

**NATIONAL UNIVERSITY OF SCIENCE AND TECHNOLOGY**  
**FACULTY OF COMMERCE**  
**GRADUATE SCHOOL OF BUSINESS**  
**Post Graduate Diploma in Management (PGDM)**

**FINANCIAL ACCOUNTING - GBA 487**  
**SUPPLEMENTARY EXAMINATION - STAGE I**

**DATE: 13 JANUARY 2005**

**TIME ALLOWED: 3 HOURS**

Reading time is 30 minutes. Candidates are permitted to make notes on the question paper but not to write in the answer book during this period.

**INSTRUCTIONS**

- (1) Attempt all the four (4) questions.
- (2) Marks will be awarded for presentation, neatness and workings.
- (3) Start the answer of each question on a fresh page.

**Question 1 [30 marks]**

The following is the trial balance extracted from the books of Mr T Goveya a Wholesaler as at 31 December 2004.

	<b><u>DR</u></b>	<b><u>CR</u></b>
	<b>\$'000</b>	<b>\$'000</b>
Capital Account		560 000
Purchases	462 000	
Sales		789 000
Premises at Cost	320 000	
Motor Vehicles at Cost	150 000	
Accumulated depreciation of Motors		41 000
Fixtures and fittings at cost	32 500	
Accumulated depreciation – fixtures and fittings		5 500
Motor Expenses	36 500	
Rates	11 500	
Balance at bank	21 000	
Wages and Salaries	210 000	
Drawings	48 000	
Insurance	10 000	

	<b>\$'000</b>	<b>\$'000</b>
Trade Debtors	90 000	
Trade Creditors		75 000
Sundry expenses	81 000	
Long term loan		100 000
Stock at 01.01.04	96 250	
Cash in hand	1 750	
	<hr/>	<hr/>
	<u>1 570 500</u>	<u>1 570 500</u>

The following information was available at 31 December 2004:

1. Stock at 31 December was \$112 000 000.
2. There were wages and salaries of \$6 000 000 owing.
3. There was a payment of \$6 000 000 on September 30 to cover 12 months insurance.
4. On reviewing debtors, it was discovered that a debt of \$4 000 000 would not be recovered and should be written off.
5. Depreciation is 20% of the cost of motor vehicles and 10% of the cost of fixtures and fittings.
6. Loan interest at 10% has not been allowed for.

**Required:**

Prepare an Income and Expenditure Statement and Balance Sheet for Mr T Goveya to cover the period in question.

**Question 2** [20 marks]

“Accounting is the process of identifying, measuring and communicating economic information to permit informed judgements and decisions by the users of information” (AAA)

**Required:**

Discuss the definition emphasizing its technical, practical and philosophic implications to business operations.

**Question 3** [27 marks]

Ndebele (Pvt) Ltd is a builders merchant. On 1 September 2004 the business had 20 tonnes of sand in stock at a cost of \$18 000 per tonne and at a total cost of \$360 000. During the first week in September, the business purchased the following amounts of sand:

	Tonnes	Cost/tonne
2 September	48	20 000
3 September	30	22 000

4 September	15	24 000
6 September	10	25 000

On 7 September, the business sold 60 tonnes of sand to a local builder.

**Required:**

Calculate the cost of goods sold and the closing stock figures from the above information using the following stock costing methods:

- (a) First in, first out
- (b) Last in, first out
- (c) Weighted average cost

**Question 4** [23 marks]

Business A and Business B are both engaged in retailing, but seem to take a different approach to this trade according to the information available. This information consists of a table of ratios, shown below:

<b>RATIO</b>	<b>Bus. A</b>	<b>Bus. B</b>
Return on capital employed (ROCE)	20%	17%
Return on Ordinary Shareholders' funds (ROSF)	30%	18%
Average settlement period for debtors	63 days	21 days
Average settlement period for creditors	50 days	45 days
Gross Profit percentage	40%	15%
Net Profit percentage	10%	10%
Stock turnover	52 days	25 days

**Required:**

- (a) Explain how each ratio is calculated **[7 marks]**
- (b) Describe what this information indicates about the differences in approach between the two businesses. **[14 marks]**
- (c) If one of them prides itself on personal service and one of them on competitive prices, which do you think is which and why? **[2 marks]**

**END OF EXAMINATION QUESTIONS – GOOD LUCK !!!!**