

# **BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING**

In Collaboration with

**ZIMBABWE OPEN UNIVERSITY**

Mock Examination

In

**PRINCIPLES OF ACCOUNTING (D-PA 01)**

April 2008

**TIME: 3 Hours**

**MARKS: 100**

## **INSTRUCTIONS:**

1. Write your name, centre and candidate number on the answer booklet provided.
  2. This paper consists of two Sections, A and B.
  3. Answer **ALL** the questions in Section A.
  4. Answer **TWO** questions in Section B.
  5. Answers should be written in the answer booklet provided.
  6. Show your calculations in your work.
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## Section A

Answer all the questions in this section.

### Question 1

[40 Marks]

The following balances were extracted from the books of Fatima on 30 April, 2007.

	P	P
Motor vehicles	33 000	
Telephone expenses	1 200	
Provision for doubtful debts		1 500
Receivables	29 000	
Payables		25 000
Capital		150 000
Drawings	4 200	
Advertising	680	
Purchases	167 700	
Sales		198 700
Returns inwards	1 200	
Returns outwards		1 500
Wages	25 000	
Stationary	2 500	
Carriage on purchases	3 000	
Electricity	1 500	
Motor vehicle expenses	5 100	
Commission received		5 300
Land and buildings	75 700	
Office furniture	6 000	
Cash	1 500	
Bank overdraft	13 980	
Inventory (1 May, 2006)	38 700	
	<b>395 980</b>	<b>395 980</b>

#### Additional information:

- Inventory at 30 April, 2007 was valued at P38 500.
- Motor vehicles should be depreciated at 25% per annum.
- Accrued commission P1 500.

- (d) Bad debts to be written off P1 800.  
 (e) Stock of stationery at the end of the year P750.  
 (f) Provision for doubtful debts is to be adjusted to 5% on net debtors.  
 (g) The owner withdrew goods worth P1 200 for personal use.

**Required:**

- (a) An Income statement for the year ended 30 April 2007. [24]  
 (b) Balance Sheet as at that date. [16]

**Question 2****[20 marks]**

The following trial balance was extracted from the books of a firm as at 31 December, 2007, but it failed to agree:

Trial Balance as at 31 December, 2007

	<b>Dr</b>	<b>Cr</b>
	<b>P</b>	<b>P</b>
Cash	3 600	
Inventory at 1 January, 2007	52 800	
Insurance	3 200	
Sundry expenses	620	
Debtors	7 250	
Discount allowed	1 700	
Capital		110 000
Creditors		8 000
Purchases	85 000	
Sales		90 000
Discount received		330
Office equipment	50 900	
	<b>205 070</b>	<b>208 330</b>

After checking the books, the following errors were revealed;

- (i) A debit balance of P540 in Phemelo's account was left out in the debtors' total which was entered in the Trial Balance;  
 (ii) P40 paid for sundry expenses was posted in error to Insurance account as P400;  
 (iii) A discount allowed to a debtor, P120 was withdrawn but no record was made in the books;

- (iv) A sale of a used computer at the book value of P900 was entered in error to the sales account and, the debit entry in the cash account was overlooked;
- (v) P2 180 cash paid to Leatile was credited to the cash account but omitted from the creditor's account.

**Required:**

- (a) Prepare the suspense account showing the original difference and how it is eliminated [6]
- (b) Redraft the trial balance after the correction of errors. [14]

**Section B****Question 3****[20 marks]****Answer either question 3(a) or 3(b).****3(a)** Katlego Ltd's Balance Sheets at 30 June 2005 and 2006 were as follows.

	At 30 June 2005		At 30 June 2006	
	P000	P000	P000	P000
Tangible fixed assets (note 1)			1 260	1 700
<b>Current assets:</b>				
Stock		82		108
Debtors		72		60
Bank		<u>174</u>		<u>206</u>
		328		374
Creditors: amounts due within one year:				
Creditors	58			82
Proposed dividend	<u>50</u>	<u>108</u>	<u>70</u>	<u>152</u>
Net current assets			<u>220</u>	<u>222</u>
Total assets less current liabilities			1 480	1 922
Creditors: amounts due after one year:				
10% Debentures 2002 – 2005			<u>200</u>	<u>120</u>
			<u>1 280</u>	<u>1 802</u>
<b>Capital and reserves:</b>				
Ordinary shares of P1 fully paid			1 000	1400
Share premium			50	100
General reserve			200	240
Retained profit			<u>30</u>	<u>62</u>
			<u>1 280</u>	<u>1 802</u>

Notes:

## 1. Tangible fixed assets

	Freehold property	Plant and machinery	Motor vehicles	Total
	P000	P000	P000	P000
At cost				
At 30 June 2005	2 000	460	280	2 740
Additions	–	604	500	1 104
Disposals	–	(70)	(170)	(240)
At 30 June 2006	2 000	994	610	3 604
Provisions for depreciation				
At 30 June 2005	1 080	240	160	1 480
Depreciation on disposals		(60)	(156)	(216)
Depreciation for the year	100	400	140	640
At 30 June 2006	1 180	580	144	1 904
Net book values at				
30 June 2006	820	414	466	1 700

## 2. Proceeds from the sales of fixed assets were:

	P000
Plant and machinery	20
Motor vehicles	10

- 400 000 ordinary shares of P1 were issued on 1 July 2005 at a premium of P0.125 per share
- An interim dividend of P0.03 per share was paid on 1 November 2005.
- The directors propose to pay a final dividend of P0.05 per share for the year ended 30 June 2006 on 1 January 2005.
- P80 000 of debentures were redeemed at par on 31 December 2005. Interest on the debentures is paid each year on 30 June and 31 December.

**Required:**

- Calculate the operating profit for the year ended 30 June 2006. [4]
- Prepare a reconciliation of the operating profit for the year ended 30 June 2006 to the net cash flow from operating activities. [7]
- Prepare a cash flow statement for the year ended 30 June 2006. [9]

- 3(b) S. Ndaba is an employee of JBL Company Limited. His normal working time per week is 30 hours @ P15 per hour worked from Monday to Friday. Any overtime hours worked during the week are paid at time and quarter. Whereas, the hours worked for on week-ends are paid at time and half.

S. Ndaba's working time for week ending 30 June 2007 is shown below:

Monday	07:30 - 12:00	13:30 - 17:15
Tuesday	08:00 - 12:55	14:35 - 16:15
Wednesday	07:00 - 13:45	14:30 - 17:35
Thursday	06:30 - 13:05	15:25 - 19:55
Friday	08:00 - 11:15	13:30 - 17:30
Saturday	09:00 - 13:10	14:20 - 16:40
Sunday	08:45 - 12:15	-

- (a) Calculate the following:

(i) The total number of hours worked on each day and for the week ending 30 June 2007 [8]

(ii) The gross pay for the week ending 30 June 2007. (Show your calculations) [8]

- (b) Explain the difference between the following:

(i) Time rate and piece rate

(ii) Statutory and voluntary deductions [4]

#### Question 4

[20 marks]

Answer either question 4(a) or 4(b).

#### Question 4(a)

(a) Define the following terms: [10]

(i) Cost centre

(ii) Cost unit

(iii) Overhead under absorption

(iv) Overhead over absorption

(v) Standard cost

(b) (i) What are the arguments for using marginal costing system in valuing stock? [5]

- (ii) What are the arguments for using absorption costing system in valuing stock? [5]

**Question 4(b)**

- (a) State **five** assumptions which are made when preparing break-even charts. State **one** limitation of each assumption. [10]
- (b) The Mumbo Company Ltd's production capacity is 10 000 units, and usual selling price is \$10 per unit.

Unit costs are found as follows:

Direct Materials 2 kilograms resin @ \$2.05 per kilogram  
1 kilogram hardener @ \$1.20 per kilogram

Direct Labour It takes 10 minutes to produce one unit and Direct Wages are paid at the rate of \$12 per hour

Variable Overheads: \$0.90 per unit for the first 8 000 units, and  
\$0.85 per unit for the remainder

Fixed Overheads : \$0.75 per unit at full production.

- (i) Using marginal costing, calculate the net profit if
- 7 500 units are produced and sold;
  - 9 000 units are produced and sold. [7]
- (ii) Calculate the number of units required to break even. [3]

# **BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING**

In Collaboration with

**ZIMBABWE OPEN UNIVERSITY**

**Principles of Accounting**

**Supplementary Examination**

**June 2008**

**TIME: 3 Hours**

**MARKS: 100**

**INSTRUCTIONS:**

1. Write your name, centre and candidate number on the answer booklet provided
2. This paper consists of two Sections, A and B
3. Answer **ALL** the questions in Section A
4. Answer **TWO** questions in Section B
5. Answers should be written in the answer booklet provided
6. Show your calculations in your work.

## Section A

### Question 1: Multiple choice

[20 marks]

Answer **all** questions in this section. For each question, there are four possible answers, **A, B, C, or D**. Choose the one you consider correct and record your choice on the separate answer sheet provided.

1. What does a balance sheet show?
  - A The receipts and payments made during the year
  - B The financial position of a business at a given date
  - C The income and expenditure of a business
  - D The profit and loss of a business for the year ending
  
2. What is the double entry for credit purchases of goods from F Modise?
  - A Debit F Modise and Credit Purchases
  - B Debit Purchases and Credit F Modise
  - C Debit F Modise and Credit Bank
  - D Debit Purchases and Credit Bank
  
3. A bank statement shows an overdraft of P11 500. Thereafter, a cheque of P500 presented to the bank for payment was dishonoured. What will be the balance at the bank?
  - A P11 000 Dr
  - B P11 000 Cr
  - C P12 000 Dr
  - D P12 000 Cr
  
4. Which of the following is the correct order of writing current assets in the balance sheet?
  - A Debtors, Stock, Bank, Cash
  - B Debtors, Stock, Cash, Bank
  - C Stock, Debtors, Cash, Bank
  - D Stock, Debtors, Bank, Cash
  
5. Where is carriage outwards recorded in the final accounts of a business?
  - A Balance Sheet under current assets
  - B Trading Account
  - C Profit and Loss Account
  - D Income side of the Income and Expenditure

6. How is discount received treated in the final accounts?
- A It is added to gross profit
  - B It is added to the expenses
  - C It is subtracted from gross profit
  - D It is subtracted from current assets
7. Which accounting concept requires items of trivial values to be ignored?
- A Historical cost
  - B Materiality
  - C Consistency
  - D Money measurement
8. A trader took goods from stock for personal use. What book-keeping entries are required?
- A Debit Purchases and credit Capital
  - B Debit Drawings and credit Purchases
  - C Debit Purchases and credit Drawings
  - D Debit Capital and credit Purchases
9. When reconciling the cash book and the bank statement balances, how is a dishonoured cheque treated in the books of a business?
- A It is recorded on the debit side of the amended cash book
  - B It is recorded on the credit side of the amended cash book
  - C It is added to the bank statement balance
  - D It is subtracted from the bank statement balance

Use the following information to answer questions 10 and 11.

On June 1, Jane Mbakaanyi had the following balances in her books: Fixtures and Fittings, P3 500; Debtors, P3 000, Creditors, P4 000; Rent accrued, P600; Insurance prepaid, P200, Bank overdraft, P1 000, Equipment, P2 800, Stock, P4 500.

10. What is the total amount for current assets?
- A P7 500
  - B P7 600
  - C P7 700
  - D P8 100

11. How much is Jane's working capital?
- A P2 100
  - B P2 900
  - C P5 600
  - D P7 700
12. Which of the following transactions is a contra entry?
- A Withdrew from the bank for personal use
  - B Deposited into bank
  - C Withdrew from the bank to pay office expenses
  - D Additional capital deposited into bank

Use the following information to answer questions 13, 14 & 15

Sales	P10 000	Opening stock	P2 500
Carriage inwards	1 000	Carriage outwards	500
Purchases	6 000	Returns inwards	2 000
Closing stock	3 000		

13. How much is the cost of sales?
- A P6 500
  - B P8 000
  - C P9 500
  - D P11 000
14. How much is the gross profit?
- A P1 000
  - B P1 500
  - C P2 000
  - D P3 000
15. Express gross profit as a percentage of turnover
- A 12.5%
  - B 18.75%
  - C 25%
  - D 37.5%
16. The ledger account M Muzila shows a credit balance of P500. What does it mean?

- A Muzila owes the business
- B Muzila has paid the business
- C The business has paid Muzila
- D The business owes Muzila

17. The owner contributes cash from his private resources to the business. How is this transaction recorded in the books of a business?

	<b>Debit</b>	<b>Credit</b>
A	Cash A/c	Capital A/c
B	Cash A/c	Drawings A/c
C	Drawings A/c	Capital A/c
D	Drawings A/c	Cash A/c

Use the following information to answer questions 18 and 19.

The following information was extracted from the books of a business in January 2007:-

Stock of raw materials 1 January P8 000  
 Stock of raw materials 31 January P4 000  
 Raw materials purchased P32 000  
 Manufacturing wages P18 000  
 Carriage on raw materials P2 000

18. How much is the cost of raw materials used?
- A P28 000
  - B P36 000
  - C P38 000
  - D P56 000
19. How much is the Prime cost?
- A P20 000
  - B P36 000
  - C P38 000
  - D P56 000
20. Which of the following is the source of information for returns outwards journal?
- A Cash till roll
  - B Credit notes
  - C Debit notes
  - D Purchases invoices

**Question 2****[40 marks]**

The following trial balance was extracted from the books of Mendo Enterprises Limited Company as at 31 December 2007

	P	P
8% Preference share capital		40 000
Ordinary share capital		60 000
20% Debentures		20 000
Profit and Loss Account, 31 Dec. 2006		10 000
Equipment at cost	100 000	
Motor vehicles at cost	80 000	
Provision for depreciation on equipment		10 000
Provision for depreciation on motor vehicles		8 000
Inventory, 1 Jan. 2007	120 500	
Sales		350 000
General reserves		50 000
Purchases	206 000	
Returns inwards	5 000	
General expenses	4 800	
Wages and salaries	8 500	
Directors' remuneration	15 200	
Insurance	7 000	
Debenture interest	2 000	
Bank	9 000	
Debtors and Creditors	20 000	30 000
	<u>578 000</u>	<u>578 000</u>

The following adjustments are needed:

- (a) Inventory at 31 December 2007 was valued at P120 500
- (b) Wages prepaid, P1 300
- (c) Debenture interest is still owing
- (d) Insurance outstanding, P500
- (e) Depreciate equipment by 10% on cost and motor vehicles at 10% on reducing balance method
- (f) Transfer to general reserve, P10 000
- (g) It is proposed to pay preference share dividend
- (h) It is proposed to pay 10% ordinary share dividend
- (i) The Authorised preference share capital is P50 000 and P100 000 in P1 Ordinary shares.

**Required:**

- (i) Trading and Profit and Loss and Appropriation Accounts for the year ended 31 December 2007 [20]
- (ii) Balance sheet as at that date [20]

**Section B****Question 3****[20 marks]**

Answer either question 3 (a) or 3 (b)

- 3 (a) Lesego Motsetse is a retailer of garden supplies. You are supplied with the following for the month of October 2007.

**Purchases and sales of hanging baskets**

Date	<u>Purchases</u>		Date	<u>Sales</u>	Quantity
	Quantity	Price per unit P			
October 2	100	19	October 5	200	
4	600	20	11	300	
16	1 000	22	18	800	
22	800	21	20	400	
28	1 200	23	29	500	
			30	800	

All sales were made at P50 per hanging basket.  
Lesego had an opening stock of 50 hanging baskets costing P17 each on 1 October 2007.

**Required:**

- (i) Calculation of closing stocks using FIFO and LIFO methods [4]
- (ii) Calculate Lesego's profit for the month ended 31 October 2007 using both the FIFO and LIFO methods of stock (inventory) valuation [16]

3 (b) The final accounts of Jerry, John and Co Ltd for two years were as follows.

Trading and Profit and Loss Accounts for years ended 31 December

	2005		2006	
	P000	P000	P000	P000
Sales		540		720
less Cost of Sales			24	
Opening stock	22		628	
Purchases	<u>380</u>		<u>652</u>	
	402		106	
less Closing stock	<u>24</u>	<u>378</u>		<u>546</u>
Gross Profit		162		174
Less Operating expenses		<u>85</u>		<u>93</u>
Profit before interest		77		81
Interest payable		<u>17</u>		<u>17</u>
Net Profit		60		64
Dividends payable	25		28	
Transfer to General Reserve	<u>32</u>	<u>57</u>	<u>35</u>	<u>63</u>
Retained profit for year		3		1
Retained profit b/f		<u>14</u>		<u>17</u>
Retained profit c/f		<u>17</u>		<u>18</u>

Balance Sheets as at 31 December

	2005		2006	
	P000	P000	P000	P000
Fixed Assets at Net Book Value		558		643
<u>Current Assets:</u>				
Stock	24		106	
Debtors	91		176	
Bank	<u>38</u>	153	<u>---</u>	282
<u>Current Liabilities:</u>				
Creditors	38		146	
Dividends due	25		28	
Interest due	17		17	
Bank	<u>---</u>	<u>80</u>	<u>68</u>	<u>259</u>
Net Current Assets		<u>73</u>		<u>23</u>
		<u>631</u>		<u>666</u>
<u>Financed by:</u>				
Ordinary Share Capital (Fully Paid)		360		360
General Reserve	86		120	
Retained Profits	<u>17</u>	103	<u>18</u>	138
10% Debentures		<u>168</u>		<u>168</u>
		<u>631</u>		<u>666</u>

All sales and purchases were on credit.

**Required:**

- (i) For each year calculate the following to **two** decimal places (show your workings):
- (a) Acid test (quick) ratio
  - (b) Stock turnover
  - (c) Debtors collection period
  - (d) Gross profit ratio
  - (e) Return on total capital employed [10]
- (ii) Comment on the changes in the Company from 2005 to 2006, using **each** of the ratios calculated. [10]

**Question 4****[20 marks]**

Answer either question 4 (a) or 4 (b)

- 4 (a) Bandama Ltd manufactures four types of hand bags: Red, Green, Yellow and Gold from the same raw materials. The sale price and variable costs per unit are given below.

	Red	Green	Yellow	Gold
Sales Demand (units)	4 000	5 000	8 000	6 000
Material:	P	P	P	P
A	12	8	6	24
B	8	16	20	4
Direct Labour	10	20	20	16
Variable Overhead	4	4	6	2
Selling Price	50	46	62	64

The production manager informs you that all other factors of production are in sufficient supply except for material A where only 13000kg of material are available and is therefore a limiting factor. The cost of material A is P12 per kg

**Required:**

- (i) Define a limiting factor [2]

- (ii) Calculate the optimum production quantities for each of the hand bags that will maximize the profits of the period for Bandama Ltd. [18]

OR

4 (b)

- (i) Define the following terms:

- (a) Cost unit
- (b) Cost center
- (c) Sunk cost
- (d) Overhead under-absorption
- (e) Overhead over-absorption [5]

- (ii) Kuda Ltd provides the following information about its overhead expenditure for three months:

	January	February	March
Budgeted Production (units)	3 000	4 000	4 000
Actual Production (units)	2 500	4 300	4 200
Budgeted Overheads	360 000	320 000	396 000
Actual Overheads	332 000	310 000	380 000

**Required:**

- Calculate the overhead over-absorption or under-absorption for the months of January, February and March ( Show your workings) [15]

**END OF EXAMINATION PAPER**

**Botswana College of Distance and Open Learning**

In collaboration with

Zimbabwe Open University

**Diploma in Business Management**

**Principles of Accounting D-PA 01**

**Sessional Examination**

**Semester 2, 2010**

**Time: 3 hours**

**Marks: 100**

**Instructions to candidates**

1. Answer all questions in sections A and B
2. Answer **any two** questions in section C
3. A non programmable, silent calculator can be used
4. Marks will be awarded for presentation and neatness

**[10 marks]****Section A: Multiple choice****Answer all questions**

1. If total assets are P800 000 and capital is P350 000, then total liabilities should be

- A. P450 000
- B. P1 150 000
- C. P550 000
- D. None of the above

2. The accounting concept which emphasises that the entity should follow the same accounting procedure in the years that follow is

- A. The matching concept
- B. The prudence concept
- C. The consistency concept
- D. The materiality concept

**Questions 3 to 5 are based on the information below**

The following information was extracted from the books of Mega Watt Trading on 31 December 2008. The accounting period of the business ends in December every year.

	<b>Pula</b>
Sales	657 000
Purchases	325 000
Carriage inwards	20 000
Carriage outwards	14 000
Stock (01 January 2008)	40 000
Returns inwards	7 000
Returns outwards	10 000
Stock (31 December 2008)	50 000

3. The Gross profit of Mega Watt Trading for the year ending December 2008 is
- P350 000
  - P345 000
  - P325 000
  - P315 000
4. Cost of goods sold amounts to
- P325 000
  - P335 000
  - P339 000
  - None of the above
5. The rate of stock turnover for Mega Watt for the year January to December 2008 is
- 10.5 times
  - 9 times
  - 13.14 times
  - None of the above
6. The three elements of cost in a manufacturing entity are
- Depreciation, factory overheads, material
  - Material, labour, expenses
  - Prime cost, factory overheads, total cost
  - None of the above

**Questions 7 and 8 are based on the following information.**

Ultra Plastic LTD produces a single product (plastic chair), which is sold for P120 each. In the coming year, the company expects its fixed costs to amount to P840 000. The company incurs the following variable cost in the production of 1 chair

- 2kg material @ P15 /kg
- 2hours direct labour @ P20 /HR
- P5 royalty payment for each chair sold

7. The contribution obtained from each chair is
- A. P75
  - B. P40
  - C. P80
  - D. P45
8. In order to break even, Ultra Plastics LTD should produce and sell \_\_\_\_\_ chairs
- A. 18 667
  - B. 11200
  - C. 21000
  - D. 10 500
9. The term used to refer to the fact that shareholders of a company are only liable for the debts amounting to their share values in the company is
- A. Memorandum of Association
  - B. Articles of Association
  - C. Limited liability
  - D. Unlimited liability
10. A \_\_\_\_\_ is a quantified expression of a plan of action prepared in advance of the period it relates
- A. Strategic plan
  - B. Operational plan
  - C. Budget
  - D. Material replenishment plan

## Section B

[50 marks]

Answer all questions in this section.

## Question 1

[25 marks]

The following list of balances was extracted from the accounts of Maikano Peters, a sole trader, as at 31 December 2008.

	DR (Pula)	CR (Pula)
Premises - cost	270 000	
Equipment - cost	172 500	
Motor vehicles - cost	28 000	
<b>Provision for depreciation</b>		
-Premises		37 500
-Equipment		97 500
-Motor vehicles		14 000
Stock (01/01/2008)	82 200	
Purchases	778 800	
Sales		1 215 000
Wages and salaries	177 500	
Motor expenses	87 400	
Administration expenses	17 650	
Heating and lighting	4 950	
Advertising expenses	13 280	
Debtors	106 960	
Creditors		76 910
Cash in hand	2 440	
Bank overdraft		11 290
Drawings	42 640	
Capital		332 120
	<b>1 784 320</b>	<b>1 784 320</b>

The following additional information is also available at 31 December 2008

1. Stock available is P101 640
2. Depreciation for the year is to be provided as follows
  - Premises -2% on cost (straight line method)
  - Equipment -10% cost (straight line method)
  - Motor Vehicle - 20% on net book value (reducing balance method)
3. Wages and salaries outstanding - P1 220
4. Advertising expenses prepaid - P8 470

**Required**

- (a) Prepare the trading and profit and loss account for Maikano Peters for the year ended 31 December 2008 [12 marks]
- (b) Prepare the balance sheet for Maikano Peters as at 31 December 2008. [13 marks]

**Question 2****[25 marks]**

John Molefe is a dealer in electrical accessories. During the month of June 2009 he had the following transactions relating to the purchases and sales of *electric adapters*. On 01 June his stock was nil.

Date	Received units	Sold units	Cost per unit (Pula)	Sales price per unit (Pula)
6 June	1000		10.00	
11 June		600		15.00
16 June	800		11.00	
21 June		700		16.00
24 June	600		12.00	
28 June		800		17.00

**Required**

- (a) Prepare stock records for June using the following stock valuation methods
- (i) First In First Out (FIFO) method [7 marks]
- (ii) Last In First Out (LIFO) method [7 marks]
- (b) Calculate
- (i) Total purchases [3 marks]
- (ii) Total sales [3 marks]
- (c) Calculate gross profit
- (i) Basing on FIFO closing stock [2.5 marks]
- (ii) Basing on LIFO closing stock [2.5 marks]

**Section C****[40 marks]**

Answer any two (2) questions in this section.

**Question 1****[20 marks]**

The following is the first draft budgeted data in respect of a new product which is to be introduced to the market next year

Production /Sales (units)	40 000
Variable costs per unit:	
Direct labour	P40.00
Direct material	P30.00
Overheads	P20.00
Proposed Selling Price per unit	P120.00

Fixed costs are estimated to be P520 000

Output can be increased to a maximum of 48 000 units

**Required**

- (a) Calculate the budgeted profit based on the first draft budget [5 marks]
- (b) Calculate the budgeted break-even quantity based on the first draft budget (*round off to the nearest whole number*) [4 marks]
- (c) Calculate what the profit would be if the selling price was reduced to P110 and 45 000 units are produced and sold. [5 marks]
- (d) Calculate what the profit would be if the product was made to a higher quality and design. This would increase the total variable costs per unit by 10% and it is suggested that the selling price could be increased to P160 and that 37 500 units could be sold. [6 marks]

**Question 2****[20 marks]**

Mavis Books LTD is a manufacturer of counter books. The following information relates to the business plan for the second half of 2009.

Month	Material purchased P '000'	Wages P '000'	Overheads P '000'	Sales P '000'
July	50	30	15	115
August	35	22	23	70
September	90	35	26	90
October	40	24	28	100
November	55	40	22	90
December	25	28	18	80

**Additional information**

- Cash balance on 30 September will be P15 000
- Overheads and wages are paid in the months incurred
- 80% of the sales are for cash, 20% are on credit and are paid in the month following the month of sale
- Depreciation is anticipated to be P10 000 per month
- Materials are paid for two months after delivery (e.g. January purchases are paid for in March)
- New plant costing P18 000 will be bought in August and paid for in October

**Required**

Prepare a cash budget for October, November, and December. Show the calculation of receipts from sales for each month

**[20 marks]**

**Question 3****[20 marks]**

The following are the balance sheets for LPZ Traders for 2004 and 2005.

	2004 (Pula)	2005 (Pula)
<b>ASSETS</b>		
<b>Non current assets</b>	<b>46 000</b>	<b>66 000</b>
<b>Current assets</b>	<b>59 700</b>	<b>68 200</b>
Inventories	13 000	44 000
Trade receivables	16 500	24 200
Cash in bank	30 200	-----
<b>TOTAL ASSETS</b>	<b><u>105 700</u></b>	<b><u>13 4200</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital</b>	<b>71 000</b>	<b>77 000</b>
<b>Non current liabilities</b>		
Loan	16 000	-----
<b>Current liabilities</b>	<b>18 700</b>	<b>57 200</b>
Bank overdraft	-----	33 000
Trade payables	18 700	24 200
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>105 700</u></b>	<b><u>13 4200</u></b>

**Additional information**

Purchases and sales for the year ended 31 December 2005 were as follows

	<b>Purchases</b> <i>Pula</i>	<b>Sales</b> <i>Pula</i>
Cash	28 000	89 000
Credit	117 000	111 000
<b>Total</b>	<b><u>145 000</u></b>	<b><u>200 000</u></b>

**Required**

For the year ended 31 December 2005 calculate the:

- (a) Gross profit as percentage of sales [8 marks]  
 (b) Current ratio [3 marks]  
 (c) Acid test ratio [3 marks]

(d) Receivables collection period

[3marks]

(e) Payables payment period

[3marks]

***END OF EXAMINATION***



**BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING**

IN COLLABORATION WITH

**ZIMBBWE OPEN UNIVERSITY**

SESSIONAL EXAMINATION, MAY 2011

DIPLOMA IN BUSINESS MANAGEMENT

**PRINCIPLES OF ACCOUNTING  
(D-PA 01)**

Time: 3 hours

Marks: 100

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**Instructions to Candidates:**

1. This exam consists of three sections A, B, and C.
2. Follow the instructions given in each section.
3. Show your workings to support your answer.
5. Write legibly in grammatical English.
6. Answer ALL questions from ALL sections.

SECTION: A

(20 MARKS)

A. Multiple Choice. Choose the correct answer.

15 marks

1. Which of the following is not an asset?

- (A) Debtors (B) Loan from A.Harry  
(C) Cash balance (D) Buildings

2. Which of the following statements is incorrect?

(A) Assets – Capital = Liabilities ✓

(B) Liabilities + Capital = Assets ✗

(C) Liabilities + Assets = Capital ✓

(D) Assets – Liabilities = Capital ✓

Handwritten notes showing the accounting equation and its rearrangements:

$$A + L = C$$
$$L = C - A$$
$$A = C - L$$

3. Which of the following best describes the meaning of "Purchase"?

- (A) Goods paid for  
(B) Items bought  
(C) Goods bought on credit  
(D) Goods bought for resale

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

- (A) Shows all the entries in the books



- (B) It is a list of balances on the books
- (C) It is a special account of assets
- (D) Shows the financial position of a business

5. Gross profit is \_\_\_\_\_.
- (A) Excess of sales over cost of goods sold
  - (B) Sales less purchases
  - (C) Cost of goods sold + Opening stock
  - (D) Net profit less expenses of the period

6. When Lee makes out a cheque for P500 and sends it to Young, then Lee is known as \_\_\_\_\_.

- (A) The payee
- (B) The banker
- (C) The drawer
- (D) The creditor

7. A firm bought a machine for P3 200. It is to be depreciated at a rate of 25 per cent using the Reducing Balance Method. What would be the remaining book value after 2 years?

- (A) P1 600
- (B) P2 400
- (C) P1 800
- (D) P3 150

$$\frac{25}{100} \times 3200 = 800$$

$$\begin{array}{r} 3200 \\ - 1042 \\ \hline 2158 \end{array}$$

(Page 3 of 11)

$$\begin{array}{r} 1 \\ 25 \\ \hline 100 \\ 4 \end{array} \times \begin{array}{r} 536 \\ 2158 \end{array}$$

$$\begin{array}{r} 2158 \\ - 536 \\ \hline 1624 \end{array}$$



8. Working Capital is a term, meaning \_\_\_\_\_.

- (A) The amount of capital invested by the proprietor
- (B) The excess of the current assets over the current liabilities
- (C) The capital less drawings
- (D) The total of the fixed assets – current assets

9. Given a desired cash float of P400, if P346 is spent in the period, how much will be reimbursed at the end of the period?

- (A) P200
- (B) P54
- (C) P254
- (D) P146

10. Given opening debtors of P11 500, Sales P48 000 and receipts from debtors P45 000, the closing debtors should total \_\_\_\_\_.

- (A) P8 500
- (B) P14 500
- (C) P83 500
- (D) P18 500

11. Prime cost includes \_\_\_\_\_.

- (i) Direct labour
- (ii) Factory overhead expenses
- (iii) Raw materials consumed
- (iv) Direct expenses

$$\begin{array}{r} 48\ 000 \\ - 11\ 500 \\ \hline 36\ 500 \end{array}$$



- (A) (1), (ii) and (iii)
- (B) (ii), (iii) and (iv)
- (C) (i), (iii) and (iv)
- (D) (i), (ii), and (iv)

12. Which of the following should be charged in the Profit and Loss Account?

- (A) Work in progress
- (B) Office rent
- (C) Direct materials
- (D) Carriage on raw materials

13. A cash discount is best described as a reduction in the sum to be paid \_\_\_\_\_.

- (A) If payment is made within a previously agreed period
- (B) If payment is made by cash, not cheque
- (C) If payment is made either by cash or cheque
- (D) If purchases are made for cash, not on credit.

14. Given figures showing: Sales P8 200; Opening stock P1 300; Closing stock P900; Purchases P6 400; Carriage inwards P200, the cost of goods sold figure is \_\_\_\_\_.

- (A) P6 800
- (B) P6 200
- (C) P7 000
- (D) P17 000

(Page 5 of 11)

Sales  $\$ 200$   
Opening stock 1300  
Add purchases 6400  
Add C. I 200  

---

7700  
Closing stock (900)  

---

Cost of goods sold 7800

$\$ 200$   
O.S. 1300  
Add C.A. 900



15. The accountant should always exercise caution when dealing with uncertainty while, at the same time, the financial statements are neutral – that gains and losses are neither overstated nor understated. Which accounting concept is referred to here?

- (A) Prudence  
(B) Accruals  
(C) Consistency  
(D) Dual aspect

**B. Fill in the blanks with the correct answer. (5 marks)**

16. If the mark up on goods bought for resale was 25 %, then the profit margin is \_\_\_\_\_ .%

17. The sum total of the fixed assets and working capital is equal to the \_\_\_\_\_ .

18. If \_\_\_\_\_ exceed current assets, there is a shortage of working capital.

19. \_\_\_\_\_ is prepared to account for the difference between the balance in the Cash Book and the balance in the Bank Statement.

20. When we issue inventories by using the old price, it is referred to \_\_\_\_\_ method.

**SECTION B (20 MARKS)**

1. (9 marks)

In January, 1200 bags of sugar were purchased in three lots.

2<sup>nd</sup> January 500 bags at P600 per bag.

10<sup>th</sup> January 400 bags at P700 per bag.

21<sup>st</sup> January 300 bags at P750 per bag.

During the same period, for inventory requisitions were issued or sold for 200 bags each on 5, 13, and 26 January.

Apply FIFO method of issue of inventory to record the above. Use the standard format.

2. Write a brief note on cash budget and how to prepare the same. (5 marks)
3. Write short notes on the following: (6 marks)
  - (a). Accounting cycle
  - (b). Consistency concept
  - (c). Profitability ratios

**SECTION: C**

**(60 MARKS)**

Question 1.

(20 marks)

The following Trial Balance was taken from the books of Jerry Terry.

	Dr (Pula)	Cr (Pula)
Sales		26 400
Purchases	17 600	
Stock (1/1/2010)	2 300	
General Expenses	650	
Electricity	1 950	

$$\begin{array}{r} 1650 \\ 1950 \\ \hline 2600 \\ 1700 \\ \hline 4300 \\ 300 \\ \hline 4600 \end{array}$$

$$\begin{array}{r} 4300 \\ 950 \\ \hline 5250 \\ 160 \\ \hline 5410 \\ 350 \\ \hline 5760 \end{array}$$

$$\begin{array}{r} 4600 \\ 950 \\ \hline 5550 \\ 560 \\ \hline 6110 \end{array}$$

Repairs	1 700	
Capital		29 200
Drawings	5 500	
Premises at cost	26 000	
Equipment at cost	5 000	
Provision for depreciation of equipment		950
Debtors	2 200	
Creditors		2 470
Bank	885	
Long - term loan		5 000
Interest on loan	300	
Bad debts	95	
Provision for doubtful debts		160
	64 180	64 180
	=====	=====

$$\begin{array}{r} 650 \\ 1950 \\ \hline 2600 \\ 1700 \\ \hline 4300 \\ 950 \\ \hline 5250 \\ 160 \\ \hline 5410 \end{array}$$

$$\begin{array}{r} 10000 \\ 5410 \\ \hline 4590 \end{array}$$

$$\begin{array}{r} 28665 \\ - 23700 \\ \hline 4965 \end{array}$$

The following are the additional information:

(1). At 31 December 2010: The stock was valued at P3 500, and the interest on loan accrued amounted to P50.

$$\begin{array}{r} 29665 \\ - 23700 \\ \hline 5965 \end{array}$$

$$\begin{array}{r} 29200 \\ 5500 \\ \hline 23700 \end{array}$$

$$\begin{array}{r} 2300 \\ + 2200 \\ 885 \\ \hline 5385 \\ 300 \\ \hline 5685 \end{array}$$

less drawings 300  
less long term loan 5000

$$\begin{array}{r} 2470 \\ 5000 \\ \hline 7470 \end{array}$$

$$\begin{array}{r} 2915 \\ 30750 \\ \hline 33665 \\ 5000 \\ \hline 38665 \\ 85 \\ \hline 38750 \\ 85 \\ \hline 38835 \end{array}$$

Capital 29200

$$\begin{array}{r} 29200 \\ 5500 \\ \hline 23700 \end{array}$$



- (2). The provision for doubtful debts is to be maintained at 5% of the debtors.  
 (3). Equipment is to be depreciated by 10% per annum using the reducing balance method.

You are required to:

- (a). Prepare the trading and Profit and Loss Account of Jerry Terry for the year ended 31<sup>st</sup> December 2010.  
 (b). Prepare the Balance Sheet of Jerry Terry as at 31<sup>st</sup> December 2010

Handwritten calculations:  $4000/25 = 160$ ,  $160 \times 25 = 4000$

Question 2.

(20 marks)

The following is a summary of the Cash Book of the Syringa sports club for the year ended 31 December 2008.

Receipts	Pula	Payments	Pula
Subscription	400	Picnics and Socials	170
Locker fees	50	Tennis balls	70
Sale of old used tennis balls	10	Club-house maintenance	200
Picnics and socials	215	Sundry expenses	80

Handwritten notes:  $5$ ,  $170$ ,  $250$

Handwritten total: 34665

On 1 January 2008, the club's assets were:

Club-house (at cost)	P8 000
Equipment	P200
Cash in hand and at bank	P87

Handwritten calculation:  $54285 - 2470 = 2915$

Handwritten calculation:  $650 + 1950 = 2600$ ,  $2600 - 1700 = 900$

Handwritten calculation:  $31750 + 2915 = 34665$ ,  $34665 - 5000 = 29665$

Handwritten calculation:  $31750 + 170 = 31920$

Handwritten calculation:  $19960 - 3500 = 16460$

Handwritten calculation:  $170 + 70 = 240$ ,  $240 - 200 = 40$

Handwritten calculation:  $440 - 80 = 360$



Prepare the Income and Expenditure Account for the year ended 31 December 2008 and a Balance Sheet as at that date, showing as much detail as possible, and taking into account, the following additional information:

1. The club had a membership of 43 and the annual subscription was P10 per member.
2. Equipment is to be depreciated at 20% per annum.
3. The net cost of tennis balls is to be treated as a revenue expenditure. ✗
4. Sundry expenses amounting to P15 was still owing on 31 December 2008.

Question 3.

(20 marks)

Read the following and answer the questions below.

On 31 December 2008 the bank column of C Tench cash book showed a debit balance of P1 500. The monthly bank statement written up to 31 December 2008 showed a credit balance of P2 950.

On checking the cash book with the bank statement it was discovered that the following transactions had not been entered in the cash book:

1. Dividends of P240 had been paid directly to the bank.
2. A credit transfer – customs and excise VAT refund of P260 – had been collected by the bank.
3. Bank charges P30.
4. A direct debit of P70 for the RAC subscription had been paid by the bank.
5. A standing order of P200 for C Tench's loan repayment had been paid by the bank.

1500	1500
240	200
260	30
1400	70
<u>3400</u>	<u>3400</u>

3400
- 1800
<u>1600</u>

3400	1500
- 1700	500
1700	2000
	1400
	<u>3400</u>
	1500
	2020
	<u>1600</u>

31/12/08 B1cf	1500	1500
	240	200
	260	30
	1400	(1700)
	<u>3400</u>	<u>3400</u>



$$\begin{array}{r} 2130 \\ + 690 \\ \hline 2820 \end{array}$$

6. C Tench's deposit account balance of P1 400 was transferred into his bank current account.

A further check revealed the following items:

- i. Two cheques drawn in favour of T Cod P250 and F Haddock P290 had been entered in the cash book but had not been presented for payment.
- ii. Cash and cheques amounting to P690 had been paid into the bank on 31 December 2008 but were not credited by the bank until 2 January 2009.

You are required to:

- (a). Starting with the debit balance of P1 500, bring the cash book (bank columns) up to date and then balance the bank account.
- (b). Prepare a bank reconciliation statement as at 31 December 2008.

$$\begin{array}{r} 1500 \\ \times 2040 \\ \hline 30800 \\ + 5400 \\ \hline 36200 \end{array}$$

$$\begin{array}{r} 213 \\ + 3400 \\ - 540 \\ \hline 60 \end{array}$$

$$\begin{array}{r} 3400 \\ - 1230 \\ \hline 2170 \end{array}$$

Bank reconciliation statement

$$\begin{array}{r} 250 \\ + 290 \\ \hline 540 \end{array}$$

$$\begin{array}{r} 250 \\ + 290 \\ \hline 540 \\ + 690 \\ \hline 1230 \end{array}$$

$$\begin{array}{r} 1600 \\ + 540 \\ \hline 2140 \\ + 690 \\ \hline 2830 \end{array}$$

$$\begin{array}{r} 1500 \\ + 240 \\ \hline 1740 \\ + 260 \\ \hline 2000 \\ + 1400 \\ \hline 3400 \end{array}$$

END OF PAPER

$$\begin{array}{r} 1500 \\ + 300 \\ \hline 1800 \end{array}$$

$$\begin{array}{r} 3400 \\ - 1800 \\ \hline 1600 \end{array}$$

$$\begin{array}{r} 1600 \\ + 250 \\ \hline 1850 \\ + 290 \\ \hline 2140 \\ + 690 \\ \hline 2830 \end{array}$$

**BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING**

**SESSIONAL EXAMINATION, MAY 2012**

DIPLOMA IN BUSINESS MANAGEMENT

**PRINCIPLES OF ACCOUNTING  
(PA 101)**

Time: 3 hours

Marks: 100

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**Instructions to Candidates:**

1. This paper consists of three sections A, B, and C.
2. Follow the instructions given in each section.
3. Show your workings to support your answer.
4. Write legibly in grammatical English.

**SECTION: A. Answer all questions from this section. (20 Marks)**

**1. Multiple Choice. Select the correct answer from the following (10 marks)**

1. Transactions are recorded in the books of accounts at their original cost or value. Which accounting concept it refers to:

- A. Realisation concept.
- B. Historical cost concept.
- C. Going concern concept.
- D. Money measurement concept.

2. Which method of depreciation allocates a larger proportion of the asset cost to the earlier years of its life:

- A. Straight line method.
- B. Insurance policy method.
- C. Reducing balance method.
- D. Depreciation fund method.

3. The trial balance may best be described as:

- A. A list of balances taken from the balance sheet.
- B. A list of balances taken from the personal ledgers.
- C. A list of all transactions taken from the books.
- D. A list of balances from the main ledger



4. The relationship between the funds provided for the business by the owner and those provided by outside lenders is known as:

- A. Gearing or leverage.
- B. Liquidity
- C. Trading on equity.
- D. Budget.

5. When the profit and loss account is prepared, all these accounts will be used except:

- A. Light and heat account
- B. Salaries account
- C. Cash account.
- D. Depreciation of fixed assets account.

6. Non-profit making organisations prepare Income and Expenditure account, which is the equivalent account prepared by trading organization.

- A. Balance sheet.
- B. Cash account.
- C. Profit and loss account.
- D. Current account.



7. If creditors at 1 January 2011 were P2 500, creditors at 31 January 2011 P4 200 and the payments to creditors P32 000, then purchases for the month January are:

- A. P30 300
- B. P33 700
- C. P31 600
- D. P38 700

*Handwritten:* P33 700  
*Handwritten:* 6200

8. The acid test ratio is used to measure:

- A. Net assets less current liabilities
- B. Short term solvency.
- C. Profitability.
- D. The rate of stock turnover..

9. Mr. Bush buys goods and pays in cash. Mr. Kush on the other hand bought goods on credit but paid within the specified period. Both of them were granted discounts.

Name the type of discount given to each of them.

- A. A Cash discount for Mr. Bush and a Trade discount for Mr. Kush.
- B. A Cash discount for Mr. Bush and a Settlement discount for Mr. Kush.
- C. A Settlement discount for Mr. Bush and a Cash discount for Mr. Kush.
- D. Cash discounts for both of them.

10. Mark-up can be defined as:

- A. Profit as a percentage of cost.
- B. Profit as a percentage of Sales.
- C. Cost as a percentage of Sales.
- D. Gross profit for the year.

**B. Fill in the blanks with appropriate words:**

**(5 marks)**

- 1. The excess of Expenditure over Income is known as -----
- 2. The amount received as per will of some person is known as -----
- 3. The owners of a company are called \_\_\_\_\_
- 4. The ----- of a business is measured by its ability to satisfy its short-term obligations as they come due.
- 5. If the Trial Balance shows a short debit, the Suspense A/c will have a \_\_\_\_\_ balance.

**C. State whether the following statements are True or False:**

**(5 marks)**

- 1. Income and Expenditure account records receipts and payments of revenue nature only.
  - 2. The surplus of non-trading organisation is distributed among the members.
  - 3. Closing stock is always valued at cost or market price whichever is higher.
-



4. Going concern Concept assumes that the enterprise continues for a long period of time.
5. Outstanding expense is usually added to related expense in final account.

**SECTION : B. Answer any THREE questions from this section. (30 Marks)**

1. Explain briefly any five objectives or purpose of financial statement analysis? (10 marks)
2. What is liquidity ratio? Also explain the significance of the current ratio? (10 marks)
3. Complete the following table as per the specimen dated 1 / 4. (10 marks)

2012	Transaction	Two accounts involved	Classification of accounts	Debit or Credit
1/4/	Sold goods on credit to Nita Paul P2000.	Nita Paul Sales	Personal a/c Nominal a/c	Debit-Nita Paul (receiver), Credit-sales (Income/revenue)
2/4/	Tshepo started business with P25 000 deposited in to business bank account	CP Bank	Personal Nominal	Debit Credit
8/4/	Bought computer for P8 000 for business use paid by cheque	Computer P/C	" "	
9/4/	Goods returned to Martin P500	Inventory P/C	" "	Credit Debit



4. Explain in brief the term 'Break even point' in relation to Cost-Volume-Profit Analysis? Also calculate the break - even point in units from the given information using the equation. (10 marks)

Fixed costs: P120 000.

Selling price per unit: P160.

Variable cost per unit: P120.

**SECTION: C. Answer ALL the questions from this section. (50 Marks)**

**1. (25 marks)**

(a).The following is the summarised transactions and revenue statement for the year ending March 31, 2012 and the Balance Sheet as on that date.

SALES		50 000
Cost of goods sold: Opening Stock	5 000	
Purchases	25 000	
Direct Expenses	2 500	
Closing stock	(7 500)	25 000
GROSS PROFIT		25 000
EXPENSES: Administrative expenses	7 500	
Interest	1 500	
Selling Expenses	6 000	15 000
NET PROFIT		10 000 =====

BALANCE SHEET AS ON 31 MARCH 2012

FIXED ASSETS: Plant and Machinery	15 000	
Land and Building	25 000	
Furniture	10 000	50 000
CURRENT ASSETS: Stock	7 500	
Debtors	7 500	
Bills Receivables	6 250	
Cash at bank	8 750	
CURRENT LIABILITIES:	20 000	10 000
Total Net assets		<b>60 000</b>
FINANCED BY: Capital	50 000	
Profit	10 000	<b>60 000</b>



You are required to calculate:

- (i) Gross Profit Ratio (3 marks)
- (ii) Current Ratio (3 marks)
- (iii) Acid Test Ratio (3 marks)
- (iv) Stock Turnover Ratio (3 marks)
- (v) Fixed Assets Turnover Ratio (3 marks)

(b). What is Bank reconciliation statement? State four needs of Bank Reconciliation Statement. (10 marks)

2. (25 marks)

You are provided with figures extracted from the financial statements of Phiri Ltd, Gaborone. You are asked to prepare Cash flow statement for the year ended 28 February 2013.

**INCOME STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2013**

Sales +	400 000
Audit fees -	(4 000)
Directors remuneration -	(24 000)
Depreciation -	(9 000)
	.....
Operating profit +	113 000 ✓
Interest expense -	(14 000) ✓
Net profit before tax +	99 000
Income tax -	(45 600)
	.....
Net income after tax +	53 400
	=====



**BALANCE SHEET AS AT 28 FEBRUARY 2013**

	2013	2012
<b>Non-current assets: (Fixed Assets)</b>	282 500	132 500
<b>Current Assets:</b>		
Inventories ✓ <i>cl stock</i>	36 000 +	41 600
Trade & other receivables	40 000 ↓	31 400
Cash & cash equivalents	39 000 ↓	27 000
<b>TOTAL ASSETS</b>	<b>397 500 ✓</b> =====	<b>232 500</b> =====
<b>Shareholders equity &amp; Liability:</b>		
Equity share capital	180 000 -	100 000
Share premium	20 000 -	8 000
Retained income	23 400 -	10 000
<b>Non-current liabilities:</b>		
Loan from Outlook lenders	100 000 -	60 000
<b>Current liabilities:</b>		
Creditors ✓	43 500 -	31 300
BURS (income tax)	3 600 -	1 700
Shareholders dividends	24 000 -	19 000
Expenses payable (Interest on loan)	( 3 000 ) -	2 500
<b>Total Equity and Liabilities (Interest on loan is not capitalized)</b>	<b>397 500</b> =====	<b>232 500</b> =====

**Other information related to financial statements:**

	2013	2012
<b>Fixed Assets: Land &amp; buildings</b>	150 000	85 000
Equipment (at cost)	181 500	87 500
Accumulated depreciation	(49 000)	(40 000)
	<b>282 500</b> =====	<b>132 500</b> =====
No fixed assets were sold during the year		



Cash and Cash equivalents:		
Bank	37 000	25 500
Cash float	1 000	1 000
Petty cash	1 000	500
	----- <b>39 000</b> † =====	----- <b>27 000</b> =====
RETAINED INCOME:		
Retained income at the beginning of year	10 000	
Net profit after tax	53 400	
Dividends paid and declared	(40 000)	
Retained income at the end of year	<b>23 000</b>	

END OF PAPER

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**BOTSWANA COLLEGE OF DISTANCE AND OPEN  
LEARNING**

**SESSIONAL EXAMINATION, MAY 2013**

DIPLOMA IN BUSINESS MANAGEMENT

**PRINCIPLES OF ACCOUNTING  
(PA 101)**

**Time: 3 hours**

**Marks: 100**

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**Instructions to Candidates:**

1. This paper consists of three sections A, B, and C.
2. Follow the instructions given in each section.
3. Show your workings to support your answer.
4. Write legibly in grammatical English.

**SECTION - A. Multiple Choice.****[10 marks]**

1. Which of the following best describes the meaning of purchase?
  - A) Goods bought for resale
  - B) Goods bought on credit
  - C) Goods bought and paid for
  - D) Goods bought at discount
  
2. Calculate the amount of capital from the following figures.  
Buildings P60, 000, Stock P20, 000, Bank P5, 000, Creditors P10, 000,  
Loan P15, 000 and Cash P2, 000.
  - A) P112,000
  - B) P60,000
  - C) P57,000
  - D) P62,000
  
3. Which of the following concepts stipulates that there are two aspects of accounting, one represented by the assets of the business and the other by the claims against them?
  - A) Business entity
  - B) Dual aspect
  - C) Time interval
  - D) Going concern
  
4. Discounts received are \_\_\_\_\_.
  - A) Deducted when we receive cash
  - B) Given by us when we sell goods on credit
  - C) Deducted by us when we pay our accounts
  - D) Deducted when customer has a complaint
  
5. Net profit is calculated in the \_\_\_\_\_.
  - A) Trading account
  - B) Profit and loss account

- C) Trial balance  
D) Balance sheet
6. The credit entry for net profit is on the credit side of the \_\_\_\_\_.
- A) The trading account  
B) The profit and loss account  
C) The drawings account  
D) The capital account
7. When banking your money in a current account you should always use a \_\_\_\_\_.
- A) Cheque book  
B) Paying in slip  
C) Cash book  
D) General ledger
8. Suppliers' personal accounts are found in the \_\_\_\_\_.
- A) Nominal ledger  
B) General ledger  
C) Purchases ledger  
D) Sales ledger
9. If opening stock is P3 000, closing stock P5 000, sales P40 000 and have a margin of 20%, the stock turnover is \_\_\_\_\_.
- A) 8 times  
B) 7.5 times  
C) 5 times  
D) 6 times
10. The issued share capital of a company is \_\_\_\_\_.
- A) Always the same as the Authorized share capital  
B) The same as Preference shares capital  
C) Equal to the Reserves of the company  
D) None of the above

**SECTION B Answer all questions.****[40 MARKS]**

1. Explain fully any **four** purposes of preparing a cash budget in a business. **(8 marks)**
  
2. When a business prepares its final accounts, capital expenditures are treated differently from revenue expenditures. Explain by using three examples for each, the differences between capital and revenue expenditure. **(8 marks)**
  
3. Write short notes on any **four** from the following terms:
  - a) Prudence concept **(2 marks)**
  - b) Error of commission **(2 marks)**
  - c) Error of principle **(2 marks)**
  - d) Liquidity ratios **(2 marks)**
  - e) Profitability ratios **(2 marks)**
  
4. Explain any **five** possible users of accounting information. **(10 marks)**
  
5. Explain Cash Flow from Operating Activities with two examples of cash inflows and cash outflows. **(6 marks)**

**SECTION C. Answer any two questions from this section.****[50 MARKS]**

**Question - 1**

**(25 MARKS)**

Charls Kets recorded the following transactions during the month of March 2013.

1/3/2013	Balances brought forward, cash P200, bank P2 925 (Dr).
5/3	Paid general expenses, cheque P150.
6/3	Cash sales, P420.
8/3	Personal drawings (Charls Ket) P300 cash.
8/3	Sony settles his account, P400 cheque, discount P20.
10/3	From Boipelo, cheque P420, in settlement of debt P445.
14/3	Cash sales, P820.
19/3	Paid cash, P800, into bank.
24/3	Paid BTC bill, cheque P400.
27/3	Paid creditors, by cheque: Metro sports P440, Power gears Ltd P240.
30/3	Paid Tip Tops P675 cheque, discount received, P15. Opening balance as on 1/3/2013 was P950.
31/3	Cash withdrawn from bank for business use, P500.

**Required:**

1. Prepare three column cash book of Charls Kets for the month of March, 2013. Bring down the cash and bank balances on 1 April. (15 marks)
2. Post the personal accounts of debtors and creditors to their respective accounts in the sales and purchase ledgers. (10 marks)

**Question - 2****(25 marks)**

M/s Bernard & Sons started a manufacturing business on 1 January 2012 and bought two machines for P8 000 each, paying by cheque. It was decided to depreciate the machines each year at the rate of 20% per year of their net book value at the beginning of each year, i.e. by the reducing or diminishing balance method.

The depreciation was to be recorded in a separate Provision for Depreciation Account.

On 31 December 2013, after allowing for the second year's depreciation, they sold one of the machines for P4 000 cash. On the same date, M/s Bernard & Sons bought a new machine for P12 000 on credit from Precision Equipments Ltd.

**Required:**

1. The Machinery Account for 2012 and 2013.
2. The Provision for Depreciation Account for 2012, 2013 and 2014.
3. The Machinery disposal account for 2013.

**Question - 3****(25 marks)**

The following is the trial balance extracted from the books of Falcon Traders with adjustments on 31 March 2013.

Trial balance as on 31<sup>st</sup> March, 2013

Particulars	Debit Pula	Particulars	Credit Pula
Wages	14 100	Dividends received	4 300
Salaries	13 000	Bank overdraft	41 000
Opening Stock	40 000	Returns	1 000
Machinery	49 000	Creditors	14 200
Investments	30 700	Sales	258 500
Drawings	23 000	Capital	30 000
Purchases	130 000		
Returns	2 000		
Debtors	18 000		
Advertising	13 400		
Interest	4 800		
Cash	11 000		
	349 000		349 000
	349 000		349 000

Adjustments:

1. Closing stock is valued at P53 000.
2. Wages include P350 being advance against wages.
3. Wages include P1 000 paid for erection of machinery.
4. A purchase of stationery for P430 has been inadvertently included in the Purchases account.
5. A sale of investments with a book value of P2 600 for P2 500 has been included in the Sales Account.
6. Salaries include P150 per month paid to the proprietor's domestic servant.
7. Machinery is to be depreciated by 10 per cent.

You are required to prepare:

1. Trading and Profit and Loss Account for the year ended 31<sup>st</sup> March 2013.
2. Balance Sheet as on 31<sup>st</sup> March 2013.

**E N D O F P A P E R**

**BOTSWANA COLLEGE OF DISTANCE AND OPEN  
LEARNING**

**SPECIAL EXAMINATION**

DIPLOMA IN BUSINESS MANAGEMENT

**PRINCIPLES OF ACCOUNTING  
PA 101**

**Time: 3 hours**

**Marks: 100**

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**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 instruction given in each section.
  4. Write answers in the answer booklet provided.
  5. Write in grammatical English.
-

**SECTION - A. Multiple Choice.****[10 MARKS]**

1. The net current assets of a business are calculated as \_\_\_\_\_.
  - A The excess of current assets over current liabilities.
  - B The excess of total fixed assets over net current assets.
  - C The excess of current assets over capital.
  - D The excess of capital over current liabilities.
  
2. Which of the following expenses would not normally be met out of petty cash?
  - A Payment of office cleaning expenses
  - B Depreciation
  - C Postage
  - D Motor vehicle fuel
  
3. The debit side of a trader's Cash Book has a total of P26 500 and P41 350 in the cash and bank columns respectively. The credit side on the other hand has P14 115 in the cash column and P48 551 in the bank column.

How much money does the business have?

- A P26 500 in cash and P41 350 at the bank
  - B P12 385 in cash and P7 201 in the bank
  - C P7 201 in cash and P12 385 in the bank
  - D P12 385 in cash and P7 201 overdrawn at the bank
- 
4. Which of the following is the least liquid asset?
    - A Stock
    - B Cash
    - C Fixtures and fittings
    - D Land

The following information relates to question 5 and 6.

Grace a trainee accounts assistant, under cast the sales ledger by P100. On a further examination of the books, it was discovered that wages, which had been correctly credited in the Cash Book as P600 and P610, had actually been posted to wages account as P600 and P510.

5. What type of error did Grace Commit?
  - A Error of transposition
  - B Error of principle

- C Compensating error  
D Error of original entry
6. By how much would Grace's Trial Balance fail to balance?  
A P100  
B P200  
C P100 Debit  
D None of these
7. On 01<sup>st</sup> January 2010, a company purchased a delivery van at a cost of P105 000. The van is estimated to have a useful life of 5 years and a residual value of P5 000. Using the straight line method, the depreciation charge for the year ending 31<sup>st</sup> December 2012 is \_\_\_\_\_.  
A P21 000  
B P20 000  
C P22 000  
D P17 500
8. Mathew makes a mark-up of 40% on the cost of everything he sells. During the year to 31<sup>st</sup> December 2012, his total sales amounted to P210 000.  
The cost of sales and gross profit for the year is \_\_\_\_\_.  
A Cost of sales P126 000; Gross profit P84 000.  
B Cost of sales P150 000; Gross profit P60 000.  
C Cost of sales P140 000; Gross profit P70 000.  
D Cost of sales P150 000; Gross profit P84 000.
9. Lobatse Football club received P480 of its members' subscriptions in advance as at 31<sup>st</sup> March 2013.  
How will these subscriptions be reflected in the Balance Sheet of the club as at 31<sup>st</sup> March 2013?  
A Current liability  
B Accrued expense  
C Current asset  
D Prepaid expense
10. If a business anticipates a cash deficit, it can improve its cash position by \_\_\_\_\_.  
A Not collecting any cash from its customers.  
B Making all payments as soon as possible.  
C Withdrawing any money it has in the bank.

D Delaying any payments it has to make.

**SECTION-B. Answer ALL questions from this section.**

**[40 MARKS]**

**I.**

**(12 marks)**

The following is the Balance Sheet of Perfect Stylist Saloon as at 31<sup>st</sup> March, 2012.

Assets	Pula	Liabilities and Capital	Pula
Cash	9 000	Accounts Payable (Creditors)	9 600
Accounts receivables (Debtors))	1 200	Equity: Capital	38 000
Motor Vehicle	19 000	Retained Income	16 100
Equipment	15 500		
Cash at Bank	13 000		
Stock	6 000		
	<b>63 700</b>		<b>63 700</b>

Perfect Stylist Saloon had the following business transactions in the month of April 2012. Make the necessary adjustment to the accounts and update the Balance sheet as at 30<sup>th</sup> April, 2012.

- April 2: Saloon deposited P6 000 cash in to her Cash at bank account.
- April 5: She purchased stock P4 500 by cheque.
- April 7: Paid a cheque of P7 200 to a creditor.
- April 15: A debtor paid Saloon P750 by cheque.
- April 23: Received a loan from Martin P15 000 by cheque.
- April 28: bought equipment P12 000 by cheque.
- April 29: Owner of Saloon invested additional capital P15 000 by cash.

2. A limited company can be formed by filing the two legal documents with the Registrar of Companies. Explain these two documents with its contents and importance. **(6 marks)**
3. Explain the two most common methods of calculating wages/remuneration. **(6 marks)**
4. In the context of Cash Flow Statement, explain cash and cash equivalents. **(4 marks)**
5. Explain Cash Flow from Operating Activities with two examples of cash inflows and cash outflows. **(6 marks)**
6. J P limited buys and sells a particular brand of product X during the month of December.

Stock movements during December were as follows:

Date	Transaction	Units	Pula
1	Purchased	200	at P100
2	Purchased	200	at P110
14	Sold	250	at P150
21	Purchased	150	at P120
31	Sold	100	at P155

Required

- (a) Calculate closing stock, the cost of sales and gross profit using FIFO method at 31 January and comment on the results obtained: **(6 marks)**

**SECTION – C. Answer any two questions.**

**[50MARKS]**

Question – 1

**(25 marks)**

From the following Trial Balance and the undernoted adjustments prepare Trading and Profit and Loss Account and Balance Sheet for the year 31<sup>st</sup> March, 2012.

**Trial balance as on 31<sup>st</sup> March, 2012**

Particulars	Debit Pula	Particulars	Credit Pula
Wages	14 100	Dividends received	4 300
Salaries	13 000	Bank overdraft	41 000
Opening Stock	40 000	Returns	1 000
Machinery	49 000	Creditors	14 200
Investments	30 700	Sales	258 500
Drawings	23 000	Capital	30 000
Purchases	130 000		
Returns	2 000		
Debtors	18 000		
Advertising	13 400		
Interest	4 800		
Cash	11 000		
	349 000		349 000

Adjustments:

1. Closing stock is valued at P53 000.
2. Wages include P350 being advance against wages.
3. Wages include P1 000 paid for erection of machinery.
4. A purchase of stationery for P430 has been inadvertently included in the Purchases account.
5. A sale of investments with a book value of P2 600 for P2 500 has been included in the Sales Account.
6. Salaries include P150 per month paid to the proprietor's domestic servant.
7. Machinery is to be depreciated by 10 per cent.

**Question-2****(25 marks)**

The following is the summary of the petty cash transactions of Bushy's company for September 2011.

		BWP
	Received from cashier P300 as petty cash float	
1-Sep	float	
2-Sep	Postage	18
3-Sep	Travelling	12
4-Sep	Cleaning	15
7-Sep	Petrol for Delivery van	22
8-Sep	Travelling	25
9-Sep	Stationary	17
11-Sep	Cleaning	18
14-Sep	Postage	5
15-Sep	Travelling	8
18-Sep	Stationary	9
18-Sep	Cleaning	23
20-Sep	Postage	13
24-Sep	Delivery van 5000 mile service	43
26-Sep	Petrol for Delivery van	18
27-Sep	Cleaning	21

29-Sep	Postage	5
30-Sep	Petrol for Delivery van	14

**Required:**

- Rule up a suitable petty cash book with analysis columns for expenditure on cleaning, motor expenses, postage, stationary, and travelling.
- Enter the month's transactions.
- Enter the receipt of the amount necessary to restore the imprest, and carry down the balance for commencement of the following month.

**Question-3.****(25 Marks)**

Chick Chick Textiles's Cash Book (Bank columns only) for the month of January 2013 was as follows.

2013		PULA	2013		PULA
Ja-1	Balance b/d	560	Ja-5	Brown	100
Ja-13	Peter	240	Ja-15	Crompton	300
Ja-20	Cash	70	Ja-23	Hadley	1 150
Ja-31	Gupta	80			
Ja-31	Balance	600			
		1 550			1 550

The following Bank statement was received in early February 2013:

2013	Details	Payments (Pula)	Receipts (Pula)	Balance (Pula)
Ja-1	Balance b/d			620
Ja-1	Error corrected – contra-29 <sup>th</sup> December	60		560
Ja-8	Brown	100		460
Ja-13	Cheque		240	700
Ja-14	Banker's order-insurance	150		550
Ja-20	Crompton	300		250
Ja-20	Cash		70	320
Ja-28	Charges	60		260
31	Dividend		160	420

You may assume that the bank balance was successfully reconciled at the end of December 2012.

You are required to do the following.

- Bring the Cash Book up to date and balance it at the end of January. **(9marks)**
- Prepare a Statement, with its correct title, to reconcile the difference between your amended Cash Book balance and the balance in the Bank Statement on 31<sup>st</sup> January 2013. **(7 marks)**

- (c). (i) Under which sub-heading would the up-dated bank balance appear in Chick Chick Textile's Balance Sheet. **(3 marks)**
- (ii) State the amount of this up-dated bank balance. **(2 marks)**
- (d). Explain two differences between Ordinary Shares and Preference Shares. **(4 marks)**

**END OF PAPER**