

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 II
CLASS (ES) : SEC Yr 1
DATE : Wednesday, May 9, 2001
COMMENCEMENT TIME : 9:00 a.m.
DURATION : 2 ½ Hours
INVIGILATOR (S) : Mrs F Henry
ROOM (S) : OTW Rm 6



#A#

YOU SHOULD HAVE THE FOLLOWING FOR THIS EXAMINATION:

1. One set of Accounting Forms
2. Scrap Paper
3. Writing and Ruling implements -- **NO LENDING/BORROWING PERMITTED**

INSTRUCTIONS

1. Number of questions on Paper II – EIGHT (8).
2. Answer **ANY FOUR (4)** questions, in any order. All questions carry 25 marks each.
3. The Paper II Exam is weighted at 60% of the Final Exam Mark.
4. Begin each response on a fresh sheet.
5. Ascertain your name is written on each sheet of paper and that each question is numbered correctly.
6. Assemble your responses in ascending, numerical sequence before stapling together and submitting to invigilator.
7. Kindly also return this Question Paper to the invigilator at the end of the Examination Session.
8. Candidates are allowed the use of non-programmable calculators.

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Division of Technical and Vocational Education and Training

Ministry of Education

Department of Technical and Vocational Education and Training

Section

Code

Year

Subject

Section

Code

Year

Subject

Section

Code



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YOU SHOULD HAVE THE FOR CHANGE FOR THAT / INVIATION

The set of assessment paper

1. script paper

2. Welding and Railing paper - NO I TYPE BORROWING RESULT

EXAMINATION

Number of questions on paper II - 10

3. Answer (4/7 PAPER) question in the other all questions are 2 marks each

4. The Paper II exam will be held on 11/12/2002 at the Exam Hall

5. In each response 1/2/3/4

6. Answer questions in written on each sheet of paper and fill each section in answer booklet

7. Academic staff responsible for marking the papers before reporting to the staff in charge of the examination

8. Kindly also attend the Control and Reporting in the end of the examination

9. Candidates are advised to bring their own writing materials

PART B – EXTENDED RESPONSE [Two & One-Half (2 ½) Hours]

INSTRUCTIONS: You have been given eight (8) questions. Complete ANY FOUR (4) questions. Each question is worth 25 marks. Begin each response on a fresh sheet of paper.

Write your name in the top, right-hand corner of each sheet. Upon completion of the examination, assemble all responses in ascending, numerical order before stapling together and submitting to the invigilator. Kindly return all question papers to the invigilator at the end of the examination session.

1. The *Carib Sports Club* has 50 members. Each member pays a monthly subscription of \$20. At December 31 1999:

	\$.
Subscriptions in arrears were	350
Rates owing was	250
Subscription paid in advance for January, 2000 were.....	250
Bar stock was	750
Cash balance was	465
Lawn mower at cost	3,000
Billiard table at cost	5,000

The following transactions took place during the month of January 2000:

Secretarial expenses	750
Rates paid including arrears	500
Donation made to charity	50
Paid telephone	225
Sale of dance tickets.....	3,500
Paid for printing	150
Paid dance expenses.....	525
Bar purchases (cash)	1,500
Barman's salary paid.....	1,000
Subscription received including arrears from December 1999.....	1,350
Bar sales	3,875
Bar closing stock.....	375

Depreciate all fixed assets at 20% per annum.

REQUIRED:

- (a) Calculate the **Accumulated Fund** as at December 31, 1999. (5 marks)
- (b) Prepare the **Receipts and Payments Account** for January 2000. (5 marks)
- (c) Write up the **Subscription Account** for January 2000. (5 marks)
- (d) Prepare the **Bar Trading Account** for January 2000. (5 marks)
- (e) Prepare the **Income and Expenditure Account** for January 2000. (5 marks)

[Total of 25 marks]

2. The following balances were taken from the books of the manufacturing firm of *Hortex Garment Company* whose financial year ended December 31, 2000:

Manufacturing Wages	\$71,940
Sales	300,000
Carriage Inwards	190
Stocks at January 1, 1999:	
Raw Materials	18,260
Work-in-Progress	12,480
Finished Goods	18,060
Purchases of Raw Materials	49,770
Royalty	3,300
Factory Insurance	3,650
Carriage Outwards	4,800
Office Salaries	41,205
Factory Power	2,200
Administration Expenses	18,230
Indirect Wages	21,450
Bank	38,400
Debtors	64,947
Creditors	20,260
Capital	103,550
Plant & Machinery at Cost, (Jan. 1 2000)	38,020
Factory Building at cost	42,000
Provision for Depreciation:	
Plant & Machinery	20,892
Factory Buildings	4,200

NOTES:

- (i) Provide for another year's depreciation as follows:
- | | |
|---------------------|---------|
| Plant and Machinery | \$5,040 |
| Factory | \$1,600 |
- (ii) Value of Stocks at December 31, 2000 were:
- | | |
|------------------|----------|
| Raw Materials | \$19,460 |
| Work-in-Progress | 14,420 |
| Finished Goods | 24,060 |

REQUIRED:

- (a) Prepare the **Manufacturing, Trading and Profit and Loss Account** for *Hortex Garment Factory* for the year ended December 31, 2000. (13 marks)
- (b) Prepare the **Balance Sheet** for *Hortex Garment Factory* as at December 31, 2000. (12 marks)

[Total of 25 marks]

3. The following details pertain to *Banse Ltd* for the year ended December 31, 2000:

BALANCE SHEET					
	1999			2000	
Fixed Assets					
Fixed Assets at Cost		10,500		13,875	
<u>Less</u> Depre. to date		<u>4,285</u>	6,215	<u>5,535</u>	8,340
Current Assets					
Stock		3,010		3,730	
Debtors	3,150			2,150	
<u>Less</u> Prov. for B/Debts	<u>145</u>	3,005		<u>105</u>	2,045
Bank		<u>470</u>		<u>2,005</u>	
		6,485		7,780	
Current Liabilities					
Proposed Dividends	1,500			2,000	
Taxation	1,200			1,400	
Creditors	<u>410</u>	<u>3,110</u>	<u>3,375</u>	<u>680</u>	<u>3,700</u>
			9,590	4,080	12,040
Financed by:					
Capital					
Issued Share Capital		5,000		6,000	
General Reserve		3,500		5,500	
Profit and Loss Account		<u>1,090</u>		<u>540</u>	
			9,590	12,040	

PROFIT AND LOSS APPROPRIATION ACCOUNT		
Profit from Ordinary Activities before Tax		\$4,850
Tax on Profit from Ordinary Activities		<u>1,400</u>
		3,450
Undistributed Profits from last year		<u>1,090</u>
		4,540
Transfer to General Reserve	\$2,000	
Proposed Dividends	<u>2,000</u>	<u>4,000</u>
Undistributed Profits Carried Forward to next year		540

REQUIRED:

Prepare a **Cash Flow Statement** for the year ended December 31, 2000. (25 marks)

4. (A) *Tracy and George* are in partnership sharing profits and losses in the ratio 3:2. The Balance Sheet of the firm as at June 30, 2000 was as follows:

Tracy and George Balance Sheet As at June 30 2000					
<u>Fixed Assets</u>				<u>Capital Accounts</u>	
Premises	\$20,000			Tracy	\$15,000
Vehicles	<u>3,280</u>			George	<u>4,000</u>
		23,280			19,000
<u>Current Assets</u>				<u>Current Liabilities</u>	
Stock	\$7,000			Loan	\$8,550
Debtors	2,120			Creditors	<u>5,500</u>
Bank	<u>650</u>	<u>9,770</u>			14,050
		<u>33,050</u>			<u>33,050</u>

On June 30, 2000, it was agreed to dissolve the partnership. George agreed to take over the Stock at an agreed valuation of \$9,000. Vehicles and Premises realized \$2,750 and \$27,000 respectively, while Debtors realized \$2,000. Creditors were paid \$4,100 in full settlement. Realization Expenses incurred were \$650.

REQUIRED:

- (a) The **Realization Account** (4 marks)
 - (b) The **Bank Account** (4 marks)
 - (c) The **Partners' Capital Accounts (in columnar format)** (4 marks)
- [Total of 12marks]

- (B) *Peter, Lord, and Steve* were in partnership sharing profits and losses: Peter one-half, Lord one-third and Steve one-sixth.

The firms' summarized Balance Sheet as on 31 March 19--5 was as follows:

<u>Fixed Assets</u>	<u>Capital:</u>
Land & Bldgs	Peter
16 000	24 000
Plant & Mach	Lord
6 000	12 000
Motor Car	Steve
<u>2 400</u>	<u>8 000</u>
24 400	44 000
<u>Current Assets</u>	<u>Long-Term Liabilities</u>
Stock	Loan – Peter
11 200	4 000
Debtors	Creditors
12 000	<u>8 000</u>
Less Prov B/D	12 000
<u>1 200</u>	
10 800	
Bank	
9 600	
<u>31 600</u>	
\$56 000	\$56 000

It was agreed that the following adjustments should be made in the Balance Sheet as on 31 March 19--5:

- (1) Freehold Land and Buildings should be revalued at \$20 000 and Plant and Machinery, at \$5 000.
- (2) The Provision for Bad Debts should be increased by \$300.
- (3) A Provision of \$500 included in Creditors for a possible claim for damages was no longer required.
- (4) The Stock should be reduced by \$800 for obsolete and damaged items.

REQUIRED: Prepare the:

- (a) **Revaluation Account.** (7 marks)
 - (b) **The partners' Capital Accounts in columnar form.** (6 marks)
- [Total 13 marks]

5. The following Trial Balance has been extracted from the ledger of *Bee and Dee* who are trading in partnership:

**Bee and Dee
 Trial Balance
 As at 30 November 2000**

	Dr	Cr
	\$	\$
Property.....	300 000	
Equipment.....	260 000	
Provisions for Depreciation (as at 30 November 2000):		
Property.....		40 000
Equipment.....		178 750
Stock (as at 1 December 1999).....	41 200	
Purchases.....	301 630	
Sales		603 160
Wages and Salaries	78 600	
Bad Debts.....	1 530	
Provision for Bad Debts (as at 30 November 2000).....		953
Loan Interest.....	4 200	
Carriage In.....	4 280	
Returns In.....	1 270	
Other Operating Expenses	25 600	
Depreciation.....	63 250	
Debtors.....	62 900	
Creditors.....		43 090
Cash on hand.....	820	
Cash at Bank	1 370	
Drawings:		
Bee	58 930	
Dee	40 800	
Long-term Loan (14%)		30 000
Capital Accounts:		
Bee		250 000
Dee		100 000
Current Account:		
Bee	980	
Dee		1 407
	1 247 360	1 247 360

The following additional information is available:

- a) Stock at the close of business on 30 November 2000 was valued at \$45 900.
- b) The partners have agreed the following scheme for the appropriation of profits:

Interest on partners capital		12% per annum
Partnership salaries:		
	Bee	\$17 000 per annum
	Dee	\$15 000 per annum
Profit-sharing ratio:		
	Bee	60%
	Dee	40%

No interest is to be charged on drawings or allowed on current account balances.

- c) The partners decided to admit Cee as at December 1, 2000. It is agreed that Goodwill was worth \$60,000, but that this is **not** to be brought into the business records. Cee will bring \$80,000 cash into the business as his Capital. The new profit-sharing ratio is to be Bee 6: Dee 4: Cee 2.

Question No 5 Continued:

REQUIRED:

- (a) A **Trading, Profit and Loss and Appropriation Account** for the partnership for the year ended 30 November 2000. **(12 marks)**

NOTE: You are not required to prepare a Balance Sheet.

- (b) The partners' **Current Accounts (in columnar format)** for the period ended 30 November 2000. **(4 marks)**
- (c) (i) A clear **calculation of the Goodwill adjustments** needed to give effect to the admission of the new partner, Cee, on December 1, 2000; **(5 marks)**
- (ii) The partners' **Capital Accounts** to cover the period of December 1, 1999 to December 1, 2000, after the admission of new partner, Cee, in **columnar format**. **(4 marks)**

[Total of 25 marks]

6. *Cathy's*, is a second-hand clothing shop owned and operated by Cathy Lemon from premises, which she rents. She does not keep complete accounting records, but she is able to provide you with the following information about her financial position at 1 April 2000:

Stock of Furniture	\$3,210	Trade Debtors	\$2,643
Motor Vehicle	\$5,100	Trade Creditors	1,598
Shop Fittings	\$4,200	Motor Vehicle Expenses Owing	\$432

She has also provided the following summary of her Bank account for the year ended 31 March 2001:

Balance at 1 Apr 2000	\$2,420	Payments of Trade Creditors	\$22,177
Cheques received from		Electricity	1,090
Trade Debtors	44,846	Telephone	360
Cash Sales	3,921	Rent	2,000
		Advertising	1,430
		Shop Fittings	2,550
		Insurance	946
		Motor Vehicle Expenses	2,116
		Drawings	16,743
		Balance at 31 Mar 2001	1,775
	<u>\$51,187</u>		<u>\$51,187</u>

All cash and cheques received were paid into the Bank Account immediately. You find that the following must also be taken into account:

- Depreciation is to be written off the Motor Vehicles at 20% and off the Shop Fittings at 10%, calculated on the book values at 1 April 2000 plus additions during the year.
- At 31 March 2001, Motor Vehicle Expenses owing were \$291 and Insurance paid in advance was \$177.
- Included in the amount paid for Shop Fittings were:
 - An evening gown bought for \$300, which Cathy resold during the year at cost;
 - Some clothes racks (cost \$250), which Cathy used in her own walk-in closet in her master bedroom at her home.

Other balances at March 31, 2001 were:

Trade Debtors	\$4,012
Trade Creditors	2,445
Stock of Clothes	4,063

REQUIRED: For the year ended March 31, 2001:

- (a) Calculate *Cathy's* Sales and Purchases. (8 marks)
- (b) Prepare *Cathy's* Trading and Profit & Loss Account. (9 marks)
- (c) Prepare *Cathy's* Balance Sheet as at March 31, 2001. (8 marks)

[Total of 25 marks]

7.

Minimee Cloning Company			
Trading and Profit and Loss Account			
For the Year Ended 31 December, 1999			
	\$'000		\$'000
Opening Stock	20	Sales	150
Purchases	<u>120</u>		
	140		
<i>Less</i> Closing Stock	<u>40</u>		
	100		
Direct Manufacturing Expenses	20		
Overhead Expenditure	10		
Net Profit	<u>20</u>		
	<u>150</u>		<u>150</u>

Minimee Cloning Company			
Balance Sheet			
As at 31 December, 1999			
			\$'000
<u>Capital</u>			
Authorised and Issued Share Capital			100
Reserves			<u>40</u>
			140
<u>Long-Term Liabilities</u>			
5 Per Cent Debentures			<u>60</u>
			<u>200</u>
<u>Fixed Assets</u>	<u>Cost</u>	<u>Deprn</u>	
Freehold Property	100	—	100
Plant and Machinery	<u>40</u>	<u>20</u>	<u>20</u>
	<u>140</u>	<u>20</u>	120
<u>Current Assets</u>			
Stocks at Cost		40	
Debtors		50	
Investments at Cost		60	
Bank		<u>20</u>	
		170	
<u>Less Current Liabilities</u>			
Corporation Tax	10		
Bills Payable	20		
Tax Creditors	<u>60</u>	<u>90</u>	<u>80</u>
			<u>200</u>

REQUIRED:

Select **FIVE MAJOR RATIOS** and apply them to the above accounts and comment upon their relevance.

(25 marks)

8. The Trial Balance of *Radio Fusion Ltd* as at June 30 2000 is shown below:

	<u>Dr</u>	<u>Cr</u>
Share Capital: Authorized and Issued.....		50,000
Stock as at June 30 1999.....	38,295	
Debtors.....	26,890	
Creditors.....		12,310
10% Debentures.....		20,000
Fixed Assets Replacement Reserve.....		10,000
General Reserve.....		6,000
Profit and Loss Account as at 30 June 1999.....		3,964
Debture Interest.....	1,000	
Equipment (at cost).....	35,000	
Motor Vehicles (at cost).....	28,500	
Bank.....	3,643	
Cash.....	180	
Sales.....		99,500
Purchases.....	66,350	
Returns In.....	1,150	
Carriage In.....	240	
Wages and Salaries.....	10,360	
Rent, Rates and Insurance.....	5,170	
Discounts Allowed.....	1,246	
Directors' Remuneration.....	2,500	
Provision for Depreciation at 30 June 1999:		
Equipment.....		8,400
Motors.....		10,350
	<u>\$220,524</u>	<u>\$220,524</u>

The following information is also given as at 30 June 2000:

- (i) Stock at 30 June 2000 was \$49,371
- (ii) The Share Capital consisted of 25,000 Ordinary Shares of \$1 each and 25,000 10% Preference Shares of \$1 each. The dividend on the Preference Shares was proposed to be paid as well as a dividend of 20% on the Ordinary Shares.
- (iii) Accrued Rent \$700
- (iv) Directors' remuneration \$2,500
- (v) Debenture Interest – ½ year's interest is owing
- (vi) Depreciation on cost: Equipment 10%; Motors 20%
- (vii) Transfers to Reserves: General Reserve\$2,000
Fixed Assets Replacement Reserve ..\$1,000

REQUIRED:

- (a) Draw up a **Trading and Profit and Loss Account** for the company for the year ended June 30 2000. (12 marks)
- (b) Prepare a **Balance sheet** for the company as at June 30, 2000. (13 marks)
[Total of 25 marks]