

JERIC KIBUKILA

ACC&CSM - Financial Accounting

T051

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08:30 – 11:30

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2015,
TECHNICAL AND PROFESSIONAL TRADES**

EXAM TITLE: Financial Accounting

OPTIONS: - Accountancy (ACC)

- Computer Science and Management (CSM)

DURATION: 3hours

INSTRUCTIONS:

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

Section I: Eighteen (18) questions, all **Compulsory**. **55marks**

Section II: Five (5) questions, **Choose any Three (3)**. **30marks**

Section III : Three (3) questions, **choose one (1)** **15marks**

Every candidate is required to strictly obey the above instructions. Punishment measures will be applied to anyone who ignores these instructions.

Section I. Eighteen (18) Compulsory questions. 55marks

- 01.** What do you understand by the following terms:
(i) Provision; (ii) Revenue; (iii) Contingency. **(6 marks)**
- 02.** The accounts of the business of T. Judge on 31 January 2000 revealed the following: Cash at bank FRW 6,300; Stock FRW 10,800; Debtor A. Cowan FRW 876; Debtor A. Phillips FRW 3,048; Creditor S. Richards FRW 648; Office Furniture FRW 4,320; Creditor P. Fiddler FRW 828 Motor Vehicle FRW 9,360. Calculate T. Judge's capital as at 31 January 2000. **(3 marks)**
- 03.** Indicate whether each of the following is identified with an asset, a liability, or owner's equity:
- | | |
|---------------------|----------------|
| a. land | d. fees earned |
| b. wages expense | e. supplies |
| c. accounts payable | f. cash |
- (3 marks)**
- 04.** Indicate whether each of the following types of transactions will either increase owner's equity or decrease owner's equity:
- | | |
|-------------|------------------------|
| a. revenues | c. owner's investments |
| b. expenses | d. owner's withdrawals |
- (2 marks)**
- 05.** If total assets increased FRW 20,000 during a period and total liabilities increased FRW 12,000 during the same period, the amount and direction (increase or decrease) of the change in owner's equity for that period is :
- | | |
|------------------------|-----------------------|
| A. FRW 32,000 increase | C. FRW 8,000 increase |
| B. FRW 32,000 decrease | D. FRW 8,000 decrease |
- (2 marks)**
- 06.** If revenue was FRW 45,000, expenses were FRW 37,500, and the owner's withdrawals were FRW 10,000, the amount of net income or net loss would be:
- | | |
|--------------------------|------------------------|
| A. FRW 45,000 net income | C. FRW 37,500 net loss |
| B. FRW 7,500 net income | D. FRW 2,500 net loss |
- (2 marks)**
- 07.** On September 1, 2014, Winans Corporation acquired Aumont Enterprises for a cash payment of FRW 700,000. At the time of purchase, Aumont's balance sheet showed assets of FRW 620,000, liabilities of FRW 200,000, and owners'

equity of FRW 420,000. The fair value of Aumont's assets is estimated to be FRW 800,000. Compute the amount of goodwill acquired by Winans and make the journal entry. **(5 marks)**

08. On Dec. 31, it was estimated that goodwill of FRW 40,000 was impaired. In addition, a patent with an estimated useful economic life of 12 years was acquired for FRW 84,000 on July 1. Journalize the adjusting entry on December 31 for the impaired goodwill and for the amortization of the patent rights. **(2 marks)**

09. A firm bought a machine for FRW 3,200,000. It is to be depreciated at a rate of 25 per cent using the reducing balance method. What would be the remaining book value after 2 years?

a) FRW 1,600,000

b) FRW 2,400,000

c) FRW 1,800,000

d) Some other figure

(2 marks)

10. RWIZA Ltd bought a new printing machine from abroad. The cost of the machine was FRW 40,000,000. The installation costs were FRW 2,500,000 and the employees received specific training on how to use this particular machine at a cost of FRW 1,000,000. Before using the machine to print customers' orders, a test was undertaken and the paper and ink cost was FRW 500,000. What should be the cost of the machine in the company's balance sheet? **(3 marks)**

11. KORANEZA Company acquires a piece of machinery on 1 January 2011 at a cost of FRW 60,000,000. Its estimated useful life is four years and it is anticipated that it can be sold for FRW 14,400,000 at the end of this period. Assuming the straight-line depreciation method, what was the gain or loss made on disposal of the machine if it was sold on 1 January in year 2014 for FRW 38,000,000 by cheque for the amount? Show journal entries. **(3 marks)**

12. Rofles Company purchased goods on account from a supplier for FRW 11,500, terms 2/10, n/30. Rofles Company returned FRW 3,000 of the goods and received full credit.

a. If Rofles Company pays the invoice within the discount period, what is the amount of cash required for the payment?

b. How Rofles Company will record the return under a perpetual inventory system and under a periodic inventory system? **(2 marks)**

13. Read the invoice below and answer the questions that follow:

TVS DISTRIBUTORS ltd			Date: 15/7/2015
Peace Street			
PO.BOX 115 Kigali			
INVOICE No. 40285			
Description	Quantity	Unit Price (FRW)	Total Amount (FRW)
TVS 'Impala'	1,000	1,000,000	(a)
		10% Trade discount	(b)
			(c)
		5% Cash discount	(d)
			(e)
		18% VAT	(f)
		Invoice Total	(g)

- (a) What is value added tax? **(3 marks)**
- (b) Calculate and enter the missing amounts at (a) to (g) on the invoice above. **(3 marks)**
- (c) Make journal entries assuming the cash payment by cheque. **(2 marks)**
- (d) If VAT collected on sales during the period amounted to FRW 200,000,000, what would be the VAT due or to be refund? Show VAT account **(1 mark)**

14. At the end of the fiscal year, before the accounts are adjusted, Accounts Receivable has a balance of FRW 200,000 and Allowance for Doubtful Accounts has a credit balance of FRW 2,500. If the estimate of uncollectible accounts determined by aging the receivables is FRW 8,500, the amount of bad debt expense is:
- A. FRW 2,500 B. FRW 6,000 C. FRW 8,500
- D. FRW 11,000 **(2 marks)**

15. At the end of the fiscal year, Accounts Receivable has a balance of FRW 100,000 and Allowance for Doubtful Accounts has a balance of FRW 7,000. The expected net realizable value of the accounts receivable is:
- A. FRW 7,000 C. FRW 100,000
- B. FRW 93,000 D. FRW 107,000 **(2 marks)**

16. Tucki Co. receives FRW 240,000,000 when it issues a FRW 240,000,000, 10%, mortgage note payable to finance the construction of a building at Dec. 31, 2008. The terms provide for semiannual installment payments of \$16,000,000 on June 30 and December 31. Establish Journal entries to record the mortgage loan and the first installment payment. **(2 marks)**
17. On January 1, 2010, Connaught Company purchased 40 percent of the outstanding voting shares of Kigali Company on the open market for FRW 85,000 cash. Kigali declared and paid FRW 10,000 in cash dividends on December 1 and reported net income of FRW 60,000 for the year. Prepare the journal entries for 2010. What accounts and amounts were reported on Connaught's income statement for 2010 and balance sheet at the end of 2010? **(3 marks)**
18. Reese Howell contributed equipment, inventory, and FRW 34,000 cash to a partnership. The equipment had a book value of FRW 23,000 and a market value of FRW 29,000. The inventory had a book value of FRW 60,000, but only had a market value of FRW 15,000, due to obsolescence. The partnership also assumed a FRW 12,000 note payable owed by Howell that was used originally to purchase the equipment.
- Provide the journal entry for Howell's contribution to the partnership?
- (2 marks)**

Section II. Answer any three (3) questions of your choice

(Do not choose more than three (3) questions). 30marks

19. Read the following and answer the questions below.

On 31 December 2008 the bank column of C Tench's cash book showed a debit balance of Frw 1,500. The monthly bank statement written up to 31 December 2008 showed a credit balance of Frw 2,950. On checking the cashbook with the bank statement, it was discovered that the following transactions had not been entered in the cashbook:

- (1) Dividends of Frw 240 had been paid directly to the bank.
- (2) A credit transfer – Customs and Excise VAT refund of Frw 260 – had been collected by the bank.

- (3) Bank charges Frw 30.
- (4) A direct debit of Frw 70 for the RAC subscription had been paid by the bank.
- (5) A standing order of Frw 200 for C Tench's loan repayment had been paid by the bank.
- (6) C Tench's deposit account balance of Frw 1,400 was transferred into his bank current account.

A further check revealed the following items:

- (7) Two cheques drawn in favour of T Cod Frw 250 and F Haddock Frw 290 had been entered in the cashbook but had not been presented for payment.
- (8) Cash and cheques amounting to Frw 690 had been paid into the bank on 31 December 2008 but were not credited by the bank until 2 January 2009.

Required:

- a. Provide the reasons that explain why might the business' estimate of its bank balance be different from the amount shown on the bank statement?
- b. Starting with the debit balance of Frw 1,500, bring the cashbook (bank columns) up to date and then balance the bank account.

Prepare a bank reconciliation statement as at 31 December 2008. **(10 marks)**

20. (a) Read the following transactions and answer the questions that follow:

- (i) Sales Frw 105 to A Henry entered in P Henry's account
- (ii) Cheque payment of Frw 134 for Motor expenses entered only in Cash Book
- (iii) Purchases Frw 440 from C Browne entered in both accounts as Frw 404
- (iv) Wages account added up incorrectly, being totalled Frw 10 too much.

Required: Which of these do not affect trial balance agreement?

- (i) and (iv) (i) and (iii) (ii) and (iii) (iii) and (iv).

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

- (i) Cheque Frw 95 from C Smith entered in Smith's account as Frw 59
- (ii) Credit sales of Frw 300 entered in both double entry accounts as Frw 30
- (iii) A purchase of Frw 250 was omitted entirely from the books.

(c) Show the journal entries necessary to correct the following errors:

- (i) A sale of goods Frw 412 to T More had been entered in T Mone's account.
- (ii) The purchase of a machine on credit from J Frank for Frw 619 had been completely omitted from our books.
- (iii) The purchase of a computer for Frw 550 had been entered in error in the Office expenses account.
- (iv) A sale of Frw 120 to B Wood had been entered in the books, both debit and credit, as Frw 102.
- (v) Commission received Frw 164 had been entered in error in the Sales account.
- (vi) A receipt of cash from T Blair Frw 68 had been entered on the credit side of the cashbook and the debit side of T Blair's account.
- (vii) A purchase of goods Frw 372 had been entered in error on the debit side of the Drawings account.
- (viii) Discounts allowed Frw 48 had been entered in error on the debit side of the Discounts received account.

(10 marks)

21. Michael Angelo owns Picta Simpla, a company specialising in selling painting by numbers by mail order. The packs are purchased from a wholesaler and then resold. The public have no access to the wholesaler and so there is no competition.

During the year ended 30 June 2007 Michael sold 2,900 units at Frw 89 each, having started the year with Frw 19,250 of stock (600 units). During the year, he purchased a total of 3,150 packs from the wholesaler at Frw 59 each. Michael wants to value his stock using the FIFO basis.

Staffs have been paid wages totalling Frw 14,500, which is only slightly less than the advertising bills paid of Frw 15,000. Michael is upset since the advertising agency has yet to send a final bill, estimated to be Frw 500. Postage per unit sent out was Frw 2. The packing costs were Frw 0.50 per unit.

Rent was Frw 1,000 per month. Insurance of Frw 3,500 has been paid but Frw 650 of this relates to the year ending 30 June 2008. Electricity bills amounted to Frw 2,900, but the bill for the final quarter is still outstanding and is expected to be approximately Frw 500.

The business has a computer which was purchased about two years ago and

which Michael reckons has about another three years of useful life left, at which point it will be worthless. It cost Frw 4,000 and Michael uses the straight line method when calculating the depreciation charge. He also has a fax machine which he uses to communicate with his suppliers.

Stationery charges have amounted to Frw 1,350 and he has had telephone bills of Frw 3,500, of which Frw 200 relates to July and August 2007. In the year ending 30 June 2006, he paid Frw 150 for July and August 2006.

Michael has also paid Frw 5,000 from the business bank account for a month long holiday in Florida. He has asked you whether he can class this as business expenses since it has enabled him to recover from the stresses and strain of running his own business.

Required:

- a) Prepare an income statement for the year ending 30 June 2007.
- b) Write a brief letter to Michael explaining what drawings are in relation to a small business and answering his query concerning his holiday. **(10 marks)**

22. The following is the trial balance of Push, a sole trader, at 31 December 2013:

	Debit	Credit
	Frw	Frw
Capital		30,350
Sales		108,920
Purchases	72,190	
Drawings	12,350	
Debtors	7,350	
Creditors		6,220
Cash	1,710	
Stock at 1 January 2013	9,470	
Plant and machinery at cost	35,000	
Accumulated depreciation at 1 January 2013		12,500
Rent	1,000	
Wages	14,330	
Advertising costs	<u>4,590</u>	<u> </u>
	<u>157,990</u>	<u>157,990</u>

Additional information:

- The value of stock at 31 December 2013 was Frw 9,960,000
- The depreciation charge for the year to 31 December 2013 was Frw 3,000,000
- The income tax provision of 30% is to be created.

Required:

- (a) Name and explain the four financial statements that are required for-profit organization.
- (b) Prepare the income statement of Push for the year to 31 December 2013.
- (c) Prepare the statement of financial position (balance sheet) as at that date.

(10 marks)

23. (a) Mex Cars is a motor vehicle distributor that prepares its accounts on the calendar-year basis. Ten cars are purchased during 2001 for Frw 4,500,000 each and sold for Frw 6,000,000 each.

Required: Calculate profit by matching revenues with expenses.

- (b) Kathy Gannon is the new owner of Kathy's Computer Services. At the end of July 2015, her first month of ownership, Kathy is trying to prepare monthly financial statements. She has the following information for the month.

1. At July 31, Kathy owed employees \$1,100 in salaries that the company will pay in August.
2. On July 1, Kathy borrowed \$20,000 from a local bank on a 10-year note. The annual interest rate is 9%.

Service revenue unrecorded in July totalled \$1,600.

(10 marks)

Section III. Answer any one (1) questions of your choice

(Do not choose more than one (1) question). 15marks

The following information patterns to question 24 and question 25.

Mr Jacob a dealer in textile materials had the following assets and liabilities at December 31st, 2013 (Frw '000):

	Frw
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 2014 were as follows:

3/1/2014 Purchased Ankara cloth from Asumani on credit Frw 360

12/1/2014 Purchased suit materials from Five Star Textiles on credit for Frw 2,000

18/1/2014 Sold all the Ankara cloth purchased on 3/1/2014 for Frw 600 cash

19/1/2014 Received cheque from B. Ashogbon for the balance due less 10% cash discount.

20/1/2014 Paid by cheque to A. Oni a half-year's interest at 6% on the loan.

26/1/2014 Bought lace materials from KARAME ltd on credit for Frw 9,600.

28/1/2014 Purchased new furniture for use in his shop for Frw 2,400 by cheque.

30/1/2014 Received cheque of Frw 140 from A. Adeniji and paid for sundry expenses Frw 500 in cash.

QUESTION 24

- Find out the amount of capital as at 31 December 2014. **(3 marks)**
- Journalize the transactions of January 2014. **(12 marks)**

QUESTION 25

- (a) Prepare a three-column cashbook. **(6 marks)**
(b) Prepare the trial balance for the month of January 2014 **(9 marks)**

QUESTION 26

Robert Giggs started a business on 1 Jan 2010. Below are lists of opening and closing balances in relation to the year ending 31 December 2011:

	01 Jan. 2011	31 Dec. 2011
	Frw	Frw
Premises	500,000	490,000
Fixtures and fittings	30,000	27,000
Inventory of goods bought for resale	14,000	18,000
Trade Receivables	15,000	17,000
Bank	500	2,000
Cash	200	300
Bank Loan	6,000	5,000
Trade Payables	10,000	14,000
Accrued loan Interest	150	125
Additional information		

The lists of balances above do not require adjustment for the following additional information:

- In 2010 Giggs made a loss of Frw 1,600 and withdrew cash of Frw 5,000.
- During 2011 Giggs transferred Frw 2,500 from a personal deposit account into the business bank a/c. During the year he also drew Frw 6,000 for personal living expenses.

Required

- What capital did Robert Giggs start his business with?
- Calculate Giggs's profit or loss for the year ending 31 December 2011.
- State the figure for depreciation which would have appeared in the income statement for the year ending 31 December 2011. **(15 marks)**

~~12,500,000~~
~~84,000,000~~
~~88,000,000~~

~~12,500,000~~
~~84,000,000~~
~~88,000,000~~
 Machinery Co 100,000
 per (part) 12,500,000
 Bank

~~12,500,000~~
~~84,000,000~~
~~88,000,000~~

Cash
 profit

Ann. exp = 60,000,000 - 14,400,000 = 45,600,000
 Acc. Dep (3) = 11,400,000 x 3 = 34,200,000

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18,000,000
 45,600,000 - 27,600,000 = 18,000,000
 profit = 18,000,000
 45,600,000
 27,600,000
 Reviewing
 45,600,000
 18,000,000