

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 212**

SESSIONAL EXAMINATION

Time: 3 Hours

Marks – 100

INSTRUCTIONS:

1. The examination consists of FOUR sections: A, B, C and D.
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. Multiple Choice.

[5 MARKS]

1. 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

2. _____ concept 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

3. 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

4. Net profit is calculated in the _____.
 - A) Trading account
 - B) Profit and loss account
 - C) Trial balance
 - D) Balance sheet

5. A firm bought a machine for P60 000. It is expected to be used for 5 years, then sold for P10 000. What is the annual amount of depreciation if the straight line method is used?
- (A). P12 000
 - (B). P6 000
 - (C). P10 000
 - (D). P2 000

SECTION-B. State whether the following statements are True or False. (5 Marks)

1. Cash flow statement shows inflow and outflow of cash.
2. Dividend received is a financing activity.
3. Accounting and book-keeping are two terms that have the same meaning.
4. Assets of a business entity will always be equal to the difference between total liabilities and owner's equity.
5. Business income is measured at the end of business life while taxable income is calculated on yearly basis.

SECTION – C. Short answer type questions.

[50 MARKS]

1. What is a statement of financial position? Explain the structure of financial position, and what it must reflect? **(6 Marks)**
2. State any four typical items reported as current liabilities? **(6 marks)**
3. Differentiate between interest expense and interest payable? **(6 Marks)**
4. State the difference between the cash basis and the accrual basis of accounting? **(8 Marks)**

5. Explain the purpose and disclosure of information of the cash flow statement? **(6 Marks)**

6. Distinguish between gross profit and net profit? **(4 Marks)**

7. Karan Fortune sells painting and decorating materials from a number of retail outlets. The following balance was owed by Mitchell Ltd at 1 November 2012.

Sales ledger account Mitchell Ltd P440

The following transactions took place in November 2012.

	Pula
3 Nov Sold goods on credit to Mitchell Ltd	610
12 Nov Sent a credit note for goods returned by Mitchell Ltd	55
22 Nov Received a cheque from Mitchell Ltd in full settlement of the opening balance of P440	418

Record the above information in Liam Fortune's cash book and the sales ledger account of Mitchell Ltd. Balance the sales ledger account of Mitchell Ltd at 30 November 2012.

(9 Marks)

8. Define a source document? Explain with example the contents of the source document? **(5 Marks)**

SECTION – D.

[40 MARKS]

Answer any TWO questions from this section.

Question-1.

Mariam believes that her business is using its net current assets (working capital) more efficiently than in the previous year. She has provided the following information about her business for the year ended 31 December 2012.

	£
At 1 January 2012	
Inventory	12 600
For the year ended 31 December 2012	
Purchases	110 232



Revenue	240 754
At 31 December 2012	
Bank overdraft	8 818
Inventory	9 972
Trade payables	11 022
Trade receivables	19 788

You are required to:

- (a) Calculate the net current asset (current) ratio at 31 December 2012. State the formula used. **(4 marks)**
- (b). Calculate the liquid capital (acid test) ratio at 31 December 2012. State the formula used. **(3 marks)**
- (c). Calculate the rate of inventory turnover for the year ended 31 December 2012. State the formula. **(4 marks)**
- (d). Assess the extent to which Mariam is using his business's net current assets (working capital) more efficiently in 2012 compared with 2011 given below. Use the ratios that you calculated in question (a), (b), and (c) and the ratios in the table below to support your answer. **(9 marks)**

Ratios for the year ended 31 December 2011 were:

Net current assets (current) ratio	2:1
Liquid capital (acid test) ratio	0.8:1
Rate of inventory turnover	8 times (46 days)

Question-2

New Generation Literacy Organisation at Maun furnishes you the Receipts and Payments Account and additional information. You are required to prepare Income and Expenditure Account and Balance Sheet as on 31 December, 2013. **(20 marks)**

Receipts	BWP	Payments	BWP
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Balance b/d:		General Expenses	3 200
Cash in hand	4 000		
Cash at Bank	15 550		

Subscriptions:		News papers and magazines	1 850
2012 P1 200			
2013 P26 500			
2014 P500	28 200		
Sale of old papers and magazines	1 250	Electricity	3 000
Government grant	12 000	Fixed deposit at 10% with bank (on 31.6.2013)	18 000
Sale of old furniture (book value P5 000)	3 700	Books	7 000
Interest received on Fixed deposit	450	Salary	3 600
		Rent	6 500
		Postage Charges	300
		Furniture (purchased)	10 500
		Balance c/d:	
		Cash in hand	3 000
		Cash at bank	8 200
	65 150		65 150

Additional Information:

1. Subscription outstanding as on 31-12-2012 P2 000 and on December 31, 2013 - P1 500.
2. On 31 December, 2013 salary outstanding P600, and one month rent paid in advance. On 1st January 2012 organisation owned furniture P12 000, Books P5 000.

Question-3.

(20 marks)

(a).

Mr. Engine is a self employed plumber (working on a part-time basis). His financial details for the years ended 2012 and 2013 showed:

	2012	2013
Assets:		
Motor Vehicle	6,500	5 500
Equipment	2,500	2 000
Stock	750	1 650
Cash at Bank	900	1 300
	<u>10,650</u>	<u>10 450</u>
Less Creditors	750	650
	<u>P9,900</u>	<u>P9 800</u>
	=====	=====

Mr. Engine's drawings for the year were P10,650. He had sold some shares for P1,050, the proceeds of which he had paid into his business bank account.

You are required to calculate:

(a). The profit for the year.

(5 marks)

(b). Ascertain the capital at the end of the year.

(5 marks)

(b).

(10marks)

The following is the Balance Sheet of Perfect Stylist Saloon as at 31st 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		
	<u>63 700</u> =====		<u>63 700</u> =====

Perfect Stylist Saloon had the following business transactions in the month of 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.

You are required to make necessary adjustments to the accounts and prepare the updated balance sheet as at 31 April 2012.

END OF PAPER