

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

EXAMINATION SESSION : June 25, 2004 Supplemental Examination
TUTOR (S) : Ms Estellita M J Louisy
PROGRAMME CODE : 3BS-PAR-CE
PROGRAMME TITLE : Paralegal Studies
COURSE CODE : ACC 101
COURSE TITLE : Introduction to Financial Accounting
CLASS : Paralegal Studies – Year One
DATE : June 25, 2004
COMMENCEMENT TIME : 9:00 a.m. – 12:00 noon
DURATION : 3 Hours
INVIGILATOR (S) : Mr. N. Goolaman
ROOM (S) : TRT R3



#A14

INSTRUCTIONS: This exam consists of **TWO PARTS** - Part A and Part B. You are required to complete BOTH parts. Candidates are allowed to use non-programmable calculators.

Part A - Multiple Choice (25 Questions - 45 Mins, weighted 25% of Exam Marks)

1. Do NOT mark this part of the question paper.
2. Use the **ANSWER SHEET** provided to tick off your responses, A, B, C or D.
3. Return **Part A - Question Paper** with your completed *Answer Sheet* to invigilator after the one hour.

Part B - Extended Response (5 Questions to do ANY 3, weighted 75% of Exam marks)
(2 ¼ Hours)

4. This Part consists of five (5) questions.
5. All questions carry 25 marks each.
6. Do ANY THREE (3) questions, in any order.
7. Begin each response on a fresh sheet
8. Ascertain your name is written on each sheet of paper and question is numbered correctly.
9. Assemble your responses in ascending, numerical sequence before stapling together and submitting to invigilator.
10. Kindly also return this part of the question paper to the invigilator at the end of the Examination Session.

PART A – MULTIPLE CHOICE (1 Hour)

INSTRUCTIONS: This is Part A of the ACC 101 Examination. This Section awards a total of 25 marks, which will account for twenty-five per cent (25%) of your Final Exam Mark.

Read all questions carefully. There are TWENTY-FIVE (25) multiple choice questions in this Part. You are required to answer ALL questions on the special **MULTIPLE CHOICE ANSWER SHEET** provided.

Select the **BEST** response and **TICK OFF** the corresponding letter for that choice on the **Answer Sheet** provided.

Please return your Answer Sheet to the Invigilator at the end of 1 Hour.

1. Calculate the amount of capital from the following information:

Fixed Assets	\$ 9 500
Current Assets	\$10 000
Liabilities	\$15 920

- A. \$ 3 580
- B. \$16 420
- C. \$17 710
- D. \$35 420

2. If Mr Grey returns goods to a supplier, how should he record this in his books?

- i) Enter transaction in Returns Inwards Book
- ii) Enter transaction in Returns Outwards Book
- iii) Post to debit side of Suppliers Account
- iv) Post to credit side of Supplier's Account

- A. (i) and (iii) only
- B. (i) and (iv) only
- C. (ii) and (iii) only
- D. (ii) and (iv) only

3. Which group of assets has been recorded below in the Order of Liquidity?

- A. Cash, Plant and Machinery, Stock.
- B. Furniture, Vehicles, Office Supplies.
- C. Vehicles, Cash, Buildings and Lands.
- D. Cash, Stock, Buildings and Lands.

4. A statement that gives the financial position of a business as at a specified date is a:

- A. Trial Balance
- B. Balance Sheet
- C. Trading Account
- D. Profit and Loss Account

5. The Risa Company hired you as an accounts clerk. On April 3, you received an invoice along with goods from D Kamin & Co for \$600. Where should you record this entry?

- A. Sales Day Book
- B. Purchases Returns Day Book
- C. Purchases Day Book
- D. Sales Returns Day Book

- 5 (A) Why must a Trial Balance always be in balance? What are some of the errors that would prevent the Trial Balance columns from being in agreement? (5 marks)

- (B) The following balances were taken from the books of *Pamela & Joanita Adventures* at the beginning and end of 2003:

	<u>Jan 1, 2003</u>	<u>Dec. 31, 2003</u>
	\$	\$
1. Bank	370	100
2. Cash	130	400
3. Machinery	5,000	4,100
4. Debtors.....	850	1,000
5. Loan (Due in 6 months).....	400	200
6. Equipment.....	2,500	2,400
7. Creditors	625	150
8. Stock	2,000	2,500

REQUIRED: Using the above information, answer the following questions:

- (A) Calculate the Capital on January 1, 2003 and on December 31, 2003. (2 mks)
- (B) What was the Net Profit or Net Loss for the year? (2 mks)
- (C) What was the value of Fixed Assets on December 31, 2003? (2 mks)
- (D) In what sub-section of the Balance Sheet should the Stock on December 31, 2003 be placed? (2 mks)
- (E) Which item is a short-term liability? (2 mks)
- (F) Calculate the Working Capital on January 1, 2003. (2 mks)
- (G) Arrange items 1, 2, 4, 6 and 8 in Order of Liquidity. (2 mks)
- (H) What term describes the reduction in the value of machinery? (2 mks)
- (I) How much money is owing to the firm on December 31, 2003? (2 mks)
- (J) What term is used to describe the business if it CAN pay its liabilities? (2 mks)

[Total of 25 marks]

END OF EXAMINATION

6. When balancing a Cash Book, a credit balance in the Cash Account indicates:
- A. an overdraft
 - B. that an error has been made
 - C. a loss over the trading period
 - D. that cheques have been dishonoured
7. A machine costs \$10 000. It has an expected life of six years and has an estimated residual value of \$400. Using the straight line method calculate the depreciation per annum.
- A. \$ 1 600
 - B. \$ 2 400
 - C. \$ 9 600
 - D. \$10 400
8. What is the double entry for recording an increase in the Provision for Bad Debts Account?
- A. Dr. Provision for Bad Debts Cr. Profit & Loss Account
 - B. Dr. Profit & Loss Account Cr. Provision for Bad Debts
 - C. Dr. Trading Account Cr. Provision for Bad Debts
 - D. Dr. Provision for Bad Debts Cr. Trading Account
9. The account which discloses the Gross Profit of a business is called the:
- A. Profit and Loss Account
 - B. Appropriation Account
 - C. Trading Account
 - D. Cash Account

Questions 10 and 11 refer to the following information:

Extract from Trading Account of a Trader

Sales	\$36 000
Purchases	22 000
Gross Profit	11 000
Closing Stock	6 000
Sales Returns	1 000
Opening Stock	8 000

- A. \$ 7 000
 - B. \$ 9 000
 - C. \$24 000
 - D. \$30 000
10. What is the Cost of Goods Sold?
11. What is the Stock of Goods Available for Sale?
12. Smith's Capital at Start was \$10 500, his Capital at Close was \$11 200 and his Drawings for the period was \$2 400. What was his Net Profit?
- A. \$ 1 700
 - B. \$ 3 100
 - C. \$ 8 100
 - D. \$12 900
13. Carriage Inwards is the carriage paid:
- A. on goods purchased
 - B. on goods sold
 - C. when fixed assets are purchased
 - D. when fixed assets are sold

14. The Trial Balance must balance because:

- A. Both debit and credit totals are accurate.
- B. For every transaction there must be two entries
- C. For every amount debited, there must be a corresponding amount credited
- D. Both asset accounts and liability accounts add up to the same total

15. Which of the following are recorded on the debit side of the Cash Book?

- (i) Cash purchases
- (ii) Cash receipts
- (iii) Cash payments
- (iv) Cash discounts received
- (v) Cash sales

- A. (ii), (iii) and (iv) only
- B. (i), (ii) and (iv) only
- C. (ii) and (iv) only
- D. (ii) and (v) only

16.

Purchases Account	Drawings	20
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Drawings Account	Purchases	20
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The above entries were made in the Ledger because:

- A. The business bought goods from the owner.
- B. The owner withdrew goods for his use.
- C. The business sold goods to the owner.
- D. The owner sold goods to the business.

17. If, after balancing the Rent Account there is a balance brought down on the credit side, what would this mean?

- A. Rent was prepaid at the end of the period.
- B. All rent were paid up at the end of the period.
- C. Rent was in arrears at the end of the period.
- D. No rent was paid during the period.

18. What would a credit balance brought down in the Bank column of the Cash Book represent?

- A. There is a balance in the Bank.
- B. Too much cash has been paid out of the office.
- C. The Bank balance is overdrawn.
- D. Too many discounts were allowed.

19. Which of the following equations are correct?

- (i) $A - L = C$
- (ii) $C = A + L$
- (iii) $A = C + L$
- (iv) $C + A = L$

- A. (i) and (iii) only
- B. (ii) and (iv) only
- C. (i) and (iv) only
- D. (ii) and (iii) only

20. Which one of the following transactions must be recorded in the General Journal?

- A. Sold an old typewriter on credit for \$50.
- B. Bought \$80 goods from A James.
- C. Sold \$120 worth goods for cash.
- D. Bought goods for \$350 cash.

21. Which of these items does not appear in the Profit and Loss Account?

- A. Discounts
- B. Wages
- C. Furniture and Fittings
- D. Rents Received

22. Carriage Inwards is shown on the:

- A. Debit of Profit and Loss Account.
- B. Credit of Profit and Loss Account.
- C. Debit of Trading Account.
- D. Credit of Trading Account.

23. Carriage Outwards is shown on the:

- A. Debit of the Profit and Loss Account.
- B. Credit of the Profit and Loss Account.
- C. Debit of the Trading Account.
- D. Credit of the Trading Account.

24. The value of Stock shown in the Trading Account is usually found by:

- A. Deducting the Purchases from the Sales.
- B. Counting the Stock and then valuing it at cost price.
- C. Counting the Stock and then valuing it at selling price.
- D. Using a fixed percentage of Sales.

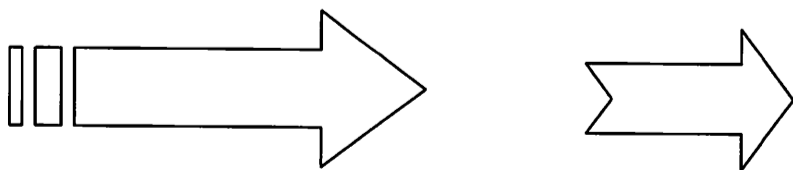
25. The balance of the Purchases Ledger Control Account in the General Ledger is:

- A. The total of the Debtors.
- B. The total Sales.
- C. The total Purchases.
- D. The total of the Creditors.

END OF PART A – MULTIPLE CHOICE EXAMINATION

Hand in your MC Answer Sheet to the Invigilator at end of the One Hour.

NOW MOVE ON TO PART B – EXTENDED RESPONSE



PART B – EXTENDED RESPONSE (2 Hours)

INSTRUCTIONS: You have been given five questions, out of which you are required to answer **ANY THREE** questions. Each question is worth 25 marks.

1. The following Trial Balance was extracted from the books of *ADT Ltd* on December 31, 2003:

	<i>Debit</i>	<i>Credit</i>
	\$	\$
Sales		400,000
Purchases	350,000	
Sales Returns	5,000	
Purchases Returns.....		6,200
Stock, Jan. 1, 2003	100,000	
Wages and Salaries.....	30,000	
Rates	6,000	
Telephone	1,000	
Fittings - at Cost	40,000	
Van - at Cost.....	30,000	
Debtors and Creditors.....	9,800	7,000
Provision for Bad Debts		800
Bad Debts	200	
Capital		179,000
Bank.....	3,000	
Drawings	18,000	

The following notes are provided at December 31, 2003:

- (A) Closing Stock was \$120,000
- (B) Accrued Wages, \$5,000
- (C) Rates Prepaid, \$500
- (D) The Provision for Bad Debts to be increased to 10% of Debtors
- (E) Telephone account outstanding, \$220
- (F) Depreciate Fittings at 10% per annum, and Van at 20% per annum on cost

REQUIRED:

- (A) Prepare the **Trading and Profit and Loss Accounts** for the year ended December 31, 2003. (13 marks)
 - (B) Prepare the **Balance Sheet** for *ADT Ltd* as at December 31, 2003. (12 marks)
- [Total of 25 marks]

2 **KC** and **BJ** started their partnership on *July 1, 2003*, each contributing \$20,000 and \$12,000 capital respectively. Accordingly, they agreed to share the profits and losses in the ratio of 5:3. The following information relates to their partnership for the period ending *December 31, 2003*:

(A) Net Profit for the period amounted to \$23, 364

(B) Drawings for the period were as follows:

KC	\$8,600
BJ	\$12,400

(C) Interest on Capital was agreed to be applied at 5% per annum

(D) Both partners are to receive an annual salary of \$5,000 each

(E) **BJ** had taken home an old desk with a book value of \$150. No record had been made of this transaction

(F) Partners agreed to charge Interest on Drawings at 5% per annum

REQUIRED:

(A) Prepare the **Appropriation Account** of the partnership for the period. (13 marks)

(B) Prepare an extract of the **Capital Section of the partnership Balance Sheet**, to include the details of the partners' **Current Accounts** for the period. (12 marks)

[Total of 25 marks]

3. (A) Many people seem to believe that depreciation is money set aside to replace out-dated and out-of-use assets. What does the term 'depreciation' mean in accounting? Describe briefly, giving examples. (5 marks)

(B) On January 1, 1995 a machine was acquired at a cost of \$20,480. It was estimated that it will provide useful service for 5 years, but it will be sold for \$4,860 at the start of year 4. Using the **straight line method** of depreciation, show:

(i) the **Fixed Asset Account** (7 marks)

(ii) the **Provision for Depreciation on Fixed Asset Account** (7 marks)

(iii) the **Disposal of Fixed Asset Account** (6 marks)

as they would appear in the books of accounts of the firm for the duration of the tenure of the asset.

[Total of 25 marks]

4. The following are the **Cash Book** and **Bank Statement** of *Auto Accessories Inc* for the month of May, 2003:

		Cash Book			
2003				2003	
May 1	Balance B/d	1,282.40	May 7	M A Jacobs	442.50
8	M James	105.30	13	LUCELEC	225.33
15	Sales	486.32	18	T Paul	108.45
22	Sales	742.55	23	T Howell	241.33
27	A Charlery	45.60	26	B'DOS MUTUAL	896.35
29	V Edwards	38.35	30	T Brais	52.60
31	Sales	<u>804.40</u>	31	Balance c/d	<u>1,538.36</u>
		<u>\$3,504.92</u>			<u>\$3,504.92</u>
2003					
June 1	Balance B/d	1,538.36			

		Bank Statement		
Date	Details	Debit	Credit	Balance
2003				
May 1	Balance B/f			1,282.40CR
10	Cheque (M James).....		105.30	1,387.70
12	M A Jacobs.....	442.50		945.20
16	Sundries		486.32	1,431.52
22	T Paul	108.45		1,323.07
23	Sundries		742.55	2,065.62
24	Credit Transfer: J Alexander		245.00	2,310.62
25	T Howell	241.33		2,069.29
28	Dividends.....		660.00	2,729.29
29	Cheque (A Charlery).....		45.60	2,774.89
30	B'DOS MUTUAL	896.35		1,878.54
31	Standing Order.....	180.45		1,698.09
31	Bank Charges.....	36.40		1,661.69

REQUIRED:

- (A) Prepare a **Revised Cash Book** to show the up-to-date bank balance. (13 marks)
- (B) Beginning with the updated Cash Book Balance, prepare the **Bank Reconciliation Statement** for *Auto Accessories Inc* as at May 31, 2003. (12 marks)
- [Total of 25 marks]