ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL CERTIFICATE

IN

INFORMATION TECHNOLOGY

SUBJECT: Principles of Accounts PAPER NO: 317/S05

MARCH/APRIL 2013 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

Answer ALL questions.

This paper consists of 6 printed pages.

PAPER NO.: 317/S05 – PRINCIPLES OF ACCOUNTS

QUESTION 1

a) A business prepares its financial statements annually to 30 April and stock taking is carried out on the next weekend. In 2008, 30 April was a Wednesday. Inventory was taken on 3 May and the inventory actually on the premises on that date had a value at cost of $124 620.

The following additional information is ascertained:

i) The Cash and Credit sales totalled $2 300 during the period 1-3 May.

ii) Purchases recorded during the period 1-3 May amounted to $1 510 but of this amount, goods to the value of $530 were not received until after 3 May.

iii) Sales returns during 1-3 May amounted to $220.

iv) The average ratio of gross profit to sales is 20%.

v) Goods in the inventory at 30 April and included in stock taking on 3 May at $300 were obsolete and valueless.

Required:

Ascertain the value of the inventory on 30 April 2008 for inclusion in the financial statements. (10 marks)

b) 2 i) Explain clearly the meaning of depreciation. (2 marks)

ii) A car costs $9 600. It will be kept for three (3) years and then sold for $2 600. Calculate the depreciation of each year using the reducing balance method using a depreciation rate of 35% per annum. (8 marks) ✓

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9600

3 360

1 974

1 283

5 640

7

15

15

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Pearls

Sales ret

QUESTION 2

The following Trial Balance was extracted from the books of DD Ltd at the close of business on 31 December 2010.

	DR $	CR $
Purchases and sales	11 280	19 740
Cash at bank	1 140	
Cash in hand	210	
Capital		9 900
Drawings	2 850	
Office furniture	1 440	
Rent	1 020	
Wages and salaries	2 580	
Discounts	690	360
Debtors and Creditors	4 920	2 490
Stock (1.1.2010)	2 970	
Provision for bad debts (1.1.2010)		270
Delivery van	2 400	
Van running costs	450	
Bad debts written off	810	
	32 760	32 760

Notes:

a) Stock 31 December 2010 $3 510.
b) Wages and salaries accrued at 31 December 2010 - $90.
c) Van running costs owing at 31 December 2010 - $60.
d) Increase the provision for bad debts by $60.
e) Depreciate Office furniture $180; Delivery Van $480.
f) Rent prepaid at 31 December 2010 - $140.

REQUIRED:

Draw up the Trading and Profit and Loss Account for the year ending 31 December 2010 together with a Balance Sheet as at that date. (25 marks)

40 30 32

QUESTION 3

From the following figures calculate the closing stock of Grain-in-Trade that would be shown using:

i) FIFO
ii) LIFO
iii) AVCO

BOUGHT:

Jan 1	400 tonnes @ $60 per tonne.
Jan 11	300 tonnes @ $70 per tonne.
Jan 21	300 tonnes @ $80 per tonne.

SOLD:

Jan 5	200 tonnes @ $70 per tonne.
Jan 14	200 tonnes @ $70 per tonne.
Jan 22	200 tonnes @ $90 per tonne.
Jan 27	200 tonnes @ $90 per tonne.

(24 marks)

QUESTION 4

4.1 L. Hope's business has a rate of stock turnover of 8 times per year. Average stock is $16 240. Mark up is 60%. Expenses are 70% of gross profit.

stock 60%

You are to calculate:

average

i) Cost of goods sold
ii) Gross profit
iii) Turnover
iv) Total Expenses
v) Net profit

(10 marks)

4.2 The financial year of The Better Trading Company ended on 30 November 2009. You have been asked to prepare a Total Debtors' Account and Total Creditors' Account in order to produce end of year figures for Debtors and Creditors for the drafting of final accounts. The following information was obtained from the books of original entry for the financial year.

		$
Sales	Cash	344 890
	Credit	268 187
Purchases	Cash	14 440
	Credit	496 600
Total receipts from customers		600 570
Total payment to suppliers		503 970
Discounts Allowed (all to credit customers)		5 520
Discounts Received (all from credit suppliers)		3 510
Refunds given to cash customers		5 070
Balance in the sales ledger set off against balance in the purchases ledger		70
Bad debts written off		780
Increase in the provision for bad debts		90
Credit notes issued to credit customers		4 140
Credit notes received from credit supplies		1 480

According to the audited financial statements for the previous year debtors and creditors as at 1 December 2008 were $26 555 and $43 450 respectively.

Debtors

Sales

Purchases

Required:

Draw up the Debtors' and Creditors' Control Accounts. (10 marks)

4

5

273 347

QUESTION 5

A Trial Balance was extracted and it was found out that the credits exceeded debits by $1 220. A suspense account was opened and the following errors were subsequently found.

i) Furniture bought for $1 800 had been posted to the general expenses.

ii) Rent paid $1 900 had not been posted to the ledger.

iii) Discounts allowed $860 had been posted to the credit of Discounts Received.

iv) The balance of interest earned account $240 had been omitted from the Trial Balance.

v) The Purchases Journal was undercast by $200 and so was the Sales Journal.

Required:

Make all necessary journal entries in respect of the above errors. (11 marks)

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g expense

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Dis allowed expense