

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In collaboration with

**THE VIRTUAL UNIVERSITY FOR SMALL STATES OF THE COMMONWEALTH
(VUSSC)**

Bachelor of Business and Entrepreneurship

**INTRODUCTION TO ACCOUNTING
IA 106**

SESSIONAL EXAMINATION

Marks – 100

Time – 3 Hours

INSTRUCTIONS:

1. This paper consists of three sections A, B and C.
2. Answer the questions on the answer booklet provided and as per the instructions given in each section.
3. Show all calculations and assumptions as part of the answer.
4. Write in grammatical English.

SECTION-A. Multiple choice. Answer ALL questions.

[10 MARKS]

1 In which category of the balance sheet would you expect to find a provision for bad and doubtful debts?

- A fixed assets
- B long term liabilities
- C current assets
- D current liabilities

2 Which of the following is the incorrect equation?

	Capital	Assets	Liabilities
A	100	3 800	3 700 ✓
<input checked="" type="radio"/> B	2 900	12 800	9 800 ✗
<input checked="" type="radio"/> C	15 000	37 500	22 500 ✓
D	3 000	5 000	2 000 ✓

3 The capital of a sole trader could change as a result of _____.

- A Paying wages by cash
- B equipment purchased by cheque
- C purchases on credit terms
- D drawing by cheque

4 From the following information you are to calculate credit sales:
Debtors at 1 January P10 000. Debtors at 31 December P9 000.
Receipts during the year (including cash sales of P5 000) P85 000.

- A P81 000
- B P86 000
- C P79 000
- D P84 000

5 The trial balance is prepared for which purpose?

- A to value the closing stock
- B to prepare a cash budget
- C to help with credit control
- D to prepare the trading and profit and loss account

6 An appropriation account for a limited company will indicate _____.

- A the company's total reserves
- B the amount of interest paid to its creditors

- the amount paid or provided for dividends
D the value of the company's shares
- 7 A business is considering obtaining a bank loan. What could a bank manager obtain from its balance sheet?
 the margin of profit the business makes
B the business's liquidity position
C overhead costs
D the cost of production
- 8 Working capital is a term meaning _____.
A the amount of capital invested by the proprietor
 the excess of the current assets over the current liabilities
C the capital less drawings
D the total of fixed assets less current assets
- 9 Which of these best describes fixed assets?
A are bought to be used in the business
B are items which will not wear out quickly
C are expensive items bought for the business
 are of long life and are not bought specifically for resale
- 10 A debit balance of P100 in a cash account shows that _____.
 there was P100 cash in hand
B cash has been overspent by P100
C P100 was the total of cash paid out
D the total of cash received was less than P100

SECTION-B. Answer ALL questions.

[40 MARKS]

- 1 The capital of a limited liability company is divided into shares.
- (a) Explain two types of shares. **(6 marks)**
- (b) Bring out the different types of share capitals with explanation? **(12 marks)**



2 Auto Components Ltd have made a profit of P80 000 before interest payments and tax provision. It has a registered capital of: 200 000

- 200 000 @ P1 ordinary shares (10%)
- 100 000 @ P1(8)per cent preference shares and
- 50 000 @ P1 debenture stock at(11) per cent.

Taxation is to be provided for P25 000 and the board has recommended an ordinary share dividend of 10 per cent. Show how the profit is to be distributed. **(6 marks)**

3. In business stocks have to be valued and accounted for in the financial statements. Explain the ways and methods of valuing stock. **(8 marks)**

FIFO
LIFO
AVCO

4. What is a Trial Balance, and why it is prepared? Explain the errors that affect the trial balance agreement. **(8 marks)**

- 1) error of omission omitted - two accounts
- 2) compensating error debit & credit same & other
- 3) error of principle wrong account
- 4) error of commission wrong person
- 5) original entries - mis position

SECTION – C. Answer any TWO questions

[50 MARKS]

Question - 1

The following is a summary of a cash book as presented by Kutlwano Supermarket for the month of October 2011.

<table border="0"> <tr> <td>Receipts</td> <td style="text-align: right;">BWP 1338</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">1469</td> </tr> <tr> <td></td> <td style="text-align: right;">554</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2023</u></td> </tr> </table> <p style="margin-left: 20px;">1498 2552</p>	Receipts	BWP 1338	Balance c/d	1469		554		<u>2023</u>	<table border="0"> <tr> <td>Balance b/d</td> <td style="text-align: right;">BWP 761</td> </tr> <tr> <td>Payments</td> <td style="text-align: right;">1262 + 1284 = 1498</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>2023</u></td> </tr> <tr> <td></td> <td style="text-align: right;">2157</td> </tr> </table>	Balance b/d	BWP 761	Payments	1262 + 1284 = 1498		<u>2023</u>		2157
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	<u>2023</u>																
	2157																

80

- 80 000
25 000 = 55 000

Profit after tax

1330 1430 1830



All receipts are banked and all payments are made by cheque.
On investigation the following were discovered:

- a) Bank charges of P136 entered in the bank statement have not been entered in the cash book. *Bank charges P136 payment*
- b) Cheques drawn amounting to P267 had not been presented to the bank for payment. *Drawings P267 - payment*
- c) Cheques received totaling P762 had been entered in the cash book and paid into the bank, but had not been credited by the bank until 3rd November. *682 / Receivables P762*
- d) A cheque for P22 for sundries had been entered in the cash book as a receipt instead of as a payment. *Payment P22*
- e) A cheque received from K Jones for P80 had been dishonoured and no adjustment has been made in the cash book. *Dis*
- f) A standing order for a business rates installment of P150 on 30th October had not been entered in the cash book.
- g) All dividends received are credited directly to the bank account. During October amount of P62 was credited by the bank, but no entries were made in the cash book.
- h) A cheque drawn for P66 for stationary had been incorrectly entered in the cash book as P60. *payment*
- i) The balance brought forward in the cash book should have been P711, not P761.

Required:

1. Show the adjusted cash book. (16 marks)
2. Prepare Bank reconciliation statement as at 31st October. (9 marks)

697

1251

1973

1202

Date	Description	Dishonoured Cheque	bank	Date	in	bank
					not paid	

Question 2.

Mr. Boko runs a manufacturing company in Masunga. His financial year ended on the 31st December 2011. He has provides you with the following information;

	BWP
Stock at 1 January 2011:	
Raw materials	25 400
Work in progress	31 100
Finished goods	23 260
Purchases: Raw materials	91 535
Carriage on raw materials	1 960
Direct labour	84 208
Office salaries	33 419
Rent	5 200
Office lighting and heating	4 420
Depreciation: Works machinery	10 200
Office equipment	2 300
Sales	318622
Factory fuel and power	8 120

Rent is to be apportioned: factory $\frac{3}{4}$ and office $\frac{1}{4}$.

Handwritten calculation:

$$\begin{array}{r} 241\ 362 \\ 3\ 900 \\ \hline 1\ 350 \end{array}$$

Handwritten calculation:

$$241\ 362$$

Stocks at 31 December 2011 were as follows;

Raw materials P28 900

Work in progress P24 600

Finished goods P28 840

Required;

- a) Prepare manufacturing account for Mr. Boko for his year ending 31st December 2011.

(14 marks)
- b) Trading Profit and loss account for the year ending 31st December 2011.

(11 marks)

Question – 3

25 Marks

On 1 January 2005 Tech tools Ltd bought a drilling machine for P1 000 and another one on 1 October 2006 for P1 200. The first drilling machine is sold on 30 June 2007 for P720. The drilling machine is to be depreciated at 10 per cent, using the straight line method.

Machine in existence at the end of each year is to be depreciated for a full year. No depreciation is to be charged on any machinery disposed of during the year. The financial year of the business ends on 31 December.

You are required to prepare:

1. Drilling Machine Account for the 3 years. **(8 marks)**
2. Provision for Depreciation Account for 3 years. **(9 marks)**
3. Drilling Machine Disposal Account. **(4 marks)**
4. Profit and Loss Account extract related to 2005, 2006, and 2007. **(4 marks)**

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