ZIMBABWE

MINISTRY OF HIGHER AND TERTIARY EDUCATION, INNOVATION, SCIENCE AND TECHNOLOGY DEVELOPMENT

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

SUBJECT: Financial Accounting 1 **PAPER NO:** 500/15/S03
500/22/S03

DURATION: 3 Hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer all questions.
2. Present your work in an acceptable format.
3. Show all workings were necessary.
4. Silent non programmable calculators may be used.

PAPER NO: 500/15/S03 - FINANCIAL ACCOUNTING 1

QUESTION 1

The following details were taken from the books of Chazezesa for the year ending 31 December 2024.

Bought / Purchases
January 120 units at $16 each
April 80 units at $18 each
October 150 units at $19 each

Sales / sold
June 125 units at $22 each
November 210 units at $22 each

Required: -

(a) Determine the closing inventory in trade that would be shown using: -

(i) FIFO – First In First Out (5 marks)

(ii) LIFO – Last In First Out (5 marks)

(iii) AVCO – Average cost (5 marks)

(b) Comparative trading accounts (5 marks)

PAPER NO: 500/15/S03 - FINANCIAL ACCOUNTING 1

QUESTION 2

Love Ltd has an authorised share capital comprising 250 000 ordinary shares of $1 each and 62500 6% preference shares of $10 each. The trial balance as at 31 December 2024 was as follows:

	$	$
Ordinary share capital		1 000 000
6% preference share capital		375 000
5% debentures		125 000
General reserves		62 500
Retained income		37 500
Share premium		50 000
Accounts payable		75 000
Gross profit		1051875
Motor vehicle	375 000	
Land and buildings	562 500	
Plant and machinery	250 000	
Inventory	312 500	
Preliminary expenses	25 000	
Bank	250 000	
Debenture interest	3125	
Director's fees	225 000	
Salaries	300 000	
General expenses	75 000	
Interim dividends – ordinary	37 500	
- Preference	11250	
Auditor's fees	12500	
Investment	337 500	
	2 776 875	2 776 875

Additional information: -

1. Provide 10% depreciation on plant and machinery and motor vehicles

2. Transfer $37500 to general reserves
3. Write off preliminary expenses amounting to $6250.

4. Provide for a final dividend of 12% on ordinary shares.

Required: -

(a) Statement of profit or loss and other comprehensive income for the year 31 December 2024. (6 marks)

(b) Statement of changes in equity for the year ending 31 December 2024. (4 marks)

(c) Statement of financial position as at 31 December 2014. (10 marks)

PAPER NO: 500/15/S03 - FINANCIAL ACCOUNTING 1

QUESTION 3

Shown below are the statements of comprehensive and financial position for Dhidhi who has been increasingly concerned by his worsening bank balance which has fallen by $3400.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 31 DECEMBER

	2023 ($)	2024 ($)
Sales	24 000	27000
Less : Cost of goods sold	18 000	18 000
Gross profit	6000	9000
Less: Expenses (depreciation included)	2500	3000
Net profit	3500	6000

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER

	2023 ($)	2024 ($)
Assets		
Property at cost	8000	8 000
Plant at cost	11000	12500
Provision for depreciation - plant	(7000)	(8600)
Inventory	7500	10 000
Accounts receivable	3000	5000
Bank	3500	100
Total assets	26 000	27 000
Capital and liabilities		
Capital	22500	21000
Net profit	3500	6000
Drawings	(5000)	(5500)
Loan		2500
Accounts payable	5000	3000
Total capital and liabilities	26 000	27 000

Additional information

(a) The plant sold during the year had a book value of $400 and an original cost of $1000.

(b) Profit realised on disposal was $300.

Required: -

Prepare a statement of cash flows for the year ended 31 December 2024, using direct method.

QUESTION 4 (20 marks)

Love and Hate have been in a partnership for many years sharing profit and losses in the ratio 3:2 respectively. The following was their statement of financial position as at 31 December 2024.

Assets	$
Goodwill	2000
Plant and machinery	1800
Inventory	1960
Accounts receivable	2130
Bank	90
Total assets	7980
Capital and liabilities	
Capital - Love	4000
- Hate	3000
Accounts payable	980
Total capital and liabilities	7980

On 1 January 2015 they decided to admit Loveable as a partner on condition that he contributed $2000 as has capital. The plant and machinery and inventory should be revalued at $2 000 and $1 900 respectively, other assets, except goodwill, remaining at their book values. The goodwill was agreed to be valueless

Required to show: -

(a) (i) Goodwill account (2 marks)

(ii) Revaluation account (5 marks)

(iii) Capital account (6 marks)

(b) Statement of financial position. (7 marks)

QUESTION 5

Dynamos Football Club has the following summary of the receipts and payments for the year 31 December 2024.

Receipts		**Payments**	
Balance b/d	13800	Payments to bar supplies	150 000
Subscriptions	67 200	Rates and water	22 600
Bar sales	200 000	Electricity	25300
		General expenses	33 800
		Insurance	18 000
		Balance c/d	31 300
	281 000		281 000
Balance b/d	31 300		

The club's statement of financial position as at 31 December 2023.

Assets	**$**	**Accumulated fund and liabilities**	
Club house	500 000	Accumulates fund	740 000
Equipment	230 000	Bar creditors	19 000
Bar stocks	14 000	Subscriptions in advance	1500
Subscriptions in arrears	2700		
Bank	13800		
	760 500		760 500

Additional information available on 31 December 2024: -

(i) Arrears of subscriptions shown in the last statement of financial position have all been received.

(ii) Subscriptions in arrears at the end of 2024 amounted to $1 900.

(iii) Bar creditors amounted to $21 000

(iv) Equipment is to be depreciated by $15 000

(v) Amount owing for electricity was $9000

(vi) Bar sticks were valued at $16 800

Required

(a) The bar trading account for the year ended 31 December 2024.

(b) The income and expenditure account for the year ended 31 December 2024.