

SIR ARTHUR LEWIS COMMUNITY COLLEGE
Division of Technical Education and Management Studies

IDIES

EXAMINATION SESSION : December 2008, Final Examinations

TUTORS : Ms U Joseph, Ms E M J Louisy, Mrs L Ollivierre

PROGRAMME CODE : 3BS-ABA-AD

PROGRAMME TITLE : Associate Degree – Business Administration

COURSE CODE : **ACC101** #A33

COURSE TITLE : **FINANCIAL ACCOUNTING I**

CLASSES : Year 1

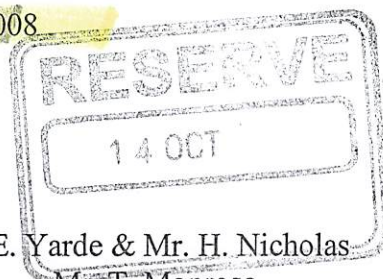
DATE : **Tuesday 9th December, 2008**

TIME : 9:00 a.m.

DURATION : 3 ½ hours

INVIGILATORS : Ms. L. Phillips Mr. S. E. Yarde & Mr. H. Nicholas
 Ms. F. Paul Mr. T. Monroe
 Mr. R. John Baptiste Ms. E. Louisy
 Ms. S. Meliat Mrs. A. Spurway
 Ms. B. Dwarikasingh Mr. C. Alexander
 Ms. N. Mathurin Mr. P. Jn Francois

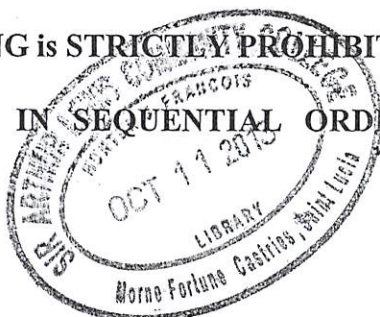
ROOMS : CEHI-1H-02, CEHI-1R-01, OTW-1R-03,
 HOS-1R-01, HOS-9R-01, HOS-9R-02

**INSTRUCTIONS:**

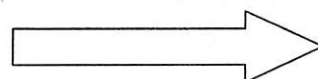
1. CANDIDATES ARE REQUIRED TO WRITE ONLY ID# ON EXAMINATION SCRIPTS. NO NAMES ARE REQUIRED.
2. This paper contains **TWO (2) SECTIONS**;

SECTION I : **Thirty (30)** Multiple Choice items. Choose the letter [A], [B], [C], or [D] which carries the **best** response and **shade** it on the Answer Sheet provided.

SECTION II Part A : Question 1 – Compulsory question..
Part B : Six (6) questions are given. Candidates are required to answer *any THREE (3)*.
3. Use of **silent calculators** is permitted, **no cell phones** calculators are allowed.
4. **Remove all calculator covers** and store in bags at front of room.
5. **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.
6. **LENDING or BORROWING is STRICTLY PROHIBITED.**
7. **ARRANGE QUESTIONS IN SEQUENTIAL ORDER BEFORE SUBMITTING TO INVIGILATOR.**



GO TO NEXT PAGE



MULTIPLE CHOICE

Instructions: On the answer sheet provided **shade** the letter [A], [B], [C], or [D] which carries the **best** response.

1. The following bank account has

Bank																																																					
<table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: right;">2008</td><td></td><td></td><td></td></tr> <tr><td style="text-align: right;">Nov 1 Capital</td><td style="text-align: right;">700</td><td></td><td></td></tr> <tr><td colspan="4"> </td></tr> <tr><td style="text-align: right;">12 Cash</td><td style="text-align: right;">250</td><td></td><td></td></tr> <tr><td style="text-align: right;">30 Bal c/d</td><td style="text-align: right;"><u>100</u></td><td></td><td></td></tr> <tr><td></td><td style="text-align: right;"><u>1 050</u></td><td></td><td></td></tr> </table>	2008				Nov 1 Capital	700							12 Cash	250			30 Bal c/d	<u>100</u>				<u>1 050</u>			<table style="width: 100%; border-collapse: collapse;"> <tr><td style="text-align: left;">2008</td><td></td><td></td><td></td></tr> <tr><td style="text-align: left;">Nov 5 Fixtures</td><td></td><td style="text-align: right;">600</td><td></td></tr> <tr><td style="text-align: left;">7 Rent</td><td></td><td style="text-align: right;">200</td><td></td></tr> <tr><td style="text-align: left;">10 Stamps</td><td></td><td style="text-align: right;">50</td><td></td></tr> <tr><td colspan="4"> </td></tr> <tr><td style="text-align: left;">21 Purchases</td><td></td><td style="text-align: right;"><u>200</u></td><td></td></tr> <tr><td></td><td></td><td style="text-align: right;"><u>1 050</u></td><td></td></tr> </table>	2008				Nov 5 Fixtures		600		7 Rent		200		10 Stamps		50						21 Purchases		<u>200</u>				<u>1 050</u>	
2008																																																					
Nov 1 Capital	700																																																				
12 Cash	250																																																				
30 Bal c/d	<u>100</u>																																																				
	<u>1 050</u>																																																				
2008																																																					
Nov 5 Fixtures		600																																																			
7 Rent		200																																																			
10 Stamps		50																																																			
21 Purchases		<u>200</u>																																																			
		<u>1 050</u>																																																			

- (a) a debit balance (c) no balance
 (b) a credit balance (d) not been completed
2. Calculate the amount of capital from the following information:
- | | |
|----------------|----------|
| Fixed Assets | \$19,500 |
| Current Assets | \$10,000 |
| Liabilities | \$15,920 |
- (a) \$ 17,710 (c) \$13,580
 (b) \$ 35,420 (d) \$16,420
3. A statement that gives the financial position of a business as at a specific date is a:
- (a) Trial balance
 (b) Balance sheet
 (c) Trading and Profit & Loss A/c
 (d) Bank Reconciliation Statement
4. Which of the following would be recorded as 'Purchases'?
- (a) Purchase of office fixtures (c) Purchase of goods on credit
 (b) Purchase of stationery (d) All of the above
5. All of the following are external users of accounting information except
- (a) creditors (c) government
 (b) shareholders (d) management
6. The account which discloses the Gross Loss of a business is called the
- (A) Profit and Loss Account
 (B) Appropriation Account
 (C) Trading Account
 (D) Cash Account

Questions 7 and 8 refer to the following information:

Extract from Trading Account of S. Coe

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

- (a) \$24,000
 (b) \$6,000
 (c) \$30,000
 (d) \$9,000
7. What is the value of Cost of Goods Available for Sale?
8. What is the value of Closing Stock?
9. A machine costs \$20,000. It has an expected life of eight years and has an estimated residual value of \$500. Using the straight line method, calculate the depreciation charge per annum.
- (a) \$19,500.40 (c) \$19,500
 (b) \$ 2,437.50 (d) \$ 2,500
10. Working Capital is a term meaning
- (a) The amount of capital invested by the proprietor
 (b) The excess of the current assets over the current liabilities
 (c) The capital less drawings
 (d) The total of Fixed Assets – Current Assets
11. The Partnership Act states that if there is no partnership agreement then profits and losses are to be shared
- (a) as per partners' wishes (c) in proportion to capital
 (b) equally (d) in proportion to drawings
12. 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 discount 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

Questions 13 and 14 are based on the following information.

- Jan. 1, 2008 - Provision for Bad Debts A/c, \$400
 Jan. - Dec. 2008 - Bad Debts written off, \$380
 Dec. 31, 2008 - Remaining Debtors were valued at \$10,000
 Dec. 31, 2008 - Adjust Provision for Bad Debts to 5% of debtors

13. What is the **total** amount for Bad Debts and Provision for Bad Debts **combined**, that should be included in the Profit and Loss Account?

- (A) \$100 (c) \$480
 (B) \$380 (d) \$780

14. What is the amount of the new provision at Dec 31, 2008?

- (A) \$480 (c) \$100
 (B) \$500 (d) \$400

15.

Purchases Account	Drawings Account
Drawings 66	Purchases 66

The above entries were made in the Ledger because

- (A) the business bought goods from the owner
 (B) the owner took goods from the business for his personal use
 (C) the business sold goods to the owner for his personal use
 (D) the owner sold goods to the business
16. If the depreciation on a fixed asset is calculated by reference to the reducing balance method
- (A) then, in relation to that particular fixed asset, there will be an equal depreciation charge in the profit and loss account of each year during the life of the asset.
 (B) the depreciation charge in the Profit and Loss Account in respect of that asset will decrease each year over the life of the asset.
 (c) the depreciation charge in the Profit and Loss Account relating to that asset will be greater in the later years of the life of the asset than in the earlier years.
 (d) none of the above
17. The general ledger is
- (a) a 'book' of original entry
 (b) a 'book' in which transactions are first recorded
 (c) a 'book' from which the trial balance is extracted
 (d) none of the above
18. Which of the following do **not** affect trial balance agreement?
- (i) Sales \$105 to A Henry, entered in P Henry's account
 (ii) Cheque payment of \$134 for Motor Expenses, entered only in the Cash Book
 (iii) Purchases \$440 from C Browne, entered in both accounts as \$404
 (iv) Wages account added up incorrectly, being totaled \$10 too much
- (a) (i) and (iv) only
 (b) (i) and (iii) only
 (c) (ii) and (iii) only
 (d) (iii) and iv) only

19. The Profit and Loss Account showed telephone \$4,000 and the Balance sheet showed Telephone paid in advance \$500. The actual amount paid for telephone expenses during the year was
- (a) \$4,000 (c) \$4,500
 (b) \$3,500 (d) \$3,000
20. The balance in the Purchases Ledger Control Account in the General Ledger is
- (a) the total credit purchases (c) the total of the debtors
 (b) the total credit sales (d) the total of the creditors
21. Control accounts are kept so as to assist management in
- (a) controlling expenditure (c) increasing profits
 (b) locating errors (d) controlling drawings
22. The journal entry to write off an amount as a bad debt is
- (a) Dr Debtors, Cr Bad Debts
 (b) Dr Bad Debts, Cr Debtors
 (c) Dr Profit & Loss A/c, Cr Debtors
 (d) Dr Debtors, Cr Profit & Loss A/c

ROGERS
 BALANCE SHEET
 AS AT DECEMBER 31, 2008

	\$		\$		\$
Land & buildings	9,000	Capital	15,000		
Motor Van	5,000	Net profit	9,600		
Fixtures & fittings	600		-----		
Stock	450		24,600		
Debtors	950	Less Drawings	500		
Bank	12,000		-----		24,100
Cash	300	Creditors			4,200
	-----				-----
	28,300				28,300
	=====				=====

23. The working capital is
- (a) \$500 (c) \$9,500
 (b) \$12,950 (d) \$5,000
24. A loan given to the firm by the bank will, in the firm's books, be classified as:
- (a) capital (b) a liability (c) a fixed asset (d) a current asset
25. Which of the following is not an asset?
- (a) Buildings
 (b) Cash Balance
 (c) Debtors
 (d) Loan from K. Harris

26. When balancing the Cash Book, a credit balance on the Cash Account would indicate:
- (a) The amount of cash remaining in the business at month end
 - (b) That the Cash Account has been overdrawn
 - (c) That an error must have been made
 - (d) That we ought to make a transfer of some funds to our bank account
27. Which of the following should **not** be called 'Sales'?
- (a) Office fixtures sold
 - (b) Goods sold on credit
 - (c) Goods sold for cash
 - (d) Sale of item previously included in 'Purchases'.
28. Which of the following is correct?
- (a) Profit does not alter capital
 - (b) Profit reduces capital
 - (c) Capital can only come from profit
 - (d) Profit increases capital
29. Given opening debtors of \$14,900, Credit Sales \$74,000, receipts from debtors \$51,400, the closing debtors should total
- (a) \$88,900
 - (b) \$22,600
 - (c) \$37,500
 - (d) \$51,400
30. Given opening capital of \$21,400, closing capital as \$15,950, and drawings were \$2,500, then
- (a) Loss for the year was \$5,450
 - (b) Profit for the year was \$3,000
 - (c) Loss for the year was \$2,950
 - (d) Profit for the year was \$5,500

END OF MC EXAMINATION

SECTION II Part A – EXTENDED RESPONSE: This section comprises *two parts*:

Part A is **Compulsory**.

Part B offers six (6) questions – choose **any three**.

THE FOLLOWING QUESTION IS COMPULSORY

1. *Taylor and Morris* are partners in a firm sharing profits and losses in the ratio of 3:2. The following Trial Balance was extracted as at December 31, 2008:

	<u>DR</u>	<u>CR</u>
Purchases & Sales	107,900	240,405
Returns In & Out.....	2,500	1,250
Carriage Int	600	
Commission Received		10,000
Mortgage.....		51,000
Discount Received		6,150
Discount Allowed	3,300	
Wages and Salaries	90,250	
Insurance.....	52,800	
Electricity.....	44,200	
Carriage Outwards	8,900	
Miscellaneous Expenses	4,140	
Debtors.....	166,500	
Provision for Bad Debts @ Jan. 1, 2008.....		8,325
Stock @ January 1, 2008	1,700	
Bank		3,600
Cash.....	35,000	
Furniture & Fittings	220,000	
Office Equipment.....	104,000	
Provision for Depreciation @ Jan. 1, 2008:		
- Furniture & Fittings.....		33,000
- Office Equipment		31,200
Creditors.....		72,370
Loan to Business by Browne		50,000
Capital		
- Taylor		250,000
- Morris		100,000
Current		
- Taylor	5,650	
- Morris		1,140
Drawings		
- Taylor	7,200	
- Morris	3,800	
	<u>\$858,440</u>	<u>\$858,440</u>

The following information was also available at December 31, 2008:

- (i) Stock at December 31, 2008 - \$90,000.
- (ii) Commissions received in advance at December 31, 2008 were \$2,600.
- (iii) Insurance premium of \$4,500 was accrued at December 31, 2008.
- (iv) Office Equipment depreciated by 10 percent using the straight line method and Furniture & Fittings are depreciated by 5 percent on the reducing balance.
- (v) Both Wages & Salaries and Electricity included a pre-payment as follows;
Electricity - \$12,200 and Salaries - \$16,000
- (vi) The Bad Debts Provision is to be 3% of Debtors.
- (vii) Browne is to receive interest on the loan at a rate of 2% per annum.
- (viii) Taylor is to be paid a salary of \$14,000 per annum for work done.
- (ix) Interest on Drawings is to be paid by the partners at a rate of 10% per year.
- (x) The partners are to receive Interest on Capital of 1% annually.

- REQUIRED:**
- (a) Prepare the **Trading, Profit & Loss, Appropriation Accounts** for *Taylor and Morris* for the year ended December 31, 2008. **(12 marks)**
 - (b) Show the **Partners' Current Accounts**, in columnar style. **(4 marks)**
 - (c) Prepare the **Balance Sheet** as at December 31, 2008. **(9 marks)**
- [Total 25 Marks]**

SECTION II Part B – OPTIONAL: ANSWER ANY THREE (3) QUESTIONS.

2. *Sugar and Spice Ltd* is a confectionery business that sells cakes, patties and other pastries. The balances at the year ending December 31, 2007 were as follows:

	Cakes	Patties	Pastries
Sales	\$9,750	\$6,500	\$6,800
Wages.....	650	488	600
Purchases.....	7,670	5,330	5,600
Opening Stock.....	162	130	128
Closing Stock.....	196	98	120

RELATED INFORMATION:

Floor Area	1,600 sq ft	4,800 sq ft	1,600 sq ft
Number of Employees	4	6	10

OTHER RELATED INFORMATION:

Cake Delivery Wages	\$98
Electricity	78
Sundry Expenses.....	40
Maintenance	30
Insurance.....	72
Telephone.....	54
Water Rates.....	66
Salaries	240
Other Expenses	90

NOTES:

- (a) *Electricity, Water and Insurance* are to be allocated on the basis of floor area occupied.
- (b) *Salaries and Telephone* are to be allocated on the basis of number of employees.
- (c) *Sundry Expenses and Maintenance* are to be allocated on the basis of the dollar sales.
- (d) Other Expenses are shared equally.

REQUIRED: Draw up *Sugar and Spice Ltd's* Departmental Trading and Profit and Loss Accounts for the year ended December 31, 2007. [Round off all figures to the nearest whole number.]

[15 marks]

3. The following are the **Cash Book** and **Bank Statement** of *Auto Accessories Inc* for the month of May, 2008:

Cash Book					
2008		2008			
May 1	Balance B/d	1,282.40	May 7	M L Walter	442.50
8	G James	105.30	13	LUCELEC	225.33
15	Sales	486.32	18	T Pamphile	108.45
22	Sales	742.55	23	T Morgan	241.33
27	A Celie	45.60	26	B'DOS MUTUAL	896.35
29	V Berthier	38.35	30	T Son	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>
2008					
June 1	Balance B/d	1,538.36			

Bank Statement				
Date	Details	Debit	Credit	Balance
2008				
May 1	Balance B/F			1,282.40 CR
10	Cheque (G James)		105.30	1,387.70
12	M L Walter	442.50		945.20
16	Sundries.....		486.32	1,431.52
22	T Pamphile	108.45		1,323.07
23	Sundries.....		742.55	2,065.62
24	Credit Transfer: J Alexander		245.00	2,310.62
25	T Morgan	241.33		2,069.29
28	Dividends Received		660.00	2,729.29
29	Cheque (A Celie).....		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 as at June 1, 2008. (13 marks)

- (B) Beginning with the updated Cash Book Balance, prepare the **Bank Reconciliation Statement** for *Auto Accessories Inc* as at June 1, 2008.

(12 marks)

[Total 15 marks]

4. (A) Why must a Trial Balance always be in balance? (1 mark)
- (B) What are some of the errors that would prevent the Trial Balance columns from being in agreement? (2 marks)

- (C) The following balances were taken from the books of *S & S Operators* at the beginning and end of 2007:

	<u>Jan 1, 2007</u>	<u>Dec. 31, 2007</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:

- (i) Calculate the Capital on January 1, 2007 and on December 31, 2007. (2 mks)
- (ii) What was the Net Profit or Net Loss for the year? (2 mks)
- (iii) What was the value of Fixed Assets on December 31, 2007? (1 mk)
- (iv) In what sub-section of the Balance Sheet should the Stock on December 31, 2007 be placed? (1 mk)
- (v) Which item is a short-term liability? (1 mk)
- (vi) Calculate the Working Capital on January 1, 2007. (1 mk)
- (vii) Arrange items 1, 2, 4, 6 and 8 in Order of Liquidity. (1 mk)
- (viii) What term describes the reduction in the value of machinery? (1 mk)
- (ix) How much money is owing to the firm on December 31, 2007? (1 mk)
- (x) What term is used to describe the business if it CAN pay its liabilities? (1 mk)

(12 marks)

[Total 15 marks]

5. **D Hunter** keeps separate Sales and Purchases Ledgers. The following data relate to his Debtors and Creditors:

2008		\$
September 1	Balance of Purchases Ledger Control A/c	4,140
	Balance of Sales Ledger Control A/c	2,670
30	Sales for the month	2,890
	Receipts from Debtors	2,405
	Discounts Allowed	125
	Purchases for the month.....	3,960
	Sales Returns.....	65
	Payments to Creditors	3,920
	Discounts Received	95
	Purchases Returns	145
	Transfer of debit balance from Purchases Ledger to Sales Ledger	120

REQUIRED:

- (A) Prepare the **Sales Ledger Control A/c** for the month. (7 marks)
- (B) Prepare the **Purchases Ledger Control A/c** for the month. (8 marks)
- [Total 15 marks]**

6. Enter the following transactions in a **Three-Column Cash Book**. Balance off the Cash Book at November 30, 2008 and write up the **Discounts Accounts** in the General Ledger. *[Round off all numbers to the nearest whole number.]*

2008

- Nov 1 Balances brought down: Cash \$2,186; Bank \$97.
- 3 The following paid their accounts by cheque, in each case deducting 2 ½ % cash discount: H Red \$1,000; C White \$280; P Pink \$180; O Green \$600.
- 7 Banked cash, \$134.
- 7 Paid rent by cheque \$88.
- 12 We paid the following accounts by cheque, in each case deducting 5% cash discount: J Happy \$400; H Sad \$640; D Glad \$200.
- 13 You, the proprietor, took \$250 cash for personal use.
- 19 Cash sales \$206.
- 19 Paid wages by cheque \$250.
- 22 Bought fixtures by cheque \$8,000.
- 23 Sold motor van receiving cash \$7,100.
- 24 Paid the following accounts by cash: L Luke \$117, less \$16 cash discount;
S Mark \$206, less \$18 cash discount.
- 27 Paid telephone \$169 by cheque.
- 30 Bought Stationery paying \$60 by cash.

[15 marks]

7. 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 Thomas's account by cheque after receiving a 5% discount.
 “ 31 The owner took \$9,000 cash for her personal use.

REQUIRED:

- (A) Use the above transactions to complete the necessary **Journals** for *The French Shop*.
 (Complete the Document Number column appropriately.) (10 marks)
- (B) **Total and rule** all journals approximately at the end of the month. (5 marks)

[Total 15 marks]

END OF EXAMINATION