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FINAL MARKING SCHEME 2015

ANSWER BOOKLET

Option ....

Subject FINANCIAL ACCOUNTING

Academic Year 2015

INSTRUCTIONS

1. *Write your answers on the 16 lined pages*
2. *Use the last non-lined pages as draft*

FOR EXAMINER'S USE ONLY

QUESTIONS	1	2	3	4	5	6	7	8	9	10	Total
Marks											

QUESTIONS	11	12	13	14	15	16	17	18	19	20	Total
Marks											

QUESTIONS	21	22	23	24	25	26	27	28	29	30	Total
Marks											

QUESTIONS	31	32	33	34	35	36	37	38	39	40	Total
Marks											

SECTION I. eighteen (18) compulsory questions

Do not write in this margin

(01) (i) PROVISION: * Provision is a liability of uncertain timing or amount. 2marks

* Is an amount set aside for a given probable loss 2mks
* This is an amount put aside for covering a risk that may happen within Organisation,
* Provision is an amount, a part of the profit put aside to solve unexpected future loss. 2mks

(ii) REVENUE: Revenue refers to inflows from the delivery or manufacture of a product or from the rendering of a service or other activities that constitute the entity's on going major or central operations. Revenue is therefore the increase in owner's equity a firm earns by providing goods or services for its customers. It is measured by the assets in exchange usually in form of cash or accounts receivable. 2mks

(iii) CONTINGENCY: A contingency is an existing condition, situation or set of circumstances involving uncertainty as to possible gain (contigent asset) or loss (contigent liability) to an enterprise that will ultimately be resolved when one or more future events occur or fail to occur. 2mks

(02) Calculation of the amount of T. Judge's capital as at 31 January 2.000:

Assets: cash at bank	------	: 6,300
Stock	-------	: 10,800
Debtor A: Coroan	----	: 876
Debtor A: Philips		: 3.048

Office furniture -------- : 4,320
Motor vehicle -------- : 9,360

TOTAL ---------- > 34,704

Liabilities : Creditor S. Richards : 648
Creditor P. Fiddler : 828

1,476

A = L + O.E, A - L = O.E., i.e. 34,704 - 1,476 = 33,228

Amount of T. Judges' capital as at 31 January 2000 is Rwf 33,228

---

(03) a) land = Asset
b) Wage expenses
c) Account payable : a liability
d) Fes earned : owner's equity
e) Supplies : Assets
f) Cash : Assets

O.R

a) Land = Assets 0.5 mk
b) Wages expenses = ___
c) Account payable = Liabilities 0.5 mk
d) Fees ~~earned~~ earned = Equity 1 mk
e) Supplies = Assets 0.5 mk
f) Cash = Assets 0.5 mk

---

(04) a. Revenues = Increase owner's equity 0.5 mk
b. Expenses = Decrease owner's equity 0.5 mk
c. Owner's investment = Increase equity 0.5 mk
d. Owner's withdrawals = Decrease equity 0.5 mk

---

(05) C. RWF 8.000 increase 2 mks

OR

We know that A = L + O.E. Therefore 20000 = 12,000 + OE

20.000 - 12.000 = O.E

O.E = 8.000

(06)

B Rwf 7,500 net income 2 mks

Net income or net loss is the difference between revenue and expense.

Rwf 45.000 – Rwf 37.500 = Rwf 7.500   2mks

Do not write in this margin

(07) Given : Cost of investment (cash paid by Winans corporation = acquirer) = 700000
liabilities = 200.000
Owner's equity = 420.000
Fair value of Aumont Entreprises assets 800.000

Required : Good will acquired by Winans.

Formula : Good will = cost of investment – Fair value of net assets.

Net assets or Net worth = Total assets – Total liabilities.

Net book value of Net assets of Aumont Enterprises : 620.000 – 200.000 = 420,000 Rwf

Fair value of Net assets of Aumont Enterprise : 800,000 – 200,000 = 600.000 Rwf

Cost of investment 700000 , 700 000

Less: Fair value of net assets 600.000

100.000 (1mk)

Investment in Aumont Enterprises 700.000
Cash

Assets other than Good will	800.000	
Good will	100.000	
To liabilities		200.000
Investment in Aumont Ess		700.000
	900.000	900.000

5mks

(08) To record the impairment of good will :

Good will impairment	40.000	
To Good will		40.000

To record amortization of patent rights $\left(\frac{84.000}{12} \times \frac{6}{12}\right)$

Amortization expense – patent	3500	
To Accumulated amortization – patent		3500

O.R

(1) Profit and loss a/c	40.000	
To Good will a/c		40.000
(2) Depreciation a/c	3500	
To Provision for depreciation		3500

O.R

Depreciation a/c 3500
To Patent a/c 3500
Dr : Profit and Loss a/c 3500
Cr : Provision for depreciation a/c 3500
OR
Dr : Depreciation a/c 3500
Cr : Accumulated Depreciation a/c 3500

(09) C Rwf 1.800.000 2mks OR

Year	Annual depreciation	Accum	Net book V.
1.	800.000	800.000	2.400.000
2.	600.000	1400.000	1.800.000

2mks

(10) Cost of machine ; 1mk 40.000.000 Rwf Purchase machine
1mk 2.500.000 Rwf Installation cost
1mk 42.500.000 Rwf Cost of machine
OR Rwf 42.500.000.

(11) Calculation of profit or loss on disposal of the machine : value of proceeds from disposal :
Rwf 38.000.000
Salvage value : Rwf 14.400.000
year of disposal : at the begining of year 4 i.e only in used for 3 years.
Depreciable amount : 60.000.000 – 14.400.000 = 45.600.000
Annual Depreciation = 45,600.000/4 = 11.400.000
Accumulated depreciation to date of disposal :
11,400,000 x 3 = 34,200.000
NBV at the time of disposal : 60.000.000 – 34,200.000 = 25,800.000
Profit (Loss) on disposal = Selling price – NBV of the asset = 38.000.000 – 25,800.000 = 12.200.000
Journal entries

Accumulated depreciation	34.200.000	
Bank	38.000.000 1mk	
To Machinery a/c		60.000.000
Gain on disposal machine		12.200.000

O.R

Do not write in this margin

Dr Disposal Account as at 31/12) Cr

Machinery	60.000.000	Accum depr	34.200.000
Bal c/f 2mks	12.200.000	Sals proceeds	38.000.000
	72.200.000		72.200.000

(i) To record the cost of asset disposed off:
Dr : Disposal of machinery 60.000.000
Cr : Machinery a/c 60.000.000
(ii) To record accumulated depreciation of the asset as at the date of sale:
Dr : Accumulated depreciation 34.200.000
Cr : Disposal of the machinery 34.200.000
(iii) To record the sale price of the asset:
Dr : Receivable or cash Book a/c 38.000.000
Cr : Disposal of machinery a/c 38.000.000
(iv) : To record the profit from the machine disposed of.
Dr : Disposal of Machine a/c 12.200.000
Cr : Profit and Loss a/c 12.200.000
3mks

(12)(a) If the company pays the invoice is paid within the discount period, cash required is

Purchase price ------	11.500
Purchase returns	-3.000
Net Purchase	8 500
Cash discount	170
	8.330

(b) Recording the return under a perpetual inventory system:
Dr : Account payable and Cr : inventory
Recording the return under a periodic inventory system.
Dr : Accounts payable and Cr. Purchase returns

(13)(a) Value Added Tax is a tax on a final consumers of goods and servics. The tax is collected by registered suppliers of goods and servis who add a certain percentage for VAT to the sals price of their outputs and collect the total, including V.A.T from customers.

Do not write in this margin

The suppliers having collected VAT is the responsible for paying the value on to the tax authorities and as such VAT is an indirect tax which means that it is not collected by the government directly but is collected by businesses on behalf of government (3mks

b) Description Quantity Price per Unit (Rwf) Amount (Rwf)

T.V.S Impala 1,000 x 1,000,000 0.5mk 1.000.000.000
10% trade discount 100.000
9.000.000.000
5% cash discount 45,000,000
855,000,000
18% VAT 153,900,000
Invoice total 1.053.900.000

c) Bank - 1,008,900.000 0.5mk
Discount allowed 45.000.000 0.5mk
To Debtor 900.000,000 0.5mk
VAT - - - - - - - - - - - - 153.900 000

) VAT due ; VAT output 200.000.000
VAT input 153.900.000
46,100.000

OR

VAT Account as at 31/12

Dr	Cr
Input VAT 153.900.000	output VAT 200.000.000
Balance c/d (VAT due) 46.100.000	

Answer B 2mks

Bad debt expense = current bad debt allowance − Provision balance
= Rwf 8.500 − Rwf 2.500
= Rwf 6000 (increase) 2mks

OR

Rwf 6 000 2mks

The Answer is B. 2mks

The amount expected to be realized from accounts receivable Rwf 100.000 less the balance of Allowance for Doubtful Accounts Rwf 7,000 or Rwf 93.000 (Answer B)

or

93.000 Rwf. 2mks

(16). Debit(000 Rwf) Credit(000 Rwf)

Dec 31 Cash - - - - 240.000 1mk

To Mortgage note payable/Bank loan 240.000

June 30 Interest exp.($240.000 \times 10\% \times \frac{6}{12}$) 12.000

Mortgage note payable(Bank loan 4.000

To cash/Bank 16.000

---

(17) Jan 1:

Dr: Investment in affiliats/shars 85.000

Cr: cash (-A) - - - - - - - 85.000.

Dec 1 Dr: Cash (+A) (40% X 10.000) - 4.000

Cr: Dividend received 4.000

Dec 31 Dr: Investment in affiliates/shares(40%x60.000 = 24.000

Cr: Equity in affiliate earning (+R+SE)

On the balance sheet

Non - Current assets

Investments in affiliats (associate) shars

(Rwf 85.000 + Rwf 24.000) = Rwf 109.000

on the income statement

other items

Dividend received Rwf 4.000

---

(18) Cash - - - - - 34.000

Inventory 15.000

Equipment 29.000

To Notes payable 12.000

Reese Howell capital 66.000

SECTION II Answer any three (3) questions of your Choice.

(19) (a) * Errors in calculation or recording transactions are more likely to be made by themselves than by the bank. (1mk)

* Bank charges or bank interest: The bank usually only shows these on the Bank statement. 1mk

* Timing differences: These include amounts banked, but not yet cleared and added to the account. similarly, payments by cheque not yet recorded by the bank 1mk

Cr

b) Dr Bank Account adjusted as at 31/12

Bal B/f	1.500	Bank chargs	80
Dividend	240	RAC subscription	70
VAT refund	260	Loan repayment	200
Cash deposit	1400	Balance C/f	3100
	3.400		3400

Do not write in this margin

c) Bank reconciliation statement as at 31 dec 2008

		Rwf
Balance as per cash book		3100
Unpresented cheque : T. Cool	250	
T. Haddock	290	
		540
		3640
Less: Un credited cash and cheque		690
Balance as per bank statement		2950

Q 20.

a) (i) and (iii)

b) i) = Cheque Rwf 95 from C Smith entered in smith's account as 59 Rwf.

(C) i) Dr : T More 412
Cr : T More 412

Being the correction of error for credit sals recorded in T. more's account.

(ii) Dr : Machine 619
Cr : J. Frank 619

Being the correction of the transaction omitted in the books

(iii) Dr : Computer 550
Cr : office expense a/c 550

Being the correction of purchase recorded in wrong class of account.

IV) Dr : B Wood 18
Cr : Sals 18

(V) Dr : Sals 164
Cr : Commission received 164

Being the correction of revenue recorded in wrong account

Vi) Dr : Cash 136
Cr : T Blair 136

or

Dr : Cash 68
To T. Blair 68
Cash 68
to T. blair 68
Being the correction of cash receipt recorded in wrong side of accounts.

VI(i) Dr : purchase 372
Cr : Drawings 372
Being the correction of purchase transaction recorded in wrong class of a/c

(VIII) Dr : Discount allowed 48
Cr : Discount received 48
Being the correction of discount recorded in wrong class of accounts.

Q21.

a) Picta simpla
Income statement for the period ending 30 june 2007

Sals		258.~~1~~00	
<u>Less : Cost of goods sold</u>			
Opening inventory	19.200		
Add : purchass	185.850		
Cost of goods available to sals		205.100	
less : closing inventory		50.150	154.950
Gross profit		103.150	
Operating expenss			
Wags	14.500		
Advertising	15.500		
Postage	5.800		
Packing	1450		
Rent	12.000		
Insurance	2850		
Electricity	3400		
Depreciation	800		
Stationary	1350		
Telephone	3300		
Sundry expense	150		
Total	61.100		

Calculation of the cost of the cost of goods sold using FIFO method FIFO

Do not write in this margin

Date	Purchase			Cost of good sold			Inventory		
	Q	PUC	Total	Q	PUC	Total	Q	PUC	Total
opening							600	32.083	19.250
Purchase	3150	5900	185.850				600 3150 3750	32.083 59.800	19.25 185.8 205.1
Sals				600 2300	32.08 59.000	19.250 135.780	850	59.000	50.1
				2900		154.950	850	59.800	50.150

b) Letter To michael

The body of your letter should explain drawing and provide advice about the recipient's looni's about his holidays.

To
Michael Angelo
Dear Sir,
Subject : Explaining what drawings are in relation to a small business and answering your query concerning your holidays.
Some tims the owners will want to take cas out of the business for their private use. This known as drawings. Any money taken out a drawings will reduce. Any drawings will ha a negative impact on the capital since it is th money going out of the business.
Therefore, drawings is not good for a busin it reduces the net worth which helps in day to da operation capacity and in the expension of the business known as organic or internal business growth drawings are never expenss of a business

Therefore, do not include any money you withdraw from your business for your holidays even if it help you to recover from the stresses.

You are advised to keep separate books to account for the running of your business so as not to confuse with your family needs. This will help you know how well the over all business is profitable and make appropriate decision on time. To achieve, this is better for you to know that you as a person you are economically different from your business because it is legally recognised as a person subject of right and duties.

Yours sincerely.

Q 22.

a) Four financial statements

* Income statement
* Balance sheet
* Statement of owner's equity
* Statement of cash flow

or

* Fund flow statement

* income statement: Income statement is a summary of the revenue and expenses of a business entity for specific period of time. Such a month or year. This statement explain the profitability of the business for a given period.
* Balance sheet: Balance sheet is a list of the assets, liabilities and owner's equity of a business entity as of a specific date. This statement explain the financial position and solvency at any given date (a point in time).
* Statement of owner's equity: Statement of owners equity is a summary of the changes in the owner's equity section of the balance sheet of a business entity that have accured during a specific period of time.
* Statement of cash flows: Statement of cash flow is a summary of the cash receipt and cash payment of a business entity for a business entity for a

or

* Fund Flows statement : It is a financial statement showing the working capital of the business.

b) Income statement "push"

Income statement for the period ended 31 dec 2013

		Rwf
Sals		
Less cost of goods sold		108.920
- Opening stock at 1 Jan 2013		9.470
Add : purchass		72.190
Cost of goods available to sale		81.660
Less : Closing stock at 31 Dec 2013		9960
		71.700
Gross profit		37.220
Less:		
operating expenss		
Rent	1000	
Wags	14330	
Advertising	4590	
Depreciation	3000	
		22.920
profit befor tax		14.300
Income tax provision		4290
Profit for the year		10.000

c) Statement of financial position (Balance Sheet "push"

Balance sheet as at 31 December 2013

Assets

Current assets

Cash	1,710	
Debtors	7350	
Stocks	9960	
Total current asset	19020	
plant and machinery cost	35.000	
Less: Accumulated depreciat°		15.500
Total non current asset		19.500
Total assets		19.500
		38.520

Liability and owner's equity

Creditor	6220
Taxpayable	4290
Liabilitis	10,510
Capital	30,350
Less: Drawings	12.350
Add profit for the year	10.010
Total owner's equity	28.010

Total liabilitis and owner's equity 38520

Do not write in this margin

Q 23. a) Amount in Frw

Sales revenue 10 cars = 6.000.000 X 10 = 60.000.000

Less cost of sals 10 cars = 4500.000 X 10 = 45.000.000

profit from sals of 10 cars = 15.000.000

b) Adjusting entris at July 31. 2015 (Amount in $)

Dr: Salaris expense 1100
Cr: Accrued salaries payable 1100
Dr: interest expense 150
Cr: Accrued interest payable 150
Dr: Fees receivable / Rev receivable 1600
Cr: Fees Revenue / earned fees Revenue 1600

Asset Balance sheet Liabilitis

Asset		Liabilitis	
		Profit	350
Bank a/c	21.600	Bank loan	20.000
		Accrued salaris	1100
		Accrued interest	150
	21.600		21.600

OR

$$\text{Loan paid} = \frac{20.000}{10 \times 12} = 166.6$$

Remaining loan = 20.000 − 166.6 = 19833

Bank 21.600 − 167 − 150 = 21.283

Asset Balance sheet Liabilitis

Asset		Liabilitis	
		Profit	350
Bank	21.283	Bank loan	19833
		Accrued salaris	1100
	21.283		21.283

Dr	Income statement		Cr
Salaries	1100	Revenue	1600
Interest	150		
Profit	350		
	1600		1600

Q.24. Calculation of the amount of Capital

Assets = Liabilities + Owner's equity

Assets	Liabilities	Capital
Furniture (1,210) + cash (410) + Debtor B Ashogbon 190	Creditor	35 670
Debtor A Adeniji: (270) +	J. Olawini	
stock (4120) +	(780) + loan A	
premises (29500) +	Oni 2000	
Bank (2750)		

38450000 = 2780000 + 35670.000

or Capital = 35,670.000

b) Journal

Date	Accounts titles	Debits (000) Frw	Credit (000) Frw
01.1.2014	Premises a/c	29.500	
	Furniture a/c	1210	
	Stock a/c	4120	
	Debtor B. A Shogbon a/c	190	
	Debtor A Adeniji	270	
	Cash at bank	2750	
	Cash in hand	410	
	To Creditor J. Olawini		780
	Loan A. Oni a/c		2000
	Capital a/c		35670
	(to record the opening balance)		

03.1.2014	Purchase a/c To creditor Assuman a/c To record the credit purchase of Ankara	360	360 1mk
12.01. 2014	Purchase a/c To creditor Firestar textile a/c To record the credit purchase of suit material	2000	2000 1mrk
18.01 2014	Cash a/c To sals a/c To records the sales of Ankara Cloth purchased on 03.01.2014	600	600 1mrk
19.01. 2014.	Bank a/c Discount allowed/sals discount a/c To debtor BA shogbon To record the debtor's payment cheque	171 19	190 1mrk
20.01 2014	Interst expence a/c To bank a/c To record the payment of a half of year's interest on loan 2000 x 6% x 1/2	60	60 1mrk
26.01	Purchase a/c To creditor Karameh+d a/c To record the credit purchase of lace material	9600	9600 1mrk
28.01. 2014	Furniture a/c To Debtor A Adeniji a/c To record the purchase of furniture cheque	140	140 1mrk
30.01. 2014	Bank a/c To debtor A Adeniji A/C To record the debtor's payment by cheque	140	140
	Sundry expenses a/c To bank a/c To record the payment of	500	500

Do not write in this margin

OR

a)

Dr (000) Income statement			Cr (000)
C.G.S	360	Sals	600
G.P	240	~~Openbal~~	
	600		600
Discount	19	G.P b/d	240
Interest	60	Net Loss	339
Sundry exp.	500		

Net Capital = Opening Capital + profit (loss) =

35 670 000 − 339.000 = 35331.000 on 31/12/2014

Capital = 35,331,000 Rwf

or

a)

Dr Income statement			cr
Cost of goods sold	360	Sals	600
G.P	240	by G.P	240
	600		
Interst	60.000	Net Loss	79260
Discount	19.000		
Sundry expenss	500		
	79.500		79.500

Net Capital = 35.670.000 − 79 260 = 35590740 Rwf

Q. 25. a) Cash book

Date	Particulars	Discount allowed	Cash	Bank	Date	Particulars	Disc Received	Cash	Bank
	balance b/d		410	2750		Interest			60
	Sales		600			Furniture			2400
	B. A Shogbon	19		171		Sundry express		500	
	A. Adeniji			140		Balance b/f		510	601
31	Total	19	1010	3061				1010	3061
April	Balance b/d		510	601					

OR

Cash book

Date	Particulars	Discount Allowed	Cash	Bank	Date	Particular	Disc. Received	Cash	Bank
1/1	Balance b/f		410.000	2750.000	20/1	interst			60.000
18/1	Sals		600		28/1	Furniture			2400
19/1	B.Ashog bond	19.000		171.000	30/1	Sundry Expenss		500	
30/1	A.Adenyi			140	31/1	Bal.C/d		410.100	2858740
		19.000	410.600	2921,140				410.600	2921140
1/2	Bal b/d		410.100	2858700					

b) Trial Balance

Jacob Textile materials Company

Dr Trial Balance Cr

Premises a/c	29.500	Sals a/c	600
Furniture a/c	3610	Creditors J.olamine	780
stock a/c	4120	creditors Assumani a/c	360
Purchace a/c	11960	creditors Karame a/c	9600
Debtor A adenyi a/c	130	creditors Fire star textile a/c	2.000
Cash at bank a/c	601	Loan A oni a/c	2'000
Cash in hand a/c	510	Capital	35670
Discount allowed	19		
interst expenss	60		
Sundry expenss	500		
	51010		51010

OR

B. Trial balance as at 31/01/2014

Particulars	Dr	Cr
Cash in hand	410.~~4~~00	
Bank	2858740	
Discount Allowed	19.000	
Debtor A. Adenifi	269860	
Creditor J. olavini		780,000
Loan A oni		2.000.000

Do not write in this margin

Inventory stock	4.131.600	
Premiss	29500000	
Capital		35670.000
Cost of goods sold	360	
Creditor Assuman		360
Creditor Fire star textile		2.000
Sals		600
Interest paid	60.000	
Creditor Karame Ltd		9600
Sundry expenses	500	
Furniture	1.212,400	
Total	38462,560	38.462.560

Q.26. a) Capital at the begining of the year 2010 for the year 2010

Opening Capital + new Capital - Loss - Drawing = Closing Capital

Therefore opening capital at 1 Jan 2010 is given by opening capital = Closing capital - new capital + drawings

Closing capital i.e at 31 December 2010 is

Assets		Liabilities	
Premiss	500.000	Bank loan	6.000
Fixtures and Fitting	30.000	Trade payable	10.000
Inventory	14.000	Accrued loan interest	150
Trade receivable	15.000		
Bank	500		
cash	200		
	559,700		16150

For the year 2010 1mrk 1mrk 1mrk

Closing capital = 559700 - 16150 = 543550

Opening Capital = 543550 - Nil + 1600 + 5000

Opening Capital = 550150 Frw 2mrk

b). Profit or loss for the year 2011

Opening Capital + new capital + profit - Drawings = closing Capital

Therefore profit for year ending 31 December 2011 is given by:
Profit = Closing capital - opening Capital - New Capital + Drawings.
Closing capital i.e at 31 december 2011 is:

Assets		Liabilities	Frw
Premises	490.000		
Fixture and Fittings	27.000	Bank loan	5.000
inventory	18.000	Trade payable	14.000
Trade receivable	17.000	Accrued loan interest	125
Bank	2.000		
Cash	300		
	554.300		19,125

For the year 2011
Closing capital = 554.300 - 19125 = 535,175
profit = 535,175 - 543,550 - 2.500 + 6000 = 4875 Rwf
Loss = 4875 Rwf
or Loss = Rwf 4875

C) In the absence of a depreciation policy, we have to assume that depreciation charge in the income statement is given by the movement in the NBV'S of non current assets
properly has fallen by 10.000 Rwf and Fixtures and Fittings have fallen by 3000 Rwf
Frw 13.000 will appear in the income statement as depreciation charge or
Depreciation = 13.000 5mrks

Do not write in this margin