

WOMEN'S UNIVERSITY IN AFRICA



Addressing gender disparity and fostering equity in University Education

FACULTY OF MANAGEMENT AND ENTREPRENEURIAL SCIENCES

DIPLOMA IN MANAGEMENT

MAIN PAPER

DM 112:

ACCOUNTING PRINCIPLES

INTAKE 6:

FIRST YEAR FIRST SEMESTER

TIME:

2 HOURS

INSTRUCTIONS

Answer any **three** questions

Question 1

Chomi's Trial Balance as at 31 December 2020

	Debit (\$)	Credit (\$)
Capital at 1 January 2020		55 550
Purchases and Sales	324 500	625 000
Returns	2 300	1 700
Discounts	1 500	2 500
Inventory of building materials at 1 January 2020	98 200	
Packing expenses	12 900	
Distribution costs	17 000	
Rent and insurance	5 100	
Telephone	3 200	
Car expenses	2 400	
Wages	71 700	
Allowance for receivables at 1 January 2020		1 000
Heat and light	1 850	
Sundry expenses	6 700	
Delivery vehicles cost	112 500	
Delivery vehicles acc. depreciation at 1 January 2020		35 000
Equipment cost	15 000	
Equipment acc. depreciation at 1 January 2020		5 000
Receivables and payables	95 000	82 000
Loan		10 000
Loan interest	6 400	
Bank	41 500	
	817 750	817 750

The following additional information at 31 December 2020 is available:

1. Closing inventories were valued at \$70 500.
2. Rent and insurance prepayments amounted to \$500
3. Accrued expenses are Heat and light \$200 and Telephone \$600
4. Depreciation is to be provided as follows:
 - i). 20 per cent on cost for delivery vehicles;

- ii). 25 per cent on the reducing balance for the car;
- iii). 25 per cent on the reducing balance for equipment.

Required:

- a) Prepare an Income Statement for the year ended 31 December 2020. [13]
- b) Statement of Financial Position at 31 December 2020. [12]

Question 2

Paul and Barry are in a business partnership. Their Trial Balance as at 31 December 2020 is given below:

	DR	CR
	\$	\$
Sales revenue		570 000
Returns inwards	7 100	
Purchases	375 600	
Rent	18 760	
Selling expenses	55 600	
General expenses	3 680	
Provision for doubtful debts at 1 January 2020		2 100
Bank	13 980	
Wages	18 000	
Trade payables		41 300
Current accounts at 1 1 January 2020- Paul		3 570
- Barry		2 190
Motor vehicles, at cost	30 000	
Fixtures and fittings, at cost	14 000	
Accumulated depreciation at 1 January 2020		
Motor vehicles		9 000
Fixtures and fittings		7 000
Insurance	1 540	
Inventory at 1 January 2020	39 200	
Motor vehicle expenses	9 300	
Trade receivables	47 500	
Discounts allowed	8 900	
Drawings – Paul	16 000	
- Barry	11 000	
Capital accounts at 1 January 2020- Paul		20 000
- Barry		15 000
	668 160	668 160

The following additional information as at December 2020 is available:

1. Paul and Barry share profits and losses in the ratio 2:1 respectively.

2. Inventory was valued at \$32 000.
3. Interest on drawings for the year were \$420 for Paul and \$180 for Barry.
4. Paul is entitled to a salary of \$15 000 per annum before profits are shared.
5. Insurance of \$900 has been paid in advance.
6. Depreciation is to be provided for as follows:
 - Motor vehicles at 20% using the reducing balance method.
 - Fixtures and fittings at 15% using the straight line method.
7. There are outstanding general expenses of \$600.

Required:

Prepare the following statements for the partnership:

- a) The Income Statement and Appropriation Account for the year ended 31 December 2020. [10]
- b) The Partners' Current Accounts for the year ended 31 December 2020. [8]
- c) The Statement of Financial Position as at 31 December 2020. [7]

Question 3

Your business receives the following bank statement as at 28 February 2020;

Date	Details	Debit	Credit	Balance
2020		\$	\$	\$
1 Feb	Balance b/d			550
10 Feb	Cheques 345436	25		
	Cheque 345437	130		395
15 Feb	Cheque 345438	60		335
20 Feb	SO Halifax BS	20		315
24 Feb	Credit transfer L Tudor		100	412
25 Feb	Bank charges	40		375
26 Feb	Cheques and cheques		30	405
27 Feb	Cheque 34439	195		210
28 Feb	Cheque345442	220		10 DR

The cash book shows the following:

Date	Details	Bank	Date	Details	Bank
Feb 2020			Feb 2020		
1 Feb	Balance b/d	550	8 Feb	B Baron 345436	25
26 Feb	Cash sales	30	8 Feb	C. Clifford345437	130
28 Feb	J Harrison	300	10 Feb	F Graham 345438	60
			17 Feb	A Archer 345439	195
			20 Feb	E Elis 345440	150
			26 Feb	J Johnson 3454441	75
			27 Feb	F Foster 345442	220
			28 Feb	Balance c/d	<u>25</u>
		<u>880</u>			<u>880</u>
28 Feb	Balance b/d	25			

Required:

- a) Prepare an Update the Cashbook. [5]
- b) Prepare the Bank Reconciliation Statement. [10]
- c) Give five reason why the bank balance may be different from the cash balance. [10]

Question 4

A businessman started business on 1 March 2020 and had the following transactions during the month

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

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

5 Cash sales \$510.

6 Paid wages in cash \$110.

7 Sold goods on credit to: J Snow \$295; K Park \$360.

9 Bought goods for cash \$120.

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

12 Paid wages in cash \$110.

13 Sold goods on credit to: K Park \$610;.

- 17 Paid G Byers by cheque \$700.
- 18 We returned goods to P Lee \$83.
- 21 Paid Stop Ltd a cheque for \$740.
- 24 B Tyler paid us his account by cheque \$845.
- 27 Returned goods to L Frank \$18.
- 30 G Prince lent us \$1,000 by cash.
- 31 Bought a van paying by cheque \$6 250.

Required:

- a) Record the above transactions in the ledger accounts and balance off the accounts. [15]
- b) Extract the trial balance as at 31 March 2020. [10]

Question 5

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

	\$
Sales	400 000
Inventory 1 January 2020	38 000
Inventory 31 December 2020	27 000
General expenses	40 000
Trade payables	60 000
Trade receivables	70 000
Bank	8 000
Capital	650 000

Additional information.

The mark up on goods sold is 30%

Required:

The Income Statement for the year ended 31 December 2020. [10]

Calculate the following ratios:

- a) Trade payables payment period
- b) Margin
- c) Inventory turnover; [3]
- d) Net profit percentage; [3]
- e) Current ratio; [3]
- f) Liquid (acid test) ratio and; [3]
- g) Trade receivable day collection period. [3]

Question 6

Bradley and Taylor are in partnership. Interest is allowed on capital at 4% pa. Bradley is to be credited with a salary of \$35,000 in recognition of extra duties. Interest is charged on drawings (see note). Bradley and Taylor agree to share profits equally.

The following trial balance was drawn up on 31 May 2017:

Capital accounts – Bradley		150 000
Taylor		150 000
Current accounts – Bradley		40 000
Taylor		10 000
Drawings - Bradley	50 000	
Taylor	40 000	
Purchases	327 000	
Sales		776 000
Postages and stationery	15 000	
Staff wages	130 000	
Rent and insurance	32 000	
General expenses	16 000	
Bad debts written off	2 000	
Inventory at 01 June 2016	40 000	
Equipment at cost	280 000	
Premises	159 000	
Trade receivables	78 000	
Trade payables		41 000
Bank	6 000	
Provision for doubtful debt		8 000
	1 175 000	1 175 000

Notes at 31 May 2017: •

Stock (inventory) was valued at \$32,000

- Staff wages owing amounted to \$6,000
- Insurance prepaid amounted to \$7 000.

Equipment is to be depreciated at 20% on cost.

The provision for doubtful debts is to be increased by \$2,000

- BOTH partners are to be charged \$1,200 interest on drawings

Required:

Prepare the firm's income statement (trading and profit and loss account), including the appropriation section for the year ended 31 May 2017. [10]

b) Prepare the partners' current accounts for the year ended 31 May 2017. [6]

c) Prepare the firm's Statement of Financial Position as at 31 May 2017. [9]

END