

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

EXAMINATION SESSION : December 2007
TUTORS : Mrs. F. Beerom-Henry
PROGRAMME CODE : 3BS-AOA-AD
PROGRAMME TITLE : Applied Arts Office Administration
COURSE CODE : ACC102
CORSE TITLE : Financial Accounting II
CLASS (ES) : Year II
DATE : Wednesday December 12, 2007
COMMENCEMENT TIME : 1:00 p.m.
DURATION : 3 hours
INVIGILATOR(S) : Mr. M. Rence, Ms. L. Phillips
ROOM : Cehi-1H-02

#A28



INSTRUCTIONS

CANDIDATES ARE REQUIRED TO WRITE **ID# ONLY** ON EXAMINATIONS SCRIPTS.

- Read all questions and instructions carefully.
- This examination contains two (2) sections

Section I – Compulsory

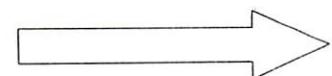
There are (2) questions in this section. Candidates are required to answer both questions.

Section II – Optional

There are five (5) questions in this section. Candidates are required to answer any three (3) complete questions.

- Begin each question on a new foolscap page.
- Borrowing or lending is **prohibited**.
- **All cell phones must be turned off and placed in bags at front of room.**
- **Remove all calculator covers and place in bags at front of room.**

GO TO NEXT PAGE



Instruction: Answer Question 1 and any other three (3) complete questions.

Question 1

The following details relate to the Balance Sheets of Delphi Ltd for the year ended December 31:

	<u>2007</u>		<u>2008</u>	
	\$	\$	\$	\$
Fixed Assets (cost)		8,125		8,245
<i>less</i> depreciation to date		<u>3,035</u>	5,090	<u>2,655</u>
				5,590
<u>Current assets</u>				
Inventory		4,085		6,880
Accounts Receivable	2,020		2,512	
<i>less</i> Prov. For bad debts	<u>80</u>	1,940	<u>142</u>	2,370
Bank		500		-
Cash		<u>4,010</u>		<u>1,585</u>
		10,535		10,835
<u>Current liabilities</u>				
Bank overdraft	-		1,365	
Dividends payable	2,000		2,035	
Taxation payable	1,990		1,200	
Accounts payable	<u>1,135</u>	<u>5,125</u>	<u>720</u>	<u>5,320</u>
		10,500		11,105
10% Loan notes		<u>1,500</u>		<u>0</u>
		<u>9,000</u>		<u>11,105</u>
<u>Financed by</u>				
Ordinary shares		5,000		6,750
General Reserve		1,875		2,875
Retained Earnings		<u>2,125</u>		<u>1,480</u>
		<u>9,000</u>		<u>11,105</u>

Additional notes:

- Fixed assets costing \$1,000 which were depreciated \$700 were sold for \$150 during the year 2008.
- Corporation taxes - \$1,035.
- Distributions: Proposed dividend - \$1,500; Transfers to general reserves - \$1,000.

Required:

Prepare the **Statement of Cash Flow** in good style for the year ended December 31, 2008.

[25 marks]

Continued.....

Question 2

Ed, Edd and Eddy were in partnership sharing profits and losses in the ratio 2:1:2. The Balance Sheet for the partnership at December 31, 2008 was as follows.

**Balance Sheet
as at December 31, 2008**

	\$	\$	\$
<u>Fixed Assets</u>			
Machinery ✓			12 000
Motor Van ✓			<u>1 900</u>
			13 900
<u>Current Assets</u>			
Bank		800	
Accounts Receivable		3 150	
Inventory		<u>4 350</u>	
		8 300	
<u>Current Liabilities</u>			
Accounts Payable	3 000		
Loan	<u>1 550</u>	<u>4 550</u>	<u>3 750</u>
			<u>17 650</u>
<u>Financed by</u>			
Capital: Ed		8 750	
Edd		3 500	
Eddy		<u>5 400</u>	<u>17 650</u>

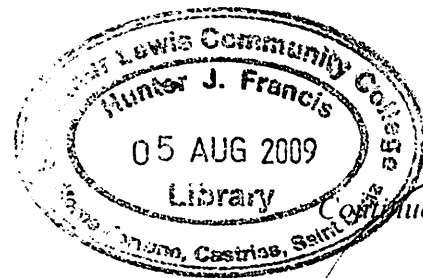
The partners agreed to dissolve the partnership on December 31, 2008. The loan plus 10% interest outstanding was repaid; the creditors were paid \$2,825 in full and final settlement. Dissolution costs were \$200. Eddy took over one of the motor vans at an agreed valuation of \$650 and the remaining assets realised the following amounts.

	\$
Machinery	5 525
Motor Vans	1 075
Inventory	2 050
Accounts Receivable	1 400

Required:

Prepare the following ledger accounts for the dissolution of the partnership:

- a) **Realisation** account.
- b) **Partners' Capital** account in columnar form
- c) **Bank** account.



[15 marks]

Question 3

The following is a Trial Balance for Fugs Ltd as at 31 May 2008:

	\$	\$
Share Capital: Authorized and Issued		200 000
Inventory at 31 May 2007	102 994	
Accounts receivable	227 219	
Accounts payable		54 818
6% Loan Notes		40 000
Fixed assets replacement reserve		30 000
General Reserve		15 000
Profit and Loss A/C as at 31 May 2007		12 411
Loan Notes interest	1 600	
Equipment at cost	225 000	
Motor vehicles at cost	57 200	
Bank	4 973	
Cash	62	
Sales		880 426
Purchases	419 211	
Returns Inwards	18 400	
Carriage Inwards	1 452	
Wages and salaries	123 289	
Rent, Business rates and Insurance	16 240	
Discounts allowed	3 415	
Directors' remuneration	82 400	
Provisions for depreciation:		
Equipment		32 600
Motor vehicles		18 200
	-----	-----
	1 283 455	1 283 455
	=====	=====

Additional information

- i) Inventory at 31 May 2008 - \$111 317.
- ii) The share capital consisted of 80 000 ordinary shares of \$1.50 each and 40 000 10% preference shares of \$2 each. The dividend on the preference shares was proposed to be paid as well as a dividend of 15% on the ordinary shares.
- iii) Accrued Expenses: Rent - \$1 000; Directors' remuneration - \$8 000 and Loan notes interest.
- iv) Corporation taxes – 30%. (Round to nearest whole number if necessary)
- v) Depreciation: Equipment 20% reducing balance method; Motor Vehicles 25% on cost.
- vi) Transfer to reserves: General \$15 600; Fixed asset replacement reserve \$12 000

Required:

Prepare the **Income Statement** and a **Statement of Changes in Equity** for Fugs Ltd for year ended May 31 2008.

[15 marks]



Question 4

(A) Study the following document.

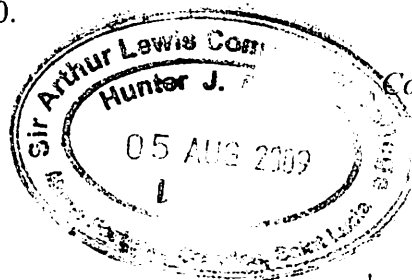
Hackett Distributors	
Midland, Florida	
-----****-----	
ACCOUNT SALES	
April 30, 2008	
Caribelle Designs	
Dennery	
St Lucia	
	\$
Sale of Souvenirs sent on consignment	2 325
Less Expenses:	
Duty	210
Carriage	180
Insurance	40
Commission (del credere)	<u>150</u>
Amount remitted as per Draft	<u>580</u> <u>1 745</u>

Required:

- a) If the cost of the souvenirs sent was \$1 500, what was the profit or loss on this consignment? (2 marks)
- b) Prepare the journal entry to record the cost of the souvenirs sent. (2 marks)
- c) In the event that bad debts are incurred on this consignment, who is duly responsible for this expense? (1 mark)
[5 marks]

(B) Avian, Tamara and Tina entered into a joint venture dealing in ladies lingerie sharing profits and losses 3:2:1. The following transactions took place over the duration of the joint venture.

- 2008
- Aug 1 Tamara rented a shop paying rent of \$150.
 - 3 Avian bought motor van for \$2 700.
 - 4 Avian bought lingerie for \$650.



Continued

Question 4 (B) cont'd

Aug	14	Tina received cash from sale of lingerie \$3 790.
	27	Tamara bought lingerie for \$1 200.
Sept	10	Motor van broke down; Tina agreed to use her brother's van for the job, until cessation of the joint venture, at an agreed charge of \$400.
	15	Motor van bought on August 3 was sold for \$2 100. Proceeds were kept by Tamara.
	15	Sale of lingerie, cash being kept by Avian \$780.
	18	Electricity bill for shop paid by Tina \$120.
	27	Tina bought lingerie for \$440.
Oct	7	Miscellaneous expenses of shop paid for \$800, Tina and Tamara paying half each.
Oct	21	Lingerie sold by Tina \$990, proceeds being kept by her.
	31	Joint venture ended. The lingerie still in stock was taken over at an agreed valuation of \$2 100 by Tamara. Parties settled outstanding balances.

Required:

The **Joint Venture** accounts in the books of each of the three parties. Show in full the workings needed to arrive at the profit or loss on the venture.

[10 marks]

[Total 15 marks]

Question 5

The following is the Receipts and Payments account of the Celtics Sports Club for the year ended April 30, 2009.

Celtics Sports Club Receipts & Payments A/c for the year ended April 30, 2009			
	\$		\$
Bal b/d	420	Administrative expenses	326
Sale of raffle tickets	874	Rent	2 804
Subscriptions	3 974	Games equipment	2 550
Donations	354	Donations to charities	70
Collections at matches	1 000	Prizes for competitions	540
Bal c/d	26	Miscellaneous expenses	358
	-----		-----
	6 648		6 648
	=====		=====

Continued



Question 5 cont'd

Additional information as at April 30:

	<u>2008</u>	<u>2009</u>
i) Games equipment (original cost \$2 840)	\$1 950	\$1 560
ii) Subscriptions in arrears	130	170
iii) Subscriptions paid in advance	20	74
iv) Owing to suppliers of competition prizes	208	212

Required:

Prepare an **Income and Expenditure** account for the Celtics Sports Club for the year ended April 30, 2009 and a **Balance Sheet** as at this date.

[15 marks]

Question 6

(A) The following information was obtained for Parkee's Traders' for the year ended 31 December 2008.

	\$
Sales: Cash	20 000
Credit	100 000
Inventory at 31 December 2007	22 500
Inventory at 31 December 2008	17 500
Purchases: Credit	91 000
Expenses: Depreciation	3 000
Miscellaneous	6 000
Fixed Assets (NBV)	14 000
Accounts Receivable	20 000
Bank	2 500
Accounts Payable	10 000
Capital at December 31, 2007	36 000
Drawings	7 000
Capital at December 31, 2008	44 000

Continued

Question 6 (A) cont'd

Required:

Compute the following ratios for Parkee's Traders.

- a) Margin.
- b) Mark-up.
- c) Return on Capital employed. (*Use average capital*)
- d) Quick Ratio.
- e) Accounts receivable to sales in days.

[7 marks]

- (B) The following information relates to the retail shop of Mr. Tee, who does not keep a complete set of books:

	<u>Jan. 1 2008</u>	<u>Dec. 31, 2008</u>
	\$	\$
Truck	65 000	58 500
Accounts Receivable	13 750	19 950
Accounts Payable	5 000	4 250
Cash	1 600	6 000
Bank	1 000 O/D	4 000
Inventory	7 250	6 000

Additional information

- No record of his sales had been made but, \$24 000 had been received from persons to whom goods had been sold -: \$15 000 by cheque and \$9 000 in cash.
- Amount paid to suppliers during the year was \$14 250 -: \$10 000 by cheque and \$4 250 in cash.
- Mr Tee was uncertain as to the amount of his cash drawings.

Required:

Compute Mr Tee's **Sales, Purchases, Drawings** and **Net profit or Loss** for the year.

[8 marks]
[Total 15 marks]

END OF EXAMINATION