*
- i. T. Tshuma, a debtor had his account balance of \$900 written off as bad.
 - ii. New equipment for office use valued at \$30 000 was bought on credit from City Machine (Pvt) Ltd.
 - iii. A payment of \$6 000 by cheque to National Books was incorrectly entered in National Parts account.
 - iv. Equipment bought on credit from City Machines (Pvt) Ltd worth \$7 500 was returned as being not up to specifications.
 - v. Interest amounting to \$1 100 was charged on a customer's account balance of \$10 000. The name of the customer is G. Gutu. [10]
- (b) State any **three** items appearing on a bank statement used to update a cash book. [3]
- [N06 Q 5]

19. (a) Cross Roads Store made the following transactions during the month of April 2006.
- April 1. Bought office equipment valued at \$66 000 on credit from Equipment Supplies Limited.
- April 6. Purchased stationery for office use worth \$9 000 on credit from City Stationers.
- April 9. Returned some of the office equipment of inferior quality valued at \$6 000 to Equipment Supplies Limited.
- April 13. T. Siyoka's account amounting to \$21 000 was written off as a bad debt.
- April 29. Received a statement of account from City Stationers showing an amount of \$550 as interest on the account balance.
- You are required to prepare Journal entries for the above transactions. **Narrations are not required.** [10]
- (b) State whether each of the following is a real account or a nominal account.
- i. Furniture for office use
 - ii. Goods bought for resale.
 - iii. Stationery for office use [3]
- [J 07Q 7]

18. For each of the following transactions of J. Johns' business given below, name the **source document**, **subsidiary book**, the account to be **debited** and the account to be **credited**.
- An example has been done for you.

Example: Purchased a delivery van on credit from T. Munda for \$2 900 000.

	Source document	Subsidiary book	Account debited	Account credited
(i)	<i>Invoice</i>	<i>Journal proper</i>	<i>Delivery van</i>	<i>T. Munda</i>
(ii)				
(iii)				

- i. J. Johns paid \$50 000 for his rent using business petty cash.
 - ii. Sold goods on credit to Khumalo for \$800 000 less 10% trade discount.
 - iii. Purchased a table and a chair for office use, on credit from Zim Furnishers for \$1 500 000.
 - iv. Khumalo returned damaged goods worth \$100 000 net.
 - v. Received a document from Zim Furnishers for an undercharge of \$200 000.
 - vi. Bought goods on credit from Rufaro Wholesalers for \$1 400 000.
 - vii. Received cash \$600 000 from Khumalo.
 - viii. J. Johns allowed Khumalo a discount of \$20 000. [16]
- [J09 Q4]

19. 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. An example has been done for you.

Example: Bought a motor van for \$200 on credit from J. J Motors.

Subsidiary book	Account debited	Account credited	Source document
<i>Journal proper</i>	<i>Motor van</i>	<i>J. J Motors</i>	<i>Invoice</i>

- 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 of \$1 500 out of petty cash.
 - iv. Paid \$5 600 by cheque to P. Poshai
 - v. Sold goods on credit to B. Banda for \$6 000
 - 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 type writer 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. [18]
- [N07 Q2]

20. The following information was extracted from the books of Chiedza Farmers Club:

	2003 June 1	2004 May 31
	\$	\$
Subscriptions in arrears	5 400	4 800
Subscriptions in advance	3 750	4 250
Stock of stationery	1 220	960
Electricity owing	-	1 100

The following transactions were undertaken during the year ending 31 May 2004.

- i. Subscriptions paid by cheque amounted to \$15 000
- ii. Subscriptions paid in cash totalled \$3 000
- iii. Paid \$6 000 for stationery by cheque.
- iv. Paid \$3 400 for electricity in cash.

You are required to prepare the:

- | | |
|----------------------------|-----|
| (a) Subscriptions account, | [7] |
| (b) Stationery account, | [4] |
| (c) Electricity account. | [4] |

[N06 Q2]

21. (a) On 1 July 2005, R. Jones had the following balances in his Nominal Ledger:

Stationery	\$11 400 Dr
Salaries and wages	\$16 800 Cr

During the month of July the following transactions took place:

2005

- July 3. Paid \$21 900 by cheque for stationery.
- 10. Paid wages in cash \$35 700
- July 12. Bought stationery on credit from Pax Booksellers for \$12 600
- July 15. Returned unsatisfactory envelopes to Pax Booksellers valued at \$3 200
- July 26. Paid salaries by cheque \$54 800.

On 31 July 2005 the stock of unused stationery was valued at \$8 500 and \$10 000 was owing for wages. Jones' financial year ends on 31 July. Prepare the:

- i. Stationery account.
- ii. Salaries and wages account. [10]

Pay special attention to dates and detail.

(b) The following account appeared in the ledger of Batanai Handball Club:

Subscriptions Received Account			
2004	\$	2004	\$
Jan 1. Balance b/d (i)	20 000	Jan 1. Balance b/d (ii)	10 000
Dec 31. Income & Expenditure (v)	850 000	Jun 30. Bank (iii)	580 000
Dec 31. Balance b/d (vi)	<u>70 000</u>	Sep 30. Cash (iv)	<u>350 000</u>
	<u>940 000</u>		<u>940 000</u>

You are required to:

- i. Give the information represented by each of the entries numbered (i) to (vi) in the account. [6]
- ii. State exactly where in the Balance Sheet you would find the closing balance. [1]

[N09 Q2]

22. (a) The following balances appeared in the books of Shining Tower Club on 1 January 2007:

Subscriptions owing	180 000
Subscriptions prepaid	45 000
Stock of stationery	35 000

During the year, the following transactions took place:

Stationery bought for cash	95 000
Subscriptions received	848 000
Purchase of stationery on credit from Rusere Book sellers	122 000

On 31 December 2007, the following balances remained:

Stock of stationery	25 000
Subscriptions owing	65 000
Subscriptions prepaid	75 000

You are required to prepare the Stationery Account and the Subscriptions Account, showing clearly, in each account, the amount to be transferred to the Income and Expenditure Account. [11]

Pay special attention to dates and details

(b) Give the information represented by each of the following balances after the preparation of final accounts.

- i. A debit balance in the motor vehicles account.
- ii. A credit balance in the salaries account.
- iii. A debit balance in the subscriptions account.
- iv. A credit balance in the bank account.
- v. A credit balance in the interest received account.
- vi. A debit balance in the stationery account.

[6]

[J 09 Q2]

23. The following balances were taken from the books of J. Chifamba on 1 June 2004:

	\$
M. Duri	500 Cr
F. Mpofu	1 250 Dr

The following transactions took place during the month of June:

June 2. F. Mpofu paid \$1 200 by cheque in full settlement of the amount owing on 1 June 2004.

June 10. Bought goods on credit from M. Duri for \$10 000 less 20% trade discount.

June 12. Sold goods on credit to F. Mpofu for \$15 000

June 15. M. Duri informed C. Chifamba that the trade discount on the goods supplied on 10 June should have been 25%.

June 25. Returned goods to M. Duri originally bought on 10 June, list price \$400.

June 27. Accepted an old typewriter worth \$6 000 from F. Mpofu as part of payment of her account.

June 29. Paid M. Duri the amount owing by cheque, less 5% cash discount.

June 30. Received a payment of 50 cents in the dollar from F. Mpofu on amount outstanding. The balance was written off as irrecoverable.

(a) You are required to prepare:

- i. M. Duri Account
- ii. F. Mpofu Account

[9]

[8]

Balance the accounts on 30 June 2004. Pay special attention to dates and detail.

(b) State the ledger in which you would find the following:

- i. M. Duri Account
- ii. F. Mpofu Account

[2]

[N05 Q2]

24. The following information was available in the Sales Ledger of B. Chikomo on 1 March 2005

A. Mutema's Account	\$15 000 DR
---------------------	-------------

The following transactions were made during the month of March:

2005

Mar 3. Sold goods to Mutema for \$20 000 less 20% trade discount.

Mar 9. Mutema was charged \$1 500 interest for late payment.

Mar 15. Mutema paid \$16 500 by cheque.

Mar 18. A credit note for defective goods was issued to Mutema in respect of one quarter of the goods sold to him on 3 March.

Mar 20. Supplied further goods to Mutema valued at \$30 000

Mar 22. Mutema paid \$11 500 cash in full settlement of the amount owing on the goods sold to him on 3 March.

Mar 28. Mutema paid \$18 000 by cheque and was allowed a discount of \$800.

You are required to prepare A. Mutema's account and balance it on 31 March 2005. **Pay special attention to dates and detail.**

[13]

[N 07 Q 5]

25. (a) The following accounts appeared in the General Ledger of Kupfuma, who owns a retail shop and sublets part of the premises.

Rent Received Account

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">2006</td> <td style="width: 50%; text-align: right;">\$</td> </tr> <tr> <td>June 30 Profit and Loss</td> <td style="text-align: right;">480 000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">480 000</td> </tr> <tr> <td>July 1. Balance b/d</td> <td style="text-align: right;">200 000</td> </tr> </table>	2006	\$	June 30 Profit and Loss	480 000		480 000	July 1. Balance b/d	200 000	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">2006</td> <td style="width: 50%; text-align: right;">\$</td> </tr> <tr> <td>Jan 1. Balance b/d</td> <td style="text-align: right;">100 000</td> </tr> <tr> <td>Mar 25. Cash</td> <td style="text-align: right;">180 000</td> </tr> <tr> <td>Jun 30. Balance b/d</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">200 000</td> </tr> <tr> <td></td> <td style="text-align: right;">480 000</td> </tr> </table>	2006	\$	Jan 1. Balance b/d	100 000	Mar 25. Cash	180 000	Jun 30. Balance b/d	200 000		480 000
2006	\$																		
June 30 Profit and Loss	480 000																		
	480 000																		
July 1. Balance b/d	200 000																		
2006	\$																		
Jan 1. Balance b/d	100 000																		
Mar 25. Cash	180 000																		
Jun 30. Balance b/d	200 000																		
	480 000																		

- i. What does the \$100 represent?
- ii. Give the transaction relating to the entry on 25 March 2008.
- iii. What is the amount of rent chargeable to the tenant for the half year ended 30 June 2006?
- iv. Where exactly in the balance sheet does the balance of \$200 000 appear? [4]

PACKING MATERIALS ACCOUNT

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">2006</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 70%;"></td> </tr> <tr> <td>Jan 1. Balance b/d</td> <td style="text-align: right;">120 000</td> <td></td> </tr> <tr> <td>Mar 30. Grand supplies</td> <td style="text-align: right;">240 000</td> <td></td> </tr> <tr> <td>Jun 25. Bank</td> <td style="text-align: right;"><u>130 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>490 000</u></td> <td></td> </tr> <tr> <td>July 1 Balance b/d</td> <td style="text-align: right;">60 000</td> <td></td> </tr> </table>	2006	\$		Jan 1. Balance b/d	120 000		Mar 30. Grand supplies	240 000		Jun 25. Bank	<u>130 000</u>			<u>490 000</u>		July 1 Balance b/d	60 000		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">2006</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 70%;"></td> </tr> <tr> <td>Jun 30. Trading Account</td> <td style="text-align: right;">430 000</td> <td></td> </tr> <tr> <td>Jun 30. Balance c/d</td> <td style="text-align: right;">60 000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>490 000</u></td> <td></td> </tr> </table>	2006	\$		Jun 30. Trading Account	430 000		Jun 30. Balance c/d	60 000			<u>490 000</u>	
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2006	\$																														
Jun 30. Trading Account	430 000																														
Jun 30. Balance c/d	60 000																														
	<u>490 000</u>																														

- v. What does the balance of \$120 000 represent?
- vi. Give the transaction relating to March 30.
- vii. What is the value of the packing materials used during the half year?
- viii. Where exactly in the balance sheet does the balance of \$60 000 appear? [4]

(b) The following balance appeared in the sales ledger of N. Ncube on 1 March 2006.

D. Pasi \$960 000 DR

During the month of March the following transactions took place:

March 3. Received \$900 000 cash from D. Pasi in full settlement of his February account.

5 Sold goods on credit to D. Pasi for \$750 000 less 10% trade discount.

7 Sent a credit note to D. Pasi for unsatisfactory goods worth \$75 000 net.

20 Received a cheque from D. Pasi of \$600 000

31 The cheque received from D. Pasi on 20 March was returned by the bank marked "refer to drawer".

You are required to prepare the ledger account of D. Pasi and balance it on 31 March 2006. [8]

Pay special attention to dates and detail.

[N08 Q2]

26. (a) The following accounts appeared in the books of A. Bama

Purchases Ledger: B Symonds Account

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">2004</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 70%;"></td> </tr> <tr> <td>Dec 7 Bank (ii)</td> <td style="text-align: right;">4 900</td> <td></td> </tr> <tr> <td>7 Discount (iii)</td> <td style="text-align: right;">100</td> <td></td> </tr> <tr> <td>24 Returns (v)</td> <td style="text-align: right;">500</td> <td></td> </tr> <tr> <td>31 Balance c/d (vi)</td> <td style="text-align: right;"><u>5 150</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>10 650</u></td> <td></td> </tr> </table>	2004	\$		Dec 7 Bank (ii)	4 900		7 Discount (iii)	100		24 Returns (v)	500		31 Balance c/d (vi)	<u>5 150</u>			<u>10 650</u>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">2004</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 70%;"></td> </tr> <tr> <td>Dec 1 Balance b/d (i)</td> <td style="text-align: right;">7 600</td> <td></td> </tr> <tr> <td>20 Purchases (iv)</td> <td style="text-align: right;">3 050</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>10 650</u></td> <td></td> </tr> </table>	2004	\$		Dec 1 Balance b/d (i)	7 600		20 Purchases (iv)	3 050			<u>10 650</u>	
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GENERAL LEDGER: INSURANCE ACCOUNT

<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">2004</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 70%;"></td> </tr> <tr> <td>Jan 1 Balance b/d (vii)</td> <td style="text-align: right;">560</td> <td></td> </tr> <tr> <td>Jun 10 Bank (viii)</td> <td style="text-align: right;"><u>720</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1 280</u></td> <td></td> </tr> </table>	2004	\$		Jan 1 Balance b/d (vii)	560		Jun 10 Bank (viii)	<u>720</u>			<u>1 280</u>		<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">2004</td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 70%;"></td> </tr> <tr> <td>Dec 31 Profit and Loss (ix)</td> <td style="text-align: right;">810</td> <td></td> </tr> <tr> <td>31 Balance c/d (x)</td> <td style="text-align: right;"><u>470</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1 280</u></td> <td></td> </tr> </table>	2004	\$		Dec 31 Profit and Loss (ix)	810		31 Balance c/d (x)	<u>470</u>			<u>1 280</u>	
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Dec 31 Profit and Loss (ix)	810																								
31 Balance c/d (x)	<u>470</u>																								
	<u>1 280</u>																								

State the transaction or information represented by each of the entries (i) to (x) in the two accounts above. Use the numbers (i) to (x) to identify your answers. [10]

(b) Mrs T. Gomwe is a dealer in ladies' garments. For each of her transactions (i) to (v) given below, state the source document and the subsidiary book, under the heading **Document** and **Subsidiary Book**.

- i. Bought stationery on credit from B.K Stationers
- ii. Paid rent by cheque
- iii. Sold skirts and blouses on credit to P. Damba
- iv. Mrs Damba returned soiled blouses
- v. Paid for carriage on goods bought out of petty cash. [6]

[J05 Q 2]

27. (a) The following account appeared in the ledger of N. Nkiwane.

T. Thodhlana Account

2004			2004		
Jan 1	Balance b/d	\$ 2 720	Jan 6	Bank	\$ 2 702
15	Sales	1 156		Discount	18
19	Sales	1 366	18	Returns	120
25	Sales	34			
29	Typewriter	2 100			

Answer the following questions relating to the **above** account

- Explain what the balance on 1 January means.
- Calculate the balance on 31 January.
- What name is given to the discount on January 6?
- In which subsidiary book was the discount originally entered?
- For what reason would a discount be given?
- The entry on 25 January relates to an undercharge on the goods sold on 19 January. What document did N. Nkiwane send to T. Thodhlana?
- State the full name for the returns on 18 January.
- Name the subsidiary book used for the entry on January 29.
- In which ledger of N. Nkiwane is Thodhlana's account found?
- Where exactly in the balance sheet is the balance in Thodhlana's Account on 1 February found? [10]

(b) The following transactions relate to the business of D. Desert for the month of December 2004.

2004	\$
Dec 1 Stock of unused fuel	36 000
10 Bought fuel by cheque	10 000
15 Bought fuel on credit from Wedzerai Oil Company	14 000
20 Bought fuel for cash	8 000
29 Stock of unused fuel	22 000

Prepare and balance the Motor Fuel Account. Pay special attention to dates and detail. [6]

[J08 Q 2]

28. (a) B. Brown Limited prepares its balance sheet on 31 December each year.

The following information is available in its books:

Debtors on 31 December	\$
2000	61 200
2001	67 800
2002	63 600

The provision for bad debts is maintained at 5% of debtors.

You are required to:

- Prepare the Provision for bad debts account for the years 2001 and 2002 [6]
- Show the balance sheet (**extracts**) as at 31 December 2001 and 2002. [2]

Pay special attention to dates and detail.

(b) The following transactions relate to the business of B. Banda, a stationery dealer.

2006	\$
May 1 Stock of stationery	4 000
15 Bought stationery by cheque	6 000
25 Bought stationery on credit from T. Stationers	5 000
31 Stock of unused stationery	3 000

Prepare and balance the stationery account, paying particular attention to dates and detail. [5]

[J 06 Q 5]

29. The following schedule of debtors appeared in the books of Cherly Floist on 31 December for three years.

2006	2007	2008
\$90 000	\$110 000	\$85 000

Cherly maintained a provision for bad debts of 5% of sundry debtors.

On 31 December 2008, Cherly created a provision for discounts allowable of 4% on debtors.

You are required to prepare the:

- Provision for bad debts account for the years 2006, 2007 and 2008 [7]
- Provision for discounts allowable account on 31 December 2008 [3]
- Balance sheet extract as at 31 December 2008. [3]

30. The following information relates to the business of M. Mwanza who owns a driving school.

2003

Jan 1 Bought two motor vans at cost of \$750 000 each in cash.

2004

Sept 30 Purchases one motor van at a cost of \$900 000 by cheque.

One of the motor vans bought on 1 January 2003 was sold for \$500 000 cash on 30 September 2004.

Depreciation is at the rate of 20% per annum on cost for each month of ownership

(a) You are required to write up for the years 2003 and 2004 the:

i. Motor vans account [4]

ii. Provisions for depreciation account. [5]

(b) Draw up the motor vans disposal account [5]

(c) Write up the balance sheet extracts as at 31 December 2003 and 2004. [2]

[J 07 Q 2]

31.

(a) State any **two** causes of physical deterioration of fixed assets. [2]

(b) State **three** methods of depreciation. [3]

(c) Calculate the missing figures numbered (i) to (viii) at the end of the first year of use. [3]

Fixed asset at cost	Residual scrap	Estimated life	Depreciation	Net book value
\$	\$	(years)	\$	\$
10 000	2 000	5	(i)	(ii)
(iii)	4 000	(iv)	4 000	20 000
70 000	(v)	8	8 000	(vi)
80 000	3 000	(vii)	(viii)	69 000

[8]

[N06Q6]

32. On 1 June 2004, N. Ndhlovu's account in the ledger of T. Mudau showed a credit balance of \$320 000.

The following transactions relating to the account took place during the month.

June 6 T. Mudau bought goods from N. Ndhlovu for \$600 000 list price less 30% trade discount.

10 N. Ndhlovu received a cheque for the amount due to him on 1 June less 2 1/2% discount.

15 Mudau was informed that the trade discount on 6 June 2004 should have been 20%

17 Returned damaged goods bought from Ndhlovu on 6 June 2004 list price \$100 000.

28 Ndhlovu supplied stationery invoiced at \$120 000 for use in the business.

(a) Make the necessary entries in the account of N. Ndhlovu. Balance the account on 30 June 2004. **Pay special attention to dates and details** [8]

(b) Mrs Gunduza is a stationery dealer. For each of her transactions given below, state the source document, subsidiary book, account debited and account credited.

Your answer should be as shown on the example below.

Example: Sold goods on credit to N. Sithole.

Source document	Subsidiary book	Account debited	Account credited
e. g Invoice	Sales journal	N. Sithole	Sales
(i)			

i. Bought office furniture on credit from P. G. Furniture

ii. Paid for repairs to machinery by cheque.

iii. Bought pens and receipt books on credit, from Tatenda Booksellers, to be used in the office.

iv. Paid rent by cheque.

v. Returned part of the furniture bought in (i) above due to its defect.

vi. Bought stationery on credit, from Tatenda Booksellers, for resale. [12]

33. On 1 January 2006, A. Kamunhu bought a motor vehicle for \$800 000 paying by cheque.

On 30 September 2006, she bought another vehicle on credit from Ndou Motors for \$600 000.

She sold the vehicle bought on 1 January 2006 for \$700 000 cash on 31 December 2007, after providing for the year's depreciation.

Kamunhu depreciated her vehicles at 20% per annum on cost for each month of ownership.

Her financial year ends on 31 December.

You are required to prepare:

(a) the Motor Vehicles Account for the years 2006 and 2007, [5]

(b) the Provision for Depreciation Account for the years 2006 and 2007, [7]

(c) the Disposals Account. [5]

[J11Q2]

34. The following information relates to the business of M. Mwanza who owns a Driving School in 2003
 Jan 1 Bought two motor vans at a cost of \$750 000 each in cash.
 Sept 30 Purchased one motor van at a cost of \$900 000 by cheque.
 One of the motor vans bought on 1 January 2003 was sold for \$500 000 cash on 30 September 2004.
 Depreciation is at the rate of 20 percent per annum on cost for each month of ownership.

- (a) You are required to write up for the years 2003 and 2004:
 i. the Motor Vans Account. [4]
 ii. the Provision for Depreciation Account. [5]
 (b) Draw up the Motor Vans Disposal Account. [5]
 (c) Write up the Balance Sheet extracts as at 31 December 2003 and 2004. [2]

[N11Q2]

35. On 1 January 2010, S. Tawana had the following balances in her nominal ledger:

Rent received	\$ 5 000 Cr
Stationery	\$12 000 Dr

S. Tawana sublets part of her premises at an annual rental of \$30 000.

During the year, the following transactions took place:

2010

- March 31 Received cash of \$12 500 for rent.
 April 2 Bought stationery by cheque of \$35 000
 June 5 Purchased stationery worth \$20 000 on credit from Takunda Books.
 June 8 Returned damaged stationery worth \$8 000 to Takunda Books.
 June 30 Received a cheque of \$6 000 for rent.
 Sept 30 Received \$9 000 rent in cash.

On 31 December 2010, the stock of unused stationery was valued at \$4 000.

S. Tawana's financial year ends on 31 December.

You are required to prepare:

- (a) (i) the Rent Received Account,
 (ii) Stationery Account [13]

Pay special attention to **dates and details**.

- (b) State where exactly in the Balance Sheet(Statement of financial position) of S. Tawana would the balances in the following accounts on 31 December 2010 be found:
 (i) the Rent Received Account,
 (ii) the Stationery Account. [2]

36. (a) The following ledger account appeared in the Nominal Ledger of T. Thandeka who owns a grocery shop:

Packaging Materials Account					
2008			2008		
		\$			\$
Jan 1	Balance b/d	250	July 31	Grand Suppliers (iii)	100
Mar 31	Bank (i)	550	Dec 31	Trading Account	1 350
Jun 30	Grand Suppliers (ii)	450		Balance c/d	150
Oct 30	Cash (iv)	300			
Dec 31	Petty Cash (v)	50			
		<u>1 600</u>			<u>1 600</u>
2009					
Jan 1	Balance b/d	150			

- i. What does the balance on 1 January 2008 represent?
 ii. What is the value of the packaging materials used during the year?
 iii. State the difference between the form of payment used for entries made on 31 March and on 31 December.
 iv. Write the transaction for the entry made on 30 June 2008.
 v. What does the entry on 31 July 2008 represent?
 vi. Where exactly in the Balance Sheet(Statement of financial position) would you find the balance on 1 January 2009? [7]
- (b) State the subsidiary book used for each of the entries marked (i) to (v) in the Packaging Materials Account. [5]
 (c) The following information relates to the business of A. Mpofu for the month of June 2008.
 Jun 1 A. Mpofu owed B. Batas \$6 400.
 Jun 8 A. Mpofu paid \$6 250 by cheque in full settlement of the amount owing on 1 June 2008.
 Jun 20 B. Batas sold goods on credit to A. Mpofu for \$4 000 less 25% trade discount.
 Jun 25 A. Mpofu returned goods to B. Batas net price \$300.

You are required to prepare B. Batas Account. Balance the account on 30 June 2008.
Pay special attention to **dates** and **detail**.

[6]

[N12Q2]

(b) Spot on Trading Store maintains the following accounts in its books:

- i. Fittings and furniture account.
- ii. Nation Wholesalers Account, suppliers to the business
- iii. Salaries and Wages Account
- iv. S. Shanda, a customer to the business
- v. Rent Received Account

You are required to state the name of the Ledger in which each of the above accounts is recorded.

[5]

(c) State three reasons for preparing control accounts.

[3]

[N06 Q4]

37. The following information appeared in the books of P.Phiri:

	\$
i. Creditors at 1 November 2004	14 100
ii. Interest charged on overdue accounts	2 115
iii. Cash and cheques paid to creditors	33 910
iv. Discounts received	2 205
v. Credit purchases for November	34 200
vi. Goods returned to creditors	1 130
vii. Cash refund from a creditor	120

You are required to:

(a) Prepare and balance the Purchases Ledger Control account for the month of November 2004.

[7]

(b) Name the book of original entry from which each of the entries (i) to (vi) would be obtained.

[6]

[N 07 Q6]

38. (a) The following information was extracted from the books of C. Choto for the month of September 2004:

2004	\$
Sept 1 Purchases Ledger debit balances	600
Purchases Ledger credit balances	9 300
Sales Ledger debit balances	32 350
Sales Ledger credit balances	1 450
30 Credit purchases for the month	66 300
Credit sales for the month	130 400
Returns inwards	6 400
Cash and cheques paid to suppliers	58 300
Cash received from customers	116 700
Returns outwards	4 000
Discount received	2 100
Customers' cheques dishonoured	1 200
Bad debts written off	1 900
Discount allowed	4 700
Amounts settled by contra	3 900
Cash refund to a customer	400
Interest on customer's overdue account	200
Debit balances in the Purchases Ledger accounts	900
Credit balances in the sales ledger	1 200

You are required to prepare for the month of September 2004 the:

i. Sales Ledger Control Account

[7]

ii. Purchases Ledger Control Account

[6]

(b) Give **one** reason for preparing Control Accounts

[1]

[J 05 Q 5]

39. P. Jabulani is a general dealer. The following figures were extracted from his books for the month of March 2004:

	\$
Debtors 1 March 2004	1 900
31 March 2004	2 480
Creditors 1 March 2004	1 100
31 March 2004	1 700
Cheques received for cash and credit sales	25 225

Cheques paid for credit purchases	11 000
Bad debts written off	225
Returns outwards	150
Debtors cheques dishonoured	2 450
Discount allowed	1 250
Discount received	600
Cash sales	10 000

You are required to prepare:

- (a) Total debtors account showing clearly the amount of credit sales for the month [7]
 (b) Total creditors account showing clearly the amount of credit purchases for the month. [6]

[N 05 Q 6]

40. The following information has been extracted from the books of Special Service Ltd for the month of September 2005:

	\$
i. Total debtors balance at 1 September	440 000
ii. Cash sales for the month	942 000
iii. Credit sales	800 000
iv. Cash received from debtors	350 000
v. Discounts allowed to debtors	120 000
vi. Bad debts written off	70 000
vii. Doubtful debts provision	90 000
viii. Cheques received from debtors	250 000
ix. Balances in the sales ledger, off set against purchases ledger accounts	8 500
x. A debtor, who has been allowed a cash discount of \$20 000, had his cheque returned by the bank marked 'refer to drawer'.	100 000

- (a) Prepare a sales ledger control account for the month of September. [6]
 (b) State the subsidiary books from which entries ii, iii, v, vi, vii, viii and x are extracted. [7]
 (c) State any three purposes of control accounts. [3]

[J 08 Q 4]

41. On 1 September 2006, the balances brought down on Mpofu's Sales Ledger were:

	\$
Debit balances	56 880
Credit balances	1 940

He supplied the following information for the month ending 30 September 2006:

	\$
Credit sales	76 500
Cash sales	29 000
Returns by credit customers	3 560
Cheques received from credit customers	54 300
Customers' cheques dishonoured	2 800
Discounts allowed	2 640
Provision for bad debts	3 000
Bad debts written off	2 500
Interest charged on customers' overdue accounts	1 200

- (a) You are required to prepare the Sales Ledger Control Account for the month of September 2006. [10]
 (b) State the subsidiary book from which Mpofu obtained the relevant figures for each of the following items which appeared in his Sales Ledger Control Account:

- i. Credit sales
 ii. Returns by credit customers
 iii. Bad debts written off

[3]

[J11Q7]

42. The following information was obtained from the books of G. Ngulube for August 2010:

		\$
2010 August 1	Trade receivables balance	5 600 Dr
	Trade payables balance	1 700 Cr
2010 August 31	Credit sales	40 000
	Credit purchases	24 000
	Cash purchases	7 000
	Returns outwards	200

Returns inwards	100
Cheques and cash received from debtors	37 000
Cheques paid to creditors	16 000
Customers' cheques dishonoured	2 500
Discount allowed	400
Discount received	350
Interest charged to customers on overdue accounts	130
Amounts settled by contra	2 300
Cash refund from suppliers for overpayments	60
Bad debts written off	800
Provision for bad debts	1 610
Debit balances in the purchases ledger	40
Credit balances in the sales ledger	70

- (a) You are required to prepare for the month of August 2010:
- Sales Ledger Control Account, [11]
 - Purchases Ledger Control Account. [2]

- (b) State two advantages of preparing control accounts. [2]

[J12Q7]

43. (a) The following information relating to the National Writers' Association was made available by the treasurer:

1 September 2008	\$
Subscriptions in arrears	2 600
Subscriptions received in advance	3 700
31 August 2009	
Subscriptions owing	5 300
Subscriptions in advance	4 800
Cheques received for subscriptions	39 200
Cash received for subscriptions	11 400

The year ends on 31 August.

You are required to prepare the subscriptions account [7]

- (b) The trial balance extract of R. Wekare showed the following items on 31 December 2009:

	Debit	Credit
	\$	\$
Receivables	40 000	
Discounts Allowed	2 100	
Bad debts	3 840	
Provision for bad debts 1 Jan 2009		2 900
Provision for discounts allowed 1 Jan 2009		680

Wekare maintains a provision for bad debts of 5% of receivables and a provision for discounts allowed of 2% of net receivables.

You are required to

- write up
 - the provision for bad debts account [4]
 - the provision for discounts allowed account [3]
 - the statement of comprehensive income extract for the year ended 31 December 2009 [3]
 - the statement of financial position extract at 31 December 2009 [1]

[J 2013 Q 2]

44. The following details were obtained from the books of N. Nido for the month of May 2010:

2010		\$
May 1	Debit balances in the Sales Ledger	22 000
	Credit balances in the sales ledger	1 800
	Credit balances in the purchases ledger	35 000
	Debit balances in the purchases ledger	1 400
31	Credit purchases	62 000
	Credit sales	100 000
	Goods returned to suppliers	8 000
	Goods returned by customers	5 000
	Discount allowed	950
	Discount received	1 200

Cheques paid to suppliers	58 000
Cash received from customers	89 500
Petty cash payments to suppliers	1 600
Debtors 'cheques dishonoured	3 000
Bad debts written off	1 250
Purchases ledger balances set off against sales ledger balances	2 500

There were no debit balances in the Purchases Ledger and credit balances in the Sales Ledger on 31 May 2010.

You are required to

- (a) Prepare
- (i) The sales ledger control account [9]
 - (ii) The sales ledger control account. [8]
- (b) Calculate the following, given that the margin for Nido's business is 25%:
- (i) Gross profit [2]
 - (ii) Mark-up. [2]
- (c) State the meaning of the following balances in the books of Nido:
- (i) Credit balance in the bank balance
 - (ii) Debit balance in the rent received account
 - (iii) Debit balance in the stationery account
 - (iv) Credit balance in C. Moyo's account in the purchases ledger. [4]

[Nov 2013 Q 4]

45. The following assets and liabilities appeared in the books of Wisdom Golf Club:

	1 January 2009	31 December 2009
	\$	\$
Bar inventory	900	1 200
Stationery inventory	120	90
Bar accounts payable	600	1 100
Subscriptions in arrears	340	700
Subscriptions in advance	100	160
Cash at Bank	1 700	2 000

The following transactions took place during the year 2009:

	\$
1. Payments to bar payables by cheque	800
2. Stationery bought by cheque	2 400
3. Stationery purchased on credit from T. K. Stationers	500
4. Subscriptions received from members in cash	9 600
5. Damaged stationery returned to T. K. Stationers	300

You are required to prepare:

- (i) the bar payables account, calculating credit purchases, [4]
- (ii) the stationery account, [6]
- (iii) the subscriptions account. [5]

[J 2014 Q 2]

46. (a) The following information appeared in the books of S. Sando on 1 December 2010:

	\$
Sales Ledger, C Chanda	12 800Dr
Purchases Ledger, Ma. Mambo	9 000 Cr

The following transactions relate to the month of December:

2010

December	2	Paid Ma. Mambo by cheque the amount due on 1 December less 5% cash discount.
	3	C. Chanda settled her account by cheque.
	8	Bought goods on credit from Mambo worth \$12 000 less 20% trade discount.
	10	Sold goods on credit to Chanda for \$600 net in respect of wrong goods sold to her on 10 December 2010.
	18	Returned to Mambo goods worth \$2 000 list price which had been bought on 8 December 2010.
	20	Received a debit note for an undercharge of \$1 400 net for goods bought on 8 December 2010.
	22	Sold an old desk to C. Chanda on credit, worth \$2 600.
	23	Paid M. Mambo \$9 400 by cash.

29 C. Chanda was declared insolvent. He managed to pay 50 cents cash for every dollar of the amount owing. The balance was written off as a bad debt.

You are required to open the following accounts:

- (i) C. Chanda; [8]
- (ii) M. Mambo. [9]

Balance the accounts as at 31 December 2010. **Pay special attention to dates and details**

- (b) State the subsidiary book used to record each of the transactions relating to the business of S. Sando on the following dates shown in the table below. [7]

Transaction date	Subsidiary book
2010 December 10	
16	
18	
20	
22	
29	
29	

- (c) What is a provision for bad debts? [1]

[N 2014 Q3]

CAPITAL AND REVENUE EXPENDITURE

47. (a) Distinguish between *capital expenditure and revenue expenditure*. [4]

- (b) State which of the following are capital and revenue expenditure for a furniture making business:

- I. Purchase of wood cutting machine for the workshop.
- II. Purchase of replacement headlights for the delivery van.
- iii. Cost of repairing damaged workshop roof.
- iv. Wages paid to workers making furniture for resale.
- v. Cost of making desk for the workshop.
- vi. Payment of municipal rates.
- vii. Cost of extending the furniture workshop
- viii. Installation of an air conditioning system in the manager's office.
- ix. Payment of office salaries.

[9]

[N 09 Q3]

48. (a) Distinguish between Capital Expenditure and Revenue Expenditure. [4]

- (b) State which of the following are Capital Expenditure and Revenue Expenditure.

- i. Purchase of packing materials on credit from Ndonga Ltd.
- ii. Payment by cheque of adapting existing machinery to improve its manufacturing performance.
- iii. Import duty on machinery parts needed for item (ii) above, paid by cheque.
- iv. Payment in cash for carriage on purchases.
- v. Purchase of fuel for business vehicles on credit from Mpopoma Motors.

[5]

- (c) State the account to be debited and the one to be credited in each of the transactions (i) to (v) in part (b) above.

[10]

[J06 Q 2]

49. (a) An accounting clerk has produced two lists of expenditures for a textiles manufacturing company which he has categorised into capital and revenue. Unfortunately, the lists are not all correct.

List A: Revenue Expenditure

- Carriage inwards
- Filing cabinet
- Insurance
- Packing materials
- Petty cash for stamp
- Office desk
- Extension to premises
- Salaries and wages
- License fees for the new delivery van
- You are required to rewrite the two lists correctly.

List B: Capital Expenditure

- Carriage outwards
- Office equipment
- Advertising
- Payment of dividends
- Delivery van
- Factory machinery
- Replacement of light bulbs
- New front tyres for new delivery van
- Raw materials

[9]

BALANCE SHEET

50. The following is T. Tatenda 's balance sheet as at 31 March 2004:

LIABILITIES	\$	ASSETS	\$
Capital	50	Premises	80
000		000	
Long-term loan	70	Equipment	20
000		000	
Creditors	10	Stock	15
000		000	
Interest due on loan	5	Debtors	8
000		000	
		Prepaid rates	2
		000	
	<u>135</u>	Bank	<u>10</u>
<u>000</u>		<u>000</u>	
			<u>135</u>
		<u>000</u>	

- (a) You are required to calculate, **showing clearly your working**, T. Tatenda 's working capital as at 31 March 2004. [3]
- (b) State the effect, if any on the working capital on each of the following transactions. Write down increase, decrease or no effect as your answer.
- i. New equipment was bought by cheque for \$18 000
 - ii. Tatenda bought stock on credit for \$5 500
 - iii. Bad debts of \$1 200 were written off.
 - iv. A further long term loan of \$15 000 was obtained and the funds put into the bank account.
 - v. The loan interest in the balance sheet was paid off.
 - vi. Stock at book value of \$6 000 was sold for \$9 000 cash.
 - vii. Trade creditors were paid \$3 500 by cheque.
 - viii. Tatenda sold her private car and paid the proceeds of \$12 500 into the business bank account.
 - ix. A former customer, whose debt of \$1 500 had been written off in 2003, unexpectedly paid the amount he owed.
 - x. Equipment was depreciated by \$2 000. [10]

[J06Q7]

51. B. Siwela is a retailer. The following are her business transactions for the month of July 2007.

- i. Paid \$100 000 by cheque to trade creditors.
- ii. Bought office equipment on credit for \$550 000.
- iii. Siwela withdrew \$90 000 from the business bank account to pay for her daughter's school fees.
- iv. Siwela received a credit note for \$150 000 in respect of goods she had returned to the supplier.
- v. Customers owing \$110 000 had their accounts written off as irrecoverable.
- vi. Siwela brought her private motor vehicle valued \$1 200 000 into the business.

Copy the following format for your answer.

Item number	Effect on Capital	Effect on working capital
(i)		
(ii)		

You are required to state, **under the appropriate heading**, the effect of each **transaction** on Siwela's capital and on working capital. State your answer by writing **increase, decrease or no effect** under each heading. [12]

- (b) State the accounting equation. [1]

[N08Q5]

ERRORS AND SUSPENSE ACCOUNTS

52. (a) State any two errors

- i. Not revealed by a trial balance [2]
- ii. Revealed by a trial balance [2]

(b) Calculate the following:

- i. A final preference dividend on 600 000 20% preference shares of \$2 each fully paid. [2]
- ii. A final dividend of 30 cents per share on 750 000 ordinary shares of \$1 each, fully paid. [2]
- iii. A cash payment for goods that had a list price of \$15 000, less $33\frac{1}{3}\%$ trade discount, and a cash discount of $2\frac{1}{2}\%$. [2]

- iv. Dividend paid during the year, if dividend owing at the beginning of the year amounted to \$6 000 and the dividend owed at the year totalled \$15 000. Directors had a dividend of \$28 000 towards the end of the year. [3]

[N06Q7]

53. The following Trading and Profit and Loss account for the year ended 31 October 2004 was incorrectly draw by an inexperienced accounts clerk for his employer, M. Patel:

Trading and Profit and Loss account as at 31 October 2004				
	\$	\$		
Purchases		64 000	Sales	104 700
Wages and Salaries		24 800	Add: Carriage on sales	<u>1 400</u>
Returns inwards		400		106 100
Carriage on purchases	2 700		Discount allowed	1 200
Less: Returns outwards	<u>700</u>	2 000	Stock at 01/11/03	15 900
Discount received		1 000	Provision for bad debts	700
Insurance and rates	2 400		Less: Increase in provision	<u>100</u> 600
Add: Prepayments	<u>600</u>	3 000		
Stock at 31/10/04		21 700		
Purchase of equipment	18 000		Net loss	<u>8 400</u>
Less: Depreciation for year	<u>2 700</u>	<u>15 300</u>		<u>132 200</u>
		<u>132 200</u>		

M. Patel noticed that there were a number of errors in the account.

You are required to rewrite the Trading and Profit and loss account as it should be presented. [17]

[J05Q3]

54. R. Taona prepared the following trial balance on 31 March 2004:

	\$	DEBIT	CREDIT
Delivery vehicles	114 000		\$
Stock 1 April 2003	25 150		
Debtors	33 750		
Bank	21 600		
Creditors			27 320
Purchases	151 250		
Sales			204 250
Discount allowed	4 570		
Capital 1 April 2003			160 000
Drawings	30 000		
Sundry expenses	12 500		
Suspense			<u>15 250</u>
	<u>406 820</u>		<u>406 820</u>

Subsequently, the following errors were discovered and when the necessary amendments had been made in the accounts, the Suspense Account balance was eliminated:

- The sales Day Book had been undercast by \$15 200
- A sale of goods to T. Shrub for \$1 240 had been posted to the wrong side of T. Shrub's Account.
- Discount allowed to a debtor, S. Forest, correctly entered in the Cash Book as \$680 had been posted to her account as \$860.
- A rates payment of \$2 710 had been debited twice in the Rates Account.
- A purchase of delivery scooter for \$40 000 had been entered in the Purchases Account.

You are required to:

(a) Draw up the Suspense Account. [5]

(b) Rewrite the Trial Balance as it would appear after the correction of the errors. [6]

(c) State any two errors not revealed by a Trial Balance.
[J08Q6]

[2]

55. T. Tsuro prepared the following Trial Balance from her Ledger balances on 30 June 2004. Unfortunately, the totals disagreed and she opened a Suspense Account for the difference.

Trial Balance as at 30 June 2004

	Debit	Credit
	\$	\$
Capital- 1 July 2003		22 409
Drawings	15 200	
Debtors	16 500	
Cash at bank	7 474	
Fixtures and fittings	8 400	
Stock- 1 July 2003	11 730	
Creditors		5 540
Sales		194 240
Purchases	151 600	
General expenses	11 800	
Suspense		515
	<u>222 704</u>	<u>222 704</u>

Subsequently, investigations were carried out and the following errors were discovered:

- i. A sale to M. Muleya of \$394 was correctly entered in the sales day book but wrongly posted to M. Muleya account at \$349.
- ii. Tsuro's private expenses \$600 had been debited to General Expenses Account.
- iii. A standing order for \$300 for payment of electricity bill had been posted to the wrong side of the bank account but correctly to the general expenses account.
- iv. The purchases day book had been undercast by \$400.
- v. A purchases ledger credit balance of \$360 for Z. Zano had been omitted from the trial balance figure.

You are required to prepare the:

- (a) Journal entries to correct the above errors. (**Narratives not required**) [10]
- (b) Suspense Account starting with the difference from the Trial Balance. [3]
- (c) Trial balance as it would appear **after** the correction of all errors. [6]

[N07Q3]

56. S. Moyo prepared the following Trial Balance on 31 May 2004. The totals did not agree and a suspense account was opened for the difference.

	Dr	Cr
Capital		96 700
Drawings	27 860	
Purchases	65 980	
Sales		93 880
Debtors	6 580	
Provision for bad debts		320
Creditors		3 000
Shop expenses	24 860	
Furniture at cost	65 880	
Provision for depreciation on furniture		10 080
Bank overdraft		1 480
Stock at 1 June 2003	13 320	
Suspense	980	
	<u>205 460</u>	<u>205 460</u>

After investigation, the following errors were discovered:

- i. A cheque of \$235 from a debtor was entered in the books as \$325.
- ii. A payment of \$360 was made to a creditor. The bank and the creditor's accounts were credited with this amount.

- iii. S. Moyo had taken goods valued at \$620 (cost price) from the business for her own use but no entries had been made in the books.
- iv. The Purchases Day Book had been undercast by \$260.
- v. Sales to A. Mafu for \$500 had been completely omitted from the books.

You are required to:

- (a) Draft journal entries to correct the above errors. (Narrations are **not** required) [10]
- (b) Show the entries in the suspense account [2]
- (c) Re-write the Trial Balance after the errors have been corrected. [8]

[J05Q4]

57. F. Lunga extracted the following Trial Balance from her books on 31 December 2005:

	Debit	Credit
	\$	\$
Stock 1 January 2005	250 000	
Capital		745 000
Drawings	300 000	
Trade debtors	395 000	
Trade creditors		368 000
Shop fixtures and fittings	253 000	
Purchases	614 000	
Sales		846 000
General expenses	106 000	
Discount received		24 000
Cash at bank	166 000	
Returns outwards		4 000
Commission earned		96 600
	<u>2 084 000</u>	<u>2 084 000</u>

The following errors and omissions were subsequently discovered:

- i. No record had been made for a delivery van worth \$900 000 brought in by the owner on February 1.
- ii. A purchase of shop fittings \$50 000 had been debited to Purchases Account.
- iii. Included in the general expense is \$60 000 used by Lunga 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 customer's personal account.
- v. The purchases day book was undercast by \$70 000.
- vi. A credit note for \$10 000 issued by Lunga to a customer had been completely omitted from the Trial Balance.

You are required to:

- (a) Show the journal entries necessary to correct the above errors. **Narrations are not required.** [13]
- (b) Write a corrected Trial Balance as at 31 December 2005. [6]

[N09Q4]

58. B. Choto prepared the following Trial Balance as at 31 December 2005.

	Debit	Credit
	\$	\$
Debtors	40 000	
Creditors		20 000
Sales		220 000
Purchases	140 000	
Stock	65 000	
Sundry expenses	15 000	
Cash at bank	22 000	
Motor vehicles	60 000	
Drawings	10 000	
Fixtures and fittings	100 000	
Discount allowed	5 000	
Discount received		3 000
Capital		241 000
	<u>457 000</u>	<u>457 000</u>

The Trial Balance totals did not agree and a suspense account was opened for the difference. Investigations later revealed the following errors:

- i. The purchases of additional fixtures and fittings for \$30 000 had been debited to the Purchases Account.

- ii. The purchases Day Book had been undercast by \$10 000.
- iii. Purchases of \$19 800 from S. Moyo had been correctly entered in the Purchases Journal but were posted to his account as \$18 900.
- iv. An item of \$5 100 had been debited twice to the sundry expenses account.
- v. The sale of goods to D. Nkomo \$12 000 had been posted to the wrong side of her account.
- vi. Discount received amounting to \$500 was debited to the discount allowed account.

You are required to:

- (a) Show Journal entries necessary to correct the above errors. [7]
- (b) Prepare the suspense account. [7]

[N08Q4]

59. F. Lunga had the following Trial balance from her books on 31 December 2005:

	Debit	Credit
Stock, 1 January 2005	250 000	
Capital		745 000
Trade debtors	395 000	
Drawings	300 000	
Trade creditors		368 400
Shop fixtures and fittings	253 000	
Purchases	614 000	
Sales		846 000
General expenses	106 000	
Discount received		24 000
Cash at bank	166 000	
Returns outwards		4 000
Commission earned		96 600
	2 084 000	1 084 000

The following errors and omissions were subsequently discovered:

- i. No record had been made for a delivery van worth \$900 000 brought in by the owner on February 1.
- ii. A purchase of shop fittings \$50 000 had been debited to Purchases Account.
- iii. Included in the general expenses is \$60 000 used by Lunga 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 customer's personal account.
- v. The purchases day book was undercast 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.

You are required to:

- (a) show the journal entries necessary to correct the above errors. **Narrations are not required**, [13]
- (b) write a corrected Trial Balance as at 31 December 2005. [6]

[N11Q4]

60. B. Wiseman prepared a trial balance for his business on 30 June 2010 and the totals failed to agree. He opened a suspense account with a debit balance of \$260. The following errors were later discovered:

- i. Purchases day book had been undercast by \$200
- ii. An invoice to P. Panashe for \$400 had been correctly entered in the sales day book, but had been omitted in the debtor's account.
- iii. Wiseman's private rent of \$100 had been debited to rent account.
- iv. An amount of \$150 for damaged goods returned to T. Peters, a creditor, had been correctly entered in the supplier's account but entered on the wrong side of the returns outwards account.
- v. Cash discount received from a supplier of \$20 had been debited to the Discount Allowed.

You are required to:

- (a) prepare journal entries to correct the above errors, [12]
- (b) complete the suspense account, [3]
- (c) calculate the correct net profit for the half year ended 30 June 2010 after correction of the above errors. Original net profit was \$5 500. [3]

[J12Q3]

61. S. Sinyoro prepared the following trial balance from his ledger balances on 30 June 2008. Unfortunately the totals disagreed and a suspense account had to be opened for the difference.

Trial Balance on 30 June 2008		
	Debit	Credit
Capital, 1 July 2007		89 600
Drawings	60 800	
Debtors	66 000	
Cash at hand	29 896	
Fixtures and fittings	33 600	
Stock, 1 July 2007	46 920	
Creditors		22 160
Sales		776 960
Purchases	606 400	
Sundry expenses	47 200	
Suspense		2 096
	<u>890 816</u>	<u>890 816</u>

The following errors were discovered and, when the necessary corrections were done, the suspense account balance was eliminated.

- i. Sinyoro's private expenses of \$2 400 had been debited to Sundry Expenses.
- ii. A sale to D. Dennis of \$1 576 was entered correctly in the Sales Day Book but was wrongly posted to Dennis' account as \$1 432.
- iii. A banker's order (standing order) for \$1 200 for payment of an insurance premium had been posted to the wrong side of the bank account but correctly posted to the insurance account.
- iv. The purchases day book had been undercast by \$1 600.
- v. A purchases ledger credit balance of \$1 440 for W. Wedzera had been omitted from the Trial Balance figure.

You are required to:

- (a) prepare the suspense account, [3]
- (b) prepare the Trial Balance as it would appear after the correction of all the above errors. [7]
- (c) state any three errors which are not revealed by a trial balance. [3]

[N12Q7]

62. The following trial balance was prepared by an inexperienced bookkeeper:
Trial Balance for the year ended 31 December 2008.

	Dr	Cr
	\$	\$
Inventory 1 January 2008		4 250
Inventory 31 December 2008	8 400	
Bad debts		1 056
Carriage Inwards	3 750	
Discount Allowed		1 944
Returns Outwards	2 838	
Capital		40 000
Premises	39 150	
Bank overdraft	3 462	
Advertising		4 941
Interest earned	376	
Sales		35 100
Wages and salaries	5 850	
Receivables		8 559
Purchases	20 000	
Provision for bad debts	1 324	
Interest on overdraft		500

Payables	6 900	<u>99 800</u>	
	<u>88 200</u>		
Rewrite the trial balance correcting the errors made.			[13]
			[J 2013 Q 5]

63. The following is a trial balance for Samson, a retailer, which had been incorrectly drawn up.
Trial balance as at 31 December 2010.

	\$	\$
Capital, 1 January 2010	7 845	
Drawings	19 500	
Inventory, 1 January 2010		8 410
Trade receivables		34 517
Furniture and fittings	2 400	
Cash in hand	836	
Trade payables		6 890
Sales		127 510
Returns inwards		2 438
Discount received	1 419	
Trade expenses	3 204	
Purchases	72 100	
	<u>107 304</u>	<u>107 304</u>

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

1. A payment of \$315 made to a creditor had not been posted from the cash book to the creditor's account.
 2. A cheque for \$188 received from a customer had been correctly entered in the Cash Book but posted to the customer's account as \$180.
 3. A purchase of fittings worth \$407 had been included in the Purchases Account.
 4. The total discounts allowed column in the cash book of \$42 had not been posted to the Discount allowed Account.
 5. The Sales Day Book had undercast by \$90.
- (a) You are required to
- (i) Show the journal entries necessary to correct the above errors. **Narrations are not required.** [10]
 - (ii) Prepare a corrected Trial Balance **after** the correction of the above errors. [11]
- (b) State any **four** errors which are not revealed by a trial balance. [4]

[N 2013 Q 2]

MANUFACTURING ACCOUNTS

64. Tsovani Manufacturing Company provides you with the following information on 31 March 2007.

	\$
Stocks 1 April 2006: Raw materials	15 500
Work in progress	18 100
Finished goods	19 300
Raw materials purchased	55 000
Returns on raw materials	7 500
Depreciation of plant and machinery	6 100
Royalties	10 800
Carriage on purchases	9 600
Manufacturing wages	36 000
Factory wages	10 000
Repairs on plant and machinery	13 200
Rent and rates	24 000
Factory power	16 900
Administrative expenses	22 000
Patent fees	24 500
Selling expenses	32 800
Stocks 31 March 2007: Raw materials	17 700
Work in progress	20 800
Finished goods	21 200

Additional information:

- i. Factory wages amounting to \$6 800 were owing at the end of the year.
- ii. Rent and rates are to be shared: factory $\frac{3}{4}$ and office $\frac{1}{4}$

You are required to prepare Tsovani's Manufacturing Account for the year ended 31 March 2007. [13]
[N08Q6]

65. On 31 December 2004, the following balances were extracted from the books of Tanaka Products.

		\$
Stocks at January 2004:	Raw materials	16 200
	Work in progress	14 700
	Finished goods	21 600
Sales		207 000
Purchases of raw materials		49 500
Purchases of finished goods		10 000
Manufacturing wages		57 300
Carriage on raw materials		2 000
Depreciation of plant		12 800
Factory rent		40 000
Royalties		8 400
Carriage on sales		4 000
Depreciation of office equipment		1 500
Stocks at 31 December 2004:	Raw materials	17 700
	Work in progress	15 600
	Finished goods	23 850

You are required to prepare the:

- (a) Manufacturing Account for the year ended 31 December 2004, showing clearly within the account the cost of raw materials consumed, the prime cost and the production cost of finished goods. [10]
 - (b) Trading Account for the year ended 31 December 2004. [2]
- [J05Q6]

66. H. Hassan owned a small factory. The following balances were extracted from his books on 31 December 2004.

Stocks (1 January 2004):	Raw materials	50 000
	Finished goods	75 000
	Work in progress	30 000
Purchases of raw materials		505 000
Sales of finished goods		1 900 000
Factory direct wages		150 000
Factory overheads		260 000
Patent fees		70 000
Stocks (31 December 2004):	Raw materials	40 000
	Finished goods	60 000
	Work in progress	20 000
Selling and administration		21 000
Carriage outwards		19 000

- (a) Manufacturing Account for the year ended 31 December 2004. [10]
 - (b) Trading and Profit and Loss Account for the year ended 31 December 2004. [3]
- [J08Q7]

67. M. Mushava is a manufacturer. On 31 December 2004 the following balances were extracted from her books after the preparation of the manufacturing account for the year ended 31 December 2004:

Cost of goods manufactured		635 000
Sales		996 000
Stock of finished goods at 1 January		45 800
Stock at 31 December 2004:	Finished goods	59 400
	Raw materials	89 600
	Work in progress	85 200
Factory wages outstanding		13 400
Office salaries		55 800
Office rates and insurance		22 800
Motor expenses		27 400
Debtors		83 000

Creditors	70 600
Plant and machinery, at cost	447 000
Motor vehicles, at cost	424 000
Furniture and fittings, at cost	88 000
Cash at bank	47 800
Provision for bad debts at 1 January 2004	3 000
Provision for depreciation at 1 January 2004: Motor vehicles	84 800
Drawings	46 800
Capital at 1 January 2004	800 000
Long term loans from Midas Finance (obtained 30 September)	98 000

The following additional information is to be taken into account:

- i. Depreciation of plant and machinery is \$33 000
 - ii. Depreciation of furniture and fittings is 10% per annum on cost and on motor vehicles is 20% per annum on the reduced value.
 - iii. A debt of \$3 000 is to be written off as irrecoverable and a provision for bad debts is to be adjusted to 5% of debtors.
 - iv. Loan interest at 20% per annum is owing.
 - v. Prepaid insurance amounted to \$3 200 and \$400 was due on rates.
 - vi. Amount of \$200 was owing for office salaries.
- (a) Trading and Profit and loss Accounts for the year ended 31 December 2004. [11]
(b) Balance sheet as at 31 December 2004. [15]

[J07Q1]

68. S. Samanyika Toy Products Private Limited Company is engaged in manufacturing toys. The following balances were extracted from the business books on 31 December 2009.

		\$
Inventory at 1 January 2009:		
	Raw materials	11 400
	Work in progress	4 000
Purchase of raw materials		54 000
Supervisor's wages		5 000
Direct wages		29 000
Royalties		600
Salesman's salaries and wages		7 000
Depreciation of factory machinery		1 200
Inventory at 31 December 2009:		
	Raw materials	1 400
	Work in progress	11 500

You are required to prepare the Manufacturing Account for the year ended 31 December 2009, showing clearly **Cost of Raw materials** consumed, **Prime Cost** and **Total production**. [13]

[J 2014 Q 3a]

FINAL & DEPARTMENTAL ACCOUNTS OF SOLE TRADERS

69. M. Khumalo owns a retail shop. The following Trial balance was extracted from her books on 31 December 2005.
Trial Balance as at 31 December 2005

	Debit \$	Credit \$
Capital		528 000
Drawings	100 000	
Fixtures and fittings at cost	120 000	
Delivery van at cost	300 000	
Provision for depreciation: Fixtures and fittings on 1 January 2005		12 000
Delivery van		30 000
Purchases	850 000	
Sales		1 900 000
Stock at January 2005	120 000	
Advertising	60 000	
Salaries and wages	230 000	
Insurance	35 000	
Rent	65 000	
Repairs	90 000	

Commission earned		150 000
Premises	700 000	
Bank		58 000
Provision for bad debts: 1 January 2005		2 000
Debtors	30 000	
Creditors		20 000
	<u>2 700 000</u>	<u>2 700 000</u>

Additional information:

- i. Stock at 31 December 2005 was valued at \$185 000.
- ii. Goods worth \$10 000 had been taken by Khumalo from the business for private use at selling price. No record had been made in the books.
- iii. Depreciation is as follows:
 - Fixtures and fittings: 10% per annum using the reducing balance method.
 - Delivery van: 10% per annum using the straight line method
- iv. The insurance figure of \$35 000 includes \$15 000 covering a period of six months ending 31 March 2006.
- v. Interest on overdraft of \$5 000 had not been recorded in the books
- vi. Provision for bad debts decreased by \$500.

You are required to prepare the:

- (a) Trading and Profit and Loss account for the year ended 31 December 2005. [12]
- (b) Balance sheet as at 31 December 2005. [13]

[N08Q1]

70. The following Trial Balance was extracted from the books of G. Rashe, a retailer, on 31 December 2004.

Trial Balance as at 31 December 2004		
	Debit \$	Credit \$
Capital: 1 January 2004		340 000
Drawings	68 000	
Stock, 1 January 2004	45 600	
Petty cash	16 850	
Bank overdraft		29 200
Sundry debtors	76 000	
Sundry creditors		57 800
Motor vans, at cost	180 000	
Fixtures and fittings, at cost	120 000	
Purchases	160 000	
Provision for bad debts		6 900
Sales		315 000
Returns	12 000	9 000
Sundry expenses	6 300	
Carriage inwards	17 700	
Rent and rates	22 160	
Interest on overdraft	4 450	
Discounts	9 700	8 100
Provision for depreciation: 1 January 2004- Motor vans		18 000
		10 000
Salaries and wages	55 240	
	<u>794 000</u>	<u>794 000</u>

The following matters are to be taken into account:

- i. Stock at 31 December 2004 was valued at \$48 900.
- ii. One quarter of the salaries and wages was for staff employed in re-packaging goods bought for resale.
- iii. A cheque of \$8 700 was paid to a creditor on 31 December 2004 but had not been entered in the books at the close of the business.
- iv. Provision for bad debts is to be reduced to \$6 000 and a provision for discount allowed of 5% of the net debtors is to be created.
- v. Depreciate motor vans at 10% per annum on cost and fixtures and fittings by \$10 000.
- vi. Rates paid in advance at 31 December 2004 amounted to \$4 200.

You are required to prepare the:

- (a) Trading and Profit and Loss Account for the year ended 31 December 2004. [13]

(b) Balance sheet as at 31 December 2004. [13]

[J08Q1]

71. F. Sithole is in business operating a grocery shop. The following Trial Balance was extracted from her books on 31 December 2004.

	Debit	Credit
Purchases and sales	96 200	165 000
Capital		119 320
Drawings	9 200	
Carriage inwards	5 400	
Stock at 1 January 2004	14 300	
Buildings at cost	120 000	
Office furniture at cost	23 200	
Provision for depreciation: Office furniture (1 January 2004)		2 320
Returns inwards and outwards	2 600	3 000
Loan from East Bank (payable on 31 December 2007)		24 000
Provision for bad debts on 1 January 2004		800
Insurance	900	
Stationery	1 880	
Debtors and creditors	13 600	9 020
Wages	20 600	
Electricity	6 640	
Discounts allowed and received	650	450
Cash at bank	8 740	
	<u>323 910</u>	<u>323 910</u>

Additional information:

- i. Stock on 31 December 2004 was valued at \$12 600
- ii. Goods worth \$6 500 were taken by the owner for her own use. No entry had been made in the books.
- iii. Stock of stationery on 31 December 2004 was \$880.
- iv. Interest on the bank loan is at the rate of 5% per annum.
- v. Insurance prepaid on 31 December 2004 was \$180.
- vi. Office furniture is to be depreciated at the rate of 10% per annum using the reducing balance method.
- vii. The provision for bad debts is to be increased to \$960.
- viii. One quarter of the wages was for staff employed in making extensions to the building.

You are required to prepare the:

(a) Trading and Profit and Loss account for the year ended 31 December 2004. [13]

(b) Balance sheet as at 31 December 2004. [13]

[N06Q1]

72. F. Muleya is the proprietor of a bookshop selling books, periodicals, newspapers, children's games and toys. Her business is divided into two departments:

Department A: sells books, periodicals and newspapers

Department B: sells games and toys

The following information was extracted from her books on 30 June 2005:

Stocks on 1 January 2005:

- 200 books at \$250 each
- 50 periodicals at \$100 each.
- 50 newspapers at \$50 each.
- 25 games at \$1 000 each.
- 10 toys at \$500 each.

Purchases up to 30 June 2005:

- Books, periodicals and newspapers \$155 000
- Games and toys \$250 000

Sales up to 30 June 2005:

- Books, periodicals and newspapers \$360 000
- Games and toys \$450 000

Stocks on 30 June 2005:

- Books, periodicals and newspapers \$61 000
- Games and toys \$70 000

The following additional information is available:

- i. Carriage inwards amounted to \$30 000. This should be shared between departments A and B in the ratio 1:5 respectively.
 - ii. Warehouse rent incurred for six months to 30 June 2005 totalled \$105 250. Apportion the rent to the two departments in the ratio of the sales made.
- (a) Prepare the departmental trading account for the two departments, A and B, in columnar form for the six months ending 30 June 2005, showing clearly the gross profit or loss for each department. [10]
- (b) State two characteristics of preference shares. [2]

[J06Q4]

73. C. Dube, a chemist, opened a pharmacy on 1 January 2004 which has two departments, Cosmetics and Drugs. The following is a list of balances extracted from her books on 31 December 2004.

	Dr	Cr
	\$	\$
Capital		800 200
Fixtures and fittings	290 000	
Sales: Cosmetics		600 000
Drugs		720 000
Purchases: Cosmetics	250 700	
Drugs	350 000	
Customs duty on imported drugs	80 000	
Debtors	59 000	
Creditors		26 800
Electricity and water	67 000	
Drawings	50 000	
Rent and rates	30 100	
Insurance	22 000	
Motor vans at cost	700 000	
Carriage inwards: Cosmetics	19 000	
Drugs	16 500	
Salaries and wages	150 000	
Cash	14 600	
Bank	48 100	
	<u>2 147 000</u>	<u>2 147 000</u>

The following information is available on 31 December 2004.

- i. Stock is valued at \$69 700 for Cosmetics and \$46 500 for drugs.
- ii. An amount of \$5000 is to be written off against debtors as bad debts.
- iii. A provision for doubtful debts equal to 5% of debtors is to be created.
- iv. Wages owing on 31 December 2004 amount to \$15 800.
- v. Motor vans are to be depreciated at the rate of 15% per annum on cost.
- vi. Fixtures and fittings are to be valued at \$200 000 on 31 December 2004.

You are required to prepare the:

- (a) Departmental Trading Account for the year ended 31 December 2004, in **columnar form**, showing clearly the gross profit for **each** department. [6]
- (b) Combined Profit and Loss Account for the year ended 31 December 2004. [7]
- (c) Balance sheet for the business as at 31 December 2004. [12]

[N05Q1]

74. S. Kawondera runs a retail shop with two departments, the Furniture and Clothing. The following Trial Balance was extracted from his books on 31 December 2006:

Trial Balance as at 31 December 2006

	Debit	Credit
	\$	\$
Purchases: Furniture	80 000	
Clothing	132 000	
Sales: Furniture		350 000
Clothing		410 000
Stock at January 2006: Furniture	15 600	
Clothing	33 100	
Carriage inwards on furniture	1 300	
Returns inwards: Clothing	3 000	

Discounts-allowed and received	700	1 850
Insurance	1 500	
Bad debts	420	
Carriage on sales	1 600	
Debtors and creditors	6 000	2 000
Bank		1 800
Fixtures and fittings, at cost	400 000	
Provision for depreciation on fixtures and fittings, 1 January 2006		50 000
Land and buildings	800 000	
Drawings	2 700	
Capital		662 270
	<u>1 477 920</u>	<u>1 477 920</u>

The following information is to be taken into account:

- i. Stocks at 31 December 2006:

Furniture	20 000
Clothing	35 000
- ii. Bank charges amounting to \$100 were not recorded in the books.
- iii. A provision for bad debts of 5% on debtors is to be created.
- iv. Insurance paid covers 15 months to 31 March 2007.
- v. Fixtures and fittings are to be depreciated at 10% per annum using the diminishing balance method. There is no depreciation on land and buildings.

You are required to prepare the:

- (a) Departmental Trading Account, in columnar form, for the year ended 31 December 2006. [8]
- (b) Combined Profit and Loss Account for the year ended 31 December 2006. [7]
- (c) Balance sheet as at 31 December 2006. [12]

[J09Q1]

75. The following Trial Balance relates to the business of Siph Departmental Store on 31 December 2006.

	Debit	Credit
	\$	\$
Capital		5 450 600
Premises	5 950 000	
Fixtures and fittings, at cost	1 250 000	
Delivery van, at cost	2 050 000	
Provision for depreciation on 1 January 2006:		
Fixtures and fittings		237 500
Delivery van		820 000
Sundry debtors	850 000	
Provision for doubtful debts on 1 January 2006		62 500
Sundry creditors		510 000
Loan: Natsave		2 000 000
Cash at bank	954 600	
Stocks on 1 January 2006:		
Grocery	550 000	
Hardware	750 000	
Purchases:		
Grocery	1 500 000	
Hardware	2 250 000	
Sales:		
Grocery		3 450 000
Hardware		5 650 000
Discounts	30 000	100 000
Carriage on purchases:		
Grocery	210 000	
Hardware	360 000	
Returns inwards:		
Grocery	150 000	
Hardware	200 000	
Returns outwards:		
Grocery		180 000

	Hardware		120 000
Drawings		245 000	
Salaries and wages		570 000	
Electricity and water		615 000	
Insurance		96 000	
		<u>18 580 600</u>	<u>18 580 600</u>

The following information is to be taken into account on 31 December 2006:

- i. Stock was valued as follows:

Grocery	\$600 000
Hardware	\$840 000
- ii. Depreciation is as follows:

Fixtures and fittings	10% per annum on the net book value.
Delivery van	20% per annum on cost.
- iii. The provision for doubtful debts is to be maintained at 5% of sundry debtors.
- iv. Insurance prepaid was \$6 000
- v. The total bill for electricity and water was \$675 000.

You are required to prepare:

- (a) the Departmental Trading Account in columnar form, and the combined Profit and Loss Account for the year ended 31 December 2006, [15]
 - (b) the Balance Sheet as at 31 December 2006. [12]
- [J11Q1]

76. D. Mwase runs a retail business with two departments, Furniture and Electrical. The following information was extracted from his books on 31 December 2010:

Trial Balance as at 31 December 2010.

	Debit	Credit
	\$	\$
Sales: Furniture		706 000
Electrical		917 040
Purchases: Furniture	300 000	
Electrical	350 000	
Inventory at 1 January 2010:		
Furniture	130 000	
Electrical	200 000	
Customs duty on electrical goods	58 000	
Railage inwards: Furniture	66 000	
Electrical	24 000	
Returns inwards: Electrical	28 040	
Rent	76 400	
Trade receivables and trade payables	154 000	46 140
Provision for bad debts, 1 January 2010		5 000
Wages and salaries	237 600	
Office equipment, at cost	48 000	
Motor vehicles, at cost	219 600	
Provision for depreciation:		
Office equipment		9 600
Motor vehicles		21 960
Capital		444 000
Bank	110 420	
Insurance	33 000	
Discount received		9 000
Sundry expenses	112 000	
Drawings	11 680	
	<u>2 158 740</u>	<u>2 158 740</u>

The following information is also available on 31 December 2010:

- i. Inventory at 31 December 2010:

Furniture	\$120 000
Electrical	\$ 98 000
- ii. Rent accrued on 31 December 2010 amounted to \$3 600.

- iii. Insurance paid covers 15 months to 31 March 2011..
- iv. The provision for bad debts is to be adjusted to 3% of trade receivables.
- v. Motor vehicles are to be depreciated at 10% per annum on cost.
- vi. Office equipment is to be depreciated at 15% per annum using the reducing balance method.

You are required to prepare:

- (a) the Departmental Trading Account for the year ended 31 December 2010, in **columnar form** showing clearly the gross profit for **each** department. [8]
- (b) the **combined** Profit and Loss Account for the year ended 31 December 2010 [7]
- (c) the Statement of Financial Position as at 31 December 2010. [12]

[J12Q1]

77. The following Trial Balance was extracted from the books of C. Shumba, a retailer, on 31 December 2011

Trial Balance as at 31 December 2011

	\$	\$
Capital, 1 January 2011		210 000
Drawings	24	
Inventory, 1 January 2011	000	
Returns	20	15
Purchases and sales	000	000
Carriage outwards	12	360 000
Railage inwards	000	
Discounts	250 000	
Premises	6 000	3 500
Motor vehicles, at cost	9 000	
Furniture, at cost	4 000	
Provision for depreciation, 1 January 2011:	156 000	
Motor vehicles	70 000	
Furniture	40 000	14
Trade receivables and trade payables		000
Salaries and wages		8 000
Insurance		17
Electricity	19	900
Bad debts	000	
Provision for bad debts, 1 January 2011	35	
Bank	000	
Loan from Dube (payable on 30 June 2013)	18	
	500	1 300
	13	3 000
	000	50
	6 200	000
		682 700
	682 700	

The following information is also available on 31 December 2011:

- (i) Inventory was valued at \$27 000.
- (ii) Insurance prepaid amounted to \$500.
- (iii) Interest on the loan is chargeable at a rate of 10% per annum.
- (iv) Motor vehicles are to be depreciated at 20% per annum on a reducing balance basis and furniture at 10% per annum on cost.
- (v) Provision for bad debts is to be adjusted to 5% of debtors.

You are required to prepare:

- (a) The Income statement for the year ended 31 December 2011, [12]
- (b) The statement of financial position as at 31 December 2011. [13]

[Nov 2013 Q 1]

78. S. Kamwendo, a sole trader, extracted the following trial balance from his books on 31 December 2009.

Capital		64 000
Drawings	4 100	
Purchases and sales	100 000	142 600
Inventory 1 January	9 000	
Returns inwards	700	
Railage inwards	11 000	
Rent	13 000	
Motor expenses	3 100	
Sundry expenses	1 060	
Wages	9 600	
Insurance	1 600	
Provision for bad debts, 1 January 2009		500
Equipment at cost	60 000	
Provision for depreciation, 1 January 2009:	12 000	
Equipment		11 400
Motor vehicles		4 800
Bank		960
Accounts receivables	8 200	
Accounts payable		12 100
Cash	3 000	
	236 360	236 360

The following information is also available on 31 December 2009:

- (i) Inventory was valued at \$18 200.
- (ii) A credit note received from a supplier for goods worth \$2 500 returned by the business had not been entered in the books of account.
- (iii) Motor expenses due totalled \$260.
- (iv) Insurance in advance amounted to \$120.
- (v) Sundry expenses include \$150 for a private telephone bill.
- (vi) The provision for bad debts is to be adjusted to 5% of accounts receivable.
- (vii) Motor vehicles are to be depreciated by 20% per annum on cost and equipment by 10% per annum using the diminishing balance method.

You are required to prepare:

- (a) The statement of comprehensive income for the year ended 31 December 2009. [12]
- (b) The statement of financial position as at 31 December 2009. [13]

[J 2014 Q 1]

79. Mahari Trading Stores has two departments, Groceries and Clothing. The following balances were extracted from the books on 30 June 2009.

	Groceries \$	Clothing \$
Inventory :		
1 July 2008	4 000	8 000
30 June 2009	8 000	12 000
Purchases for the year	27 000	37 000
Sales	36 000	40 000
Customs duty	-	400
Carriage inwards	1 000	2 000

Additional information:

During the year, the owner took some clothing worth \$5 400 for private use but this was not recorded in the books of account.

- (a) You are required to prepare a Departmental Trading account, in columnar form, for the year ended 30 June 2009 [11]
- (b) For each department, calculate the following:
 - (i) Margin [4]
 - (ii) Mark-up [4]
 - (iii) Rate of stock- turn. [4]
- (c) In a company, shareholders earn _____ whereas debenture holders earn _____ [2]

[N 2014 Q 2]

RATIOS AND INCOMPLETE RECORDS

- 80.** D. Dingani operates a business as a retailer. During the year ended 31 March 2005, the business made a gross profit of 33% on turnover of \$930 000. The net profit was 15% of turnover. Her rate of stock turnover was 10 times. The opening stock was \$60 000.

Calculate for the year the:

- | | |
|-------------------|-----|
| (a) Gross profit | [2] |
| (b) Cost of sales | [2] |
| (c) Closing stock | [3] |
| (d) Purchases | [2] |
| (e) Expenses | [2] |
| (f) Mark-up | [2] |

[J06Q6]

- 81.** M. Mambo operates a small business as a retailer. The following information is found in her records at the end of the financial year ended 31 December 2005:

	\$
Purchases	456 000
Sales	609 000
Opening stock	21 000
Closing stock	39 000
Sales returns	9 000
Purchases returns	3 000
Customs duty	15 000

You are required to calculate the:

- | | |
|---------------------------|------|
| (a) Turnover for the year | |
| (b) Cost of goods sold | |
| (c) Gross profit | |
| (d) Mark-up | |
| (e) Margin | |
| (f) Rate of stock- turn | [13] |

[N09Q5]

- 82.** The following information relates to the business of A. Mukwa (Pvt) Ltd on 1 July 2004:

	\$
Sales	200 000
Gross profit	50 000
Fixed assets	500 000
Current assets	90 000
Current liabilities	36 000
Opening stock	14 000

Stock turnover is 6 times.

You are required to calculate, showing all workings, the:

- | | |
|---------------------------|-----|
| (a) Cost of goods sold | [2] |
| (b) Mark-up | [2] |
| (c) Margin | [2] |
| (d) Closing stock | [3] |
| (e) Working capital ratio | [2] |
| (f) Quick ratio | [2] |

[N05Q7]

- 83.** On 1 January 2005, E. Mwase started business with \$500 000 in a business bank account. On the same day, he brought into the business his personal furniture worth \$100 000. Mwase does not maintain proper accounting records. The following information is made available on 31 December 2005:

	\$
Motor vehicle at cost	200 000
Furniture, at cost	100 000
Stock	110 000
Debtors	90 000
Bank	70 000
Cash	35 000
Creditors	80 000

Prepaid expenses	9 500
Accrued expenses	5 000

Additional information:

- i. During the year, Mwase withdrew \$50 000 cash and goods worth \$15 000 from the business for personal use.
- ii. Fixed assets are to be depreciated as follows:
 - Motor vehicles 20% on cost
 - Furniture 10% on cost
- iii. Bad debts of \$2 000 are to be written off, and a provision for doubtful debts of 2% of debtors is to be created.

You are required to prepare a balance sheet as at 31 December 2005, showing clearly the net profit or loss for the year.

[13]

[N09Q6]

84. The following assets and liabilities relate to the business of P. Pepukai on 1 July 2003:

	\$
Premises	250 000
Tools and equipment at cost	100 000
Motor vans at cost	150 000
Stock	45 000
Trade debtors	60 000
Bank	27 000
Trade creditors	42 000

The following information was available on 30 June 2004:

- i. Tools and equipment were valued at \$90 000 at the close of business.
- ii. Motor vans were depreciated at the rate of 20% on cost per annum.
- iii. Trade debtors owed a total of \$75 000
- iv. An amount of \$5 000 was written off as bad debts
- v. It was decided to create a provision for doubtful debts of 5% on outstanding debts.
- vi. The business owed \$30 000 to trade creditors.
- vii. There was no record of a cheque payment of \$8 000 to a creditor.
- viii. Drawings from stock worth \$12 000 at cost price had not been recorded.
- ix. The closing stock was valued at \$35 000.

You are required to:

(a) Calculate the capital on 1 July 2003. [2]

(b) Prepare the balance sheet as at 30 June 2004, showing clearly the profit or loss for the year. [14]

[N06Q3]

85. M. Maushe a retailer did not keep his books on the double entry principle but his valuation of assets and liabilities on the dates shown were as follows:

	1 January 2004	31 December 2004
	\$	\$
Motor vehicles, at cost	175 000	175 000
Fixtures, at cost	131 000	131 000
Debtors	82 500	97 600
Creditors	64 000	56 700
Bank overdraft	18 900	-
Stock	43 840	49 260
Cash at bank	-	19 400
Prepaid expenses	9 620	3 170

You are required to prepare a statement showing:

(a) Maushe's capital on 1 January 2004 [3]

(b) Clearly Maushe's net profit or loss for the year ended 31 December 2004, taking into account the following additional information obtained from Maushe on 31 December 2004:

- i. \$5 600 of the debts are to be written off as irrecoverable.
- ii. Depreciate motor vehicles by 10% and fixtures by 5%
- iii. Maushe had withdrawn \$15 750 from the bank for private purposes during the year.
- iv. During the year Maushe sold his private vehicle for \$28 000 and deposited the amount into the business bank account. [10]

[N07Q7]

86. S. Zimba, who owns Gwanda Grocery Shop, provided a qualified bookkeeper with the following details of his financial position:

	2004 December 31	2005 December 31
	\$	\$
Cash in hand	122 000	28 000
Cash at bank	260 000	
Bank overdraft		152 000
Equipment at cost	1 100 000	1 100 000
Trade creditors	136 000	190 000
Trade debtors	314 000	278 000
Stock	210 000	256 000
Insurance prepaid	157 000	111 000
Accrued rent	225 000	101 000

The following information was made available:

- During 2005, Zimba withdrew \$100 000 in cash every month for personal use and goods worth \$50 000 every two months.
- Depreciation on equipment is at the rate of 20% per annum on the written down value.
- Equipment was bought on 1 January 2004.

You are required to prepare a statement of affairs at 31 December

- 2004 [6]
- 2005, showing clearly the net profit for the year. [7]

[J08Q5]

87. The following is a Balance Sheet of A. Muller on 31 December 2003:

<u>Assets</u>	\$	<u>Liabilities</u>	\$
Land and buildings	200 000	Capital	300 000
Office equipment at net book value	60 000	Mortgage loan	70 000
Stock	40 000	Trade creditors	42 600
Trade debtors	25 500	Electricity owing	13 400
Insurance prepaid	500		
Cash at bank	<u>100 000</u>		
	<u>426 000</u>		<u>426 000</u>

On 1 January 2004, the following transactions took place:

- Muller paid off the outstanding electricity bill by cheque
- Sold old equipment (book value \$50 000) for \$45 000. A cheque was received and banked.
- Muller took stock worth \$14 000 at cost for personal use.
- Trade debtors paid \$15 000 by cheque which was immediately deposited into the bank.
- Muller brought into the business a lorry valued at \$100 000.
- Paid half of the mortgage loan by cheque.

You are required to prepare on 1 January 2004 the:

- Capital account [5]
- Balance sheet [10]

[N05Q3]

88. S. Mukanya who runs a small business, does not keep a complete set of records. She provides the following information:

Balance Sheet as at 1 January 2005

	\$		\$
Fixtures	200 000	Capital	840 000
Motor vans	400 000	Creditors	150 000
Stock	230 000	Wages due	30 000
Bank	<u>190 000</u>		
	<u>1 020 000</u>		<u>1 020 000</u>

Mukanya makes all her purchases on credit and all sales on cash basis.

All cash received was immediately banked except cash used to pay:

Stationery	\$50 000
Drawings	\$35 000

Cash receipts from sales for the year amounted to \$1 200 000.

	\$
Payments by cheque were: rent	90 000
Wages	125 000

Stationery	45 000
Fixtures	80 000
Creditors	650 000

Additional information available at 31 December 2005:

- Stock in trade was worth \$210 000.
- Stock of unused stationery was valued at \$20 000
- Trade creditors amounted to \$120 000.
- Discount received from creditors for the year totalled \$15 000.
- Depreciate motor vans by 10% of book value and fixtures by \$56 000.

You are required to prepare:

- the Total Creditors Account clearly showing the purchases for the year, [3]
- the Bank Account balanced at 31 December 2005, [5]
- the Trading, Profit and Loss Account for the year ended 31 December 2005, [8]
- Mukanya's Balance sheet as at 31 December 2005. [9]

[N10Q1]

89. The following information relates to the business of M. Chihuyo for the year ended 31 December 2006.

Sales	\$762 500
Returns inwards	\$ 12 500
Closing stock	\$200 000
Mark-up	25%

Net profit as a percentage of turnover is $7\frac{1}{2}\%$. The rate of stock turnover is 4 times.

Calculate, showing all your workings:

- turnover [2]
- gross profit margin, [2]
- cost of goods sold, [2]
- net profit for the year, [2]
- expenses charged to the profit and loss account, [2]
- opening stock. [3]

[N10Q7]

90. The following Balance Sheet appeared in the books of Rudo Fashion Boutique.

Balance Sheet as at 31 March 2006

<u>Non-Current Assets</u>		<u>Equity and Liabilities</u>	
Premises	650 000	Capital	1 200 000
Fixtures and fittings	<u>290 000</u>	Add; Net profit	<u>120 000</u>
	940 000		1 320 000
		Less: Drawings	<u>300 000</u>
			1 020 000
<u>Current Assets</u>		<u>Current Liabilities</u>	
Stock	30 000	Creditors	55 000
Debtors	70 000	Bank overdraft	<u>25 000</u>
Cash	<u>60 000</u>		80 000
	160 000		
	<u>1 100 000</u>		<u>1 100 000</u>

The following information was available:

- Sales amounted to \$600 000
- The margin (gross profit to sales percentage) was 25%
- Total purchases amounted to \$390 000

Calculate:

- the percentage of net profit to sales
- the gross profit,
- the cost of sales
- the mark-up,
- the rate of stock-turn,
- the working capital,
- the current ratio.

[15]

[J11Q4]

91. M. Mambo operates a business as a retailer. The following information is found in her records at the end of the financial year ended 31 December 2005:

	\$
Purchases	456 000
Sales	609 000
Opening stock	21 000
Closing stock	39 000
Sales returns	9 000
Purchases returns	3 000
Customs duty	15 000

You are required to calculate

- (a) the turnover for the year,
- (b) the cost of goods sold,
- (c) the gross profit,
- (d) the mark-up,
- (e) the margin,
- (f) the rate of stock-turn.

[13]

[N11Q5]

92. On 1 January 2005, E. Mwase started a business with \$500 000 in a business bank account. On the same day he brought into the business his personal furniture worth \$100 000. Mwase does not maintain proper accounting records. The following information is made available on 31 December 2005:

	\$
Motor vehicles, at cost	200 000
Furniture, at cost	100 000
Stock	110 000
Debtors	90 000
Bank	70 000
Cash	35 000
Creditors	80 000
Prepaid expenses	9 500
Accrued expenses	5 000

Additional information.

- i. During the year, Mwase withdrew \$50 000 cash and goods worth \$15 000 from the business for personal use.
- ii. Fixed assets are to be depreciated as follows:
 - Motor vehicles 20% on cost,
 - Furniture 10% on cost.
- iii. Bad debts of \$2 000 are to be written off, and a provision for doubtful debts of 2% of debtors is to be created.

You are required to prepare a Balance Sheet as at 31 December 2005, showing clearly the net profit or net loss for the year.

[13]

[N11Q6]

93. T. Tsungai operates a hair salon in Kwekwe. Her business made a gross profit of $33\frac{1}{3}\%$ on the net sales of \$750 000 during the financial year which ended on 31 December 2010. The net profit was 15% of net sales. The rate of stock turnover was 10 times. The opening stock was \$60 000.

Calculate, for the year,

- (a) the gross profit, [2]
- (b) cost of sales, [2]
- (c) the mark-up, [2]
- (d) the closing stock, [3]
- (e) purchases, [2]
- (f) expenses. [2]

[N12Q6]

94. Thandiwe Dube, a trader, did not keep her books on the double entry system. However, she is able to provide the following information about her financial position at 1 January 2009:

	\$
Motor vehicles at cost	60 000
Shop fittings at cost	30 000

Inventory	25 500
Trade receivables	18 700
Trade payables	12 800
Electricity owing	600

She has also provided the following summary of her bank account for the year ended 31 December 2009:

	\$		\$
Balance at 1 Jan 2009	2 400	Payments to creditors	36 800
Cheques received from debtors	69 200	Electricity	3 100
Cash sales	18 500	Insurance	5 900
		Rent	6 000
		Sundry expenses	4 300
		Drawings	11 700
		Balance at 31 December 2009	22 300
	<u>90 100</u>		<u>90 100</u>

All cash and cheques received were immediately deposited into the bank account.

The following information was also available on 31 December 2009:

- Inventory was valued at \$28 000.
- Depreciation on the motor vehicles is 10% per annum on cost.
- Shop fittings were valued at \$27 500.
- Insurance prepaid amounted to \$1 700 and rent owing \$1 500.
- Discounts received from creditors amounted to \$800.
- Receivables totalled \$16 800 and payables amounted to \$10 900.

You are required to

- Calculate capital on 1 January 2009 [3]
- Draw up the total receivables and total payables accounts to show credit sales and purchases respectively. [4]
- Prepare the Income statement for the year ended 31 December 2009 [10]
- Draw up the statement of financial position as at December 2009 [10]

[June 2013 Q 1]

95. D. Dhaka is a sole proprietor who does not keep proper books of accounts.

The following information was taken from his books:

	1 January 2010	31 December 2010
	\$	\$
Accounts receivables	26 430	40 120
Accounts payables	15 980	24 450
Inventory	32 100	40 630
Motor vehicles at cost	51 000	?
Shop fittings at cost	42 000	?

His summary of the bank account for the year ended 31 December 2010 was as follows:

	\$		\$
Balance, 1 January 2010	24 200	Payments to payables	221 770
Cheques from accounts receivables	448 460	Insurance	10 900
Cash sales	39 210	General expenses	24 260
Loan from Gaga	20 000	Rent and rates	10 000
		Telephone	14 300
		Shop fittings	25 500
		Interest on loan	500
		Water and electricity	9 460
		Drawings	117 430
		Balance c/d	97 750
	<u>531 870</u>		<u>531 870</u>

All cash and cheques received were immediately banked.

The following information was also available and must be taken into account:

- The loan was taken on 1 July 2010 and is payable in 2015.
- Depreciation is calculated on cost as follows:
 - Motor vehicles at 20% per annum
 - Shop fittings at 10% per annum

3. At 31 December 2010, insurance paid in advance was \$1 770.
4. Included in the amount of shop fittings is a table and a chair worth \$7 500 which Dhaka took to use at his house.
5. K. Kondo, a debtor owing \$200, was declared bankrupt. The amount was written off as a bad debt. This amount was not included in the debtor's figure on 31 December 2010.

You are required to prepare:

- (a) The Total Receivables Account to calculate the figure for credit sales. [3]
- (b) The Total Payables Account to calculate the figure for credit purchases. [3]
- (c) The Income Statement for the year ended 31 December 2010. [8]
- (d) The Statement of Financial Position as at 31 December 2010. [11]

[N 2014 Q 1]

ACCOUNTS OF CLUBS AND SOCIETIES

96. Rufaro Social Club had the following assets and liabilities on 1 January 2005.

	\$
Subscription paid in advance	8 000
Subscriptions due but unpaid	12 000
Stock of stationery	2 000
Clubhouse at cost	2 000 000
Furniture at cost	150 000
Stock of refreshments	380 000
Creditors for refreshments supplies	200 000
Prepaid electricity	10 000

The following information relates to the club's affairs for the year ended 31 December 2005.

Receipts and payments account for the year ended 31 December 2005

RECEIPTS	\$	PAYMENTS	\$
Balance, 1 January 2005	440 000	Repainting of clubhouse	300 000
Subscriptions	804 000	Stationery	90 000
Sales of refreshments	950 000	Purchase of refreshments	750 000
Raffle tickets	200 000	Secretary's expenses	200 000
Donations	85 000	Electricity	110 000
		Purchases of second hand furniture (1 October 2005)	100 000
		Travelling expenses	210 000
		Raffle expenses	70 000
		Balance (31 December 2005)	649 000
	<u>2 479 000</u>		<u>2 479 000</u>

Additional information on 31 December 2005 was as follows:

- i. Subscriptions owing amounted to \$40 000
- ii. Subscriptions prepaid amounted to \$16 000
- iii. Stock of refreshments were valued at \$480 000.
- iv. Creditors for refreshments supplies totalled \$150 000.
- v. Clubhouse was valued at \$3 000 000. No depreciation was charged on the clubhouse.
- vi. Depreciation on office furniture is to be 10% per annum on cost for each month of ownership.

You are required to:

- (a) Calculate the accumulated fund at 1 January 2005. [3]
- (b) Prepare the refreshments trading account for the year ended 31 December 2005. [4]
- (c) Prepare the Income and Expenditure Account for the year ended 31 December 2005. [9]
- (d) Prepare the balance sheet as at 31 December 2005. [10]

[J06Q1]

97. The Balance Sheet of Nyameni Social Club as at 31 December 2006 was as follows:

	\$		\$
Clubhouse	500 000	Accumulated fund	740 000
Equipment	230 000	Bar creditors	19 000
Subscriptions in arrears	2 700	Subscriptions in advance	1 500
Cash at bank	13 800		
	<u>760 500</u>		<u>760 500</u>

Given below is a summary of receipts and payments during the year ended 31 December 2007.

	\$
Subscriptions received	67 200

Bar sales	200 000
Payments to bar suppliers	150 000
Rates and water	22 600
Electricity	25 300
General expenses	33 800
Insurance	18 000

The following additional information was available on 31 December 2007.

- i. Arrears of subscriptions shown in the last balance sheet have all been received
- ii. Subscriptions in arrears at the end of the year amounted to \$1 900.
- iii. Cash at bank was \$31 300.
- iv. Bar stocks were valued at \$16 800.
- v. Bar creditors amounted to \$21 000
- vi. Equipment is to be depreciated by \$15 000
- vii. Amount owing for electricity was \$9 000.

You are required to prepare:

- (a) the Bar Trading Account for the year ended 31 December 2007, [4]
 (b) the Income and Expenditure Account for the year ended 31 December 2007. [7]

[J11Q3]

98. Kuwirirana Social Club was formed on 1 January 2010. On 31 December 2010, the treasurer presented the following Receipts and Payments Account:

The Receipts and Payments Account for the year ended 31 December 2010

Receipts	\$	Payments	\$
Accumulated fund	12 000	Rent for Clubhouse	6 500
Subscriptions	3 000	Purchases of Raffle prizes	8 000
Sale of Raffle tickets	15 000	Stationery	1 400
Donations	10 500	Postage and telephone	600
		Rates	1 000
		Insurance	2 000
		Purchase of furniture	4 000
		Balance c/d	17 000
	<u>40 500</u>		<u>40 500</u>

The treasurer reported that:

- i. subscriptions owing from members at 31 December 2010 amounted to \$1 900,
- ii. insurance is charged at \$150 per month,
- iii. furniture is to be depreciated by 10%

Prepare the Income and Expenditure Account for the year ended 31 December 2010. [13]

[J12Q6]

99. On 1 January 2009, Mpumelelo Social Club had the following assets and liabilities:

	\$
Clubhouse	50 000
Furniture	15 000
Bar inventory	6 000
Subscriptions in advance	400
Subscriptions in arrears	1 000
Sundry expenses accrued	200
Cash at bank	7 000
Bar creditors	1 600

On 31 December 2009, the treasurer presented a list of receipts and payments as follows:

Receipts	\$
Subscriptions received	32 000
Bar sales	40 400
Dance collections	900
Payments	
Payments to bar creditors	15 600
Sundry expenses	2 400
Secretary expenses	11 500
New furniture	3 000
Water and electricity	1 700

Dance expenses 500

The following additional information was available on 31 December 2009:

- (i) Bar inventory was valued at \$4 000.
- (ii) Bar creditors amounted to \$5 400.
- (iii) Outstanding water bill was \$300.
- (iv) Furniture is to be depreciated by 10%.
- (v) Subscriptions received in advance amounted to \$800. There were no subscriptions in arrears.

You are required to

- (i) Calculate the Accumulated Fund at 1 January 2009 [3]
- (ii) Prepare the bar trading account for the year ended 31 December 2009 [3]
- (iii) Prepare the Income and expenditure for the year ended 31 December 2009. [8]

[N 2013 Q 3a]

	\$
Equipment, cost \$16 000	12 500
Rent owing	450
Subscriptions in arrears	700
Subscriptions prepaid	380

A summary of the receipts and payments for the year ended 31 December 2011 is as follows:

Receipts	\$	Payments	\$
Balance b/d	765	Equipment	4 500
Subscriptions	3 900	Dance expenses	690
Proceeds	740	Rent	1 000
Balance c/d	1 685	Travelling expenses	320
		Interest on overdraft	180
		Donations	400
	7 090		7 090

Additional information

- 1. On 31 December 2011, subscriptions received in advance amounted to \$240 and subscriptions received in arrears amounted to \$620.
 - 2. Depreciation is charged at 5% on cost of equipment.
- You are required to;
- (a) Prepare the Income and Expenditure Account for the year ended 31 December 2011. [7]
 - (b) State where exactly the balance c/d in the receipts and payments account is found in the Statement of Financial position. [1]

[N 2014 Q 4b]

PARTNERSHIP ACCOUNTS

100. A. Mpala and W. Nkomo are in a partnership and their agreement has the following:

- Profits and losses are to be shared between Mpala and Nkomo in the ratio 3:2 respectively.
- Interest on capital is to be allowed at 10% per annum.
- Mpala is to receive an annual salary of \$36 000.
- Interest on drawings is to be charged at 5% per annum.
- Capital accounts are to be maintained.

The following balances were extracted from the partnership books on 31 December 2005 **after** the preparation of the Trading Account.

Trial Balance as at 31 December 2005

	Debit \$	Credit \$
Land and buildings	750 000	
Furniture, at cost	260 000	
Debtors	29 700	
Bank	24 000	
General expenses	46 650	
Rates and insurance	31 800	
Stock 31 December 2005	27 150	
Drawings: A. Mpala	34 000	
W. Nkomo	30 500	
Capitals: A. Mpala		395 000
W. Nkomo		380 000
Current Accounts: A. Mpala	2 500	
W. Nkomo		4 000
Provision for depreciation on furniture, 1 January 2005		39 000
Gross profit		300 000
Creditors		18 300
Loan- SADC (repayable on 30 June 2007)		100 000
	1 236 300	1 236 300

Additional information:

- i. Interest on loan at the rate of 10% per annum is owing on 31 December 2005.
- ii. Furniture is to be depreciated by 15% per annum on the reducing balance method.
- iii. A telephone bill of \$350 is owing on 31 December 2005. Telephone is included in general expenses.

You are required to prepare the:

- (a) Partnership Profit and Loss and Appropriation Accounts for the year ended 31 December 2005. [11]
- (b) Balance Sheet as at 31 December 2005. [15]

[N07Q1]

101. Shiri and Patai are trading as equal partners. Their partnership deed has the following:

- i. Interest on capital is allowed at the rate of 10% per annum.
- ii. Interest is charged on drawings at 5% per annum.
- iii. Shiri is entitled to an annual salary of \$20 000.

The following information was extracted from the books of the partnership on 31 December 2005 after the preparation of the trading account:

		\$
Capitals, 1 January 2005	Shiri	60 000
	Patai	90 000
Current accounts, 1 January 2005:	Shiri	8 600 Dr
	Patai	3 600 Cr
Drawings:	Shiri	15 000
	Patai	18 000
Gross profit for the year		238 610
Trade debtors		64 390
Salary paid to Shiri		16 000
Trade expenses		136 060
Motor van		120 000
Trade creditors		43 000
Cash at bank		5 760
Rent		12 000
Stock		39 400

Additional information

- i. Trade expenses owing \$700
- ii. Prepaid trade expenses \$300

- iii. Shiri introduced a personal computer valued at \$30 000 on 1 October 2005. No entry has been made in the books in respect of this transaction.
- iv. Motor van is to be depreciated by 15% of the book value and the computer by 10%.

You are required to prepare the:

- (a) Partnership Profit and Loss and Appropriation Accounts for the year ended 31 December 2005. [10]
- (b) Balance Sheet as at 31 December 2005, showing clearly the details of the partner's current accounts. [15]

[N09Q1]

102. The following Financial Position on 1 January 2004 relates to B. Ngulube:

	\$
Land and buildings	127 500
Fixtures and fittings	63 750
Stock	52 500
Debtors	26 250
Cash at Bank	3 750
Creditors	48 750

On that date B. Ngulube and A. Maphosa entered into a partnership on the following terms:

- i. B. Ngulube's assets and liabilities given above are to be her contribution to the partnership.
- ii. A. Maphosa is to bring into the business the following assets:

	\$
Motor vehicle	45 000
Cash	30 000

- iii. Capitals are to remain fixed at their opening balances
- iv. Profits and losses are to be shared between Ngulube and Maphosa in the ratio 3:2 respectively.
- v. Interest on capital is to be allowed at 10% per annum.
- vi. Interest on drawings is to be charged at the rate of 5% per annum.
- vii. A. Maphosa is to receive a salary of \$2 500 per month.

On 31 December 2004, the following balances were extracted from the books of the partnership:

	\$
Net profit for the year	77 250
Drawings:	
B. Ngulube	22 000
A. Maphosa	33 000
Accrued expenses	3 225
Land and buildings	127 500
Fixtures and fittings	61 150
Stock	74 625
Trade debtors	39 350
Trade creditors	54 900
Motor vehicle	42 750
Cash at bank	36 000

You are required to prepare the:

- (a) Profit and Loss Appropriation Account for the year ended 31 December 2004. [7]
- (b) Balance Sheet as at 31 December 2004. Current Accounts may be shown within the balance sheet or as separate Ledger Accounts provided their balances are transferred to the Balance Sheet. [17]

[J05Q1]

103. Munashe and Nkosi are equal partners. Their Balance Sheet was as follows:

Balance Sheet as at 31 December 2005

	\$		\$
Capitals: Munashe	150 000	Furniture	40 000
Nkosi	150 000	Machine	70 000
Loan: United Bank	50 000	Motor vans	190 000
Creditors	4 500	Stock	15 000
Accrued rent	500	Debtors	10 000
		Bank	30 000
	355 000		355 000

On 1 January 2006, they decided to admit Patel, their finance manager. As a partner on the following conditions:

- i. Patel was to bring into the business furniture valued at \$60 000 and \$24 000 cash.

- ii. Patel was to be paid an annual salary of \$50 000.
- iii. Goodwill was valued at \$30 000 and would remain in the books after admitting Patel.
- iv. Profits and losses are to be shared amongst Munashe, Nkosi and Patel in the ratio 2:2:1 respectively.
- v. The assets were to be revalued as follows:

Motor vans	200 000
Machine	67 000
Stock	14 000

You are required to prepare:

- (a) Capital accounts for the three partners. [9]
- (b) An opening Balance Sheet for the new partnership as at 1 January 2006. [8]

[J06Q3]

104. Yolanda and Nyanda are in partnership, sharing profits and losses in the ratio 3:2

The partnership agreed to admit Ellen on 30 June 2004. Goodwill is valued at \$10 000. Ellen is required to bring in capital equal to that of Nyanda after Nyanda has been credited with his share of goodwill. Ellen brought in fixtures worth \$10 000 and cash to make her capital equal to that of Nyanda. Goodwill is to be maintained in the books.

Yolanda and Nyanda Balance Sheet as at 30 June 2004

\$		\$	
Capital:	Yolanda	Fixtures	23 300
	Nyanda	Stock	21 500
Trade creditors	11 290	Debtors	15 110
		Bank	1 380
	61 290		61 290

You are required to:

- (a) Show journal entries for the admission of Ellen [8]
- (b) Prepare the opening Balance Sheet of the new business as at 1 July 2004. [6]

[J09Q3]

105. N. Ndou and D. Dube agreed to form a partnership on 1 May 2006. Their Balance Sheets as individual retailers on 30 April 2006 were as follows:

N. Ndou Balance Sheet as at 30 April 2006

\$		\$	
Capital	750 000	Fixtures and fittings	400 000
Creditors	250 000	Furniture	260 000
		Stock	90 000
		Debtors	110 000
		Bank	140 000
	1 000 000		1 000 000

D. Dube Balance Sheet as at 30 April 2006

\$		\$	
Capital	1 000 000	Buildings	800 000
Creditors	400 000	Motor vehicles	300 000
		Stock	150 000
		Debtors	80 000
		Bank	70 000
	1 400 000		1 400 000

Ndou and Dube agreed to come together on the following terms:

- i. Ndou's furniture was revalued at \$240 000 and Dube's buildings at \$950 000
- ii. An amount of \$10 000 was to be written off Ndou's debtors.
- iii. All other assets and liabilities were to be taken over at their Balance Sheet values.
- iv. Dube will not bring his motor vehicles to the new business.
- v. Ndou will bring in additional \$150 000 cash as part of his capital.

You are required to:

- (a) Calculate each partner's capital on 1 May 2006. [6]
- (b) Prepare the partnership Balance Sheet as at 1 May 2006. [7]

[N08Q7]

106. On 31 July 2005, the Balance Sheet of S. Nsingo was as follows:

S. Nsingo Balance Sheet as at 31 July 2005

<u>ASSETS</u>		\$000	\$000	<u>EQUITY AND LIABILITIES</u>		\$000
<u>Fixed Assets</u>						
Land and buildings			750	Capital		1 000
Tools and equipment			100			
Motor vans			250	<u>Long Term Liabilities</u>		
			1 100	Loan- Development bank		450
<u>Current assets</u>						
Stocks	150			<u>Current Assets</u>		
Debtors	350			Creditors		350
Cash at bank	90					
Cash in hand	<u>110</u>					
			700			
			<u>1 800</u>			<u>1 800</u>

On 1 August 2005, Nsingo sold her business to T. Tambo for \$2 460 000, payment being made by cheque on the same day. Tambo agreed to take over all assets and liabilities except the cash at bank and in hand.

It was agreed that the following be valued as follows:

	\$
Land and buildings	950 000
Tools and equipment	150 000
Motor vans	300 000
Stocks	120 000

Tambo introduced \$3 500 000 into the business of which \$340 000 remained as cash.

A provision for doubtful debts of \$20 000 was created.

You are required to:

- (a) Calculate goodwill. [13]
 (b) Show the opening Balance Sheet of T. Tambo as at 1 August 2005. [7]

[J07Q4]

107. T. Tambo's Balance Sheet on 28 February 2006 was as follows:

	\$		\$
Capital	165 000	Office Equipment	50 000
Creditors	35 000	Motor vehicles	60 000
		Stock	20 000
		Debtors	30 000
		Bank	40 000
	<u>200 000</u>		<u>200 000</u>

On 1 March 2006, Tambo sold his business to V. Vera for \$150 000. Tambo kept the bank account.

Vera decided to revalue the assets of the business as follows:

	\$
Office equipment	85 000
Motor vehicles	50 000
Stock	18 000

Vera agreed to take over Tambo's creditors. She introduced cash capital of \$200 000 and paid off Tambo on 1 March 2006.

You are required to show:

- (a) journal entries to open the books of Vera, [10]
 (b) the opening balance sheet of the new business on 1 March 2006. [8]

[N10Q3]

108. The following balances appeared in the partnership of T. Muleya and Banda on 1 July 2005.

Capital Accounts:

		\$
	T. Muleya	50 000 Cr
	B. Banda	75 000 Cr
Current Accounts:		
	T. Muleya	8 000 Cr
	B. Banda	6 000 Dr

On 30 June 2006, the following information was available:

- i. Additional capital was introduced by the partners as follows:

31 December 2005	\$
Cash: T. Muleya	50 000
B. Banda	25 000
- ii. Drawings for the year:

Muleya	40 000
Banda	60 000
- iii. The partnership Appropriation Account had the following details:

	Muleya	Banda
	\$	\$
Interest on current accounts	400 Cr	300 Dr
Interest on capital	7 500	6 875
Share of profits	74 000	111 000
Salary	55 025	

You are required to prepare on 30 June 2006:

- (a) T. Muleya Capital Account
- B. Banda Capital Account [3¹/₂]
- (b) T. Muleya Current Account
- B. Banda Current Account [9¹/₂]

[N10Q5]

109. S. Patel's Statement of Financial Position as at 31 December 2008 was as follows:

	\$	\$		\$	\$
<u>Non Current assets</u>					
Premises		50 000	Capital		110 000
Equipment		22 000	<u>Current Liabilities</u>		
Motor Vehicles		<u>30 000</u>	Payables	13 000	
		102 000	Rent owing	2 600	
<u>Current Assets</u>			Overdraft	<u>8 400</u>	
Inventory	12 000				24 000
Receivables	18 000				
Cash	<u>2 000</u>				
		32 000			
		<u>134 000</u>			<u>134 000</u>

The business of Patel is purchased by T. Sibanda on 1 January 2009 at an agreed price of \$120 000. Sibanda takes over all the assets and liabilities except the cash and the bank overdraft. Patel and Sibanda agreed to revalue equipment at \$23 000.

110. S. Patel's Statement of Financial Position as at 31 December 2008 was as follows:

	\$	\$		\$	\$
Non-current assets			Capital		110 000
Premises		50 000	<u>Current Liabilities</u>		
Equipment		22 000	Payables	13 000	
Motor vehicles		30 000	Rent owing	2 600	
<u>Current assets</u>			Overdraft	<u>8 400</u>	
Inventory	12 000				24 000
Receivables	18 000				
Cash	<u>2 000</u>				
		32 000			
		<u>134 000</u>			<u>134 000</u>

The business of Patel is purchased by T. Sibanda on 1 January 2009 at an agreed price of \$120 000.

Sibanda takes over all the assets and liabilities except the cash and bank overdraft.

Patel and Sibanda agreed to revalue equipment at \$23 000 and stock at \$10 000. It was agreed to create a provision for bad debts of 3% on the debtors.

Sibanda brings in a capital of \$123 000 which he deposited into the business bank account. Patel is paid by cheque on 1 January 2009.

You are required to

- (a) Calculate the value of goodwill, [6]
 (b) Show the Statement of Financial Position of Sibanda as at 1 January 2009. [8]

[J 2013 Q 4]

111. John and Peter are in partnership, sharing profits and losses in the ratio 3:2 respectively.

The partnership agreement is as follows:

- (i) To pay John a monthly salary of \$4 000 and a commission of 4% of the net profit for the year,
 (ii) To pay Peter a monthly salary of \$10 000 and an annual bonus of \$50 000,
 (iii) Interest on capital of 10% per annum,
 (iv) Interest on drawings of 5% per annum.

On 1 July 2007, John brought his private motor van worth \$100 000 for use in the business.

On 1 October 2007, Peter brought in \$60 000 cash as additional capital.

The following information was extracted from their books on 31 December 2007:

	John \$	Peter \$
Capital on 1 January 2007	500 000	400 000
Current account balances on 1 January 2007	90 000Cr	20 000Dr
Drawings for the year	150 000	70 000
The net profit for the year was \$450 000.		

You are required to prepare the appropriation Account for the year ended 31 December 2007.

[13]

[J 2013 Q 7]

112. Thandiwe and Sibusisiwe were partners who shared profits and losses in the ratio 2:1 respectively. Their Statement of financial position as at 31 December 2009 was as follows:

	\$	\$		\$	\$
<u>Non-current assets</u>			<u>Owner's Equity</u>		
Land		14 600	Capital :		
Equipment		<u>3 400</u>	Thandiwe	18 000	
		18 000	Sibusisiwe	<u>10 000</u>	28 000
<u>Current assets</u>			<u>Current liabilities</u>		
Inventory	6 000		Accounts payable		7 000
Accounts receivable	9 600				
Bank	<u>1 400</u>				
		<u>17 000</u>			
		<u>35 000</u>			<u>35 000</u>

Additional information:

On 31 December 2009, the partners admitted Nothando into partnership and agreed on the following:

- (i) Thandiwe, Sibusisiwe and Nothando were to share profits and losses in the ratio 2:1:1 respectively.
- (ii) Goodwill was to be revalued at \$7 800 and was to be maintained in the books.
- (iii) A bad debts provision of 5% of debtors was to be created.
- (iv) Land was agreed to be worth \$19 530.
- (v) Equipment was to be revalued at \$3 000.
- (vi) Nothando was required to bring furniture valued at \$6 500 and \$3 500.

You are required to prepare journal entries showing parts (ii) to (iv). Narratives are not required. [12]

[J 2014 Q 3b]

113. Moyana and Takashinga formed partnership to take over Gara's business on 1 January 2012. They are to share profits and losses equally.

Gara's Statement of Financial Position on 31 December 2011 is as follows:

ASSETS		LIABILITIES	
	\$		\$
Equipment	17 200	Capital	30 000
Furniture	6 200	Accounts payable	3 800
Inventory	5 800		
Accounts receivable	1 600		
Bank	3 000		
	<u>33 800</u>		<u>33 800</u>

Moyana and Takashinga each contributed \$17 000 as capital. These amounts were paid directly into the firm's bank account. The purchase price of \$32 000 was paid by cheque to Gara.

All assets and liabilities were taken over except for cash and bank. Goodwill account is to be opened in the books of the partnership. Gara revalued some of the assets as follows:

	\$
Equipment	14 500
Furniture	7 000
Inventory	5 000

- (a) Prepare journal entries to record the purchase of the business. Cash transactions should be journalised. **Narratives are not required.** [10]
- (b) Show the opening Statement of Financial Position of the partnership. [7]

[N 2014 Q 4a]

COMPANY ACCOUNTS

114. Kubatana Limited has an authorised share capital of \$1 200 000, divided into 800 000 \$1 ordinary shares and 400 000 5% preference shares of \$1 each. The issued and fully paid share capital is made up of 600 000 ordinary shares of \$1 each and 400 000 5% preference shares of \$1 each.

The following information is available on 31 December 2006.

	\$
Profit and loss account balance, 1 January 2006	66 000
Net profit for the year ended 31 December 2006	304 000
General reserve	100 000
10% Debentures	210 000

On 31 December 2006, the directors proposed to:

- i. Pay the preference share dividend
- ii. Pay an ordinary share dividend of 10 cents per share
- iii. Transfer \$40 000 to general reserve.

You are required to prepare the:

- (a) Profit and Loss Appropriation Account for the year ended 31 December 2006. [6]
 (b) Balance Sheet extract, showing capital structure as at 31 December 2006. [7]

[J09Q6]

115. The share capital of Willowvale Ltd on 31 December 2004 was as follows:

Authorised Share Capital	\$
2 000 000 \$1 Ordinary shares	2 000 000
1 500 000 9% Preference shares	1 500 000
Issued share capital	
1 500 000 \$1 Ordinary shares	1 500 000
1 000 000 9% \$1 Preference shares	1 000 000

The following information is available for the year ended 31 December 2004:

	\$
Profit and loss account (31 December 2003)	550 000
Net trading profit for 2004	750 000
General reserve	200 000
10% Debentures	500 000
Interim ordinary dividend	100 000
Interim preference dividend	45 000

The company directors recommend that:

- i. \$110 000 be transferred to the general reserve account.
- ii. A final dividend of 10 cents in the dollar be paid to the ordinary shareholders.
- iii. The final dividend be paid to preference shareholders.

You are required to prepare:

- (a) The Profit and Loss Appropriation Account for the year ended 31 December 2005. [5]
 (b) A Balance Sheet extract at 31 December 2005, showing clearly the details of shareholders funds and total capital fund. [8]

[J07Q5]

116. The following information was taken from the books of Kushinga Limited.

Authorised share capital	\$
400 000 Ordinary shares of \$2 each	800 000
600 000, 10% Preference shares of \$1 each	600 000
Issued shares capital	
350 000 Ordinary shares of \$2 each	700 000
500 000, 10% Preference shares of \$1 each	500 000
Reserves	
General reserve	60 000
Profit and Loss Account, 1 January 2005	45 000
3 000, 9% Debentures of \$100	300 000

During 2005, an interim dividend of 10 cents per share was paid on ordinary shares.

The profit before allowing for debenture interest was \$327 000.

On 31 December 2005, the directors recommended that:

- i. The general reserve be increased to \$100 000
- ii. A full year's dividend be paid on preference shares and a final dividend of 15 cents per share be paid on ordinary shares.

You are required to prepare the:

- (a) Profit and loss Appropriation Account for the year ended 31 December 2005. [6]
 (b) Balance sheet extract, showing the details and total of shareholders funds [7]

[N09Q7]

117. The following information was taken from the books of Kushinga Limited.

	\$
Authorised Share Capital	
400 000 Ordinary shares of \$2 each	800 000
600 000, 10% Preference shares of \$1 each	600 000
Issued Share Capital	
350 000 ordinary shares of \$2 each	700 000
500 000, 10% Preference shares of \$1 each	500 000
Reserves	
General reserve	60 000
Profit and Loss Account, 1 January 2005	45 000
3 000, 9% Debentures of \$100 each	300 000

During 2005, an interim dividend of 10 cents per share was paid on Ordinary Shares.

The profit before allowing for debenture interest was \$327 000.

On 31 December 2005 the directors recommend that

You are required to prepare:

- i. the Profit Loss Appropriation Account for the year ended 31 December 2005, [6]
- ii. the Balance Sheet extract showing the details and total of the shareholders equity. [7]

[N11Q7]

118. J. B Khumalo Ltd had the following details extracted from his books for the year ended 31 December 2010:

Authorised Capital

1 400 000 Ordinary shares of 50 cents each	\$700 000
200 000 8% Preference shares of \$1 each	\$200 000

Issued Capital

1 000 000 Ordinary shares of 50 cents each, fully paid	\$500 000
200 000 8% Preference shares of \$1 each, fully paid	\$200 000
3 000 10% Debentures of \$50 each	\$150 000

Reserves

General Reserve	\$30 000
Profit and Loss Account	\$12 000 Cr

Net profit for the year was \$165 000 before allowing for debenture interest. An interim dividend of 2 cents per ordinary share was paid during the year.

The directors recommended that:

- i. the general reserve be increased by \$10 000
- ii. a full year's dividend be allowed for preference shareholders.
- iii. A final dividend of 5% on ordinary share capital be paid.

You are required to prepare:

- (a) the Profit and Loss Appropriation Account for the year ended 31 December 2010, [6]
- (b) the Balance Sheet(Statement of Financial Position) extract showing the total shareholders' funds. [7]

[J12Q5]

119. The following was taken from the books of Hlongwani Limited.

Authorised share Capital

800 000 Ordinary shares of \$0, 50 each

300 000, 8% Preference shares of \$1 each

Issued Share Capital

800 000 Ordinary shares of \$0, 50 each, fully paid

300 000, 8% Preference shares of \$1 each, fully paid

Reserves

General reserve	50 000
Profit and loss account, 30 September 2010	25 000Cr
10 000, 10% Debentures of \$10 each	100 000

Net profit for the year after allowing for debenture interest was \$105 000.

On 30 September 2010, the directors recommended that,

1. The general reserve be increased to \$70 000,
2. A payment of preference dividend be made,
3. A payment of a dividend of $7\frac{1}{2}\%$ on the ordinary shares be made.

You are required to prepare

- (i) The profit and loss appropriation account for the year ended 30 September 2011 [4]
- (ii) The statement of financial position extract as at 30 September 2011, showing the details and total shareholders' funds. [7]

[Nov 2013 Q 3b]

120. Trustwell Company Limited had the following details extracted from its books for the year ended 31 December 2010.

Authorised Share Capital	\$
250 000 Ordinary shares of \$1 each	250 000
66 000 11% Preference shares of \$1 each	66 000
Issued share capital	
200 000 Ordinary shares of \$1 each, fully paid	200 000
55 000 11% Preference shares of \$1 each, fully paid	55 000
10% Debentures	85 500
Reserves	
General reserve, 1 January 2010	47 550
Profit and loss account, 1 January 2010	20 000

The net trading profit for the year was \$79 550 **before** allowing for debenture interest.

	\$
Interim dividend paid: Ordinary shares	12 500
Preference shares	3 025

The directors recommend that:

1. The general reserve be increased to \$70 000
2. A final dividend to be paid to preference shareholders
3. A final dividend of 15% on ordinary shares be paid.

You are required to prepare

- (a) The income statement for the year ended 31 December 2010 [6]
- (b) The statement of financial position at 31 December 2010 showing the **total shareholders' funds**. [7]

[June 2014 Q 4b]