

SIR ARTHUR LEWIS COMMUNITY COLLEGE
DIVISION OF TECHNICAL EDUCATION AND MANAGEMENT STUDIES

EXAMINATION SESSION : May 2001 Final Examination
TUTOR (S) : Ms Estellita M J Louisy, Mr James Moore
PROGRAMME CODE : SEC 353
PROGRAMME TITLE : Secretarial Studies
COURSE CODE : EFA 312
COURSE TITLE : Elements of Financial Accounting—PAPER I
CLASS (ES) : SEC Yr 1
DATE : Wednesday, May 9, 2001
COMMENCEMENT TIME : 1:00 p.m.
DURATION : 1 Hour
INVIGILATOR (S) : Ms E Louisy, Mr M Rene
ROOM (S) : BUS Rm 1



YOU SHOULD HAVE THE FOLLOWING FOR THIS EXAMINATION:

1. A Multiple Choice exam ANSWER SHEET that accommodates 40 questions.
2. One sheet SCRAP PAPER on which to scribble your rough calculations.

INSTRUCTIONS

1. This is Paper I of the EFA 312 Exam.
2. Number of questions on Paper I – FORTY (40)
3. Answer all 40 Questions.
4. Use the ANSWER SHEET provided to tick off your responses, A, B, C or D.
5. Candidates are allowed the use of non-programmable calculators.
6. This Paper is worth 40 marks, and is weighted at 40% of the Final Exam Mark.
7. **Do NOT mark** this Question Paper.
8. **Return** the **Question Paper** with your completed Answer Sheet to invigilator after the one hour.





PAPER ONE -- MULTIPLE CHOICE
[One (1) Hour]

INSTRUCTIONS: Answer ALL 40 questions using the special ANSWER SHEET provided. Read each question and select the item -- A, B, C or D -- which represents the BEST CHOICE, and use a check mark (✓) in the appropriate box on the Answer Sheet to indicate your choice.

1. Subscriptions owing at the start of a period were \$115.
Subscriptions paid in advance at the start of the period were \$165.
Subscriptions paid during the year were \$1700.

What amount should be charged to the Income & Expenditure Account for subscriptions?

- A. \$1,750 B. \$1,700 C. \$1,865 D. \$165

2. A Receipts and Payments account is one

- A. that is accompanied by the Balance Sheet
B. in which profit is calculated
C. in which the opening and closing cash balances are shown
D. in which surplus of income over expenditure is calculated.

3. A club showed the following summary of Receipts and Payments at month end:

<i>Subscription received</i>	<i>\$300</i>
<i>Rent paid</i>	<i>\$60</i>
<i>Purchase of games and equipment</i>	<i>\$150</i>
<i>Postage of circulars</i>	<i>\$20</i>
<i>Proceeds from book sale</i>	<i>\$250</i>

What is the balance of cash at the end of the month?

- A. \$180 B. \$280 C. \$320 D. \$620

4. The items in the Income and Expenditure Account show

- A. All the amounts actually received or paid during the period
B. All the amounts that should have been received or paid during the period
C. Only the actual revenue receipts or payments
D. Only the actual amounts of revenue receipts or payments that should have been made during the period

5. The Accumulated Fund is another name for

- A. The profit
B. Total assets
C. Capital
D. Working Capital

6. The Profit and Loss Account of a manufacturing company will ***not*** include an annual depreciation charge for the depreciation of

- A. Delivery Vehicles
B. Factory Machinery
C. Office Machinery
D. Warehouse

Use the following information to answer Question Nos 7 – 10

<i>Royalties \$0.10 per unit</i>	<i>Opening Work-in-Progress \$500</i>
<i>Direct Wages \$2,000</i>	<i>Closing Work-in-Progress \$750</i>
<i>Cost of Raw Materials Available \$12,000</i>	<i>Closing Stock of Raw Materials \$3,000</i>
<i>Factory Overheads \$6,000</i>	<i>Units produced \$1,000</i>

7. What is the cost of raw materials consumed?
- A. \$12,000 B. \$11,100 C. \$9,000 D. \$16,850
8. What were the total royalties paid?
- A. \$0.10 B. \$100 C. \$1,000 D. \$0.001
9. What is the prime cost?
- A. \$6,000 B. \$11,000 C. \$14,100 D. \$11,100
10. What is the cost of production?
- A. \$16,850 B. \$11,100 C. \$17,350 D. \$17,600
11. The Capital of a business at the beginning of a year was \$16,000 and at the end \$19,600. There were no drawings. What was the Net Profit assuming no new capital was introduced?
- A. Cannot be calculated from the above information
 B. \$3,600
 C. No profit, but a loss of \$3,600
 D. \$4,000
12. The total Debtors at the start of a year was \$6,742 and at the end \$7,620. The total cash received from Debtors was \$96,440. What were the Sales?
- A. \$95,572 C. \$96,440
 B. \$96,318 D. \$97,318
13. A Statement of Affairs is similar to a
- A. Balance Sheet
 B. Statement of Account
 C. Bank Statement
 D. Bank Reconciliation Statement
14. The whole of a business' stock was destroyed by fire. From the following information, what was the value of the stock lost?

<i>Stock at start of year</i>	<i>\$ 6,200</i>
<i>Purchases to date of fire</i>	<i>\$140,000</i>
<i>Sales to date of fire</i>	<i>\$185,300</i>
<i>Percentage Gross Profit to Cost of Sales</i>	<i>33 1/3%</i>

- A. \$6,200
 B. \$7,225
 C. \$8,400
 D. Cannot be calculated due to insufficient information given

15. A fire destroyed many of the records of a business. From the remaining records, the following information was obtained:

<i>1st Jan 19-</i>	
<i>Total Assets except for Debtors</i>	<i>\$96,000</i>
<i>Capital</i>	<i>5,200</i>
<i>Remaining Liabilities</i>	<i>94,700</i>
<i>31st Dec 19-</i>	
<i>Debtors</i>	<i>\$4,600</i>
<i>Receipts from customers during year</i>	<i>26,300</i>

Using this information, the Sales for the year would appear to be

- A. \$25,600
 B. \$26,300
 C. \$27,000
 D. \$30,900
16. The current ratio is primarily an indication of an entity's
- A. Current and future level of profitability
 B. Current level of efficiency
 C. Short-term liquidity
 D. Growth potential
17. The following information relates to a business' most recent accounting period:

<i>Sales for the period</i>	<i>\$250,000</i>
<i>Purchases during the period</i>	<i>200,000</i>
<i>Stock at the start of the period</i>	<i>25,000</i>
<i>Stock at the end of the period</i>	<i>35,000</i>

The business' rate of stock turnover for the period was:

- A. 5.43 times B. 6.33 times C. 6.67 times D. 8.33 times
18. ECEL (St Lucia) Ltd sells two products X and Y. The summarized results for the last financial year include the following:

	<i>X</i>	<i>Y</i>
<i>Sales</i>	<i>\$50 000</i>	<i>\$100 000</i>
<i>Less Cost of Sales</i>	<i><u>30 000</u></i>	<i><u>67 500</u></i>
<i>Gross Profit</i>	<i><u>\$20 000</u></i>	<i><u>\$32 500</u></i>

The company wants to improve its gross profit to sales ratio. Which is the best way to achieve this?

- A. A reduction in stock levels.
 B. An increase in sales of product X.
 C. A 10% increase in sales of X and Y.
 D. A reduction in the amount of variable overheads charged to the Profit and Loss Account.

19. During an accounting period, a company earned a profit, after tax, of \$480,000. Its capital structure was as follows:

<i>Ordinary Share Capital (\$1 shares)</i>	<i>\$200,000</i>
<i>12% Preference Share Capital (\$1 shares)</i>	<i>40,000</i>
<i>10% Debentures</i>	<i>60,000</i>

The company's Earnings per Share for the period was:

- A. \$2.00
 B. \$2.376
 C. \$2.40
 D. None of the above
20. In the case of a sole trader, Return on Capital Employed (ROCE) for an accounting period should be computed as:
- A. Net Profit for the period, less any Drawings during that time, as a percentage of the Average Capital during the period (Average Capital being calculated as the Capital at the beginning of the period, plus the Capital at the end of the period, divided by two)
- B. Gross Profit for the period as a percentage of the Average Capital during the period (Average Capital being calculated as in *Answer A* above)
- C. Net Profit for the period as a percentage of the Average Capital during the period (Average Capital being calculated as in *Answer A* above)
- D. Gross Profit for the period, less any Drawings during that time, as a percentage of the Average Capital during the period (Average Capital being calculated as in *Answer A* above).

Consider the following, and then answer Questions Nos 21 - 23

A and B are in partnership sharing profits and losses 3:2.

<i>Assets were:</i>	<i>Fixtures</i>	<i>\$3 000</i>	<i>Liabilities were:</i>	<i>Creditors</i>	<i>\$1 800</i>
	<i>Vehicles</i>	<i>\$6 000</i>			
	<i>Bank</i>	<i>\$2 000</i>		<i>Capital A:</i>	<i>\$9 000</i>
	<i>Buildings</i>	<i>\$3 300</i>		<i>Capital B:</i>	<i><u>\$3 500</u> \$12 500</i>

*The partnership was dissolved and the assets realized \$10 000.
 Creditors were paid \$1 200 in full settlement.
 Dissolution costs were \$100.*

21. What was the discount received from creditors?
- A. \$3 000 B. \$1 800 C. \$1 200 D. \$600
22. What was A's share of the loss upon dissolution?
- A. \$2 520 B. \$2 280 C. \$1 320 D. \$1 080

23. What was B's share of the loss upon dissolution?
- A \$1 680 B. \$1 520 C. \$880 D. \$720
24. Upon dissolution, the net book value of the assets are transferred to the:
- A Bank a/c C. Revaluation a/c
B. Realisation a/c D. Partners' Capital a/c
25. To record purchase consideration received when a partnership is taken over by a limited company:
- A. Dr. Company Ltd. Cr. Realisation
B. Dr. Realisation Cr. Company Ltd.
C. Dr. Bank Cr. Realisation
D. Dr. Realisation Cr. Bank
26. Lindel is buying a firm whose only assets are valued as follows:

<i>Buildings</i>	<i>\$50,000</i>
<i>Vehicles</i>	<i>\$15,000</i>
<i>Fixtures</i>	<i>\$ 5,000</i>
<i>Stock</i>	<i>\$40,000</i>

- The firm does not have any liabilities and she is to pay \$140,000 for the firm. This means that:
- A. She is paying \$40,000 for goodwill.
B. The buildings she is acquiring are costing her \$30,000 more than they are worth.
C. She is paying \$30,000 for goodwill.
D. She has made an arithmetical mistake.
27. Sandra, Crystal and Kelly-Ann are in partnership sharing profits and losses in the ratio Sandra $\frac{1}{2}$: Crystal $\frac{1}{3}$ rd: Kelly-Ann $\frac{1}{6}$ th. On December 31 Sandra retired from the partnership and Dahlia was admitted, the new profit-sharing ratio being Crystal $\frac{2}{7}$ ^{ths}: Kelly-Ann $\frac{4}{7}$ ^{ths}: Dahlia $\frac{1}{7}$ th. For the purposes of these changes, goodwill, which is not to be included in the accounts, is calculated at three times the current year's net profit of \$10,500. The net adjustment on Crystal's Capital Account in respect of goodwill is:
- A. a net credit of \$500
B. a net credit of \$1,500
C. a net debit of \$12,750
D. no adjustment
28. Frequently, when there is a change of partners in a partnership, assets are revalued because
- A. this is a requirement of the Partnership Act, 1890.
B. it helps prevent financial injustice to some partners.
C. inflation affects all values.
D. none of the above.

29. If a partnership revalues its assets upon the retirement of one of the partners, any resulting loss should be
- A. Credited to the old partners' capital accounts in the old profit-sharing ratios.
 - B. Credited to the new partners' capital accounts in the new profit-sharing ratios.
 - C. Debited to the old partners' capital accounts in the old profit-sharing ratios.
 - D. Debited to the new partners' capital accounts in the new profit-sharing ratios.
30. A and B share profits in the ratio 2:1. C is to be admitted and he is to pay \$3,000 as a premium for his share of the goodwill. The new profit-sharing ratio is 3:2:1. What is the value of the goodwill?
- A. \$ 3,000
 - B. \$ 6,000
 - C. \$ 9,000
 - D. \$18,000
31. A Cash Flow Statement as prescribed by FRS 1, shows the changes in
- A. Cash and cash equivalents
 - B. Gearing
 - C. Net Working Capital
 - D. The Net Book Value of fixed assets
32. A firm reported a net profit for the last financial year of \$200,000. Its accounts show Accumulated Depreciation of \$480,000, profit of \$30,000 on the sale of an asset, and a decrease of \$20,000 in the Provision for Bad Debts. Depreciation has been changed at 12% on the fixed assets that cost \$1 million.
- Net Cash Flow generated from operations is:
- A. \$270,000
 - B. \$690,000
 - C. \$630,000
 - D. \$670,000
33. You have been asked to prepare a Cash Flow Statement for the two years ended 30 June 1995. To do this, the minimum information you require is:
- A. Profit & Loss Accounts for the two years ended 30 June 1995
 - B. Profit & Loss Accounts and Balance Sheets for the two years ended 30 June 1995
 - C. Profit & Loss Accounts and Balance Sheets for the three years ended 30 June 1995
 - D. Profit & Loss Accounts for the years ended 30 June 1995, and Balance Sheet for the three years ended 30 June 1995
34. Which of the following items is added in the "Investing Activities" section of a Cash Flow Statement?
- A. Dividend paid
 - B. Cash Dividend received
 - C. Loss on sale of land
 - D. Gain on sale of fixed assets
35. In a Cash Flow Statement, which item will be an adjustment to Operating Profits to arrive at the Net Cash Flow from Operations?
- A. Change in Stock levels
 - B. Interest Payable
 - C. Purchase of Machinery
 - D. Tax payable