

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

In Collaboration with

ZIMBABWE OPEN UNIVERSITY

Bachelor of Commerce Degree
(Human Resources Management & Industrial Relations)

Financial Accounting
FA211

SESSIONAL EXAMINATION

Time: 3 Hours

Marks: 100

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 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 the questions in this section.

1. At the beginning of the accounting year, a club has P18 000 assets; P5 000 liabilities; P1 800 debit balance of the Income and Expenditure Account. The opening Capital Fund is _____.

- A P18 000
- B P11 200
- C P14 800
- D P24 800

2 Income and Expenditure Account shows a balance of _____.

- A Cash in hand
- B Capital account
- C Net profit
- D Excess of revenue over expenditure or vice versa.

3. Waheda updated her information and communications technology equipment and sent her employees on a training course.

Applying the money measurement principle, which would not be recorded in Waheda's accounting records?

- A Cost of paper and disks
- B Cost of staff training
- C Improvement of computer system
- D Improvement of employees' knowledge

4. A trader decided that all items of office equipment costing less than \$500 would be treated as office expenses in the year of purchase.

Which accounting principle is being applied?

A Going concern

B Historical cost

C Materiality

D Prudence

5. Wang provided the following information.

Details	(BWP)
revenue	32 000
Cost of sales	20 000
Opening inventory	7 000
Closing inventory	5 000

The rate of inventory turnover is _____

A 1.67 times

B 2.67 times

C 3.33 times

D 5.33 times

6. A limited company provided the following information.

		BWP
1 January	Ordinary shares of P1 each	200 000
1 January	Retained earnings	12 000

31 December	Profit for the year	43 000
31 December	Transfer to general reserve	10 000

A dividend of 10% on ordinary shares was paid during the year.

The total of the retained earnings on 31 December is _____.

- A P13 000
- B 23 000
- C 25 000
- D 35 000

7. In accounting, a “statement of affairs” means _____.

- A A comparison of cash inflows and outflows for a specific period
- B A comparison of revenues and expenses for a specific period
- C A list of assets and liabilities at a specific date
- D A list of trade receivables and trade payables at a specific date

8. On 30 September 2015 a business had an inventory of goods for re-sale which had cost P23 000. This included goods costing P1 000 which were damaged and could only be sold for P700, after paying re-packing costs of P50.

At what value should inventory be shown in the balance sheet at 30 September 2015?

- A P22 000
- B P22 250
- C P22 650
- D P22 700

9. On 1 January 2014 Tim's net assets totaled P70 000. On 31 December 2014 they totaled P55 000. During the year he had withdrawn P4 000 for personal use.

What was the profit or loss for the year?

- A P11 000 loss
- B P11 000 profit
- C P19 000 loss
- D P19 000 profit

10. A book-keeper made two errors. Repairs to machinery were debited in the machinery account. Purchase of a motor vehicle was debited in the purchases account. How are the non-current assets in the balance sheet affected?

	Machinery	Motor vehicles
A	Overstated	Overstated
B	Overstated	Understated
C	Understated	Overstated
D	understated	understated

SECTION B – SHORT ANSWER QUESTIONS

[50 MARKS]

Answer any FIVE questions in this Section.

1. Explain five basis, a Not-for-Profit organization can be differentiated from a profit seeking organization? **(10 marks)**

-
2. (a) With three points, differentiate between private and public companies? (6 marks)
- (b) Explain the the following concepts of accounting.
- (1). The Materiality concept (2 marks)
 - (2). The Prudence Concept (2 marks)
3. What do you mean by current assets? Explain four current assets. (10 marks)
4. What is Cash Flow Statement? Explain with four points on how Cash Flow Statement helps the users of the statement. (10 marks)
5. The following were the business transactions of a SME at Gaborone. You are advised to enter these transactions in a two column cash book and balance the cash book. (10 marks)
- 2015
- Jan. 01 Started business with P10 000 in cash
- 04 Transferred P5000 of the cash into a bank account.
- 06 Paid rent P500 in cash.
- 08 Bought office furniture P2 500, paying by cheque.
- 10 Bought goods P1 500 on credit from Tembo Ltd.
- 12 Cash sales P500.
- 13 Bought goods P2000, paying in cash.
- 14 Cash sales P750 paid direct into the bank.
- 20 Cash drawings P1050.
- 21 Paid sundry expenses P350 in cash.
- 29 Sold goods to D. Dube for P850, a cheque being received immediately.
- 6 (a). What is a Bank Reconciliation Statement? Why is it necessary? (5 marks)

(b). Mme Mokabi started her business on 1 September 2015 with a motor van, P15 000, shop fixtures and fittings P2 500, and cash P3 000. To start the business she had borrowed P6 000 from her brother Thompson.

Prepare trial balance showing clearly the value of the capital of Mme Mokabi. (5 marks)

SECTION C

[40 MARKS]

Answer ALL questions in this section.

Question 1

(20 marks)

On 31 August 2011 the following extract was taken from the balance sheet of Mathew.

Non-current assets	Cost (BWP)	Accumulated Depreciation (BWP)	NBV (BWP)
Equipment	60 000	24 000	36 000
Office Computers	8 000	5 600	2 400
	<hr/> 68 000 =====	<hr/> 29 600 =====	<hr/> 38 400 =====

The following transactions took place during the year ended 31 August 2012:

1. On 31 January 2012, equipment purchased on 1 April 2009, at a cost of P28 000, was sold for P10 000. Payment was received by cheque.
2. On 1 February 2012, new equipment was purchased at a cost of P35 000.
3. On 20 March 2012, office computers were purchased for P600.

Mathew has the following depreciation policy:

Equipment is depreciated at the rate of 20% per annum using the straight-line method.

Office computers are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.

A full year's depreciation is charged on equipment and office computers in the year of purchase.

No depreciation is charged on equipment in the year of sale.

Required:

- (a). Explain the term depreciation. (2 marks)
- (b). State two causes of depreciation. (2 marks)
- (c). State one advantage of using straight-line method of depreciation. (2 marks)
- (d). Prepare the following ledger accounts for the year ended 31 August 2012:
- (1) Provision for depreciation of equipment account (4 marks)
- (2) Equipment disposal account (4 marks)
- (e). Prepare the balance sheet (extract) for the non-current assets on 31 August 2012 for equipment and office computers showing specifically the “Cost”, “Accumulated depreciation” and “NBV”. (6 marks)

Question 2

(20 marks)

The trial balance of Morara, after the calculation of the gross profit, was as follows:

Morara
Trial Balance at 30 September 2012

	Dr (BWP)	Cr (BWP)
Gross profit		120 000
Sundry expenses	57 000	
Non-current assets (cost)	400 000	
Non-current assets (provision for depreciation)		82 000
Trade receivables	55 000	
Trade payables		85 000
Inventory at 30 September 2012	125 000	
Cash	5 000	
Bank loan (repayable 31 October 2012)		35 000
Capital		320 000

	642 000 =====	642 000 =====
--	------------------	------------------

Additional information for the year ended 30 September 2012:

1. Mark-up on cost of sales, 25%.
2. Depreciation for the year on non-current assets, P15 000.

Required:

(a). Calculate the following for the year ended 30 September 2012:

- (1) Revenue (sales). **(3 marks)**
- (2) Net profit/sales percentage. **(3 marks)**
- (3) Net profit/capital percentage **(3 marks)**
- (4) Quick ratio (acid test ratio) **(3 marks)**

(b). Explain to Morara why the quick ratio (acid test) is a better measure of liquidity than the working capital ratio (current ratio). **(2 marks)**

(c). Comment upon the adequacy of Morara's cash for the next three months. Give one reason for your comment. **(3 marks)**

(d). Suggest three ways in which Morara might increase the cash in the business. **(3 marks)**

END OF PAPER