

ACC&CSM - Financial Accounting

T049

Thursday, 22/11/2018

08:30 – 11:30 AM

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2018,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: FINANCIAL ACCOUNTING

OPTIONS: Accountancy (ACC)

Computer Science and Management (CSM)

DURATION: 3 hours

INSTRUCTIONS:

The paper is composed of **three (3) main Sections** as follows:

Section I: Fourteen (14) compulsory questions. 55 marks

Section II: Attempt any three (3) out of five questions. 30 marks

Section III: Attempt any one (1) out of three questions. 15 marks

Note:

Every candidate is required to carefully comply with the above instructions. Penalty measures will be applied on their strict consideration.

11. Give the journal entries needed to record the corrections of the following:
Narratives are required. Extra capital of 10,000 FRW paid into the bank had been credited to Sales account. Goods taken for own use 700 FRW had been debited to General Expenses. Private insurance 89 FRW had been debited to Insurance account. A purchase of goods from ISHEJA 857 FRW had been entered in the books as 587 FRW. **(5 marks)**
12. Highlight two points of difference between partnerships and limited companies. **(5 marks)**
13. The working capital of AB Ltd has deteriorated in the recent year and now stands as under:

Current Assets	Amount "FRW"	Current liabilities	Amount "FRW"
Inventory	280,000	Creditors	245,000
Debtors	175,000	Bank loan	105,000
Cash	35,000		

Required: Calculate Current ratio.

(2 marks)

14. Define cash flow and highlight three components of cash flow statement. **(5 marks)**

Section II. Choose and answer any three (3) questions 30 marks

15. Explain clearly how /why the following parties are interested in accounting information.

- (a) The Customers : to full fill their demands
- (b) The Managers : to control business
- (c) The Lenders
- (d) The Financial Analyst :
Need assurance on security of their job, future prospects
- (e) The Employees :
Need assurance on security of their job, future prospects

(10 marks)

490,000

140,000

370,000

balance

191,000

105,000 F

pro

legally
statistical

pro

credit Agency

01. Write short notes on the following:
- a) Going concern concept
 - b) Business entity concept
- (4 marks)**

02. Explain the concept of accounting equation. **(4 marks)**

03. Explain the meaning of the term trial balance and state its benefits. **(3 marks)**

04. Mugisha sets up a new business. Before he actually sells anything he has bought motor vehicles of 3,000, premises of 7,000, stock of goods 2,000. He still owes 800 in respect of stock purchased. He had borrowed 4,000 from SACCO. After the events just described and before trading starts, he had 300 cash in hand and 600 cash at bank.

You are required to calculate the amount of his capital. **(4 marks)**

05. Explain at least two qualitative characteristics of Financial Information that help in provision of useful financial statement. **(5 marks)**

06. Highlight and explain briefly the components of accounting cycle. **(5 marks)**

07. A printer was purchased for 842,000FRW and had a salvage of 78,000FRW. It was expected to produce 5 000 000 copies in its lifetime in the business. The following copies were made the given years.

Year	Copies (millions)
2015	1 200 000
2016	1 000 000
2017	1 500 000
2018	1 300 000

Determine the depreciation charge for each of those years. **(5 marks)**

08. Discuss three (3) errors that do not affect the trial balance. **(3 marks)**

09. Find the compound interest earned from 160,000 FRW for three years at 12.5% per annum? **(2 marks)**

10. What is the meaning of Bank reconciliation? **(3 marks)**

*motor vehicle
Stock 2000
Premises 7000
Cash 300
Cash at bank 600*

No Capital

13700

Answer

*W
CLE*



year value kept

*764,000
2700
Comp Mar*

38470 amount

16. The following trial balance was extracted from the books of HORIZON Ltd at the ending date of business on 28th Feb, 2017

Particular	Debit (FRW)	Credit (FRW)
Purchase and sales	37,600	65,800
Bank	3,800	
Cash	700	
Capital		33,000
Drawings	9,500	
Office Furniture	4,800	
Rent and rate	3,400	
Wages and salaries	8,600	
Discounts	2,300	1,200
Debtors and Creditors	16,400	8,300
Stock on 1 st February, 2015	9,900	
Provisions for bad and doubtful debts		900
Delivery van at cost	8,000	
Van running cost	1,500	
Bad debts	2,700	
Total	109,200	109,200

Additional information

- i) Stock on 28th February, 2017 was 11,700 FRW
- ii) Wages and salary accrued was 300 FRW
- iii) Increase Provision for bad and doubtful debts by 200 FRW
- iv) Provision for depreciation of office furniture was 600 FRW and delivery van was 1600 FRW

Required:

- a) Prepare its income statement as at 28th February, 2017
 - b) Prepare its Balance sheet as at 28th February, 2017 **(10 marks)**
17. D&B Company Ltd. began operations on January 1, 2016. The office manager, inexperienced in accounting, prepared the following statement for the business's most recent month ended August 31, 2016.

Handwritten notes:
 CGS 35,800
 45,200
 received 8,600
 67000
 21800
 57900
 59,400

Handwritten notes:
 56,100
 61,900
 24,000
 76,900
 28,200

Handwritten notes:
 2600
 23,400
 61900

D&B Company Ltd Financial Statement; Month Ended August 31, 2016

	FRW		FRW
Cash	400,000	Accounts Payable	7,800,000
Accounts Receivable	3,800,000	Share Capital	3,200,000
Unused Supplies	100,000	Service Revenue	2,000,000
Equipment	8,700,000	Retained Earnings	4,000,000
Advertising Expense	300,000		
Interest Expense	500,000		
Maintenance Expense	475,000		
Supplies Expense	125,000		
Wages Expense	2,600,000		
	<u>17,000,000</u>		<u>17,000,000</u>

20,000,000

Required:

As a professional accountant, prepare an income statement and statement of changes in equity for the month ended August 31, 2016, and a balance sheet at August 31, 2016. No shares were issued in August. **(10 marks)**

18. Kim Maintenance Company's bank statement for October 2015 shows a balance of 3,471,070 FRW on October 31 and that the same date, the company's records show cash balance of 2,415,910 FRW. However, it was noticed that the following transactions were not recorded in a Company's records or on its bank statement:

- (1) The bank has not recorded a deposit in the amount of 276.00 FRW that the company mailed to the bank on October 31.
- (2) The bank has not paid five checks that the bank issued in October that are:
 - No. 551, issued on Oct. 29 150,000 FRW.
 - No. 576, issued on Oct. 30 40,680
 - No. 578, issued on Oct. 31 500,000
 - No. 579, issued on Oct. 31 370,000
 - No. 580, issued on Oct. 31 130,500
- (3) The Company incorrectly recorded a 300,000 FRW deposit from cash sales as 330,000 FRW. On October 6, the bank received the deposit and corrected the amount.
- (4) Among the returned checks was a credit memorandum showing that the bank had collected a promissory note from A. Jacobs in the amount of 280,000 FRW, plus 20,000 FRW interest on the note. A debit memorandum was also enclosed for the 5,000 FRW collection fee. The Company has not

entered these amounts in its records.

- (5) Also returned with the bank statement was an NSF check for 128,140 FRW that the Company has received from a customer named Arthur Clubb. The NSF check was not reflected in the Company's records.
- (6) A debit memorandum was enclosed for the regular monthly service charge of 12,500 FRW. The Company had not yet recorded this charge.
- (7) Interest earned on the Company's average balance was 15,620 FRW.

Required:

- a) Define the concept of Bank reconciliation
- b) Prepare the Bank reconciliation of Kim Maintenance Company on October 31, 2015.

(10 marks)

- 19.** Horizon Construction Ltd acquired new Lorry on January 2010 at a purchase cost of \$ 62,500. The estimated residual value was \$ 2,500 with estimated useful life of three years and expected distance coverage of Km 100,000.

Calculate the depreciation and the book value using:

- (a) Straight-Line Method, and (b) Units-of-Production method assuming that the lorry has covered Km 30,000 in 2010, Km 50,000 in 2011, and Km 20,000 in 2012.

(10 marks)

Section III. Choose and answer any one (1) question

15 marks

- 20.** Following information is extracted from the books of Kabutare District Hospital for the year ended December 2017 in FRW. Prepare a Profit and Loss Account.

(15 marks)

Gross profit	25,000
Salaries	8,500
Rent, rates and taxes	1,500
Audit fees	500
Selling expenses	400
Postage and telephone expenses	600
Legal charges	750
Free sample (advertisement)	1,000
Business miscellaneous expenses	1,200
Interest paid	750

Commission received	450
Fees received	1,650
Bad debts	2,500
Discount allowed	1,420
Office expenses	1,050
Purchase of plant and machinery	32,000
Capital	20,000

21. Stewart Co.'s beginning inventory and purchases during the year ended December 31, 2008, were as follows (Choose I or II): **(15 marks)**

		Units	Unit Cost	Total Cost
January 1	Inventory	1,000	\$50.00	\$ 50,000
March 10	Purchase	1,200	52.50	63,000
June 25	Sold 800 units			
August 30	Purchase	800	55.00	44,000
October 5	Sold 1,500 units			
November 26	Purchase	2,000	56.00	112,000
December 31	Sold 1,000 units			
Total			5,000	\$269,000

Instructions

- I. Determine the cost of inventory on December 31, 2008, using the perpetual inventory system and each of the following inventory costing methods:
- first-in, first-out
 - last-in, first-out
- II. Determine the cost of inventory on December 31, 2008, using the periodic inventory system and each of the following inventory costing methods:
- first-in, first-out
 - last-in, first-out
 - average cost

(15 marks)

22. Mr Jacob a dealer in textile materials had the following assets and liabilities at December 31st, 2016:

	FRW '000
Furniture	1,210
Cash in hand	410
Creditor: - J. Olawin	780
Loan - A. Oni	2,000
Debtors: - B. Ashogbon	190
- A. Adeniji	270
Stock	4,120
Premises	29,500
Bank	2,750

His transactions for the month of January 2017 were as follows:

- 3/1/2017 Purchased Ankara cloth from Asumani on credit 360,000 FRW
12/1/2017 Purchased suit materials from Five Star Textiles on credit for 2,000,000 FRW
18/1/2017 Sold all the Ankara cloth purchased on 3/1/2017 for 600,000 FRW cash
19/1/2017 Received cheque from B. Ashogbon for the balance due less 10% cash discount.
20/1/2017 Paid by cheque to A. Oni a half-year's interest at 6% on the loan.
26/1/2017 Bought lace materials from KARAME ltd on credit for 9,600,000 FRW.
28/1/2017 Purchased new furniture for use in his shop for 2,400,000 FRW by cheque
30/1/2017 Received cheque of 140,000 FRW from A. Adeniji and paid for sundry expenses 500,000 FRW in cash.

Required:

- a) Prepare the balance sheet as at 1 January 2017
b) Journalize the transactions for the month of January 2017

(15 marks)

Handwritten notes: 2910, 30/200, 32,200, 10,950