

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

EXAMINATION : December 2007 Final Examination

TUTORS : Ms B Dwarkasingh, Mr F Ephraim  
Ms U Joseph, Ms E M J Louisy

PROGRAMME CODE(S) : 3BS-ABA-AD, 3HS-HOS-AD, 3HS-TAT-AD

PROGRAMME TITLES : Applied Arts – Business Administration  
Hospitality Studies  
Travel & Tourism

**COURSE TITLE** : Financial Accounting I – Paper 2

**COURSE CODE** : ACC 101

**DATE** : December 7, 2007

COMMENCEMENT TIME: 9.00 a m

DURATON : Three (3) Hours

INVIGILATOR(S) : Mr. M Rene, Ms Meliat  
Mrs D Alfred, Mrs A Reid  
Ms L Phillips, Miss F Paul  
Mrs F Beerom-Henry, Mrs P Erlinger-Ford,  
Mrs. L Joseph, Mr. A Plummer

ROOM(S) : HOS Rms 1 & 2, TRT Rm 3, CEHI 1-H-02

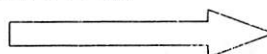


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INSTRUCTIONS

- Candidates are to read all instructions and questions carefully.
- This paper carries **three (3)** sections.
  - **Section I – Compulsory.** ALL candidates are required to answer **Question 1**.
  - **Section II – Semi Optional.** Candidates are required to answer **one** question from this section.
  - **Section III – Optional.** Candidates are required to answer **any two** questions from this section.
- Candidates are provided with required **accounts forms**.
- Ascertain your **IDENTIFICATION NUMBER** is written **at the top, of each sheet** and number your responses correctly.
- At end of examination, candidates are to assemble their answers in ascending, numerical sequence, before submitting to invigilator.
- Use of silent electronic calculators is permitted.
- **Borrowing or lending is STRICTLY PROHIBITED.**
- **ALL CELL PHONES** should be **TURNED OFF** and placed in a bag that should be **kept at the front of the classroom** throughout the duration of the examination.

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**SECTION I**

**Question 1 (Compulsory)**

The following trial balance was extracted from the books of Lucas John on December 31, 2006:

	\$	\$
Purchases and Sales .....	250 620	487 258
Returns In and Out .....	570	430
Carriage Inwards .....	625	
Carriage Outwards .....	1 414	
Commissions Received .....		7 405
Discount Allowed and Received .....	480	2 175
Faxes and Telephone Expense .....	2 582	
Electricity Expense .....	2 460	
Rates and Taxes .....	3 106	
Insurance Expense .....	500	
Miscellaneous Expenses .....	6 829	
Salaries .....	140 515	
Stock (Jan 1, 2006) .....	7 904	
Bad Debts Expense .....	85	
Bank Overdraft .....		4 000
* Provisions for Bad Debts .....		1 000
Motor Vehicles at cost .....	25 000	
Machinery at cost .....	13 000	
Furniture and Fittings at cost .....	10 000	
Premises at cost .....	120 000	
Provision for Depreciation:		
Motor Vehicles .....		7 500
Machinery .....		2 280
Furniture and Fittings .....		1 200
Drawings .....	88 400	
Capital .....		156 088
Debtors and Creditors .....	14 886	19 640
	<u>\$688 976</u>	<u>\$688 976</u>

**Notes:**

- i) Stock (Dec 31, 2006) - \$13 975
- ii) \$1 000 was owing for Rates and \$495 was paid in advance for Taxes.
- iii) Insurance accrued - \$400
- iv) Increase Provisions for Bad Debts to \$1 500
- v) Electricity prepaid - \$1 000
- vi) Commissions received in advance - \$105
- vii) Depreciate fixed assets as follows:
  - Motor Vehicles - at 15% straight line method
  - Machinery - at 10% reducing balance method
  - Furniture and Fittings - at 5% of cost.

**Required:**

**EITHER**

- a) i) In vertical style, prepare the **Trading & Profit and Loss Account** for the year ended December 31, 2006.
- a) ii) In vertical style (showing *working capital*) prepare the **Balance Sheet** as at December 31, 2006.

**(30 marks)**

**OR**

- b) Prepare a **WORKSHEET** for the period ended December 31, 2006.

**(30 marks)**

SECTION II

Instruction: Answer one question from this section.

**Question 2 (Semi Optional)**

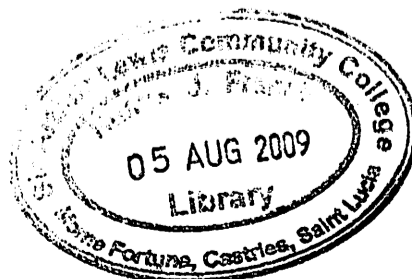
The following data relates to H Bristol who keeps a Sales Ledger Control Account and a Purchases Ledger Control Account

Balances at July 1, 2006

	Sales Ledger Control Account .....	\$ 5 000
	Purchases Ledger Control Account .....	\$12 214
		\$
S	Sales on credit.....	17 630
	Cash receipts from trade debtors.....	6 202
S	Sales returns.....	572
P	Purchases on credit.....	22 500
	Cheque payments to creditors.....	11 319
S	Discounts Allowed.....	90
P	Discounts Received.....	175
S	Bad debts.....	300
	Provisions for debts.....	195

**Required:**

- i) Prepare the Sales Ledger Control Account for the month of July 2006
- ii) Prepare the Purchases Ledger Control account for the month of July 2006.
- iii) Name the source document which would have been used for making entries in
  - a. Sales Journal
  - b. Sales Returns Journal
- iv) Identify **two** (2) uses of the sales ledger control account.



(15 marks)

**Question 3 (Semi Optional)**

Super J's has separate departments for Drugs, Cosmetics and Groceries. The following balances were extracted from its books for the year ended December 31, 2005.

	\$
Purchases:	
Drugs.....	150 000
Cosmetics.....	126 500
Groceries.....	157 600
Sales:	
Drugs.....	110 000
Cosmetics.....	40 000
Groceries.....	75 000
Stock (1/1/05)	
Drugs.....	14 500
Cosmetics .....	17 000
Groceries.....	8 400
	\$
Salaries and Wages .....	26 270
Sales Commission.....	3 000
Rent and Rates .....	20 000
Electricity .....	1 500
Advertising.....	3 400
Delivery expenses .....	2 100
Depreciation of fixed assets.....	4 250
General expenses .....	16 150

*Addition information:*

- Stocks (12/31/05)
 

Drugs.....	103 000
Cosmetics.....	124 500
Groceries.....	93 500
  
- Salaries and wages are to be allocated as follows:
 

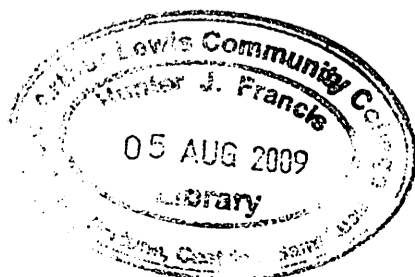
Drugs 35%;
Cosmetics 25%;
Groceries 40%.
  
- Sales Commission and Advertising are to be apportioned in the ratio of turnover of each department.
  
- Rent and Rates, and Electricity are to be apportioned in the ratio of departmental floor areas as follows:
 

Drugs 30%;
Cosmetics 20%.
Groceries 50%;
  
- All other expenses are to be apportioned equally among departments.

**Required:**

Prepare the Departmental Trading and Profit and Loss Account (in good style) for the year to December 31, 2005. *(Round up calculations to the nearest whole number – overall total expense amount given is not to be exceeded.)*

(15 marks)



**SECTION III**

**Instructions: Answer any TWO questions from this section.**

**Question 4 (Optional)**

On January 1, 2004 there was a balance of \$500 in the Provision for Doubtful Debts account, and it was decided to maintain the provision at 5% of the debtors at the end of each year.

The debtors on December 31 each year were:

	\$
2004	12 000
2005	8 000
2006	8 000

**Required:**

Show the necessary entries for the three years ended December 31 2004 to December 31 2006 inclusive in each of the following:

- i) Provision for Doubtful Debts Account;
- ii) the Profit and Loss Account extracts.

**(10 marks)**

**Question 5 (Optional)**

Consider the following information extracted on June 30, 2007 from the books of S Salton & Sons Ltd:

	\$
Cash at bank as per bank column of the cash book .....	10 000
Bankings made but not yet entered on the bank statement.....	4 250
Bank charges on the bank statement but not yet in the cash book.....	156
Unpresented cheques – L. Anthony .....	350
Standing order to Cable & Wireless entered on bank statement, but not in cash book .....	220
Credit transfer from Multi Services Ltd entered on bank statement, but not yet in cash book .....	378
Dividends paid directly into the bank .....	580

**Required:**

(a) Update the Cash Book.

(b) Use the updated Cash Book balance to draw up a bank reconciliation statement on June 30 2007.

**(10 marks)**

**Question 6 (Optional)**

Bee and Gee are in partnership sharing profits/losses in the ratio 4:6. The following information was taken from their books for the year ended August 31, 2007, before the completion of their Profit and Loss Appropriation Account.

Net trading profit		\$43 925
	<b>Bee</b>	<b>Gee</b>
	\$	\$
Current Accounts (Sept 1, 06)	(Dr) 2 280	(Cr) 450
Drawings	5 000	3 500
Interest on Capital	2 080	2 440
Salary	6 000	-
Interest on Drawings	1 300	2 150

**Required:**

For the year ended August 31, 2007, prepare:

- i) the Profit and Loss Appropriation Account for Bee and Gee;
- ii) the Current Accounts (in columnar format) for Bee and Gee.

**(10 marks)**

**Question 7 (Optional)**

- 1. During the month of July of the current year, Stella French, who owns and operates The French Shop, had the following transactions:

- July 2 Ms French deposited \$50,000 of her own money into the firm’s bank account.
- “ 3 Purchased goods on credit from Yousef and Thomas costing \$12,500 and \$6,250 respectively.
- “ 4 Cash sales \$44,000.
- “ 7 Paid \$20,000 for rent and rates for the month of July by cheque.
- “12 Sold goods on credit to Ken and Lawson for \$14,300 and \$14,650 respectively.
- “14 Lodged \$30,000 of the cash in the shop into the bank account.
- “16 Paid wages by cheque \$9,850.
- “19 Ken and Lawson returned goods valued at \$3,000 and \$1,800 respectively.
- “20 Purchased fittings on credit from Brawo Ltd. for \$12,000.
- “22 Goods were returned to Yousef and Thomas costing \$2,600 and \$1,450 respectively.
- “24 Ken and Lawson each settled an account of \$10,000 in cash, having deducted a discount of 10%.
- “28 Yousef’s account was settled by a cheque, after the firm received a 15% discount on the amount owing.
- “29 Settled an account of \$4,800 owed to Thomas, by cheque, after receiving a 5% discount.
- “31 The owner took \$9,000 cash for her personal use.

**Required:**

- i) Use the above transactions to complete the necessary Journals for The French Shop. *(Complete the Document Number column appropriately.)*
- ii) Total and rule all journals at the end of the month.

**(10 marks)**

