



BOTSWANA OPEN UNIVERSITY

DIPLOMA IN BUSINESS MANAGEMENT

SESSIONAL EXAMINATION

PRINCIPLES OF ACCOUNTING

PA112

Marks: 100

Time: 3 Hours

Instructions:

1. The examination consists of **THREE** sections: A, B and C.
2. Begin each answer to a new question on a new page.
3. Answer questions according to instructions given in each section.
4. Write answers in the answer booklet provided.
5. Write in grammatical English.

SECTION A - Multiple Choice questions.

[15 MARKS]

Choose the right answer from the alternatives.

1. Which of the following are correct?

		Account to be debited	Account to be credited
1	Received commission by cheque	Bank	Commission received
2	Paid rates by cash	Rates	Cash
3	Paid Motor expenses by cheque	Motor Expenses	Bank
4	Received refund of Insurance by cheque	Insurance	Bank

- (A) (1) and (2) only
- (B) (1), (2) and (3) only
- (C) (1), (3) and (4) only
- (D) (1), (2) and (4) only

2. Of the following which are incorrect ?

		Account to be debited	Account to be credited
1	Sold van for cash	Cash	Sales
2	Bought Stationery by cheque	Stationery	Bank
3	Took cash out of business for private use	Cash	Drawings
4	Paid general expenses by cheque	General expenses	Bank

- (A) (2) and (4) only
- (B) (1) and (2) only
- (C) (1) and (3) only
- (D) (2) and (3) only

3. Is it true that the trial balance totals should agree?

- (A) No, there are sometimes good reasons why they differ
- (B) Yes, except where the Trial Balance is extracted at the year end
- (C) Yes, always
- (D) No, because it is not a balance sheet

4. Which of the following best describes a trial balance?

- (A) Shows the financial position of the business
- (B) It is a special account



- (C) Shows all the entries in the books
- (D) It is a list of balances on the books

5. What is the balance on the following account on 31st May 2017?

Kagiso A/C

2017		P	2017		P
May 1	Sales	205	May 17	Cash	300
May 14	Sales	360	May 28	Returns	50
May 30	Sales	180			

- (A) A credit balance of P395
- (B) A debit balance of P380
- (C) A debit balance of P395
- (D) There is a nil balance on the account

6. What would have been the balance on the account of Kagiso in Question 5 on 19th May 2017?

- (A) A debit balance of P265
- (B) A credit balance of P95
- (C) A credit balance of P445
- (D) A credit balance of P265

7. Which of the following is correct?

- (A) Profit does not alter capital
- (B) Profit reduces capital
- (C) Capital can only come from profit
- (D) Profit Increases Capital

8. Given the following, What is the amount of capital? Assets: Premises P20 000; Stock P8500; Cash P100 ; Liabilities: Creditors P3 000; Loan from Mr. Kagiso P4 000.

- (A) P21 100
- (B) P21 600
- (C) P 32 400
- (D) P21 400

9. Which of the following are incorrect?

		Account to be debited	Account to be credited
1	Goods sold for cash	Cash	Sales



2	Goods bought on Credit from Kagiso	Purchases	Kagiso
3	Goods returned by us to Kalpana	Kalpana	Returns outward
4	Van bought for cash	Purchases	Cash

- (A) (1) and (3) only
- (B) (3) only
- (C) (2) and (4) only
- (D) (4) only

10. Which of the following are correct?

		Account to be debited	Account to be credited
1	Goods sold on credit to Ram	Ram	Sales
2	Ram returned goods to us	Returns Inward	Ram
3	Goods bought for cash	Cash	Purchases
4	We returned goods to Ram	Ram	Returns Inwards

- (A) (1) and (3) only
- (B) (1) and (2) only
- (C) (2) and (4) only
- (D) (3) and (4) only

SECTION B – Short answer type questions.

[35 MARKS]

Answer ALL questions in this section.

1. Explain the following accounting terms, giving examples where appropriate:

- (a) Capital Employed (3 marks)
- (b) Accounting Policies (3 marks)
- (c) Matching concept (3 marks)
- (d) Accounting Cycle (3 marks)

2. What is the importance of liquidity ratio? Explain the ratios considered under this head. (6 marks)



3. (6 marks)

A fixed asset having a useful life of 3 years is purchased on 1 January 2015.
Cost of the asset is P2, 000 whereas its residual value is expected to be P500.
Calculate depreciation expense for the years ending 30 June 2015 and 30 June 2016.

4. The new accounts assistant has prepared the following trial balance and his boss found that it is not prepared correctly. You are advised to prepare a corrected trial balance. (11 marks)

Sunrise Pty Ltd
Trial Balance as on 31st December 2017

	Debit (Pula)	Credit (Pula)
Sales <i>income</i>	510 420	
Purchases <i>exp</i>		208 680
Stock 1/4/2016 <i>income</i>	9410	9410
Carriage on Sales <i>in</i>	1 115	
Carriage on Purchases <i>exp</i>	840	840
Sales Returns <i>in</i>	4900	4900
Returns Outward <i>exp</i>	3 720	3720
Salaries and wages <i>exp</i>	141 800	141800
Motor expenses <i>exp</i>		912
Rent <i>exp</i>	6 800	6800
Sundry expenses <i>exp</i>	318	318
Motor Vehicles <i>exp</i>		114 400
Furniture & Fittings <i>exp</i>	912	912
Debtors <i>in</i>	123200	123200
Creditors <i>exp</i>	14 100	14100
Cash at Bank <i>in</i>	4 100	
Cash in hand <i>in</i>	240	
Drawings <i>exp</i>		29 440
Capital <i>in</i>	118827	118827
	647 067	647 067

SECTION C

[50 MARKS]

Answer ALL questions in this section.

Question 1

(25 marks)

Fairgrowth is a Trading Company and the following information is related to the year 2017. You are required to prepare:

1. Income Statement for the year ended 31st December 2017 and
2. Statement of Financial Position as at 31st December 2017 after taking in to account the additional information given.

	PULA	PULA
Opening Inventory	51 600	
Carriage Outwards	2 100	
Carriage on Purchases	3 700	
Sales Returns	1 540	
Purchase Returns		3 410
Purchases	388 430	
Sales		590 400
Salaries and wages	51 400	
Warehouse Rent	3 900	
Insurance Premium	1 356	
Motor expenses	1 910	
Office Expenses	412	
Lighting & Heating	894	
General Expenses	245	
Premises	92 000	
Motor Vehicles	13 400	
Furniture & Fixtures	1 900	
Accounts Receivables	42 560	
Accounts Payables		31 600
Cash at Bank	15 106	



Drawings	22 000	
Capital		69 043
	694 453	694 453

Additional Information:

1. Closing Inventory as on 31st December 2017 was P44 780

Question 2

(25 marks)

From the following information you are required to prepare Two Column Cash Book with Cash and Bank column for the Supreme Furniture Pty Ltd as on 31st May 2018

2018		PULA
May 1	Started business with capital	5 000
1	Opening Bank Balance	3 000
2	Paid rent by cash	230
3	Kagiso lent us P2 000 paid by cheque	
4	We paid to Salema by cheque	860
5	Cash Sales	2 190
7	Tabang paid us by cheque	134
8	We paid Kishore in cash	92
9	Cash sales paid direct into the bank	500
10	Salema paid us in cash	196
11	We took P200 out of cash till and paid it into Bank account	122
12	We repaid Demana P500 by cheque	
15	Cash sales paid direct into Bank P300	
20	Paid motor expenses by cheque P175	
25	Withdrew P200 cash from the bank for business use	
28	Paid wages in cash P320	
29	Rent paid by cash P656	
30	Tax paid by cheque P 987	



DIPLOMA
January - June

Examination
PA112 Principles of Accounting

- 30 Salary Paid by Cash P2 000 and by Cheque P500
- 30 Insurance paid by cash P1 000
- 30 Furniture purchased and paid by cash P2 000
- 30 Vehicle purchased and paid cash P2 000

END OF PAPER