



DEGREE
January – June

Sessional Examination
IA212 Introduction to Accounting

BOTSWANA OPEN UNIVERSITY

Bachelor of Business and Entrepreneurship/

Bachelor of Commerce

(Human Resources Management & Industrial Relations)

Introduction to Accounting

IA212

Sessional Examination

Marks: 100

Time: 3 Hours

Instructions

1. The examination consists of **Two** sections: A and B.
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 – SHORT ANSWER QUESTIONS

[60 MARKS]

Answer ALL questions in this section.

1. Give journal entries to record, with suitable brief narration, the following transactions:

(8 marks)

- P200, owing by S. Chin to the business, written off as bad debt. *Cash book on the credit side*
- Purchases on credit of equipment, P1 200 for use in the business, from H. Lloyd. *Purchase Journal*
- Correction of error in posting purchase of stock of stationery, P70 to the debit of Purchase account. *Purchase Journal on the*
- Correction of error in posting P100 from the Purchase Returns Book to the credit of A. Rammer, the supplier. You may assume that a Suspense Account entry has been passed to make the Trial Balance agree. *Error of*

2. Describe with examples six types of errors which do not affect the balancing of the trial balance. *Error of omission, Error of commission, Error of principle* (12 marks)

3. T. Howard's Cash Book at 30 September 2018 showed debit balance at the bank of P512 but the Bank Statement of the same date had a credit balance P131.

After comparing the Cash Book with the Bank Statement, the following differences were noted:

- An amount of P71 paid into the bank had not yet appeared on the Statement.
- Bank interest of P30 in respect of an earlier overdraft had been charged by the bank.
- Cheques issued for P280 had not been presented for payment.
- A cheque for P400 which had been paid into the bank had been returned unpaid because of lack of funds. No action has been taken by Howard to deal with this item.
- Funds of P560 paid into the bank had been entered in the Cash Book as P500.
- The bank had made a banker's order payment for insurance of P240 which had not been recorded by Howard.
- The bank had received by direct credit transfer (bank giro) a payment of P20 due to Howard from G. Keith.



Required:

- a. Open a Bank Account in the Cash Book, make any necessary additional entries and show a corrected balance. **(8 marks)**
- b. Prepare a bank reconciliation statement. **(4 marks)**

4. By the use of relevant examples explain the difference between capital expenditure and revenue expenditure. **(6 marks)**

5. Winston is a sole trader who has not kept a full set of books. However, the following information has been obtained from the available records.

	1 January 2018	31 December 2018
	P	P
Debtors	2 650	3 170
Creditors	2 320	1 940
Stock	800	1 140

Details for the period 1 January 2018 to 31 December 2018 were:

	P
Cash sales	5 200
Receipts from debtors	17 120
Payments to creditors	10 420
Credit notes issued to customers	200

Required:

Prepare the:

- a. Debtors control account. **(5 marks)**
- b. Creditors control account. **(5 marks)**

6. Differentiate the following concepts:
 - a. Financial accounting and management accounting. **(4 marks)**



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- b. Real accounts and nominal accounts. (4 marks)
c. Book keeping and accounting. (4 marks)

SECTION B – ESSAY QUESTIONS [40 MARKS]

Answer any TWO (2) questions in this section.

QUESTION 1 [20 MARKS]

The following balances were extracted from the books of Kingstone, a trader, as at 31 Decembers 2018

	P
✓ Capital Account	13 800
✓ Fixtures and Fittings	1 170
✓ Accounts Receivable	7 000
✓ Accounts Payable	5 070
✓ Purchases	61 600
✓ Sales	84 340
✓ Carriage on Purchases	310
✓ Carriage on Sales	230
Motor Van	5 000
✓ Motor Van expenses	1 150
✓ Rent and Rates	2 300
Bad Debts	620
Provision for Bad Debts at 1 January 2018	160
✓ Discount Received	760
✓ Wages and Salaries	9 400
✓ Light and Heating	1 040
✓ Drawings	7 100
✓ Bank	1 230
✓ Inventory at 1 January 2018	5 980



Additional Information

The following additional information should be taken into account:

- i. Inventory at 31 December 2018 was P8 370
- ii. A provision for Bad Debts of 2% of debtors is required at 31 December 2018.
- iii. The annual Rates of P1 000 have been paid to 31 March 2019
- iv. The Motor Van Account appeared in the ledger as follows:

Motor Van			
2018	P	2018	P
Jan 1 Balance (old van)	1 500	Jan 1 Cash (Sale of old van)	1 300
Jan 1 Cash (Cost of new van)	<u>4 800</u>	Dec. 31 Balance c/d	<u>5 000</u>
	<u>6 300</u>		<u>6 300</u>
2019 Jan Balance b/d	5 000		

- v. Provide depreciation on the new van at the rate of 20% on cost.
- vi. During 2018, Kingston withdrew goods valued at P400 from the business for his private use. No entry had been made in the books for the withdrawal of these goods.
- vii. An amount of P200 was owing for wages and salaries

Required:

- a. Prepare the Statement of Income for the year ended 31 December 2018. (12 marks)
- b. Prepare the Statement of Financial Position as at 31 December 2018. (8 marks)



QUESTION 2

[20 MARKS]

Paula and Simone are in partnership and the following Trial Balance was extracted from the books of the partnership on 31 December 2018.

Details/Particulars	Dr. (P)	Cr. (P)
<i>Fixed Capital Accounts:</i>		
Paula		14 000
Simone		9 000
<i>Current accounts (at 1 January 2018):</i>		
Paula	1 200	
Simone		900
<i>Drawings:</i>		
Paula	6 400	
Simone	5 500	
Purchases and Sales	46 800	72 700
Rates	2 600	
Bad Debts	260	
General Expenses	8 900	
Wages	6 400	
Premises	10 000	
Fixtures and Fittings	3 000	
Bank		1 560
Cash	200	
Accounts Receivable and Accounts Payable	7 200	4 400
Inventory (at 1 January 2018)	4 100	
	<u>102 560</u>	<u>102 560</u>

Additional Information:

In preparing the accounts, the following matters are to be taken into consideration:

- i. Inventory at 31 December 2018 was valued at P4 900.
- ii. Rates of P360 had been paid in advance.
- iii. The premises were extended during the year at a cost of P5 000 which has been debited to the General Expenses Account.
- iv. Simone paid P600 for goods for re-sale by the firm from her private bank account. No entries have been made in the firm's books.
- v. Fixtures and Fittings are to be depreciated by 10%.



- vi. After preparation of the Trial Balance, the bank sent a statement which showed that interest of P200 had been charged to the bank account. This expense has not been dealt with in the books of the partnership.
- vii. Interest to be allowed on partners' capitals at the rate of 10% per annum and after providing a salary of P4 000 to Paula the remaining profit is to be shared by Paula and Simone in the ratio 3:2

Required:

Prepare the:

- a. Partnership Trading Account showing clearly the cost of sales and the profit and Loss account. **(12 marks)**
- b. Appropriation Account for the year ended 31 December 2018. **(8 marks)**

QUESTION 3

[20 MARKS]

The following information relates to the business of J. Bedford for the year ended 31 December 2018.

	P
Sales	169 000
Sales returns	6 500
Inventory at 1 January 2018	9 500

Gross Profit is at the rate of 40% on sales turnover.

Net Profit is at the rate of 25% on sales turnover.

Rate of stock turnover (rapidity of turnover) is 10

Required:

Calculate the following, showing your workings next to your answer:

- a. The year's sales turnover. **(3 marks)**
- b. The gross profit. **(3 marks)**
- c. The cost of goods sold. **(3 marks)**



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- d. The net profit. (3 marks)
- e. The expenses of running the business charged to the profit and Loss Account. (3 marks)
- f. The cost price of the inventory at 31 December 2018 (5 marks)

END OF EXAMINATION