

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

Bachelor of Business and Entrepreneurship

Introduction to Accounting

IA212

Special Examination

Time: 3 Hours

Marks: 100

Instructions

1. The examination consists of TWO sections: A and B.
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 TYPE QUESTIONS

[40 MARKS]

Answer ALL questions in this section.

QUESTION 1

[6 MARKS]

Define the following types of businesses:

- a) Sole trader. **(2 marks)**
- b) Partnership. **(2 marks)**
- c) Non- profit organizations. **(2 marks)**

QUESTION 2

State four external users of financial information and for each of them state their informational needs. **(8 marks)**

QUESTION 3

[8 MARKS]

Briefly describe the following types of errors that are not revealed by the trial balance.

- a) Compensating errors. **(2 marks)**
- b) Errors of principle. **(2 marks)**
- c) Errors of commission. **(2 marks)**
- d) Errors of original entry. **(2 marks)**



QUESTION 4

[12 MARKS]

Consider the following balance sheet for Companies ABC and XYZ

	ABC		XYZ	
	P	P	P	P
Non-current assets		80 000		145 000
Current assets				
Stock	5 000		31000	
Debtors	4 000		25000	
Bank balance	<u>6000</u>	<u>15,000</u>	18000	<u>74,000</u>
Total assets		<u>95 000</u>		<u>219 000</u>
Equity & liabilities				
Equity				
Capital		86 000		
Ordinary shares of P1				125 000
Retained profit				43 000
Current liabilities:				
Creditors		<u>9 000</u>		<u>51 000</u>
		<u>95 000</u>		<u>219 000</u>

Additional information:

Sales for the year for ABC were 100,000 and sales for the year for XYZ were 200,000.

Required:

Calculate the following ratios:

- a) Current ratio. **(4 marks)**
- b) Acid test/ Quick ratio. **(4 marks)**
- c) Debtors ratio. **(4 marks)**

QUESTION 5

- a) State three causes of depreciation. **(3 marks)**
- b) What effect does depreciation have on the balance sheet. **(3 marks)**



SECTION – B

[60 MARKS]

Answer any **THREE** questions in this section.

QUESTION 1

[20 MARKS]

The following details relate to a sole proprietor

July

2008

- 1 Credit purchase from H Lloyd P119 000
- 4 Credit purchases from the following
 - D Scott P98,000
 - A Simpson P114,000
 - A Williams P25,000
 - S Wood P56,000
- 7 Goods returned by us to:
 - H Lloyd P16,000
 - D Scott P14,000
- 10 Credit purchase from A Simpson P59,000
- 18 Credit Purchases from :
 - M White P89,000
 - J Wong P67,000
 - H Miller P 196,000
 - H Lewis P119,000
- 25 Goods returned by us to:
 - J Wong P5,000
 - A Simpson P11,000
- 31 Credit purchases from:
 - A Williams P56,000
 - C Cooper P98,000



Required:

- a) Prepare the Purchases Day Book. **(12 marks)**
- b) Write up the Return Outwards Day Book. **(4 marks)**
- c) Show the transfer from the above journals to the General Ledger at month end. **(4 marks)**

QUESTION 2

[20 MARKS]

Eleanor and Steve are in partnership, sharing profits and losses in the ratio 2:3. The partnership agreement provides for the following:

1. Eleanor is entitled to a salary of P32, 000;
2. Steve is entitled to a salary of P26, 000;
3. Interest is paid at a rate of 8% per annum on the partners' capital balances at the start of the financial year; and
4. Interest is charged at a rate of 12% per annum on the partners' drawings.

At 1 May 2006, the partners' capital and current account balances were:

Eleanor		Steve	
Capital	P47, 500 (credit)	P34, 800 (credit)	
Current	P1, 680 (debit)	P6, 750 (credit)	

During the year to 30 April 2007: Eleanor's drawings were P22, 800 and Steve's drawings were P25, 600; Net profit for the year was P52, 956.

Required:

- a) Calculate the profit attributable to each partner for the year to 30 April 2007. **(14 marks)**
- b) Prepare the partners' current accounts for the year to 30 April 2007. **(6 marks)**



QUESTION 3

[20 MARKS]

Sismo is a sole proprietor trading as G4T alarms. The trial balance of G4T alarms at 31 December 2015 is set out below.

	Debit (Pula)	Credit (Pula)
Sales		382,000
Capital		25,000
Bank	2,000	
Bank loan		20,000
Advertising	8,000	
Carriage outwards	12,000	
Computing expenses	10,000	
Drawings	33,000	
Debtors	30,000	
Provision for debtors at 1 January 2015		2,000
Salaries	36,000	
Rent	6,000	
Purchases	240,000	
Machinery at cost	60,000	
Accumulated depreciation on machinery at 1 Jan 2015		15,000
Electricity	4,000	
Discount received		3,000
Creditors		20,000
Bank interest	2,000	
Inventories at 1 Jan 2015	24,000	
Total	467,000	467,000

Additional information:

1. Inventories at 31 December 2015 were valued at P20,000.
2. Rent was prepaid by P2,000 at 31 Dec 2015.
3. Depreciation is to be calculated for the financial period ended 31 Dec 2015 on machinery using the diminishing balance method at 33% per annum.
4. The provision for debtors is to be 5% of the debtors.
5. An engineer repaired some machinery in September and invoiced G4T Alarms P500 which was not paid by year end.



6. The accruals for electricity was P1,000.

Required:

- a) Prepare the income statement for the year ended 31 Dec 2015 for G4T Alarms. (10 marks)
- b) Prepare the statement of financial position as at 31 Dec 2015 for G4T Alarms. (10 marks)

QUESTION 4

[20 MARKS]

The following is a summary of the cash book of George Distribution for May 2008.

Summary of the Cash Book for May 2008			
Deposit	3,860	Balance	b/f 1,450
Deposit	4,230	Cheque no:	
Deposit	1,268	1105	168
Deposit	2,431	1106	3,402
Deposit	1,537	1107	680
		1108	1,138
		1109	45
		1110	940
		1111	1,736
		31 Balance	c/f 3,767
	<u>P13,326</u>		<u>P13,326</u>



The following is the bank statement of George Distributors for May 2008.

	Debit	Credit	Balance
Balance	1,063		(1,063)
Deposit		3,860	2,797
Cheque 1101	142		2,655
Cheque (RD- return to drawer)	50		2,605
Deposit		4,230	6,835
Cheque 1105	168		6,667
Cheque 1107	680		5,987
Deposit		195	6,182
Deposit		1,286	7,468
Cheque 303	420		7,048
Cheque 1109	45		7,003
Debit order	210		6,793
Cheque 1110	940		5,853
Deposit		2,431	8,284
Bank charges	68		8,216
Interest paid	167		8,049

Additional Information:

1. Cheque 1099 issued in April 2008 for P245 was not cashed on 31 May 2008.
2. All entries in the cash book are correct.
3. The debit order is in respect of insurance on the imported motor of the wife of Mr. George.
4. The dishonoured cheque was in respect of cash sales. The drawer of the cheque agreed to settle the amount in cash.
5. The deposit of the P195 on the bank statement was paid directly into the account by Ms. Goitsewang.
6. Cheque 303 was drawn by Mr George on his personal account.

Required:

- a) Prepare a supplementary cash book for May 2008. **(8 marks)**
- b) Reconcile the bank statement balance with the cash book balance as at 31 May 2008. **(12 marks)**

END OF EXAMINATION