

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

**EXAMINATION** : December 2009 Final Examination

**TUTORS** : Ms. U. Joseph, Ms. E. Louisy, Mrs. L. Olliviere  
Mr. S. Auguste, Mr. N. Goolaman

**PROGRAMME CODE(S)** : 3BS-ABA-AD

**PROGRAMME TITLES** : Applied Arts – Business Administration

**COURSE TITLE** : Introduction to Financial Accounting

**COURSE CODE** : ACC 101

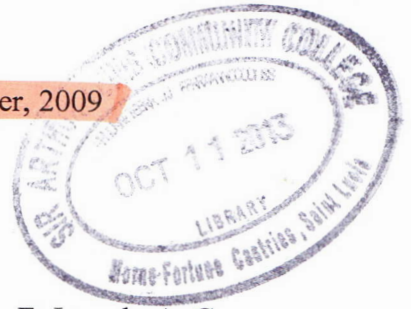
**DATE** : Thursday 17<sup>th</sup> December, 2009

**COMMENCEMENT TIME** : 9:00 a.m.

**DURATON** : Three (3)hrs

**INVIGILATOR(S)** : M L Catty, G. Severin, F. Joseph, A. Carrazana  
F. Beerom-Henry, L. Sargusingh-Terrance  
F. Paul, P. Jn. Francois  
L. Joseph, K. Depradine, C. Gedeon  
L. Phillips, P. Erlinger – Forde  
J. Mathurin, A. Reid-George

**ROOM(S)** : CEHI-1R-02, CEHI-1R-03, CEHI-1R-04  
CEHI-0R-01, OTW-1R-08, OTW-1R-03



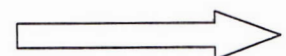
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**INSTRUCTIONS**

- Candidates are to read all instructions and questions carefully.
- This paper carries **Two (2)** sections.
  - **Section I – Compulsory question worth 40 marks total.**
  - **Section II – Optional questions.**  
Candidates are required to answer **any three** questions from this section. **Each question is worth 20 marks.**
- Candidates are provided with necessary **accounts forms**.
- Begin **each response** on a **FRESH SHEET OF PAPER**
- At end of examination candidates are to **arrange their answers in chronological order** before submitting them to the invigilator.
- Use of silent electronic calculators is permitted.
- **Borrowing or lending is STRICTLY PROHIBITED.**

**DO NOT TURN THIS PAGE UNLESS YOU ARE INSTRUCTED TO DO SO**



**SECTION I – COMPULSORY QUESTION**

**INSTRUCTIONS:** All candidates are required to complete this question.

**Question 1**

Lucas, Mark and John share profits and Losses in the ratio 5:3:2. The following represents their Trial Balance on December 31, 2008:

	\$	\$
Purchases and Sales .....	200,620	303,868
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 .....	140,712	
Stock (Jan 1, 2007) .....	8,904	
Provisions for Bad Debts .....		5,000
Bank Overdraft .....		4,000
Motor Vehicles at cost .....	50,000	
Machinery at cost .....	38,000	
Furniture and Fittings at cost .....	30,000	
Premises at cost .....	120,000	
Provision for Depreciation:		
Motor Vehicles .....		7,500
Machinery .....		2,280
Furniture and Fittings .....		1,200
Debtors and Creditors .....	19,896	19,640
<b>Current Accounts:</b>		
Lucas .....		7,000
Mark .....		9,000
John .....		11,000
<b>Capital Accounts:</b>		
Lucas .....		50,000
Mark .....		125,000
John .....		75,000
<b>Drawings:</b>		
Lucas .....	2,000	
Mark .....	1,000	
John .....	800	
	\$630,498	\$630,498
	=====	=====

**Notes:**

- i) Stock (Dec 31, 2008) - \$3,575
- ii) \$440 was owing for Rates; Insurance owing - \$200
- iii) Prepayments: Taxes \$300; Electricity \$1,000
- iii) Provisions for Bad Debts is to be decreased to \$3,000
- iv) Commissions Received in advance - \$105
- v) 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.
- vi) Interest on Drawings: Lucas-\$200; Mark-\$175; John-\$50
- vii) Each partner is to be paid 10% Interest on Capital
- viii) Salaries are to be paid to Lucas \$3,000 and John \$2,000

**REQUIRED:**

- (A) In vertical style, prepare the **Income Statement, Profit and Loss Appropriation Account** for the year ended December 31, 2008. (20 Marks)
  - (B) In vertical style, prepare:
    - (i) columnar **Current Accounts** of the partners (6 Marks)
    - (ii) classified **Balance Sheet** for the partnership, as at December 31, 2008. (14 Marks)
- [40 MARKS TOTAL]**

**SECTION II – OPTIONAL QUESTIONS**

**INSTRUCTIONS: Answer any Three (3) questions from this section.  
Each question is worth 20 marks.**

**Question 2**

Consider the following transactions for the business of **S. Garner**, a sole trader.

2009

- Nov 1 Cash in hand \$10,900; Cash at bank \$14,880 (Cr).
- 2 Sold goods for cash \$5,000
- 3 Paid motor expenses of \$100 in cash.
- 4 Paid R Modeste \$400 of the amount owed to him by cheque
- 5 A total amount of \$ 1,500 was paid in cash for Insurance; of that amount \$500 was for Garner's personal insurance.
- 6 N Popo, a credit customer, settled an invoice for \$5,200 in cash and received a 15% discount.
- 8 Bought equipment for \$300 paying by cheque
- 11 Bought goods costing \$250 paying cash.
- 14 Cash sales \$2,000. This amount was received by cheque.
- 15 Paid an invoice of \$4,800 to Gaga Ltd by cheque receiving 6% discount.
- 17 Withdrew \$200 from the bank for personal use.
- 18 Took \$600 from the bank for business use.
- 19 Made a cash purchase of \$900 worth of goods.
- 20 Sold furniture for \$385 receiving payment by cheque.
- 21 Paid salaries and wages of \$10,700. \$7,000 of this amount was paid by cheque and the balance in cash.
- 26 Deposited \$560 from the office cash into the business' bank account.
- 27 X Rich paid the \$300 owed to us by cheque. We granted him a 10% discount.
- 28 S Garner invested a further \$1,000 in the business. This amount being deposited in the business' bank account.

**REQUIRED:**

- (A) Write up Garner's **Cash Book** and balance it at the end of the period. (15 marks)
- (B) Explain what is meant by a **contra entry** in the Cash Book (2 marks)
- (C) Name the type of discount being dealt with on the 15<sup>th</sup> and the 27<sup>th</sup> above. (1 mark)
- (D) What is the reason for granting this type of discount identified in (C) above? (2 marks)

**[20 MARKS TOTAL]**

**Question 3**

The following data relates to **S Bonnet** who keeps a Sales-Ledger Control Account and Purchases-Ledger Control Account.

Balances at July 1, 2009:

Sales-Ledger Control Account	\$ 12 000
Purchases-Ledger Control Account	\$ 21 214
	\$
Sales on credit .....	42 000
Receipts from trade debtors .....	24 000
Sales returns .....	1 000
Purchases on credit .....	50 000
Payments to creditors .....	24 900
Discounts Allowed .....	145
Discounts Received .....	3 000
Bad debts .....	1 000
Dishonoured Cheques .....	500
Purchases Returns .....	900
Credit balance remaining on the Sales Ledger .....	300
Debit balance remaining on the Purchases Ledger .....	600

**REQUIRED:**

- (A) Prepare the **Sales Ledger Control Account** for the month of July 2009. **(8 marks)**
- (B) Prepare the **Purchases Ledger Control Account** for the month of July 2009. **(6 marks)**
- (C) List each item above under the **subsidiary book from which the information originates**, for posting to the Control Accounts. **(4 marks)**
- (D) Identify two (2) **uses** of the Sales Ledger Control Account. **(2 marks)**

**[20 MARKS TOTAL]**

**Question 4**

**Francis Variety Store** has separate departments for HOUSEHOLD, CLOTHING, and INTERNET CAFE. The following balances were extracted from its books for the year ended December 31, 2008.

	\$	
Purchases:	Household .....	300,000
	Clothing.....	265,500
	Internet Cafe.....	400,600
Sales:	Household .....	550,000
	Clothing.....	195,000
	Internet Cafe.....	600,000
Stock (1/1/08)	Household .....	9,700
	Clothing.....	11,500
	Internet Cafe.....	7,200
	\$	
Salaries and Wages .....		40,000
Sales Commissions .....		5,000
Rent and Rates .....		60,000
Electricity.....		4,900
Advertising.....		18,200
Delivery Expenses .....		22,600
Depreciation Expense of fixed assets .....		40,500
General Expenses.....		25,100

Addition information:

- Stocks (12/31/08)
 

Household	\$	55,300
Clothing		39,000
Internet Cafe		24,800
  
- Salaries and Wages are to be allocated as follows:
 

Household	45%
Clothing	25%
Internet Cafe	30%
  
- Sales Commissions 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:
 

Household	55%
Clothing	25%
Internet Cafe	20%
  
- 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, 2008.

**[20 MARKS TOTAL]**

**Question 5**

Consider the following information which obtained at the end of September 2009:

	\$
Cash at Bank as per bank column of the Cash Book .....	65,600
Bankings lodged at the bank, but not yet entered on the bank statement:	
T Mark .....	9,800
M Richards.....	10,000
S Paul .....	5,500
Bank charges on the bank statement, but not yet recorded in the cash book.....	350
Dishonoured Cheque deposited, but now returned by the bank .....	150
Unpresented cheques:	
D. Philip .....	550
T. Peter.....	450
Standing order to LIME, entered on bank statement, but not in Cash Book .....	120
Credit transfer from Home Depot Ltd, entered on bank statement, but not yet in cash book .....	498
Dividends earned by the firm, paid directly into the bank account .....	600

**REQUIRED:**

- (A) Draw up a **bank reconciliation statement**, after first writing the **Cash Book** up-to-date, ascertaining (*i.e., to arrive at*) the balance on the Bank Statement as at September 30, 2009. **(10 marks)**
- (B) Explain the following **terms**:
- (i) standing order
  - (ii) credit transfer
  - (iii) unpresented cheque **(6 marks)**
- (C) List or briefly explain **FOUR reasons** which can give rise to a cheque being dishonoured by the bank. **(4 marks)**

**[20 MARKS TOTAL]**

**Question 6**

Consider the following list of balances taken from the Trial Balance of **Jeff Deverant** on October 31, 2009:

	\$
Opening Stock.....	2,500
Purchases.....	9,890
Sales.....	13,250
Returns Inwards.....	355
Returns Outwards.....	500
Carriage Inwards.....	450
Carriage Outwards.....	300
Discounts Received.....	1,283
Telephone.....	290
Water Rates.....	175
Wages.....	833
Insurance.....	240
Closing Stock.....	4,500

**REQUIRED:**

- (A) Prepare the **Closing Entries** in the General Journal. Be sure to include the entries transferring the Gross Profit to the Profit & Loss Account, and the Net Profit to the Mr Deverant's Capital Account. **(10 marks)**
- (B) Prepare the **Trading Account** and the **Profit & Loss Account** in the General Ledger, by posting the Closing Entries prepared above. **(10 marks)**

**[20 MARKS TOTAL]**

**END OF EXAMINATION**