

HOT, SEC & TOR
Initiation to Accountancy

T108

Monday, 14/11/2016

08:30 – 11:30

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2016,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: Initiation to Accountancy

OPTIONS: Hotel Operations (HOT)

Secretarial (SEC)

Tourism (TOR)

DURATION: 3hours

INSTRUCTIONS:

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

Section I: Thirteen (13) 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.

Section I. Thirteen (13) compulsory questions

55 marks

✓ 01. Explain the term "accounting" and identify four users and uses of accounting. **5 marks**

✓ 02. Explain the following accounting terms:

- a) GAAPs
- b) Monetary unit assumption
- c) Accountancy
- d) Drawings
- e) Expenses

5 marks

✓ 03. The principal forms of business organization are Three: sole trader, Partnership, and Company (corporation). In the case of sole trader..... (Choose the correct answer from the following):

- earning profit does not affect capital;
- earning profit increases capital;
- earning profit reduces capital;
- capital can arise only by earning profit

2 marks

✓ 04. Among the following items, identify the assets and liabilities of a firm.

Use the table below.

- ❖ Money owned by the firm to one of its suppliers in respect of goods purchased on credit
- ❖ An overdrawn balance on the firm's bank account
- ❖ The capital of the firm
- ❖ Machinery owned by the firm
- ❖ A building owned by the firm
- ❖ Cash in the firm's safe
- ❖ Money owed to the firm by its debtors
- ❖ Money which the firm has borrowed and has not yet repaid.

4 marks

Assets	Liabilities

✓ 05. (A) From the accounting equations shown below, identify the correct one: **2 marks**

- a) Assets + Capital = Liabilities
- b) Liabilities - Capital = Assets
- c) Capital = Assets - Liabilities
- d) Capital = Assets + Liabilities

✓ (B) Reference made to accounting equation above, which of the following is correct? Why? **3 marks**

	Assets	Liabilities	Capital
a)	7,850 FRW	1,250 FRW	6,600 FRW
b)	8,200 FRW	2,800 FRW	11,000 FRW
c)	9,550 FRW	1,150 FRW	8,200 FRW
d)	5,420 FRW	6,540 FRW	1,120 FRW

06. The following is a list of assets and liabilities of a firm as at 30th May 2016 (Figures in FRW).

Premises owned by the firm	20,000
Money owed by the firm to its creditors	3,000
Stock owned by the firm	8,500
Loan received by the firm from a bank	4,000
Cash in the firm's safe	100

Given the information provided above, what is the firm's capital as at 30th May 2016?

5 marks

07. From the below business transactions for GIRINKA LTD for the month of June 2016, fill the table by showing the effects of each transaction to Assets, Liabilities, and Capital of the firm.

6 marks

Date	Transactions	Effects		
		Assets	Liabilities	Capital
June 1 st	Started a business putting 5,000 \$ into a business bank account	?	?	?
June 3 rd	Bought works machinery on credit from unique Machines 2,000 \$?	?	?
June 4 th	Withdrew 500 \$ cash from the bank and placed it in the cash box.	?	?	?
June 10 th	Retuned some of the machinery, value 300 \$, to Unique Machines	?	?	?

08. The following information relates to Gasabo Hotel trading during the Month of July 2016 (Figures in USD).

Gross profit for the month	35,000
Expenses for the month	18,000
Net profit for the month	equals 17% of the sales for the month

What is the Hotel's cost of sales for the month of July?

5 marks

09. Categorize the three items below as either "current liabilities" or "Long-term liabilities" of a firm as at 31 December 2015.

3 marks

Item I:

A bank loan repayable by the firm as a single lump sum on 31 March 2017

Item II:

An electricity bill relating to November and December 2015 but unpaid as at 31 December 2015 because the bill was not received by the firm until 10 January 2016, at which time it was recorded in appropriate ledger account.

Item III:

The portion of a five year bank loan due to be paid by the firm in 2016. The loan was taken out on 1 January 2014 and is repayable in equal installments over the term of the loan.

10. A firm has two categories of stock. The cost and the net realizable value (NRV) of each at 31 December 2015 are as follows (figures in FRW):

	Cost	NRV
Category one	35,000	22,000
Category two	25,000	22,000

What is the value of stock to be included in the firm's balance sheet as at 31 December 2015?

3 marks

11. The following Transactions relates to Vision driving school for the Month of April 2015.

1. April 4th, Mr John the owner deposited the 60,000 FRW on Vision driving school account opened at BK account.
2. 6th April, John paid 10,000 FRW to rent a furnished office for the vision driving school and 20,000 FRW for leasing a training vehicle for April by BK cheque.
3. 12th April, John paid vehicle insurance premiums of 15,000 FRW for three years by BK cheque.

Required:

- a) Record the Vision driving school transactions for April 2015 using **T- accounts**.

2 marks

- b) Determine the balance on BK account after the transaction of 12th April 2015.

2 marks

12. An employee, whose annual salary is 24,000 USD and who has a tax-free allowance of 8,000 USD for the current tax year, pays PAYE at a rate of 48%.

What is the amount of PAYE that will be deducted from his salary for the year?

3 marks

13. Briefly explain the following terms and state why cheques are sometimes crossed.

- a) A cheque
- b) Endorsing a cheque
- c) A paying in slip
- d) The drawer of a cheque
- e) The payee of a cheque

5 marks

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

30 marks

14. Differentiate the correct from false among the following statements, using the table below.

10 marks

- a. The statement of financial position reports on income, expenses and profits over a period of time.
- b. A financial statement is a formal record of the financial activities of a business, person or other entity.
- c. An income statement reports on a company's assets, liabilities and equity at a given point in time.
- d. Cash flow statement reports on a company's cash flow activities, particularly its operating, investing and financing actions.
- e. Fixed assets are properties belonging to the business which are acquired for the purpose of producing goods or rendering services.
- f. Sales refer to the sale of goods in which the business deals and includes both cash and credit sales.
- g. Opening Stock refers to the value of goods at hand at the end of the accounting year.
- h. Purchases refer to the value of goods which are purchased either on cash or on credit for the purpose of resale.
- i. Closing Stock refers to the value of goods sold at the end of any accounting year.
- j. The closing stock is valued at either cost or market price.

Assets	Liabilities

15. MUKAMANA Manages IRIS RESTO-BAR. She was advised to manage separately the Restaurant and the Bar for her to know the income and costs for each production unit. During May 2016, the following transactions were done:

	BAR (USD)	RESTAURANT (USD)
Sales	2,000	1,300
Purchases	1,500	600
Salaries	100	200
Other expenses	200	200

- a. Determine the gross Margin and net profit for the Bar and Restaurant;
- b. Determine the general net profit for IRIS RESTO BAR.

10 marks

16. On the 1st March 2016, Abraham started a Business with a capital of 10,000 USD deposited at BK bank. During March 2016, Abraham made transactions as follows:
- 10th March 2016, purchased goods worth 6,000 USD cash
 - 11th March 2016, sold goods worth 5000 USD on credit to Ivan at 6,500 USD
 - 13th March 2016, Ivan paid by cheque

Record the above transaction into appropriate T-accounts and balance of the accounts.

10 marks

17. Show how the debit and credit movements recorded on Balance sheet and income statement accounts affect these accounts.

10 marks

18. Alvin is an employee of Tea Company Ltd. He is paid 1,000 USD gross salary per month. The following deductions are done from his salary:

PAYE: pay as you earn 20%, contribution to social Security fund 5%, medical insurance 2%.

Required: Prepare the payroll for Alvin for May 2016.

10 marks

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

15 marks

19. (i) Differentiate account receivable to accounts payable; current assets to note payable.

(ii) Prepare TBN's income statement for the year ending on December 31, 2009. The following information is all that is available in FRW.

Capital	102,500
Wage expense	92,500
Revenue	225,000
Cash	22,500
Utilities expenses	15,000
Rent expense	25,000
Account payable	10,000
Equipment	200,000
Accounts receivable	47,500
Notes payable	50,000

15marks

20. (a) Using the table below, distinguish the correct from incorrect statements from the following :

- Sales day book is a book where all paid sales transactions are first recorded
- Purchases day book is a book where all purchase transactions are first recorded
- All cash and bank transactions in a business are recorded in cash book.
- Net profit is the profit earned by deducting *all* expenses from the revenue of the period
- Debit entry always comes before the credit entry in the journal.

Assets	Liabilities

(b) From the following, construct the two-column cash book for the month of March 2010 if bank has a debit balance of 560 and cash has a debit balance of 45 (all in FRW, 000).

- March 2 Paid rent by cheque 240
- March 4 Sold goods for cash 89
- March 7 Paid Muganga a creditor by cheque 110
- March 12 Paid wages by cheque 135
- March 13 Received 76 commission in cash
- March 18 Purchased goods for 56 paid immediately by cheque
- March 22 Paid electricity by cash 23

15 marks

21. New Life Bakery was newly formed early in 2015. The following information relates to the full year:

Raw materials	10,500,000 FRW
Direct labor cost	7,000,000 FRW
Factory overhead	5,250,000 FRW
Selling and administrative expenses	2,450,000 FRW

75% of the available raw material was transferred into production.

60% of the work in process was completed.

80% of the finished goods were sold.

a) How much is in ending inventory for:

- (1) raw material,
- (2) work in process
- (3) finished goods?

b) How much is in:

- (1) cost of goods sold and
- (2) selling and administrative expenses for the period.

15 marks