

# WOMEN'S UNIVERSITY IN AFRICA



*Addressing gender disparity and fostering equity in University Education*

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**FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES**

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**BSc HONOURS DEGREE IN MANAGEMENT AND ENTREPRENEURIAL  
DEVELOPMENT STUDIES SPECIALISING IN BANKING AND FINANCE/  
MANAGEMENT AND MARKETING**

**BACHELOR OF ACCOUNTING HONOURS DEGREE**

**BACHELOR OF SCIENCE HONOURS DEGREE IN HUMAN RESOURCE  
MANAGEMENT**

**BACHELOR OF SCIENCE HONOURS DEGREE IN PURCHASING AND SUPPLY  
CHAIN MANAGEMENT**

**MAIN PAPER**

**BM117: ACCOUNTING PRINCIPLES**

**INTAKE 28 & 13: FIRST YEAR FIRST SEMESTER**

**TIME: 2 HOURS**

**INSTRUCTIONS TO CANDIDATES**

Answer any other **three** questions.

### Question 1

The following information relates to the banking transactions of Tai Sang Company for the month of August 2010:

Cash Book (Bank Column Only)							
2020			\$	2020			\$
Aug	1	Balance b/d	2,420	Aug	2	General expenses (211012)	67
Aug	4	Sales	835	Aug	9	Wages (211013)	330
Aug	23	Sales	716	Aug	11	Drawings (211014)	410
Aug	31	Company A	185	Aug	12	Purchases (211015)	406
		Sales	640	Aug	24	Rent (211016)	290
				Aug	25	Wages (211017)	345
				Aug	27	C Limited (211018)	502

Bank Statement									
Date			Details	Dr		Cr		Balance	
2020				\$		\$		\$	
Aug	1		Balance b/d					2,420	Cr
Aug	3		CQ211012	67				2,353	Cr
Aug	4		Credit			835		3,188	Cr
Aug	7		Standing order (rates)	136				3,052	Cr
Aug	11		CQ211013	330				2,722	Cr
Aug	1		CQ211014	140				2,582	Cr
Aug	20		CQ211015	406				2,176	Cr
Aug	23		Direct debt (insurance)	153				2,023	Cr
			Credit			716		2,739	Cr
Aug	27		CQ211017	345				2,394	Cr
Aug	30		Credit transfer – B Limited			268		2,662	Cr
			Bank interest			8		2,670	Cr

#### Required:

- Update the Cash book starting with the Cashbook closing balance as at 31 August 2020. [5]
- Prepare the Bank Reconciliation Statement as at 31 August 2020. [10]
- Explain why the entry of Company A in the bank column of the company's cash book on 31 August 2020 was not credited by the bank even it has already been deposited into the bank on that date. [5]

- d) Explain with FOUR reasons why business needs to use a bank reconciliation statement for cash control purpose. [5]

### Question 2

The following Trial Balance was extracted from the books of the partnership at 31 December 2020

	\$	\$
Capital – Sand		60 000
- Rock		81 000
Current account – Sand		9 000
- Rock		8 000
Drawings – Sand	20 000	
- Rock	25 000	
Sales		552250
Purchases	291 830	
Returns in and out	800	830
Carriage inwards	3 150	
Staff salaries	141 150	
Rent	2 500	
Insurance - general	1500	
Insurance – fixtures and fittings	1500	
Electricity	10 000	
General expenses	9 500	
Bad debts written off	1 150	
Fixtures and fittings –cost	90 000	
Fixtures and fittings – depreciation		12 000
Trade receivables and payables	137 500	23 400
Cash	400	
Inventory at 1 January 2020	10500	
	<b><u>746 480</u></b>	<b><u>746 480</u></b>

### **Additional information.**

1. A provision for doubtful debts is to be created of \$1 300.
2. Insurances paid in advance at 31 December 2020 were \$180, General expenses \$90.
3. Staff salaries accrued amounted to \$300.
4. Fixtures and fittings are to be depreciated at 5% on cost.
5. Inventory at 31 December 2020 was \$12 500.
6. Interest is to be allowed on capital and at a rate of 5% per annum and Rock is to be given a salary of \$18 000 per annum.
7. Interest is to be charged on drawings at 5% per annum and the profits and losses are to be shared Sand 70% and Rock on 30%.

### **Required:**

- a) The Statement of Comprehensive Income for the year ending 31 December 2020. [10]
- b) The Appropriation Account for the year ending 31 December 2020. [5]
- c) The Statement of Financial Position as at 31 December 2020. [10]

### **Question 3**

The following transactions are of MTN general dealers, which opened a shop on 1 March 2020.

March 1, Started in business with \$8,000 in the bank.

March 2. Bought goods on credit from the following persons: L Frank \$550; G Byers \$290.

March 5, Cash sales \$510.

March 6, Paid wages in cash \$110.

March 7, Sold goods on credit to: K Park \$360; B Tyler \$640.

March 9, Bought goods for cash \$120.

March 10, Bought goods on credit from: G Byers \$410.

March 12, Paid wages in cash \$110.

March 13 Sold goods on credit to: K Park \$610; B Tyler \$205.

March 15, Bought shop fixtures on credit from Stop Ltd \$740.

March 17, Paid G Byers by cheque \$700.

March 21, Paid Stop Ltd a cheque for \$740.

March 24, B Tyler paid us his account by cheque \$845.

March 27, We returned goods to L Frank \$18.

March 30, G Prince lent us \$1,000 by cash.

March 31, Bought a van paying by cheque \$6,250

**Required:**

Post the above transaction to the ledger accounts of MTN general dealers, balance off the accounts and extract the Trial Balance as at 31 March 2020. [25]

**Question 4**

The following transactions took place in the business of Toronto, during the month of June 2020

- June
1. Balances brought forward: Cash \$420; Bank \$4,940.
  2. The following paid us by cheque, in each case deducting cash discount: S Braga \$820 in respect of \$850; L Pine \$320 in respect of \$330 and M Rae \$1,040 in respect of \$1100.
  - 3 Sales paid direct into the bank \$740.
  - 5 Paid rent by cash \$340.
  - 6 Paid the following accounts by cheque, in each case deducting 5 per cent cash discount: M Peters \$360; G Graham \$960; F Bell \$400.
  - 8 Withdrew cash from the bank for business use and put it into the cash box \$400.
  - 10 Cash sales \$1,260.
  - 12 B Age paid us their account of \$280 by cheque less \$4 cash discount.
  - 14 Paid wages by cash \$540.
  - 16 Paid the following accounts by cheque: R Todd \$310 less cash discount \$15; F Dury \$412 less cash discount \$12.
  - 20 Bought fixtures by cheque \$4,320.
  - 24 Bought lorry paying by cheque \$14,300.
  - 30 Cash sales \$980.

**Required:**

- a) Prepare the Three Column Cash book. [15]
- b) Explain the following accounting terms:
  - i. Contra entry; [2]
  - ii. Direct debit; [2]

- iii. Balance equation; [2]
- iv. Accrual concept; and; [2]
- v. Matching concept. [2]

**Question 5**

Samuel owns a general trading business. The following balances were extracted from his books as at 31 December 2020.

Sales	320 000
Opening Inventory	17 000
Closing inventory	28 000
General expenses	32 000
Trade payables	61 000
Trade receivables	55 000
Bank	4 000
Capital 1 January 2020	500 000

Additional information:

The mark up on trading is 20%

There were no other current assets and liabilities at 31 December 2020.

**Required:**

The Income Statement up to net profit for the year ended 31 December 2020. [10]

Calculate the following ratios:

- a) Current ratio; [2]
- b) Liquid acid test ratio; [2]
- c) Gross profit margin; [2]
- d) Rate of inventory turnover; [2]
- e) Inventory holding period; [2]
- f) Trade Receivable days [2]
- g) Trade payable days. [3]

### Question 6

The following represents the Trial Balance extracted from the books of B Brown, a sole trader as at 31 December 2020.

	\$	\$
Sales		450 000
Purchases	313 500	
Carriage in	2 100	
Drawings	31 000	
Rent	5 200	
Business rates	2 600	
Insurance	550	
Postage	250	
Stationery	986	
Advertising	250	
Wages	10 500	
Bad debts	400	
Provision for doubtful debts		400
Debtors	5 120	
Creditors		4100
Cash in hand	120	
Cash at bank	3 257	
Inventory	6 520	
Equipment at cost	150 000	
Accumulated depreciation – Equipment		35 000
Capital		43 353
	<b><u>512 353</u></b>	<b><u>512 353</u></b>

Following a discussion with Mr Jones, the following points have come to light:

1. Accruals are necessary for rent \$250, business rates \$500, and stationery \$80.
2. Insurance has been prepaid by \$200, advertising by \$75.
3. Stock at the year-end is \$8 500.
4. Depreciation is to be charged on the equipment at a rate of 5% on cost.
5. The doubtful debt provision is to be increased to 12% of the year-end balance.

#### Required:

- a) Prepare a Statement of Comprehensive Income year ending December 2020. [15]
- b) Statement of Financial Position as at that date. [10]

**END**