

NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY

DEPARTMENT OF ACCOUNTING

FIRST SEMESTER EXAMINATION: APRIL 2009

ACCOUNTING IA CAC 1107

TIME ALLOWED: 3 HOURS

Instructions to candidates:

- 1 Answer all **four** questions.
- 2 Start each question on a new page.
- 3 All workings must be shown.

QUESTION 1 (Total 20 Marks)

- a) Discuss the different users of financial information. [4 Marks]
- b) Differentiate between financial accounting and management accounting. [4 Marks]
- c) Explain what is meant by the following accounting principles,
 - Accrual
 - Consistency
 - Prudence
 - Materiality
 - Matching
 - Realization[12 Marks]

QUESTION 2 (Total 30 Marks)

The following post adjustment trial balance was taken from the books of NUST Traders:

NUST TRADERS
Post – adjustment Trial Balance as at 31 December 2008

	Debit	Credit
Shop equipment	15 000	
Accumulative depreciation: shop equipment		5 000
Stock of merchandise:1/1/9.1	10 000	
Debtors	20 000	
Cash in Bank	7 000	
Capital: G Ncube		23 000
Drawings	8 000	
Trade creditors		30 000
Purchases	45 000	
Sales		55 000
Depreciation: Shop equipment	1 000	
Other operating expenses	7 000	
	<u>\$113 000</u>	<u>\$113 000</u>

Except for the closing stock which amounts to \$ 18 000 all other adjustment have been made.

REQUIRED

- A) Prepare the closing journal entries. **[8 Marks]**
- B) Prepare the income statement of Nust traders for the year ended 31 December 2008. **[12 Marks]**
- C) Prepare the balance sheet of Nust traders at 31 December 2008. **[10 Marks]**

QUESTION 3 Total (20 MARKS)

The following information relates to Berry Dealers:

(a) Trial balance at 30 March 2008

	Debit	Credit
	\$	\$
Capital.....		25 380
Bank.....	8 500	
Inventory: Merchandise.....	14 036	
Debtors control.....	7 524	
Creditors control.....		15 140
General expenses.....	1 340	
Sales.....		26 400
Sales return.....	700	
Discount received.....		1 200
Purchases.....	15 340	
Purchases return.....		6 00
Discount allowed.....	720	
Railage; purchases.....	1 680	
Railage: Sales.....	2 280	
Rent expense.....	6 000	
Salaries.....	10 600	
	68 720	68 720

(b) **Debtors List**

	\$
A Ncube	2 177
B Sibanda	1 585
C Dube	3 212
D Ndlovu	550
	<u>7 524</u>

Creditors List

	\$
XYZ Ltd	8 415
ABC Ltd	5 610
DEF Ltd	1 115
	<u>15 140</u>

(C) Transactions for December 2008

- Dec 1 Paid rent of \$ 880 for December to Rent Agencies.
2 Received a cheque from B. Sibanda, \$1 530, in full settlement of his account on 30 November 2008.
3 Paid XYZ Ltd \$ 8 118 in full settlement of the amount owed.
4 Purchased goods on credit from XYZ Ltd, \$ 3 300.
5 Paid Railways \$110 for railage on goods received from XYZ Ltd.
6 Cash sales, \$2 486.
8 Sold goods on credit to B Sibanda, \$1 650.
9 Paid Expo Deliveries \$165 for freight on goods delivered to B Sibanda. Berry Dealers bears the cost of the delivery.
10 Accepted damaged goods returned by B . Sibanda and issued a credit note for \$99.

- Dec 12 Received \$2 200 on account from C . Dube.
13 Sold goods on credit to D. Ndlovu \$220.
15 Received a cheque for \$44 from Grant Ltd, a creditor, for discount not deducted on a payment made on 26 November 2008
17 Paid the amount due to D.E.F Ltd.
20 Sold goods on credit to C. Dube, \$1 012.
23 Cash sales, \$3 355.
24 Purchased goods on credit from ABC Ltd, \$935.
25 Paid cash for goods purchased from DNK \$979.
30 Paid salaries, \$2 000.

REQUIRED:

Prepare the following subsidiary journals of Berry Dealers, properly totalled for December 2008

- 3.1 Cash receipts journal (analysis columns for bank, sales, debtors, discount allowed, and Sundries) **[7 Marks]**
3.2 Cash payments journal (analysis columns for bank, purchases, creditors, discount received, and sundries) **[7 Marks]**
3.3 Sales journal (analysis columns for debtors, and sales) **[3 Marks]**
3.4 Purchases journal (analysis columns for creditors, and purchases. **[3 Marks]**

QUESTION 4 **Total (30 Marks)**

The Nust Tennis club came into existence on 1 May 2007 with 20 members. Each member paid \$250 entrance fees and agreed to pay \$100 per month membership fees. They rented an existing club house and tennis courts from the local municipality for \$1 500 per month. On 1 July 2007 the Nust Tennis Club received donations of \$20 000 and with the necessary permission from the municipality erected a lapa with bar facilities. The new building was completed at the end of September 2007. These facilities are available for private functions at \$1 000 per day, under the condition that the bar must supply any liquor needs. The new building was let 25 times until the end of April 2008.

Other cash receipts from 1 May 2007 until 30 April 2008

	\$
Membership fees.....	28 400
Bar cash sales.....	167 460
Bar debtors.....	48 230
Sale of old tennis balls.....	350

The following payments were made from 1 May 2007 until 30 April 2008:

	\$
Caretaker's salary.....	19 200
Rent deposit.....	1 500
Rent expense.....	19 500
Building costs.....	25 500
Wages for bar personnel.....	36 000
Payments to bar creditors.....	86 450
Glassware purchased.....	50 630
Furniture and fittings.....	27 800
General expenses.....	4 870
Painting of tennis courts.....	2 150
Tennis court nets purchased on 1 May 2007.....	7 200
Repairs to club house on 1 June 2007.....	3 890
Tennis balls.....	2 950
Water and electricity.....	5 810

Additional information:

1. Ten new members joined the club during the year.
2. Membership fees in arrears amounted to \$ 700 at April 2008, while fourteen members paid their fees for May 2008. \$ 300 of the membership fees in arrears are considered irrecoverable and must written off.

3. Bar inventory at 30 April 2008 amounted to \$14 280.
4. Glassware was valued at \$45 200 at 30 April 2008.
5. Furniture and fittings must be depreciated at 15% per annum on the diminishing balance method. Furniture to the value of \$5 000 was purchased on 1 May 2007, while the other furniture and fittings were purchased on 1 September 2007.
6. The tennis court nets must be depreciated at 33⅓% per annum on the cost price.
7. Bar creditors amounted to \$2 670 at 30 April 2008.
8. Member's bar accounts amounted to \$3 740 at 30 April 2008.

REQUIRED:

- a. The receipts and payments statement of the Action Tennis club for the year ended 30 April 2008. **[10 Marks]**
- b. The trading statement for the bar of the Nust Tennis Club for the year ended 30 April 2008. **[4 Marks]**
- c. The membership fees account, properly balanced at 30 April 2008. **[4 Marks]**
- d. The income and expenditure statement of Nust Tennis Club for the year ended 30 April 2008. **[12Marks]**

END OF PAPER

GOOD LUCK