

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

[50 MARKS]

Answer ALL questions in this section.

Question 1

Define the following terms:

- a. Materiality. (4 marks)
- b. Prudence. (4 marks)
- c. Conservatism. (4 marks)

Question 2

For each of the following transactions state whether they are cash or credit transactions:

		Credit or Cash
i	Purchases of goods for P200 payable in one week's time	
ii	Writing a cheque for the purchase of a new computer	
iii	Sale of goods to a customer where the invoice accompanies the goods	
iv	Receipt of a cheque from a customer for goods purchased today.	
v	Purchase of goods where payment is due in three weeks' time.	

(5 marks)

Question 3

Use the following information to answer the following question:

Purchases Day Book				
2015	Items	Invoice No	Folio	Amount
Oct 1	J. Blake	10/101	PL15	P 555.00
Oct 8	B. Hamilton	10/102	PL 29	P 1 375.00
Oct 19	C. Brown	10/103	PL55	P 225.00
Oct 30	K. Gabriel	10/104	PL 89	P 505.00
Transfer to:	Purchases Account			P 2 660.00



- a. Transfer the above records to purchases ledger take into consideration the names of the following J. Blake, B. Hamilton, C. Brown and K. Gabriel. **(4 marks)**
- b. Transfer the total amount in the purchases day book to the General ledger. **(4 marks)**

Question 4

- a. A car costs P12 000. It will be kept for three years, and then sold for P3 000. Calculate depreciation using the straight line method. **(4 marks)**
- b. A machine costs P8 000. It will be kept for five years, and then sold for an estimated figure of P 2 400. Calculate its depreciation figure for each of the five-year period using reducing balance method, use depreciation rate of 20 percent per annum. **(4 marks)**

Question 5

Outline the contents of a partnership agreement. **(5 marks)**

Question 6

Ashele received his bank statement dated 31 December 2016. The balance as per the bank statement did not agree with the balance on the nominal ledger account as at 31 December 2016 of P14,140 credit. On investigation the following errors were noted:

- Bank charges of P210 for 2016 had not been accounted for in the nominal ledger.
- Cash receipts from a credit customer of P1,120 had been debited twice in the nominal ledger.
- A direct lodgement recorded by the bank on the 20 December 2016 for P4,125 was not accounted for in the nominal ledger.
- A cheque drawn for P225 was debited in error in the nominal ledger as P522.
- Ashele took cash drawings of P1,452 out of the business bank account during 2016. These were not recorded in the nominal ledger.

Required:

Prepare the corrected cash book for A. Ashele as at 31 December 2016. **(12 marks)**



SECTION B – ESSAY QUESTIONS

[50 MARKS]

Answer any TWO questions in this section.

QUESTION 1

Kefilwe and Sebeka are in partnership sharing profits and losses in the ratio **3:2**. The following is their trial balance as at 30th September 2014.

	DR	CR
	P	P
Buildings (Cost P210 000)	160 000	
Fixtures at cost	8 200	
Provision for depreciation: Fixtures		4 200
Accounts receivable	61 400	
Accounts payable		26 590
Cash at bank	6 130	
Inventory at 30 th Sept 2014	62 740	
Sales		363 111
Purchases	210 000	
Carriage outwards	3 410	
Discount allowed	620	
Loan interest: P. Prince	3 900	
Office expenses	4 760	
Salaries and wages	57 809	
Bad debts	1 632	
Allowance for doubtful debts		1 400
Loan from P. Prince		65 000
Capital: Kefilwe		100 000
Capital: Sebeka		75 000
Current accounts: Kefilwe		4 100
Current accounts: Sebeka		1 200
Drawings: Kefilwe	31 800	
Drawings: Sebeka	28 200	
	640 601	640 601

Additional Information:

- Inventory, 30th Sept 2014 was P74 210
- Expenses to be accrued: Office Expenses P215, Wages P720
- Depreciate fixtures 15% on reducing balance basis, buildings P5000.



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- Reduce provision for doubtful debts to P1 250
- Partnership salary: P30 000 to Kefilwe not yet entered
- Interest on drawings: Kefilwe P900 and Sebeka P600
- Interest on capital account balances at 5%.

Required:

Prepare:

- a. Income statement and Profit and Loss appropriation account for the year ending 30th Sept 2014. **(15 marks)**
- b. Statement of financial position as at 30 Sept 2014. **(10 marks)**



QUESTION 2

The following trial balance was extracted from the books of Jobrofi Ltd as on 31st December 2016.

	DR	CR
	P	P
10% Preference share capital		200 000
Ordinary share capital		700 000
10% loan notes (repayable 2015)		300 000
Goodwill at cost	255 000	
Buildings at cost	1 050 000	
Equipment at cost	120 000	
Motor vehicles at cost	172 000	
Provision for depreciation: Building (01.01.2016)		100 000
Provision for depreciation: Equipment (01.01.2016)		24 000
Provision for depreciation: Motor vehicles (01.01.2016)		51 600
Inventory (01.01.2016)	84 912	
Sales		1 022 000
Purchases	439 100	
Carriage inwards	6 200	
Salaries and wages	192 400	
Director's remuneration	123 000	
Motor expenses	3 120	
Business rates and insurance	8 690	
General expenses	5 600	
Loan note interest	15 000	
Accounts receivable	186 100	
Accounts payable		113 700
Bank	8 390	
General Reserve		50 000
Share premium account		100 000
Interim ordinary dividend paid	35 000	
Retained profits		43 212
	2 704 512	2 704 512

Additional Information

- Inventory at 31.12.2016 was P91 413
- Depreciate Building P10 000, Motor vehicles P18 000, Equipment P12 000.
- Accrue loan note interest P15 000



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- Provide for preference dividend P20 00 and final ordinary dividend of 10%.
- Transfer P10 000 to general reserve
- Write off Goodwill impairment of P30 000
- Authorised shares capital is P200 000 in preference shares and P1 million in ordinary shares
- Provide for corporation tax P50 000.

Required:

- a. Prepare Income Statement for the year ended 31st December 2016 **(15 marks)**
- b. Prepare Statement of Financial Position as at that date. **(10 marks)**



QUESTION 3

You have been asked to prepare control accounts in order to produce end-of-year figures for receivables and payables for inclusion in the draft final accounts of Bosele Company for the year ended 30 November 2016. You obtain the following totals for the financial year from the books of original entry:

Cash book

	P
Discounts allowed	6,805
Cash and cheques from customers	287,601
Discounts received	3,415
Cash and cheques paid to suppliers	233,078
Customer's cheque dishonoured	251

The following totals have been extracted from the daybooks for the year:

	P
Purchases daybook	247,084
Sales daybook	306,580
Returns inwards daybook	6,508
Returns outwards daybook	4,720

According to the audited financial statements for the previous year, receivables and payables as at the close of business on 30 November 2015 were P44,040 and P63,289, respectively.

Required:

Draw up the following control accounts for the year ending 30 November 2016:

- a. Sales Ledger. **(13 marks)**
- b. Purchases Ledger. **(12 marks)**

END OF EXAMINATION