

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

EXAMINATION SESSION : May 2005, Final Examination

TUTORS : Mrs. F Beerom-Henry, Mr. F Ephraim,  
Mr. J Moore, Ms. U Joseph,  
Mr. N Goolaman

PROGRAMME TITLE : Business Studies – Applied Arts, Diploma

PROGRAMME CODE : 3BS-ABA-AD

COURSE TITLE : Intermediate Financial Accounting - Paper II

COURSE CODE : ACC102

CLASS (ES) : Year 1

DATE : Wednesday, May 4, 2005

TIME : 9:00 a.m.

DURATION : 3 hrs

ROOM (S) : CEHI-1H-02, OTW R2

INVAILILATOR (S) : F Beerom-Henry, F Ephraim,  
U Joseph, N Goolaman, M Renee

#A20

INSTRUCTIONS

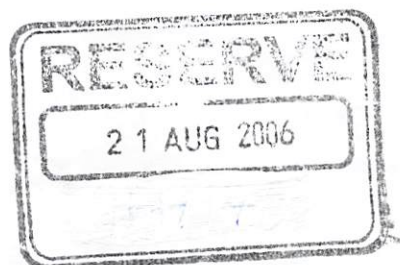
1. SECTION I (*COMPULSORY*)

Answer **BOTH** questions in this section.

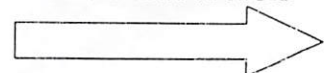
2. SECTION II (*OPTIONAL*)

Answer any **two (2)** complete questions in this section.

3. Begin each question on a new foolscap page.
4. There should be **no form of communication** throughout the duration of this examination.
5. **All cell phones should be turned off and placed in a bag that should be kept away from your desk.**
6. Borrowing or lending is **prohibited**.



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**SECTION I – Answer both questions in this section**

**Question 1**

You are presented with Jordan Ltd's summary profit and loss account for the year ended December 31, 2004 and balance sheet as at the beginning and end of the year.

Jordan Ltd  
Profit and Loss Account  
for the year ended 31.12.04.

	\$
Profit on ordinary activities before taxation	2,440
Tax on profit on ordinary activities	895
Profit on ordinary activities after taxation	1545
Less proposed dividends	80
Retained profit for the financial year	1465
Profit and Loss account at 01.01.04.	1090
Profit and loss account at 31.12.04.	2555

Jordan Ltd  
Balance Sheet  
as at

	<u>Jan 1, 2004</u>		<u>Dec. 31, 2004</u>	
	\$	\$	\$	\$
Fixed assets at cost			6,545	9,563
less depreciation to date			5,120	6,010
			1,425	3,553
<b>Current Assets</b>				
Stock		2,695		4,217 ↑ 1522
Debtors		1,740		2,500 ↑ 160
		4,435		6,717
<b>Current Liabilities</b>				
Creditors	2,065		3,290 ↑ 1225	
Bank overdraft	110		420	
Taxation	400		895 ↑ 495	
Proposed dividends	30	2,605	80	4,685
		1,830		2,032
		3,255		5,585
Long term loans		875		1,145 ↑ 270
		2,380		4,440
<b>Financed by:</b>				
Ordinary share capital		795		1,235 ↑ 440
Reserves				
Share premium	495		650	
P & L a/c	1,090	1,585	2,380	4,440

Notes:

(i) During the year fixed assets were sold for \$500. They cost \$2,500 and had a net book Value of \$750. Loss on sale of FA = 2500 - 750 = 1750

(ii) Interest paid during the year was \$235.

**Required:**

Prepare Jordan Ltd's Cash Flow Statement for the year ended 31.12.04. in accordance with FRS1 or IAS 7.

**( 20 marks)**

Question 2

Lilley and Dilley are partners sharing profits and losses in the ratio 3:2 respectively. Their balance sheet as at 30.04.05. is given below.

		Lilley and Dilley Balance Sheet as at 30.04.05		
		\$	\$	\$
Fixed Assets				24,000
Machinery				<u>3,800</u>
Motor Van				27,800
Current Assets				
Bank			1,600	
Debtors			6,300	
Stock			<u>8,700</u>	
			16,600	
Current Liabilities				
Creditors		6,000		
Loan		<u>3,100</u>	<u>9,100</u>	<u>7,500</u>
				<u>35,300</u>
Financed by				
Capital - Lilley			17,500	
- Dilley			<u>15,000</u>	
			32,500	
Current a/c	Lilley	3,600		
	Dilley	<u>(800)</u>	<u>2,800</u>	<u>35,300</u>

The partners agreed to dissolve the partnership on 30.04.05. The loan was repaid, and the creditors were paid \$5,650 in full settlement of their account. Dissolution costs were \$50 and Dilley took over one of the motor vans at an agreed valuation of \$1,300. The other assets realised the following amounts.

	\$
Machinery	21,050
Motor van	2,150
Stock	8,100
Debtors	4,800

**REQUIRED:**

Prepare the following:

- a) Realization account (9 marks)
- b) Partners' Capital account (columnar form) (4 marks)
- c) Bank account (3 marks)

**SECTION II – Answer any two (2) complete questions in this section.**

**Question 3**

The Hiliana’s social club had the following balances in their books at April 1, 2004

	\$
Equipment	25,000
Furniture	10,000
Subscriptions owing	1,200
Subscriptions in advance	850

The treasurer presented the following Receipts & Payment Account for the year ended March 31, 2005.

<u>Receipts</u>	\$	<u>Payments</u>	\$
Balance b/d	25,700	Purchase of New Equipment	5,000
Subscriptions	39,500	Donation to charity	2,000
Sale of dance tickets	8,600	Purchase of T-shirts	5,600
Sale of T-shirts	16,800	Utilities expenses	3,400
		Wages	16,500
		Balance c/d	58,100
	-----		-----
	90,600		90,600
	=====		=====

Additional information:

- (i) Electricity accrued \$150
- (ii) Subscriptions owing in respect of 2003, \$1,050
- (iii) Subscriptions paid in advance in respect of 2004, \$750
- (iv) Stock of T-shirts amounted to \$650
- (v) Fixed assets are depreciated at 10% of the balance at March 31, 2005.

**Required:**

- a) Income & Expenditure Account for the Club for the year ended March 31, 2005.
- b) Balance Sheet as at that date.

**(15 marks)**

**Question 4**

The following information relates to Rosy’s Mini Mart that does not keep a complete set of records.

	<u>April 1, 2004</u>	<u>March 31, 2005</u>
	\$	\$
Debtors	34,864	42,446
Creditors	28,200	24,800
Cash	2,000	5,000
Bank	10,700	45,500
Stock	45,900	39,200
Equipment (Cost \$52,500)	47,500	42,500
Van (Cost \$40,000)	32,000	24,000

Additional information:

- (i) Cash received from debtors during the year amounted to \$363,000 while sale of goods amounted to \$22,400.
- (ii) Cash paid to suppliers during the year was \$198,200, and cash purchases amounted to \$15,500.
- (iii) Administration expenses paid amounted to 15% of sales
- (iv) Selling and distribution expenses paid amounted to 10% of the cost of sales.
- (v) At March 31, 2005, rent owing - \$250; electricity accrued - \$225.

**Required:**

- a) Trading and Profit & Loss account for the year ended March 31, 2005.
- b) Balance sheet as at that date.

**(15 marks)**

Question 5

Alan and Becky were trading as partners sharing profits and losses in the ratio 3 : 2 respectively. Chad was a sole trader in the same line of business. On 1 January 2004 the two businesses were amalgamated to form ABC partnership. The new profit sharing ratio is Alan 2: Becky 1: Chad 2. The summarized balance sheets of the two businesses as on December 31, 2003 were as follows:

<b>Balance Sheets as at 31 December 2003</b>		
	<b>Alan &amp; Becky</b>	<b>Chad</b>
	<b>\$</b>	<b>\$</b>
<b>Assets</b>		
Land and Buildings	-	20,000
Plant and Equipment	12,500	-
Debtors	12,000	-
Cash	<u>8,000</u>	<u>2,000</u>
	<u>32,500</u>	<u>22,000</u>
	<u>=====</u>	<u>=====</u>
<b>Capitals:</b>		
Alan	18,000	
Becky	12,000	
Chad		<u>22,000</u>
	<u>30,000</u>	<u>22,000</u>
<b>Liabilities</b>		
Creditors	<u>2,500</u>	<u>-</u>
	<u>32,500</u>	<u>22,000</u>
	<u>=====</u>	<u>=====</u>

The land and buildings are to be revalued at \$24,000 and the Equipment at \$11,000. Goodwill is agreed at \$5,000 for Alan & Becky and \$2,500 for Chad, but is not to appear in the books. All assets and liabilities are taken over by the new firm.

**Required:**

- A) Prepare the Capital accounts of the old firms:
  - Alan & Becky
  - Chad
- B) Prepare the Capital account of the new firm ABC partnership
- C) Prepare the opening Balance Sheet of ABC partnership

**(15 marks)**

**Question 6**

Black and White entered a joint venture, to share profits and losses equally, dealing in ceramic tiles. The transactions connected with this venture were:

- i Black purchased tiles \$12,000 and received White's cheque for half this sum.
- ii Black incurred expenses: transport \$200; insurance \$400.
- iii White sold \$3000 worth of tiles and Black sold \$15,000 worth of tiles.
- iv Selling expenses were: Black \$300 and White \$100.
- v Unsold tiles in Black's possession were taken over by him at a valuation of \$2,000.
- vi White purchased tiles \$7,000.
- vii White sold tiles for \$10,000 and sent a cheque to Black for \$4,000.
- viii Motor van broke down, White agreed to use his own van until cessation of the joint venture at an agreed charge of \$2,000.
- ix The necessary settlements were made and the venture came to an end.

**Required:**

Prepare the following:

- A) The Joint Venture Account in the books of each party to the venture.
- B) The Memorandum Account.

**(15 marks)**

