ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

TOURISM AND HOSPITALITY MANAGEMENT, BAKERY STUDIES AND PROFESSIONAL COOKERY

SUBJECT: Accounting II **PAPER NO: 549/S05**

NOVEMBER 2011 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

Answer all questions.

This paper consists of 6 printed pages.

QUESTION 1

Wendy and Thandiwe are in a catering partnership sharing profits and losses equally. The following is the trial balance as at 30 June 2011.

		DR	CR
Buildings (cost $75 000)		50 000	
Fixtures at cost		11 000	
Provision for depreciation: Fixtures			3 300
Debtors		16 243	
Creditors			11 150
Cash at bank		677	
Stock at 30 June 2010		41 979	
Sales			123 650
Purchases		85 416	
Carriage inwards		1 288	
Discounts allowed		115	
Loan interest: Kingston		4 000	
Office expenses		2 416	
Salaries and wages		18 917	
Bad debts		503	
Provision for Bad debts			400
Loan from Kingston			40 000
Capitals: Wendy			35 000
Thandiwe			29 500
Current Accounts :	Wendy	6 400	
	Thandiwe	5 650	
		244 604	244 604

107
95
202

Additional Information:

a) Stock, 30 June 2011, $56 340.

b) Expenses to be accrued: Office expenses $96, Wages $200.

c) Depreciate fixtures 10 per cent on reducing balance basis, buildings $1000.

41 976
56 340
6

d) Reduce provision for bad debts to $320.

e) Partnership salary: Wendy $800, not yet entered.

f) Interest on drawings: Wendy $180; Thandiwe $120.

g) Interest on capital account balances at 10%.

Required:

Prepare a Trading and Profit and Loss Appropriation Account for the year ended 30 June 2011 and a Balance sheet as at that date. (20 marks)

QUESTION 2

a) The following is a summary of Emilia's bank account for the year ended 31 December 2010:

	$		$
Balance 1.1.2010	405	Payments to creditors	29 487
Receipts from Debtors	37 936	Rent	1 650
Balance 31.12.2010	602	Rates	890
		Sundry Expenses	375
		Drawings	6 541
	38 943		38 943

All of the business takings have been paid into the bank with the exception of $9 630. Out of this, Emilia has paid wages of $5 472, drawings of $1 164 and purchase of goods $2 994. The following additional information is available:

	31.12.2009	31.12.2010
Stock	13 862	15 144
Creditors for goods	5 624	7 389
Debtors for goods	9 031	8 624
Rates prepaid	210	225
Rent owing	150	-
Fixtures at valuation	2 500	2 250

Required:

You are to draw up a set of final accounts for the year ended 31 December 2010. Show all of your workings. (10 marks)

b) A summary of HFC Football Club is shown below. From it, and additional information, you are to construct an Income and Expenditure Account and a Balance sheet as at that date, that is 31 December 2009.

CASH BOOK SUMMARY

	$		$
Balance 1.1.2009	180	Purchase of Equipment	125
Collections at Matches	1 650	Rent for Football pitch	300
Profit from sale of refreshments	315	Printing and Stationery	65
		Secretary's expenses	144
		Repairs to Equipment	46
		Groundsman's wages	520
		Miscellaneous expenses	66
		Balance 31.12.2009	879
	2 145		2 145

Additional Information:
- At 1 January 2009 equipment was valued at $500.
- Depreciate all equipment 20% for the year 2009.
- On 31 December 2009 rent paid in advance was $60.
- As at 31 December 2009 there was $33 owing for printing.

Required:

i) Prepare an Income and Expenditure Account for the year ended 31 December 2009.

ii) Prepare a balance sheet as at 31 December 2009.

(10 marks)

QUESTION 3

Nyarai Tours Ltd (which has issued share capital of $4 million) wishes to raise additional capital by issue of shares. On 1 April 2009, 400 000, ordinary shares of $1 each were issued at $2.25 per share payable as to $1.50 on application, including the premium, 30c on allotment due by 30 June 2009 and 45c on the on the first and only call to be made on 1 August 2009. By the closing date, applications for 450 000 shares were received, and all applications were scaled down on prorata basis. All surplus cash received was used as part payment of the amount due on allotment.

400 000
50 000

$\frac{20}{100} \times \frac{500}{1}$

Required:

Write up the ledger accounts necessary to record the above transactions and prepare an extract from the company's balance sheet at 1 August 2009. Assume that all sums were paid in full when they were due by appropriate dates.

(20 marks)

QUESTION 4

You are to study the following Financial Statements for two similar kitchens and then answer questions that follow.

FINANCIAL STATEMENTS

	A		B	
Profit and Loss Accounts	**$**	**$**	**$**	**$**
Sales		80 000		120 000
Less: Cost of goods sold				
Opening stock	25 000		22 500	
Add: Purchases	50 000		91 000	
	75 000		113 500	
Less: Closing Stock	15 000	60 000	17 500	96 000
Gross profit		20 000		24 000
Less: Depreciation	1 000		3 000	
Other Expenses	9 000	10 000	6 000	9 000
		10 000		15 000
Balance sheets				
Fixed Assets				
Equipment at cost	10 000		20 000	
Less: Depreciation to date	8 000	2 000	6 000	14 000
Current Assets				
Stock	15 000		17 500	
Debtors	25 000		20 000	
Bank	5 000		2 500	
	45 000		40 000	
Less: Current Liabilities				
Creditors	5 000	40 000	10 000	30 000
		42 000		44 000
Financed by:				
Capitals				
Balance at start of year		38 000		36 000
Add: Net profit		10 000		15 000
		48 000		57 000
Less: Drawings		6 000		7 000
		42 000		44 000

Required:

a) Calculate the following ratios

i) Gross profit as a percentage of sales. (1 mark)
ii) Net profit as a percentage of sales. (1 mark)
iii) Expenses as a percentage of sales. (1 mark)
iv) Stockturn (1 mark)
v) Rate of return of net profit on capital employed. (1 mark)
vi) Current ratio (1 mark)
vii) Acid test ratio (1 mark)
viii) Debtor / sales ratio (1 mark)
ix) Creditor / Purchases Ratio (1 mark)

b) Drawing upon all your knowledge of accounting comment upon the differences and similarities of the accounting ratios for A and B. Which business seems to be the most efficient? Give possible reasons. (11 marks)

QUESTION 5

a) Hospitality Ltd owns a freehold kitchen which it bought for $900 000, plant and machinery which cost $1 200 000 and a fleet of refrigerated vans which cost $60 000. The annual budget for 2008 includes the following:

	$
Factory overheads (not including depreciation)	510 000
Salaries of sales staff	50 000
Wages of Refrigerated Van Drivers	34 000
Motor van running costs	48 000
Office rent	33 000
Other Administration costs	252 000

It is Hospitality Ltd's policy to provide for depreciation on straight line basis as follows:

Freehold kitchen	2% on cost
Plant and Machinery	20% on cost
Refrigerated Vans	25% on cost

Hospitality Ltd produces beef burger, its only product and it has a budgeted output for 2008 of 24 000 Beef Burgers. Production is spread over the months of the year. The raw materials for each Beef Burger cost $15. Direct labour costs are $26 per Beef Burger.

Required:

An absorption cost statement for Hospitality Ltd for the month of March 2008 showing the total product's profit and loss for the month of March if the selling price of each Beef Burger is $100.

(10 marks)

b) Explain four (4) reasons why marginal costing is important in management decisions for a hospitality establishment.

(10 marks)

..................*rg/pm*