



FACULTY OF BUSINESS SCIENCES AND MANAGEMENT

DEPARTMENT OF ACCOUNTING

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**BACHELOR OF COMMERCE HONOURS DEGREE IN ACCOUNTING**

PART I SECOND SEMESTER EXAMINATION

**FINANCIAL ACCOUNTING IB [BAC1201]**

JUNE 2024

DURATION: 3 HOURS

**INSTRUCTIONS**

1. Answer **ALL** QUESTION
2. Begin each question on a new page.
3. Please indicate the study format (Conventional/Block) on the cover of your answer script.

**INFORMATION**

1. Marks per question are as indicated.
2. Questions may be attempted in any order.

**This paper consists of nine (12) printed pages including the cover page**

**1.1 Which of the following are correct?**

	Accounts	To record	Entry in the account
i)	Assets	an increase	Debit
		a decrease	Credit
ii)	Capital	an increase	Debit
		a decrease	Credit
iii)	liabilities	an increase	Credit
		a decrease	Debit

- A. i,ii and iii
- B. i and ii
- C. i and iii
- D. ii and iii

**1.2 Which of the following statements is incorrect?**

- A. Assets – Capital = Liabilities
- B. Liabilities + Assets = Capital
- C. Liabilities + Capital = Assets
- D. Assets – Liabilities = Capital

**1.3 If the estimated amount of depreciation on equipment for a period is \$2000.00 the adjusting entry to record depreciation would be?**

- A. Debit depreciation expense \$2000.00; credit accumulated depreciation \$2000.00
- B. Debit depreciation expense \$2000.00; credit cash \$2000.00
- C. Debit equipment \$2000.00; credit depreciation expense \$2000.00
- D. Debit accumulated depreciation \$2000.00; credit depreciation expense \$2000.00

**1.4 Grace is a sole trader who does not keep full accounting records. The following details relate to her transactions with credit customers and suppliers for the year ended 30 June 2023.**

Trade receivables, 1 July 2022	\$130000
Trade payables, 1 July 2022	\$60000
Cash received from customers	\$686400
Cash paid for supplies	\$302800
Discount allowed	\$1400
Discount received	\$2960
Contra between payables and receivables ledgers	\$2000
Trade receivables, 30 June 2023	\$181000
Trade payable, 30 June 2023	\$84000

What amount should appear in Grace's statement of profit or loss for the year ended 30 June 2023 for purchases?

- A. \$331760
- B. \$740800
- C. \$283760
- D. \$330200

1.5 Alice and Brenda re in Partnership sharing profits and losses in the ratio 3:2 respectively. Profit for the year was \$173000. The partners's capital and current account balances at the beginning of the year were as follows:

	A	B
Current accounts	\$11500CR	\$2400CR



- A. Statement of financial position
- B. Statement of Cash flow
- C. Revenue and expenditure account
- D. Income statement

1.9 Financial accounting is governed by.....

- A. Local standards only
- B. International standards
- C. Local as well as international standards
- D. Company's internal top management only

1.10 The table below shows information extracted from the books of Japajapa

Supplies	\$1500
Other operating expenses	\$10000
Accounts payable	\$11000
Accounts receivable	\$4000
Common stock	\$10000
Retained earnings(beginning)	5000
Service revenue	\$19000
Cash	\$15000
Dividends	\$6000
Notes payable	\$1000
Equipment	\$9500

Calculate net income (loss)

- A. \$9000

- B. \$6000
- C. \$19000
- D. \$20000

1.11 From the information gathered in 1.10 above, calculate ending retained earnings

- A. \$8000
- B. \$10000
- C. \$9000
- D. \$11000

1.12 Where there is no partnership deed, Partners will .....

- A. Share profits equally
- B. Not share profits at all
- C. Plough back profits
- D. All of the above

1.13 Statement of profit or loss and other comprehensive income.....

- A. Summarises the changes in retained earnings for a specific period of time
- B. Reports the changes in assets, liabilities, and stockholders' equity over a period of time
- C. Reports the assets, liabilities, and stockholders' equity at a specific date
- D. Presents the revenue and expenses for a specific period of time

1.14 A business usually has a mark-up of 20% on cost of sales. During the year its sales were \$90000. What was the cost of sales

- A. \$15000
- B. \$72000
- C. \$18000
- D. \$75000

1.15 Salvage value means

- A. Definite sale price of an asset

- B. Cash to be received when life of the asset ends
- C. Cash to be paid when asset is disposed off
- D. Estimated disposal value

**QUESTION 2**

The following balances have been extracted from the books of Cow Ltd as at 30 June 2019

	\$
Inventories at 1 July 2018	
Raw materials	31200
Work in progress	37920
Finished goods	88400
Factory wages: Direct	686400
indirect	262000
Electricity	62400
General factory expenses	129600
Maintenance expenses	84200
Purchase of raw materials	596000
Sales	2712000
Depreciation of Plant and Machinery	43200

### Additional Information

At 30 June 2019, Inventories were as follows:

Raw materials	\$23800
WIP	\$33360
Finished goods	\$103200

Electricity and maintenance expenses are to be split 80% to the factory and 20% to the company's offices

At 30 June 2019, an electricity bill of \$3840 remained unpaid. And maintenance costs paid in advance amounted to \$3640

### Required

- a) Prepare a manufacturing account **[10 Marks]**

### QUESTION 3

Solo Moyo does not keep a full set of accounting records. However, he was able to provide the following information for the year ended 31 December 2023

	1 January 2023	31 December 2023
	\$	\$
Property - cost	80000	80000
Equipment Carrying amount	23000	37000
15% Bank loan	28000	28000
Inventory	12000	10000
Trade receivables	8000	8500
Trade payables	6200	5900
Cash	1050	450
General expenses due	300	150
General expenses prepaid	200	450

<b>Bank Account</b>			
	\$		\$
Balance b/d	1 400	Payments to Suppliers	56 970
Cash sales banked	8 530	General expenses	76 830
Receipts from customers	145 870	Equipment	20 000
		Balance c/d	1 700
	155 500		155 500

Additional information

Cash sales amounted to \$67 240

i) The following cash payments were made :

Purchases                      \$8430

Drawings                        \$16500

General expenses              \$32780 Solo Moyo suspects that an amount of cash has been  
stole from the cash till

ii) Discount allowed and received were \$500 and \$900 respectively

iii) Solo Moyo withdrew goods worth \$1800 for his own use, no records were made

### **Required**

a) Prepare a statement of profit or loss and other comprehensive income for the year ended  
31 December 2023 **[14 Marks]**

b) Prepare a Statement of financial position as at 31 December 2023 **[16 Marks]**

### **Question 4**

The following information was extracted from financial records of Maromo for the year ended 31 December 2023:

Totals for the year

	\$
Returns outwards	95
Cash payments to creditors for goods supplied	5625
Returns inwards	205
Cash received from debtors for sales	8892
Bills receivable	1200
Discount received	527
Bills payable	1702
Discount allowed	546
Bad debts	253

Amount due from debtors set off by contra against amount due to suppliers \$340

At 1 January 2023

Sundry creditors for goods supplied \$1226

Sundry debtors for sale \$2130

At 31 December 2023

Sundry creditors \$1339

Sundry debtors \$2660

### **Required**

- a) Ascertain the amount of purchases **[5 Marks]**
- b) Ascertain the amount of sales **[5 Marks]**

### **QUESTION 5**

Amit and Sumit commenced business as partners on 1 April 2020. Amit contributed \$40 000 and Sumit contributed \$25000 as their share capital. The partners decided to share their profits in the ratio of 2:1. Amit was entitled to a salary of \$6 000 per annum. Interest on capital was to be provided at 6% p.a. The drawings of Amit and Sumit were for the year ending March 2021 were \$4000 and \$8000 respectively. The profits of the firm after providing Amit's salary and interest on capital were \$12 000.

### **Required**

a) Draw up the Capital Accounts of the partners:

- i) When capital are fluctuating **[10 Marks]**
- ii) When capital are fixed **[10 Marks]**