

BOTSWANA COLLEGE OF DISTANCE AND OPEN LEARNING

Diploma in Business Management

Principles of Accounting

PA112

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.

1. State five reasons for discrepancies with the cash book and the bank statement. **(5 marks)**

2. Classify the following as either revenue or capital expenditure.
 - a) Purchase of equipment. **(1 mark)**
 - b) Purchase of inventory for resale. **(1 mark)**
 - c) Painting of office buildings. **(1 mark)**
 - d) Maintenance costs of equipment. **(1 mark)**
 - e) Cost of delivery of the new equipment. **(1 mark)**

3. Identify any five requirements for the JIT principles to be successful in a business. **(10 marks)**

4. On 1 January 2012 Max-mara bought a car for P23 500. The company's depreciation policy for cars is 30% per annum using the reducing balance method. On 1 January 2014 the car was sold for P19 350.
What is Max-mara's profit or loss on the disposal? **(5 marks)**

5. Write brief notes on each of the following elements of the statement of cashflows:
 - a) Cashflows from operating activities. **(5 marks)**
 - b) Cashflows from investing activities. **(5 marks)**
 - c) Cashflows from financing activities. **(5 marks)**

SECTION – B

[60 MARKS]

Answer all questions in this section.

QUESTION 1

[20 MARKS]

The following details pertain to a wine wholesaler.

2008 March

- 1 Balances brought forward: Cash P23,000; bank P475,600.
- 2 The following paid their accounts by cheque, in each case deducting 5% cash discount:
 - R Burton – P14,000
 - E Taylor – P22,000
 - R Harris – P30,000
- 4 Paid rent by cheque – P12,000
- 6 J Cotton lent us P100,000 paying by cheque
- 8 We paid the following accounts by cheque in each case deducting a 2.5% cash discount:
 - N Black – P36,000
 - P Towers – P 48,000
 - C Rowse – P80,000
- 10 Paid car expenses in cash – P4,400
- 12 H Hankins pays his account of P7,700 by cheque of P7,400 ,deducting a P3 cash discount.
- 15 Paid wages in cash – P16,000
- 18 The following paid their accounts by cheque, before a 5% cash discount was given:
 - C Winston – P26,000
 - R Wilson – P34,000
 - H Winter – P46,000
- 21 Cash of P35,000 was withdrawn from the bank for business use.
- 24 Cash drawings were P12,000.
- 25 Paid T Briers P13,300 after receiving a P700 cash discount.



- 29 Paid P65,000 by cheque for fixtures that were bought.
31 Received a cheque of P8,800 for commission.

Required:

Write up a three-column cash book for the wine wholesaler. **(20 marks)**

QUESTION 2

[20 MARKS]

- a) B Tlhomelang has a basic working week of 40 hours, paid at the rate of P4 per hour. For hours worked in excess of this he is paid 1 ½ times basic rate. In the week to 12 March 2016 he worked 45 hours. The first P80 per week is free of income tax, on the next P50 he pays at the 20% rate and above that he pays at the 25% rate. He also pays National Insurance for the month of P17.

Required:

Calculate his net wages. **(10 marks)**

- b) T Pheto has a job as a car salesman. He is paid a basic salary of P200 per month, with a commission extra of 2% on the value of his car sales. During the month April 2016 he sells P30,000 worth of cars. The first P450 per month is free of income tax, on the next P50 he pays at the 20% rate and above that he pays at the 25% rate. He also pays National Insurance for the month of P66.

Required:

Calculate his net pay for the month. **(10 marks)**



QUESTION 3

[20 MARKS]

The following are financial statements of Dry Co.

Dry Co income statements for the year ended 31 December

	2013	2012
	P (000)	P(000)
Revenue	840	981
Cost of sales	<u>554</u>	<u>645</u>
Gross profit	286	336
selling and distribution expenses	<u>186</u>	<u>214</u>
Profit from operations	100	122
Finance cost	<u>6</u>	<u>15</u>
Profit before tax	94	107
Taxation	<u>45</u>	<u>52</u>
Profit after taxation	<u>49</u>	<u>55</u>
Dividends	<u>24</u>	<u>24</u>



Dry Co statement of financial position as at 31 December

	2013	2012
	P (000)	P(000)
Assets		
Non-current assets		
Intangible assets	36	40
Tangible assets	<u>176</u>	<u>206</u>
	212	246
Current assets		
Inventories	237	303
Receivables	105	141
Bank	<u>52</u>	<u>58</u>
	<u>606</u>	<u>748</u>
Equity and Liabilities		
Equity		
Ordinary share capital	100	100
Retained earnings	<u>299</u>	<u>330</u>
	399	430
Non-current liabilities		
Long-term loans	74	138
Current liabilities		
Trade payables	53	75
Other payables	<u>80</u>	<u>105</u>
	<u>606</u>	<u>748</u>

Required:

Calculate the following ratios for Dry Ltd for the two years:

- Gross profit margin. (4 marks)
- Net profit margin. (4 marks)
- Current ratio. (4 marks)
- Quick/ acid test ratio. (4 marks)
- Inventory turnover period. (4 marks)

QUESTION 4

Trial Balance as at 30 April 2013		
	Debit (Pula)	Credit (Pula)
Sales		157,165
Purchases	92,800	
Carriage Inwards	2,100	
Drawings	17,100	
Rent	3,400	
Discount allowed	820	
Discount Received		2,160
Office furniture	2,900	
Sales Returns	3,100	
Salaries and Wages	31,400	
Bad debts	730	
Debtors	12,316	
Creditors		5,445
Purchases Returns		2,100
Cash in Hand	324	
Cash at Bank	4,100	
Inventory at 1 March 2012	4,120	
Delivery van	8,750	
Allowance for doubtful debts		405
Van running costs	615	
Capital		16,400
TOTAL	183,675	183,675

Additional Notes

1. Van running costs owing was P530.
2. Salaries accrued by P340.
3. The delivery van is to be depreciated at 20% per annum on straight-line basis
4. Furniture is depreciated on reducing balance basis at a rate of 10%.
5. Rent prepaid P230.
6. Inventory at the close of Business has been valued at P2,400.
7. Increase the allowance for doubtful debts by P95.

Required:

- a) Prepare and income statement for the year ended 30 April 2013. **(10 marks)**
- b) Prepare a statement of financial position as at 30 April 2013. **(10 marks)**

END OF EXAMINATION

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SECTION A - SHORT ANSWER TYPE QUESTIONS [40 MARKS]

Answer ALL questions in this section.

QUESTION 1 [12 MARKS]

Briefly explain the following concepts in accounting:

- a) Materiality concept. (4 marks)
- b) Accrual Concept. (4 marks)
- c) Prudence concept. (4 marks)

QUESTION 2 [10 MARKS]

- a) State the steps in the accounting cycle. (6 marks)
- b) State four errors not revealed by the trial balance. (4 marks)

QUESTION 3 [10 MARKS]

Give a brief description of:

- a) Sole proprietor. (5 marks)
- b) Partnership. (5 marks)

QUESTION 4 [8 MARKS]

The following is a list of balances for company XYZ Ltd.

Detail	Balances (P)
Sales	1,000,000
Purchases	265,000
Vehicles	647,000
Creditors	650,000
Debtors	673,000
Rent	75,000
Wages	90,000
Loan from bank	100,000

Required:

Prepare a trial balance for company XYZ Ltd as at 30 September 2014. (8 marks)



SECTION – B

[60 MARKS]

Answer any THREE questions in this section.

QUESTION 1

[20 MARKS]

The trial balance of a sole proprietor, for the year ended 31 March 2010 was as follows:

	Debit	Credit
Capital		100,000
Equipment		
Cost	155,000	
Accumulated depreciation to 1 April 2009		50,000
Trade debtors	15,000	
Trade creditors		3,000
Inventories at 1 April 2009	10,000	
Cash	3,000	
Sales		150,000
Drawings	35,000	
Provision for debtors at 1 April 2009		2,000
Bank loan		20,000
Purchases	40,000	
Selling expenses	50,000	
Administration expenses	15,000	
Interest expense	1,600	
Total	325,000	325,000

The following adjustments are yet to be made:

1. Closing inventories for the year ended 31 March were valued at P12,000.
2. Selling expenses of P4,000 were still owed by the business at year end.
3. Administration expenses of P6,000 were paid in advance.
4. The provision for debtors is to be adjusted to 5% of debtors.
5. Depreciation on the equipment is P15,000 for the year.

Required:

- a) An income statement for the year ended 31 March 2010 for the sole proprietor. (8 marks)
- b) A balance sheet as at 31 March 2010 for the sole proprietor. (12 marks)



QUESTION 2

[20 MARKS]

The following are a list of balances taken from the books of Diamond for the month ended 30 June 2015.

Balances on 1 June 2015:

Accounts receivables –Dr P21,200

Cr P150

Accounts payables – Dr P212

Cr P31, 150

Totals for the month:

Credit Sales –P123,000

Cash sales –P5,580

Credit Purchases- P55,000

Sales Returns- P5,255

Bad debts- P6,000

Purchases Returns-P 3,500

Discounts allowed to debtors – P600

Payment from account receivables – P104,000

Payment to accounts payables – P73,500

Discounts from trade payables – P525

Payables control contra with receivables control account- P430

Required;

a) Debtors control account.

(11 marks)

b) Creditors control account.

(9 marks)

QUESTION 3

[20 MARKS]

Wilson is preparing his bank reconciliation at 31 May 2005. His bank statement shows a balance of P228 cash at the bank. The balance on the bank account in his general ledger is P113 (credit). He has noted the following reasons for the difference:

- i. Cheque number 958602 was incorrectly recorded in Wilson's cash book as P760. The cheque was correctly debited on the bank statement on 2 May as P670.
- ii. Bank charges of P428 were debited by the bank on 4 May.
- iii. A customer's cheque for P320 was returned by Wilson's bank in May as the customer had insufficient funds in his account. Wilson has not recorded the return of the cheque in his records.
- iv. The bank has incorrectly credited Wilson's account with interest of P220. This is interest on a deposit account held by Wilson personally. The bank had not corrected the error by 31 May.
- v. A lodgement of P850 entered in Wilson's cash book on 31 May was credited on the bank statement on 3 June.
- vi. Five cheques have not yet been presented at the bank. These are:

Cheque No	P
956784	625 see note (vii)
956892	326
958452	469
958541	122
958668	<u>87</u>
	<u>1,629</u>

- vii. Cheque number 956784 was lost in the post and was cancelled. Wilson has not recorded the cancellation of the cheque.



Required:

- a) Show Wilson's general ledger bank account including the necessary correcting entries. **(10 marks)**
- b) Prepare a reconciliation of the bank statement balance to the corrected general ledger balance. **(10 marks)**

QUESTION 4

[20 MARKS]

Consider the following information. The following receipts and issues were recorded.

Date	
2 April	Purchased 100 units at P55 each
6 April	Issued 400 units
10 April	Purchased 600 units at P60 each.
13 April	Issued 500 units
20 April	Purchased 500 units at P65 each.
25 April	Issued 600 units.
10 May	Purchased 800 units at P70 each.
12 May	Issued 500 units.
13 May	Issued 200 units.
15 May	Purchased 500 units at P75.
12 June	Issued 400 units.
15 June	Purchased 300 units at P80 each.

Additional information:

The stock of material on hand on 1 April 2013 was 400 units at P50 per unit.



Required:

Determine the value of closing inventories at 15 June 2013 using:

- a. The FIFO method. **(10 marks)**
- b. The LIFO method. **(10 marks)**

END OF EXAMINATION