



ZCAS University

BAC2101 FINANCIAL ACCOUNTING

FINAL EXAM

MONDAY 27TH MAY 2024

TIME: 16:30-19:30HRS

TIME ALLOWED: THREE HOURS (plus 5 minutes to read through the paper)

INSTRUCTIONS:

1. Section A: this question is compulsory and must be attempted.
2. Sections B: Answer any **THREE (3)** questions from this section.
3. This question paper carries a total of **100 marks**.
4. Candidates must **not turn this page** until the invigilator tells them to do so.

SECTION A: is compulsory and must be attempted

QUESTION ONE

The list account balance of Lubuto Company as at 31 December 2023 is as follows:

	K'000
Share capital- K1 ordinary shares	10,000
Retained earning	19,000
Sales	100,000
Purchases	61,000
Returns inwards	2,000
Returns outwards	4,000
Trade receivables	20,000
Trade payables	7,000
Land and building at cost	40,000
Plant at cost	50,000
Depreciation on plant	22,000
Debenture (10% p.a interest)	30,000
Inventory as at 1 January 2023	15,000
Operating expenses	9,000
Administration expenses	7,000
Selling expenses	6,000
Bank overdraft	8,000
Suspense account	10,000

Notes :

- (i) 5,000,000 new shares were issued during the year at K1.60 per share. The proceeds have been credited to the suspense account.
- (ii) Sales returns of K1,000,000 have been entered in the sales day as if they were sales.
- (iii) The bookkeeper has included the opening allowance for receivables of K800,000 in the selling expenses account in the list of account balances. The provision is required to be 5% of receivables.
- (iv) Closing inventory is K18,000,000
- (v) A standing order payment of K1,000,000 for the rates paid in December has not been entered. These payments covered the half-year to 31 March 2024.

- (vi) No debenture interest has been paid.
- (vii) The remaining balance on the suspense account after the above represent the sales proceeds of a fully depreciation item of plant, costing K10,000,000. No other entries (except bank) have been made concerning this disposal.
- (viii) Depreciation at 10% on cost should be provided on the plant.

Required

Calculate

- a) Prepare the trial balance 10 marks
- b) Prepare the statement of profit or loss account as at 31 December 2023. 15 marks.
- c) Prepare the statement of financial position as at 31 December 2023. 15 marks.

TOTAL: (40 MARKS)

SECTION B: Attempt any THREE questions in this section.

QUESTION TWO

Inventory is one of the most important assets in a company's Statement of financial position. To this effect, IASB issued IAS 2 dealing with the valuation and presentation of inventory in the accounting books and financial statements.

Required:

- (a) Explain how the accrual principle applies in the way inventory is treated in the Financial Statements. (2 marks)
- (b) You operate a hardware shop. You are given the following information regarding movement of cement stocks during the year ended 31 May 2021.

		Units	Unit Price (K)
1 June 2020	Opening Inventory	200 Units	K55
14 June 2020	Purchases	500 Units	K58
7 August 2020	Sales	300 Units	67
10 October 2020	Sales	300 Units	72
12 December 2020	Purchases	200 Units	K63
06 January 2021	Purchases	300 Units	K66
04 April 2021	Sales	200 Units	70
22 May 2021	Sales	200 Units	72

Required:

Calculate the closing inventory, sales value, cost of sales and the gross profit, using:

- (i) FIFO (9 marks)
- (ii) AVCO (9 marks)

TOTAL: (20 MARKS)

QUESTION THREE

Balances at 31 December 2021

	K
Non-current assets (cost K60,000)	40,000
Inventories:	
Raw materials	25,000
Work in progress, valued at prime cost	5,800
Finished goods	51,000

The following relevant transaction occurred during 2022

Invoiced purchased of raw materials, less returns	80,000
Discount received	2,900
Direct wages paid	34,000
Manufacturing Direct expenses paid	70,100
Balance as at 31 December 2022	
Non-current asset (cost K90,000)	60,000
Inventories:	
Raw materials	27,000
Work in progress	5,000
Finished goods	52,000

Required

Calculate

- The prime cost of production for the year (4 marks)
- The total depreciation charge for the year (4 marks)
- The production cost of goods completed (3 marks)

d) At the beginning of the year, the opening work in progress was K235,000. during the year the following expenditure was incurred:

Prime cost	720,000
Factory overheads	70,000
The closing work in progress was	340,000

Required

Calculate the factory cost of goods completed during the year (4 marks)

e) At the start of the year a manufacturing company had inventories of the raw materials of K23,000 and inventories of finished goods K36,000. There was work in progress of K4,900

During the year the following expenses were incurred: K

Raw materials purchased 187,000

Direct labour 50,000

Manufacturing expenses incurred 120,000

During the year sales of K426,000 were made. The inventories of raw materials at the year-end were valued at K27,000 and the inventories of finished goods were valued at K35,000. There was no work in progress.

Required

Calculate the gross profit for the year

(5 marks)

TOTAL: (20 MARKS)

QUESTION FOUR

On 31st May 2023, the bank column of Jey Jey's Cash Book showed a debit balance of K 4,400. The Bank Statement on the same date showed a balance of K 8,785 credit. You have been recently recruited to help with bank reconciliation. You compare the Bank Statement and Cash Book and establish the following:

- (i) A standing order to Pang'no Building Society for K600 had been paid by the bank.
- (ii) A direct credit amounting to K720 had not been entered in the Cash Book.
- (iii) The Bank Statement showed bank charges of K155 not recorded in the business's books.
- (iv) Jey Jey's earned interest of K380 on her bank account. This has not been entered in the account.
- (v) Jey Jey's fixed deposit account had matured; K4,200 had been transferred into her current account.
- (vi) An error was discovered in the cash book where a cheque received from a customer, B. Banja, was credited to the cash book of K320.
- (vii) The bank statement showed an entry for a dishonoured cheque of K210 returned from Nyati, a customer.
- (viii) Two cheques issued in May 2017 had not been presented for payment, payable to

Kalaiti for K700 and another to B. Bwebya for K800.

(ix) Jey Jey's received cheques amounting to K2,090 which were deposited by 31st May 2023, but were only credited to her bank account on 4 June 2023.

Required:

- (a) Update the Cash Book balance as at 31st May, 2023. (7 Marks)
- (c) Draw up a bank reconciliation statement as at 31st May 2023, starting with the Bank Statement balance. (6 Marks)
- (c) Give THREE reasons why it is important to prepare a bank reconciliation. (3 Marks)
- (d) Explain the difference between
- (i) Standing order and direct credit
 - (iii) Outstanding deposits and un-presented cheques (4 Marks)

(TOTAL: 20 MARKS)

QUESTION FIVE

The International Accounting Standard's Board (IASB) has published the Framework for the Preparation and Presentation of Financial Statements which guides the preparation of financial statements.

Required:

- (a) Describe the objectives of the International Accounting Standards Board (IASB). (3 marks)
- (b) Explain the two main underlying assumptions outlined in the IASB's Framework for the Preparation and presentation of financial statements. (4 marks)
- (c) Explain what is meant by reliability as outlined in the framework and stating the characteristics of reliable information. (5 marks)
- (d) Outline the arguments for and against having agreed global accounting standards for the accounting profession as a basis for the preparation of financial statements. (8 marks)

(TOTAL: 20 MARKS)

END OF EXAMINATION