



EXAMINATION ANSWERING TECHNIQUES (CA 1.1 AND DA 1)

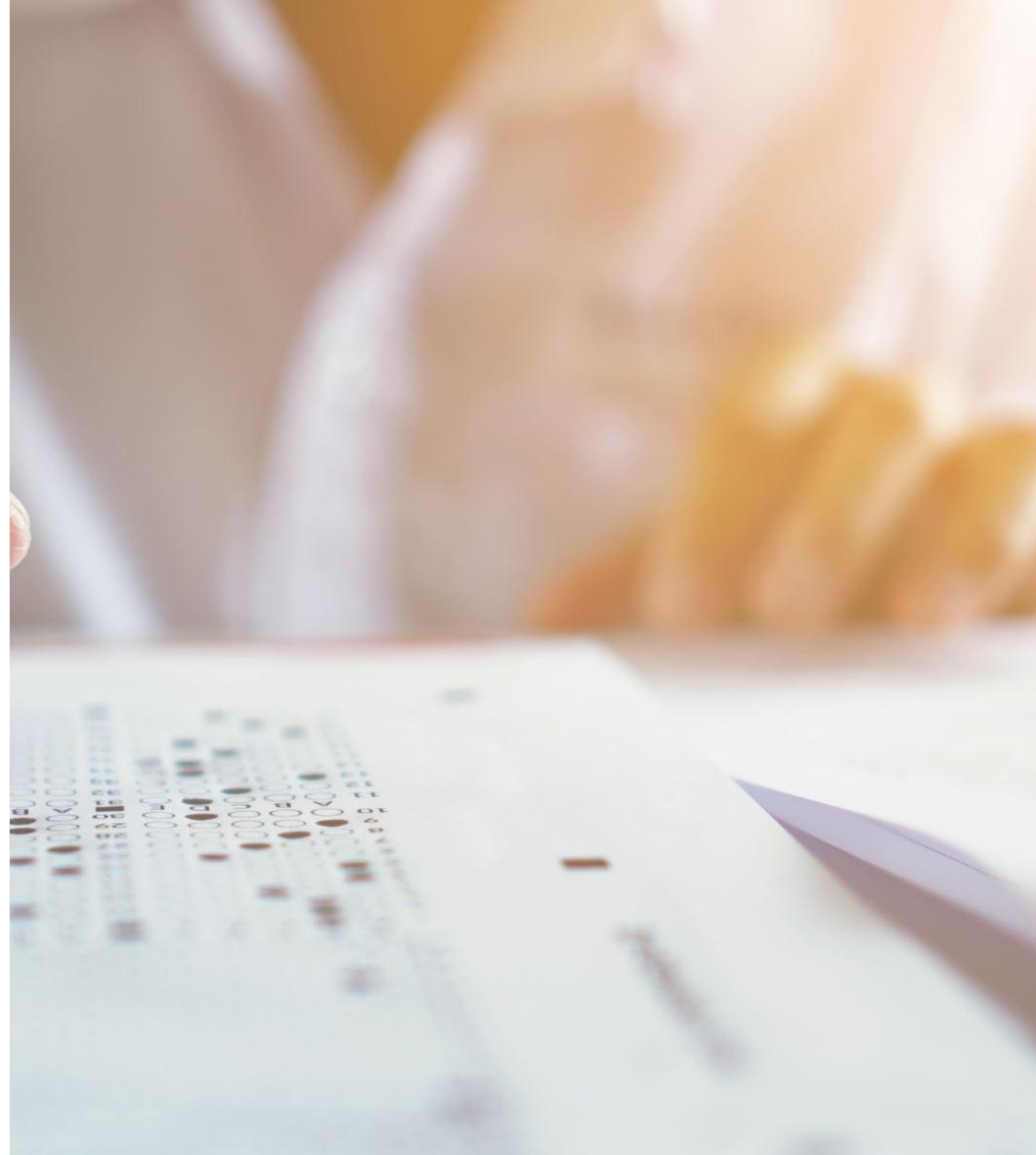
PRESENTER:

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MBA FINANCE, ACCA, AZICA, BBAA

CONTENT

- Selection of items for financial statements
- Errors affecting trial balance
- Preparation of statement of cash flows
- Adjustments in preparing financial statements (accruals, prepayments, inventory, irrecoverable debts, allowance for receivables, depreciation, errors etc.)
- The need to attempt the required number of questions/
- Time management
- General exam preparation tips (syllabus coverage/study tips/question selection/examiner reports.



INTRODUCTION

- The objective of this presentation is to help students preparing to sit for examination in papers CA 1.1 and DA 1 Financial Accounting, understand very important elements of the subject to increase their chances of passing the respective examinations.

ELEMENTS OF FINANCIAL STATEMENTS

1. Assets –recorded in statement of financial position
2. Expenses – recorded in statement of profit or loss
3. Liabilities - recorded in statement of financial position
4. Incomes -recorded in statement of profit or loss
5. Capital /equity – recorded in statement of financial position and statement of changes in equity.

EMD's trial balance as at 31 December 2024	Dr (K)	Cr (K)
Capital		7,802
Inventory	2,700	
Sales		21,417
Purchases	9,856	
Rates	1,490	
Drawings	4,206	
Electricity	379	
Buildings	7,605	
Buildings accumulated depreciation		500
Trade receivables	2,742	
Allowance for receivables		300

	Dr (K)	Cr (K)
Trade payables		3,617
Cash at bank		1,212
Cash in hand	66	
General expenses	2,100	
Wages and salaries	3,704	
	<u>34,848</u>	<u>34,848</u>



Trial balance and adjustments

In addition, EMD provides the following information as at 31 December 2024:

- Closing inventory has been valued at K3,060
- Rates includes a payment of K1,260 made on 10 April 2024 in respect of the year to 31 March 2025.
- An electricity bill amounting to K150 in respect of the quarter to 28 February 2025 was paid on 7 March 2025.
- Buildings are depreciated K250 per annum.
- Irrecoverable debts of K200 are to be written off and an allowance for receivables of K127 is required at 31 December 2024

- (f) During the year, the proprietor spent K300 to pay for electricity for his house. This has been included in electricity expense in the above trial balance.



Trial balance and adjustments

Required:

- Show journal entries to reflect adjustments required to trial balance amounts.
- Prepare a statement of profit or loss for the year ended 31 December 2025 and a statement of financial position as at 31 December 2025.

ERRORS- EXCERPT FROM EXAMINER REPORTS

- Failure to identify account not recorded or wrongly recorded.
- Failure to identify accounts affecting suspense account and hence corrected via it.
- Failure to identify effect of error on calculated profit

ERRORS DISCLOSED BY TRIAL BALANCE

Part omission

Part transposition

Single entry (one sided entry)

Undercast involving one account

Overcast involving one account

MCQ 1 – ERRORS AFFECTING TRIAL BALANCE

Dickson Co recorded an amount of K3,175 for rent and rates paid. Both the rent and rates account and the bank account were debited.

What would be the journal to correct this error?

- A. Dr Suspense K3,175 Cr Bank K3,175
- B. Dr Suspense K6,350 Cr Bank K6,350
- C. Dr Bank K3,175 Cr Rent and rates K3,175
- D. Dr Rent and rates K6,350 Cr Bank K6,350

(2 marks)

MCQ 2 – ERRORS AFFECTING TRIAL BALANCE

Which of these errors would be disclosed by the trial balance?

- A. A cheque of K9,500 from C. Smith entered in Smith's account and control account as K5,900.
- B. Selling expenses had been debited to sales Account.
- C. Credit sales of K3,000 entered in both double entry accounts as K300.
- D. A purchase of K2,500 was omitted entirely from the books.

(2 marks)

(2 marks)

ERRORS AND EFFECT ON CALCULATED PROFIT

- Endeavor to check effect of error on calculated profit and what needs to be done to correct the profit.
- For example, if error states that sale of equipment K70 was wrongly credited to sales account, sales will be overstated by K70 and profit by the same amount.
- If motor expenses of K540 were recorded in motor expenses account as K450, then expenses in total are understated leading to overstatement of profit by K90.



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SECTION B TYPE QUESTION - ERRORS

- (a) The bookkeeper at Mwaayi Ltd prepared a trial balance from the business's accounting records on 31 December 2023. The trial balance failed to balance by K19,507; a shortage being found on the credit side.

A suspense account was opened to record the difference. After careful examination of the accounting records of the company, the following errors were discovered:

1. Rent account had been under cast by K19,040.
2. Sales day book had been under cast by K25,897.
3. Wages account had been overcast by K12,650.
4. Sale of computers had been credited to the sales account with K21,350.
5. Sales of K45,450 to B. Mathew had been debited in P. Mathias' account.

Required:

QUESTION CON'D

- (i) Prepare the journal to correct the errors. (Narratives are not required).
(5 marks)
- (ii) Prepare the suspense account after the errors above have been corrected.
(2 marks)
- (iii) Show the calculations of the corrected net profit, if the net profit had previously been calculated as K97,320 for the year ending 31 December 2023. (3 marks)



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PREPARATION OF STATEMENT OF CASH FLOWS

INDIRECT METHOD

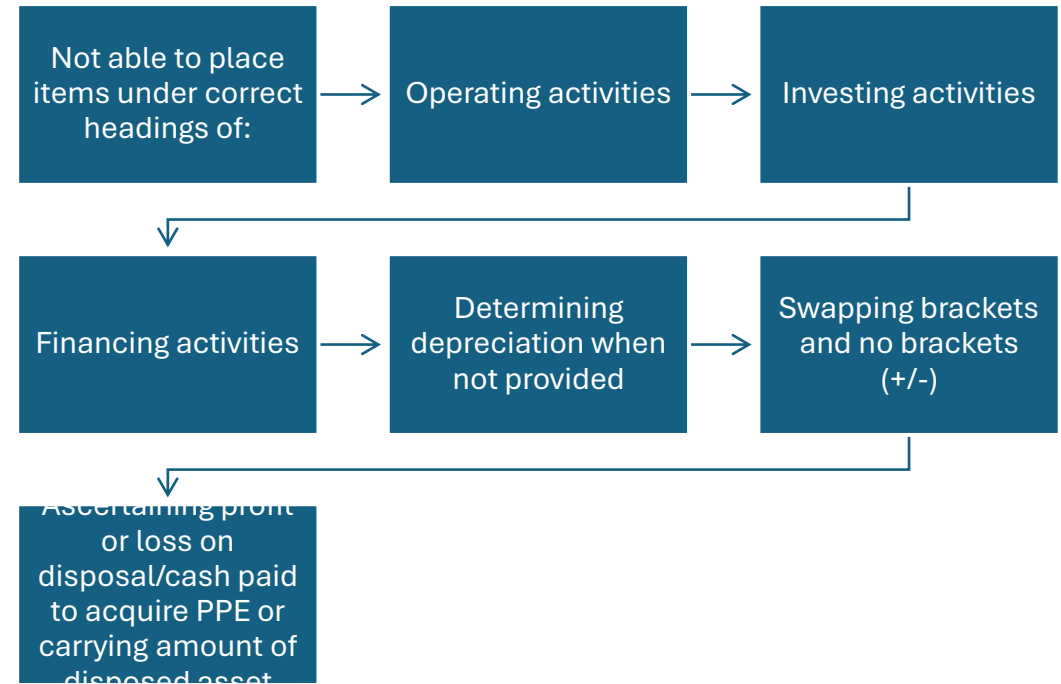
<i>Cash flows from operating activities</i>	
Net profit before taxation	X
Adjustments for:	
Depreciation	X
Investment income	(X)
Interest expense	X
Operating profit before working capital charges	X
Increase in trade and other receivables	X
Decrease in inventories	X
Decrease in trade payables	X
Cash generated from operations	X
*Interest paid	(X)
Income taxes paid	(X)
Net cash from operating activities	

Cash flows from investing activities	
Purchase of property, plant and equipment	(X)
Proceeds from sale of equipment	X
Interest received	X
Dividends received	X
Net cash used in investing activities	X

Cash flows from financing activities	
Proceeds from issuance of share capital	X
Proceeds from long-term borrowings	X
Dividends paid*	(X)
Net cash used in financing activities	X
Net increase in cash and cash equivalents	X
Cash and cash equivalents at beginning of period	X
Cash and cash equivalents at end of period	X
*This could also be shown as an operating cash flow	



EXCERPT FROM EXAMINER'S REPORT



The following summarized statements of financial position relate to Chabu Ltd at 31 December.

	2023 K	2022 K
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment – cost	31,920	31,200
Less Accumulated Depreciation	<u>6,360</u>	<u>(4,480)</u>
	25,560	26,720
<u>CURRENT ASSETS</u>		
Inventory	480	400
Trade Receivables	1,520	1,160
Bank		<u>1,120</u>
	<u>960</u>	<u>2,680</u>
Total Assets	<u>2,960</u>	<u>29,400</u>
	<u>28,520</u>	
<u>EQUITY AND LIABILITIES</u>		
Equity and Reserves:		
Ordinary shares of K1 each		6,800
Share Premium	7,200	480
Retained Earnings	720	<u>10,280</u>
	<u>14,320</u>	<u>17,560</u>
	<u>22,240</u>	

NON-CURRENT LIABILITIES

Loan notes

4,000

10,000

CURRENT LIABILITIES

Trade Payables

120

Taxation

240

1,7202,0401,840

Total Equity and Liabilities

2,28029,40028,520

Additional Information

- (1) Profit before tax for the year 2023 was K7,840.
- (2) During the year to 31 December 2023, some property, plant and equipment (PPE) which originally cost K1,080 had been sold for K240 in cash. The accumulated depreciation on the disposed of PPE at January 2023; was K480.
- (3) The tax charge for the year 2023, was K2,480.
- (4) Interest paid during the year 2023, was K560.
- (5) Dividends paid during the year 2023, totaled K1,320.

Required:

Prepare Chabu Ltd's statement of cash flows for the year ended 31 December 2023 using the indirect method.

[Total: 20 Marks]

The following are entries that would be in a company's statement of cashflows:

	K
Investment income	3,407
Depreciation charges	5,473
Loan repayment	8,000
Purchase of non-current assets	13,905
Issue of shares	20,000
Dividend Paid	2,834
Disposal proceeds of Non-current assets	4,480

Which of the following pairs gives the correct amounts for *net cash from investing activities*, and *net cash from financing activities*?

- A. (K 6,095) and K 13,053
- B. (K17,425) and K 20,573
- C. (K 12,259) and K 15,407
- D. (K 6,018) and K 9,166

(2 marks)

COMMON ADJUSTMENTS IN PREPARING FINANCIAL STATEMENTS

- Irrecoverable debts and allowances for receivables
- Expense accruals and prepayments
- Income accruals and prepayments/deferred income
- Depreciation expense and accumulated depreciation
- Closing inventories
- Errors
- Disposal of non current assets

Adjustments - accrual/prepayment /receivable expense/allowance for receivables/depreciation expense.

- The issue is, as a candidate, develop the skill to be able to derive statement of profit or loss and statement of financial position amounts from these common adjustments.
- Candidate's ability to deal with these from various topics is more rewarding in terms of marks than the 'copy paste' figures from the trial balance.

MCQ 3-ACCRUAL/PREPAYMENT

A company receives rent from a large number of properties. The total received in the year ended 30 April 2023 was K481,200. The amounts of rent in advance and in arrears at respective year-ends were:

		30 April 2022	30 April 2023
		K	K
Rent received in advance	28,700	31,200	
Rent in arrears (all subsequently received)	21,200	18,400	

What amount of rental income appear in the company's statement of profit or loss for the year ended 30 April 2023?

K486,500

K460,900

K501,500

K475,900

MCQ 4 -RECEIVABLES EXPENSE AND ALLOWANCE FOR RECEIVABLES

At 30 June 2022 a company's allowance for receivables was K39,000. At 30 June 2023 trade receivable totaled K517,000. It was decided to write off debts totaling K37,000 and to adjust the allowance for receivables to the equivalent of 5% of the trade receivables based on past events.

What figure should appear in the statement of profit or loss for the year ended 30 June 2023 for receivables expense?

K61,000

K52,000

K22,000

K37,000

MCQ 5-ACCRUAL/PREPAYMENT

The following transactions relate to Rash's electricity expense ledger account for the year ended 30 June 2023:

	K'000
Prepayment brought forward	550
Cash paid	5,400
Accrual carried forward	650

What amount should be charged to the statement of profit or loss in the year ended 30 June 2023 for electricity?

- A. K6,600
- B. K5,400
- C. K5,500
- D. K5,300

2 marks)

MCQ 6 ACCRUAL/PREPAYMENT

A business compiling its accounts for the year to 31 January each year pays rent quarterly in advance on 1 January, 1 April, 1 July and 1 October each year.

After remaining unchanged for some years, the rent due was increased from K72,000 per year to K90,000 per year as from 1 July 2023.

Which of the following figures is the rent expense which should appear in the statement of profit or loss for the year ended 31 January 2024?

- A. K82,500
- B. K81,000
- C. K84,000
- D. K80,000

MCQ 7 - INVENTORY ADJUSTMENT

Makiko counted and valued inventory on 31 December 2023 which had a cost of K72,250. This valuation included slow-moving items which had cost K11,400. These items will be offered for sale at a special price of cost less 20%.

What is the correct valuation of inventory to include in Makiko's accounts at 31 December 2023?

- A. K69,970
- B. K62,850
- C. K67,530
- D. K74,250

SECTION B QUESTION-LIMITED LIABILITY COMPANY

QUESTION FOUR

Kalaba Limited is a large mining contracting firm based in Solwezi, North-western Zambia. The following trial balance at 31 December 2023 was prepared by a trainee Finance Officer:

	Debit K	Credit K
Ordinary Share Capital		60,000
General Reserve	30,000	
Motor Vehicles – at Cost	54,000	
– Accumulated depreciation as at 1 January 2023		18,000
Fixtures and Fittings – at Cost	66,000	
– Accumulated depreciation as at 1 January 2023		33,000
Inventory at 1 January 2023		42,700
Cash at bank	4,100	
Trade receivables	48,400	
Trade payables		18,900
Discount received	5,200	
Discount allowed		2,400
Sales		220,000
Purchases	141,000	
12% Debentures		48,000
Interest on loan		7,200
Salaries and wages	34,000	
Rent expenses	19,500	
Electricity	7,600	
Purchase returns	2,500	
Sales returns		2,200

SECTION B QUESTION-LIMITED LIABILITY COMPANY

Selling and distribution expenses	9,500	.
Dividends paid		3,000
Retained profit		<u>6,000</u>
	<u>421,800</u>	<u>461,400</u>

The following additional information was provided:

- (i) The Directors of Kalaba Ltd proposed to transfer K15,000 of the profits to the general reserve. Closing inventory at 31 December 2023 was K35,000.
- (ii) Salaries amounting to K8,500 were outstanding at the end of the period.
- (iii) Rent was prepaid by K3,900 for the first three (3) months of 2024.
- (iv) Straight line depreciation for the year is to be provided as follows:
 - Motor vehicles $33\frac{1}{3}\%$
 - Fixtures and fittings 10%

Required:

- (a) Prepare a corrected trial balance as at 31 December 2023. (12 marks)

SECTION B QUESTION-LIMITED LIABILITY COMPANY

- (b) Prepare a Statement of profit or loss for the year ended 31 December 2023, for internal purposes. (8 marks)

[Total: 20 Marks]



TIPS ON ANSWERING MULTIPLE CHOICE QUESTIONS

- MCQs have limited ways in which certain learning outcomes can be tested.
- The more you practice MCQs, the more you learn of these limited ways.
- With 1.8 minutes per mark, ensure to spend no more than 3.6 minutes per MCQ and no more than 36 minutes on the 10 MCQs.
- To get started, skim through all MCQs to identify easier ones, usually theory ones (those not requiring any calculation).



TIPS ON ANSWERING MULTIPLE CHOICE QUESTIONS

- Do not apply technique only in final exam, apply it during practice under exam conditions.
- Appropriate and careful reading of question is important. Read requirement first.
- For questions requiring calculation, try solving question before looking at available options.
- Never leave any multiple choice question unanswered. There is no negative marking for wrong answer.
- Use elimination method for some questions



GENERAL EXAM PREPARATION TIPS

- Poor answer presentation. You are reminded that answers must effectively communicate to the marker.
- Avoid spending too much time on one question.
- Ensure you number the answers correctly – the examiner may not see that you answered the question whose answer is not numbered.
- Ensure you show workings for section ‘B’ computational questions (either in statement or separately).
- Number your workings accordingly and signpost them in the statements.

GENERAL EXAM PREPARATION TIPS



Review examiners' reports to learn common mistakes by previous candidates



Careful question selection, if not comfortable with a part of question carrying a lot of marks, kindly check other ones where you are comfortable with component(s) carrying more marks.



Ensure to study entire syllabus



Few weeks before examination, embark on exam question practice under timed conditions.



Skim through past papers and ensure you are comfortable with commonly examined topic areas.



TIME MANAGEMENT DURING EXAMINATION

- Start with easiest questions and end with most difficulty ones.
- Rank questions in order of difficulty, (starting with easiest) preferably in the 15 minutes reading time.
- No need to answer questions in chronological order of 1,2,3,4 etc
- Allocate time to each question, ie 36 minutes per 20 mark question.
- Read each question clearly to avoid going back and fourth.

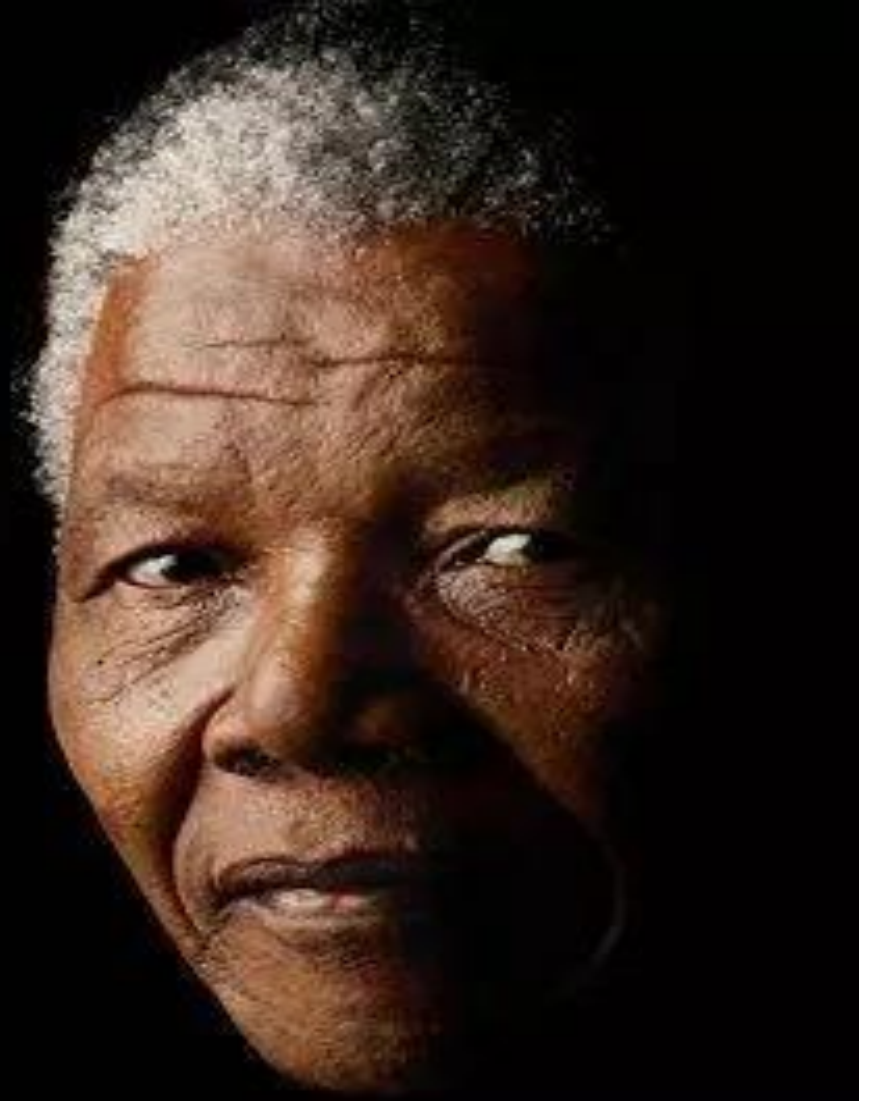
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THE NOBLEST PLEASURE
IS THE JOY OF
UNDERSTANDING

~ LEONARDO DA VINCI

“Education is the Most
Powerful weapon
which you can use to
change the world.”

Nelson Mandela





CONCLUSION

I hope this presentation will be of help to each one of you.

