

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

IN COLLABORATION WITH

ZIMBABWE OPEN UNIVERSITY

SPECIAL EXAMINATION, MAY 2012

Bachelor of Commerce

(Human Resources Management & Industrial Relations)

**FINANCIAL ACCOUNTING
(FA 101)**

Time: 3 hours

Marks: 100

Instructions to Candidates:

1. This exam consists of three sections A, B, and C.
 2. Marks are shown against the questions.
 3. Follow the instructions given in each section.
 4. Show your workings to support your answer.
 5. Write legibly in grammatical English.
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SECTION: A

(15 MARKS)

I. Multiple Choice. Choose the correct answer from the alternatives. 10 Marks

1. Given the desired cash float of P600, if P546 is spent in the period, how much will be reimbursed at the end of the period?

- A. P54
- B. P600
- C. P546
- D. P1146

2. Given the following, what is the amount of capital?

Land & Building: P120 000,	Bank loan: P50 000
Creditors: P30 000,	Due from customers: P18 000
Stock: P12 000	Cash: P4 000
Bank overdraft: P15 000.	

- A. P62 000
- B. P59 000
- C. P92 000
- D. P58 000

3. Which of the following is not a liability?

- A. Bank overdraft
- B. Supplier's account credit
- C. Bank loan
- D. Prepayment

4. In which category of 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

5. Which source of finance would be the most appropriate to overcome a temporary shortfall in working capital?

- A. A bank loan
- B. A hire purchase agreement
- C. A bank overdraft
- D. A debenture issue

6. After the calculation of net profit it is discovered that a fixed asset costing P5 000 has been included under purchases. The effect would be:

- A. To overstate the gross profit
- B. To overstate the value of fixed assets
- C. To understate the net profit
- D. To overstate the net profit

7. The rate of stock turnover helps to measure:

- A. The average stock held
- B. The value of closing stock
- C. The number of times the average stock is sold
- D. The working capital minus the closing stock

8. Decide whether each of the following statements is True (T) or False (F):

- i). The cost of raw materials is an indirect cost.
- ii). Indirect costs include factory light and heat.

- | | | | | |
|----|----|---|-----|---|
| A. | i) | T | ii) | T |
| B. | i) | T | ii) | F |
| C. | i) | F | ii) | T |
| D. | i) | F | ii) | F |

9. Which of the following should adversely affect a business's cash budget?

- A. An increase in cash sales
- B. A reduction in bank charges
- C. An increase in the price of goods
- D. A decrease in debtors

10. The trial balance is extracted from the books at the year end. Decide whether each of the following statements is True (T) or False (F).

- i). A transaction that is omitted from the books means that the trial balance will fail to balance.
- ii). If the trial balance does balance, the ledgers are correct.

A.	i)	T	ii)	T
B.	i)	F	ii)	T
C.	i)	T	ii)	F
D.	i)	F	ii)	F

II. State whether the following statements is “true or false”: **5 Marks**

- (a). Accounting and book-keeping are two terms that have the same meaning.
- (b). An accounting standard is same as an accounting concept
- (c). Revenues are recognized only when cash is actually received
- (d). Receipts from the sale of an old asset is treated as income and is credited to Income and Expenditure account.
- (e). Trade discount is recorded in the journal.

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

- 1. (a). How Accounting is different from Book - keeping? Briefly describe the accounting process. **8 marks**
- (b). Explain the accounting concept of “objectivity “. **2 marks**

2. Prepare three -column cash book from the following information. **10 marks**

Date	Transactions	Pula
May 1	Cash brought forward from the previous month	1 650
	Cash at bank brought forward from last month	1 800
5	Paid Balbir & Co by cheque	600
	Discount received	60
7	Drew out cash from bank for office use	200
13	Cash sales	570
16	Timoty paid cheque P800 less 5 % cash discount	
25	Drew out cash for own use	50
30	Banked in all cash except P100	

3. **10 Marks**

From the following Profit and Loss Account of Britney Ltd for the year ended 31st March 2012, calculate 'Cash Flow from Operating Activities' by using direct method.

Profit and Loss Account for the year ended 31st March, 2012

Sales		840 000
Less Cost of goods sold:		
Opening stock	40 000	
Purchases	320 000	
	<u>360 000</u>	
Less closing stock	60 000	
(Cost of goods/materials sold/used)	300 000	
Manufacturing wages	40 000	
Add: Outstanding	60 000	
	<u>100 000</u>	
Rent	120 000	
Add: Outstanding	40 000	
	<u>160 000</u>	

Salaries	80 000	
Selling and distribution expenses	120 000	
Depreciation	60 000	
Preliminary expenses written off	20 000	
Loss on sale of fixed assets	20 000	
Goodwill written off	100 000	960 000
		(120 000)
Dividend income	40 000	
Commission accrued	20 000	60 000
NET LOSS		60 000

4. **10 Marks**
 From the following information prepare the stock register by using LIFO method of stock valuation. Also prepare the trading account based on the relevant information given.

Date	Receipt	Date	Sales
1/3/12	20 items at P30 each	6/3/12	6 items for P45 each
5/3/12	10 items at P33 each	8/3/12	22 items for P46 each
7/3/12	16 items at P38.50 each	12/3/12	10 items for P48 each
10/3/12	12 items at P39 each		

Note that there was no opening stock.

SECTION: C. Answer ALL questions from this section.

(55 MARKS)

5

35 marks

The following information relates to Perfect Dry Cleaners.

1/1/12	Started business operations with a deposit of P19 500 into the bank account.	
3/1/12	Paid deposit of P4 000 on premises costing P40 000. Mortgage loan for balance obtained from African bank.	
9/1/12	Purchased two washing machines at P2 800 each and paid by cheque.	
12/1/12	Purchased laundry supplies and paid with cheque	1 500
15/1/12	Received cash for laundry services. Banked in cash	500
17/1/12	Completed laundry job for Chutney restaurant. It was agreed P1 000 owing would be paid in 30 days.	
20/1/12	Purchased clothes dryer for P2 500 and paid by cheque.	
24/1/12	Proprietor gave laundry supplies worth P50 to his wife for use at home.	
26/1/12	Repaid P5 000 on mortgage loan by cheque. Paid P300 interest on mortgage by cheque	
30/1/12	Paid the following expenses by cheque: Wages Electricity and Water	500 340
31/1/12	Unused laundry supplies was valued at P1 000	

You are required to prepare:

- (a). Ledger accounts, and close and balance the accounts. **21 marks**
 (b). Trial Balance as at 31 January 2012. **8 marks**
 (c). Profit and Loss Account for the month ended 31 January 2012. **6 marks**

6. 20 Marks

From the following Receipts and Payments Account and other information, prepare Income and Expenditure Account and Balance sheet of Unity Club for the year ended 31st March, 2012.

RECEIPTS AND PAYMENTS ACCOUNT

For the year ended 31 March, 2012

RECEIPTS	PULA	PAYMENTS	PULA
Balance b/d	15 000	Furniture	18 000
Sale of old furniture (costing P6 000)	4 000	Library books	10 000
Subscriptions:		Salaries	72 000
2010-11 18 000			
2011-12 60 000			
2012-13 12 000	90 000		

Sale of Old Newspapers and books	10 800	General Expenses	18 000
Profit from entertainment	44 000	Electricity charges	12 000
Rent	84 000	Newspapers	33 800
		Postage	3 000
		Stationery	40 000
		Audit fee	8 000
		Balance c/d	33 000
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	247 800		247 800
	=====		=====

Assets and Liabilities as on 31st March 2011 are as follows. The values are in Pula.

Assets: Cash 15 000, Outstanding subscription 18 000,
 Library books 30 000, Furniture 37 000
 Land and Building 600 000.

Liabilities: Outstanding Salary 6 000.

Additional information:

- (a). The club had 500 members each paying an annual subscription of P150.
- (b). On 31st March 2012 salaries outstanding amounted to P1 200 and salaries paid included P6 000 for the year 2010-11.
- (c). Provide 5 % depreciation on Land and Building.

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