ZIMBABWE

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

HIGHER EDUCATION EXAMINATIONS COUNCIL (HEXCO)

NATIONAL DIPLOMA

IN

BUSINESS STUDIES

SUBJECT: Financial Accounting 2 **PAPER NO: 500/15/S07**
500/22/S07

DURATION: 3 hours

JUNE 2026 EXAMINATION

REQUIREMENTS

INSTRUCTIONS TO CANDIDATE

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

This paper consists of 8 printed page.

QUESTION 1 (20 marks)

Chigumba Agencies sells goods in containers which are charged to customers at $12 each. Customers are credited with the same amount for each container returned within four months.

During 2024:

i) Chigumba Agencies Ltd purchased 150 containers at $9 each.

ii) 540 containers were charged to customers.

iii) 450 containers were returned by customers.

iv) 30 containers were kept for more than four months by customers and they did not return them.

v) 6 containers were damaged during delivery and were sold for $2 each.

On 31 December 2024 customers held 60 containers, the time limit for the return of which had not expired and 54 containers were in the company's premises. All stock of containers on the company premises and those with customers at the end of each year are valued at $6 each.

Required:

a) The container stock account

b) The container suspense account

QUESTION 2 (20 marks)

A firm with its head office in Harare opened a branch in Goromonzi. The following transactions took place during the first two (2) months of operations:

January	2	Opened a bank account in Goromonzi by transferring $12 000 from the Harare bank account.
	4	Bought a building in Goromonzi paying by cheque drawn on the Harare bank account $60 000.
	6	Goromonzi bought a motor vehicle paying by cheque $7 200 from its bank account.
	9	Goromonzi bought fixtures on credit from Gonzalo Hardware (Pvt) Ltd $10 800.
	16	Harare supplied furniture valued at $3 000 from its own furniture.
	19	Goromonzi bought goods from suppliers paying by cheque on its own account $3 240.
	26	Goods invoiced at cost to Goromonzi during the month by Harare $33 600.
	29	Remittance by cheque of $21 600 to Harare by Goromonzi.
	31	Goods returned to Harare by Goromonzi at cost price $1200. Net profit made by the branch for the month of January $8 400. There were no items in transit at the end of January.
February	14	Goods sent to branch $44 400.
	15	Cheques sent to head office by branch $36 360.
	27	Returns to head office by branch $6 000. Net profit made by the branch $9 600 for February.

At the end of February, the following items are still in transit.

i) Goods sent to branch $2 400.

ii) Cheques sent by branch $960.

iii) Returns from the branch $720.

Required:

Enter the above transactions in the head office and branch current accounts only. Balance the two accounts at the end of each month. Adjustments for items in transit are made in the head office books only.

QUESTION 3 (20 marks)

The following relates to Baboon Ltd as at 31 December 2024.

Statement of financial position as at 31 December 2024.

ASSETS	$
Premises	250 000
Plant and machinery	120 000
Motor vehicles	100 000
Furniture	30 000
Inventory	100 000
Accounts receivable	80 000
Prepayments – rent and rates	10 000
Bank	30 000
Total assets	720 000
EQUITY AND LIABILITIES	
EQUITY	
Ordinary shares of $1 each	400 000
10% redeemable preference shares $1 each	100 000
Profit and loss	80 000
CURRENT LIABILITIES	
Accounts payable	140 000
Total equity and liabilities	720 000

Notes:

1. The company decided to redeem 40 000 of the preference shares at $1.10. The shares had not been issued at a premium.

2. It also decided to make a fresh issue of 80 000 ordinary shares of $1 at a price of $1.20.

3. The money due from the issue of shares was received and redemption took place on 5 January 2025.

Required:

i) Bank account
ii) Ordinary share application and allotment account
iii) Ordinary share capital account
iv) Ordinary share premium account
v) 10% redeemable preference share capital account
vi) Preference shares redemption account

QUESTION 4 (20 marks)

The statements shown below are for Buble Limited

Statement of comprehensive income for the year ended 31 December 2024

	$
Sales	280 000
Cost of goods sold	(180 000)
Gross profit	100 000
Wages	(41 000)
Depreciation	(9 000)
Other operating expenses	(16 000)
Profit before tax	34 000
Tax	(5 000)
Profit after tax	29 000

Statement of financial position as at 31 December

ASSETS	2024 ($)	2023 ($)
Cash	9 000	7 000
Accounts receivable	18 000	15 000
Inventory	39 000	28 000
Prepaid expenses	2 000	4 000
Plant and machinery at cost	100 000	75 000
Accumulated depreciation	(30 000)	(21 000)
TOTAL ASSETS	138 000	108 000
EQUITY AND LIABILITIES		
Ordinary share capital	60 000	60 000
Retained earnings	50 000	36 000
Accounts payable	4 600	9 000
Accruals – wages	2 400	1 700
Income tax payable	1 000	1 300
Bonds payable	20 000	-
	138 000	108 000

During the year, cash dividends of $15 000 were declared and paid. Plant and machinery were purchased for cash and all the year end bonds were issued for cash.

Required:

Prepare a statement of cash flows, for 2024, using direct method.

QUESTION 5 (20 marks)

The statements of financial position of Love Ltd and Hate Ltd are shown below:

State of financial position as at 31 December 2024

ASSETS	Love Ltd	Hate Ltd
NON-CURRENT ASSETS	$	$
Land and buildings	80 000	40 000
Plant and machinery	60 000	10 000
Investment in Hate Ltd	55 000	-
CURRENT ASSETS		
Inventory	19 000	7 000
Accounts receivable	15 000	6 000
Bank	16 000	7 000
TOTAL ASSETS	245 000	70 000
EQUITY AND LIABILITIES		
EQUITY		
Ordinary share capital	200 000	40 000
General reserve	10 000	5 000
Retained earnings	20 000	15 000
CURRENT LIABILITIES		
Account payable	15 000	10 000
TOTAL EQUITY AND LIABILITIES	245 000	70 000

Additional information

1. Love Ltd acquired all the share capital of Hate Ltd on 1 January 2022 when the general reserve was $1 000 and retained income was $8 000.
2. Included in the accounts receivable of Love Ltd is $2 000 owing by Hate Ltd.
3. The closing inventory of Hate Ltd include goods supplied by Love Ltd at $5 000. Love Ltd marks up all its products by 25%.

Required:

a) Analysis of equity of Hate Ltd. (6 marks)

b) A consolidated statement of financial position as at 31 December 2024. (14 marks)

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