ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS AND MANAGEMENT STUDIES

MODULE: Financial Accounting and Reporting 1 **PAPER NO:** 500/23/M02

DURATION: 3 hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

1. Answer all questions.
2. All solutions to be presented in acceptable format.
3. Show all workings where necessary.
4. Silent non-programmable calculators may be used.

This paper consists of 8 printed page.

QUESTION 1

ABC Ltd is registered with an authorised share capital of 300 000 ordinary shares of $1 each. The following information was extracted from its books.

Trial Balance as at 31 March 2024

	$	$
Ordinary share capital		200 000
Land and buildings	170 000	
Accounts receivable	38 300	
Furniture and fittings	80 000	
Accounts payable		25 000
Inventory	45 800	
Bank	12 000	
Gross profit		98 050
Office salaries	25 000	
Accumulated depreciation furniture		32 000
Share premium		20 000
Advertising	5 000	
Bad debts	250	
Allowance for doubtful debts		600
Retained profit		12 000
Directors' fees	11 300	
	387 650	387 650

Additional information:

a) The allowance for doubtful debts is to be adjusted to $700.

b) Furniture is to be depreciated at 10% on cost per annum.

c) Transfer $25 000 to the general reserve.

d) The Directors proposed a dividend of 10% on ordinary shares.

Required:

a) A Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 October 2024. (10 marks)

b) A Statement of Financial Position as at 31 October 2024. (10 marks)

QUESTION 2

The following information was extracted from the books of Ilanga Charity Club:

Receipts and payments account for the year ended 31 December 2024.

	$		$
Balance b/d	6 000	Purchase of beverages	13 500
Sales of beverages	30 000	Wages (Kiosk)	900
Donations received	7 500	Secretary's expenses	600
Subscriptions:		Donations to charities	6 750
2023	1 200	Stationery	300
2024	2 400	Transport costs	2 550
2025	600	Electricity for kiosk	2 500
		Groundsmen wages	1 200
		Balance	19 400
	47 700		47 700
Balance b/d	19 400		

Additional information

a) The subscriptions in arrears at 31 December 2023 and 31 December 2024 were $750 and $1 050 respectively.

b) Inventories of beverages were $1 650 on 1 January 2024 and $1 200 on 31 December 2024.

c) On 31 December 2023 motor vehicles were valued at $75 000 and are to be depreciated at 5% per annum.

Required:

a) A subscription received account. (3 marks)

b) An Income statement for beverages. (7 marks)

c) An Income and Expenditures account for the year ended 31 December 2024. (10 marks)

QUESTION 3

From the information given below you are required to draw up a Statement of Cash Flows using the Indirect Method for the year ended 31 December 2018.

Gono Income Statement for the year ending 31 December 2018

Gross profit		140 000
Other income		
Profit on disposal of machinery		2 000
		142 000
Less expenses:		
Loan interest paid	6 000	
Depreciation: plant and machinery	14 000	
Other expenses	130 000	
		150 000
Net loss		8 000

QUESTION 3

Statement of financial position as at 31 December 2018

		2017		2018
ASSETS	$	$	$	$
NON-CURRENT ASSETS:				
Land and buildings		400 000		400 000
Machinery		120 000		200 000
		520 000		600 000
CURRENT ASSETS:				
Inventory	90 000		70 000	
Accounts receivable	50 000		90 000	
Cash at bank	30 000		33 000	
		170 000		193 000
		690 000		793 000
EQUITY AND LIABILITIES				
Capital		520 000		550 000
Additional capital		-		98 000
				648 000
Add net loss/profit		70 000		(8 000)
		590 000		640 000
Less drawings		(40 000)		(10 000)
		550 000		630 000
NON-CURRENT LIABILITIES				
Loan from Tanaka		100 000		80 000
CURRENT LIABILITIES				
Accounts payable		40 000		83 000
		690 000		793 000

Additional information

Machinery with a written down value of $5 000 was disposed off during the year.

QUESTION 4

The following statement of financial position was extracted from the books of Gladys, Gertrude and Grace who have been operating as partners sharing profit and loss in the ratio 2:2:1 respectively.

Statement of Financial Position as at 31 December 2024.

ASSETS		
NON-CURRENT ASSETS:		
Premises		20 000
Plant and machinery		7 000
Motor vehicles		5 000
		32 000
CURRENT ASSETS		
Inventory	1 600	
Bank	1 400	
		3 000
		35 000
EQUITY AND LIABILITIES		
Capitals: Gladys		10 000
Gertrude		10 000
Grace		10 000
CURRENT LIABILITIES		
Trade payables		5 000
		35 000

The partners agreed to change the profit and loss sharing ratio to Gladys 2, Gertrude 3 and Grace 5. It was also decided to revalue the assets and liabilities as follows:

Premises	25 000
Plant and machinery	5 000
Motor vehicles	2 000
Trade payables	4 400

Inventory worth $600 was said to be obsolete. Goodwill was valued at $20 000 but it was not to be kept in the books of the partnership.

Required:

a) Goodwill account (3 marks)

b) Revaluation account (2½ marks)

c) Partnership capital account (6½ marks)

d) The statement of financial position after the change in ratios. (8 marks)

QUESTION 5

Jabulani Nkiwane owns a departmental store which sells drugs, cosmetics and photographic equipment. The following information was extracted from his books for the year to 31 December 2024.

	$
PURCHASES	
Drugs	576.00
Cosmetics	506.00
Photographic	265.00
SALES	
Drugs	900.00
Cosmetics	1 200.00
Photographic	500.00
Salaries and wages	465.00
Sales commission	115.00
Rent and rates	140.00
Heating and lighting	37.50
Advertising	24.00
Delivery expenses	21.00
Depreciation of non-current assets	52.50
Administration and general expenses	120.00
Inventory 01/01/24:	
Drugs	134.00
Cosmetics	117.00
Photographic	160.00

Additional information:

a) Inventory at 31 December 2024

Drugs	125.00
Cosmetics	133.00
Photographic	135.00

b) Salaries and wages to be allocated as follows:

Drugs	146.00
Cosmetics	194.00
Photographic	125.00

c) Sales commission is to be apportioned in the ratio of the turnover for each department.

d) Rent and rates, heating and lighting are to be apportioned in the ratios: Drugs 3, Cosmetics 4 and Photographic 3.

e) All other expenses are to be apportioned equally among the departments.

Required:

Prepare a Departmental Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2024. (20 marks)

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