

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

EXAMINATION SESSION : Final , May 2017 (ALTERNATE)

TUTORS : F Clovis; U Joseph; D. Joseph

PROGRAMME CODE : 3BS-ABS-AD & BUS 351

PROGRAMME TITLE : Business Studies – Applied Arts
Business Studies - Diploma

COURSE CODE : ACC 102

COURSE TITLE : Intermediate Financial Accounting

CLASS : Year 1

DATE :

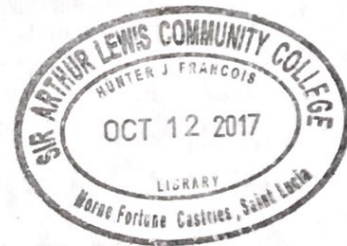
COMMENCEMENT TIME :

DURATION : 2 Hrs.

ROOMS :

INVIGILATORS :

#A65

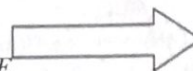


INSTRUCTIONS

CANDIDATES ARE REQUIRED TO WRITE ONLY ID# ON EXAMINATIONS SCRIPTS. NO NAMES ARE REQUIRED.

1. This paper comprises **SIX (6)** questions. **EACH QUESTION IS WORTH TWENTY FIVE (25) MARKS**
2. **ANSWER ANY THREE QUESTIONS**
3. **READ ALL QUESTIONS AND INSTRUCTIONS CAREFULLY**
4. Begin each response on a new foolscap page.
5. Show **ALL** working where necessary.
5. Borrowing or lending is **prohibited**.
6. All cell phones must be turned off and placed in bags at front of room.
7. **Remove all calculator covers and place in bags at front of room.**

GO TO NEXT PAGE



ANSWER ANY THREE QUESTIONS.

EACH QUESTION IS WORTH TWENTY FIVE 25 MARKS

QUESTION ONE

(A) Jackie, Sophia and Vern entered into a joint venture dealing in ladies shoes sharing profits and losses 4:5:3. The following transactions took place over the duration of the joint venture.

2017		
Jan	1	Sophia rented a shop paying rent of \$300 monthly.
	3	Jackie bought motor van for \$5,600.
	4	Sophia bought shoes for \$900.
	14	Vern received cash from sale proceeds of shoes \$8,350.
	27	Vern bought shoes for \$1,200.
Feb	10	Vern paid utilities of \$1 800.
	15	Sophia sold shoes for \$1 000
	15	Sale of shoes, cash being kept by Jackie \$ 1 080.
	18	Electricity bill for shop paid by Vern \$225.
	27	Jackie bought shoes for \$900.
Mar	7	Miscellaneous expenses of shop paid for \$ 1 200, Vern and Sophia paying in the ratio 3:5.
	21	Shoes sold by Vern \$ 2 090, proceeds being kept by her.
	31	Joint venture ended. The shoes still in stock were taken over at an agreed valuation of \$3,410 by Sophia. 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. **[15 marks]**

(B) On May 01, 2016, John Black of New York consigned 13 000 pairs of shoes to Shoes We Sell in St Lucia. The following payments were made by John Black:

Cost of merchandise	\$85,915
Packaging	3 000
Carriage to port	1 900
Insurance	495

Shoes We Sell agreed to a commission of 15 per cent on sales, and paid freight at a rate of \$12 per pair of shoes and port charges of \$5 500.

The agent sold 12 900 pairs of shoes at \$60 and 50 pairs at \$50, the balance remained in stock on July 31, 2016, John Black's accounting year end.

On July 31, 2013 Shoes We Sell forwarded an Account Sales with a sight draft.

REQUIRED:

(a) Prepare in good form, the Account Sales from Shoes we Sell. **(4 marks)**

(b) Prepare the Consignment account, as it would appear in the books of John Black
(6 marks)

QUESTION TWO

On February 1st 2016 Peter Philip, a shopkeeper, had the following balances in his books.

Premises	\$69,600
Inventory	24,750
Vehicles	22,550
Equipment	14,100
Cash	5,950
Accounts Receivable	1,000
Accounts Payable	6,000
Loan	4,000

Peter does not keep proper books of accounts, but his bank statements covering the 12 months from 1 February 2016 to 31 January 2017 were obtained and summarized as follows:

BANK STATEMENT:

Beginning Bank Statement Balance \$1,000

Monies paid into bank:

Owner's Equity	4,000
Sales	48,250
Accounts receivables	9,700

Payments made by cheque:

Drawings	\$ 500
Inventory	35,250
Delivery van	3,100
Vehicle repairs	510
Electricity	470
Wages	2,630
Miscellaneous expenses	480

CASH TRANSACTIONS:

Peter made the following payments by cash:

Miscellaneous expenses	\$204
Drawings (per month)	475

Additional information at 31 January 2017:

- Owing to suppliers for inventory bought on credit - \$3,800
- Amount owed by Accounts Receivables - \$1,675
- Inventory was valued at - \$6,810
- Depreciation for the year:
 - Equipment \$360
 - Vehicles 500

Required: (Show all necessary workings separately)

Prepare the following for the business of Peter Philip.

- Income Statement for the year ended 31 January, 2017. **(12 marks)**
- Statement of Affairs as at 31 January, 2017. **(13 marks)**

[Total 25 marks]

Question 3

Fuller, Neil and March were in partnership sharing profits and losses in the ratio 2:1:2. The Statement of Financial Position for the partnership at December 31st, 2016 was as follows:

Statement of Financial Position as at December 31, 2016

	\$	\$	\$
<u>Fixed Assets</u>			35,000
Property			12,000
Machinery			<u>7,000</u>
Motor Van			54,000
<u>Current Assets</u>			
Inventory		7,000	
Accounts Receivable		3,550	
Bank		<u>9,000</u>	
		19,550	
<u>Less Current Liabilities</u>			
Accounts Payable	6,000		
Loan – Neil	<u>1,550</u>	<u>7,550</u>	<u>12,000</u>
			<u>66,000</u>
Financed by			
Capital:			
Fuller		15,000	
Neil		20,600	
March		<u>30,400</u>	<u>66,000</u>

The partners agreed to dissolve the partnership on December 31, 2016. The loan plus 15% interest outstanding was repaid; the creditors were paid \$5,825 in full and final settlement. Dissolution costs were \$500. March took over one of the Motor Vans at an agreed valuation of \$3,000 and the remaining assets realized the following amounts.

	\$
Property	25,000
Machinery	13,000
Inventory	6,500
Motor Vans	3,400
Accounts Receivable	3,450

Required:

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

- Realisation account [8 marks]
- Partner's Capital account in Columnar form [6.5 marks]
- Bank Account [5.5 marks]
- State and Explain three reasons why a partnership is dissolved [3 marks]

[25 marks]

Question 4

The following are comparative Statement of Financial Positions for Banners Ltd as at March 31

.....

	2015			2016		
	\$	\$	\$	\$	\$	\$
Fixed Assets (Cost)		12,250		14,090		
Less depreciation		<u>6,070</u>	6,180	<u>5,310</u>		8,780
<u>Current Assets</u>						
Inventory		9,170		12,040		
Accounts Receivable	8,040			6,310		
Less Provisions for Bad debts	<u>160</u>	7,880		<u>290</u>	6,020	
Bank		1,000			-	
Cash		<u>7,020</u>		<u>1,880</u>		
		25,070		19,940		
<u>Current Liabilities</u>						
Bank Overdraft	-			270		
Proposed Dividends	4,000			3,000		
Taxation	3,980			1,800		
Creditors	<u>2,270</u>	<u>10,250</u>	<u>14,820</u>	<u>1,440</u>	<u>6,510</u>	<u>13,430</u>
			21,000			22,210
10% Loan Notes			<u>3,000</u>			<u>-</u>
			<u>18,000</u>			<u>22,210</u>
Financed by						
Issued and Paid up Share Capital		10,000				13,500
General Reserve		3,750				5,750
Retained Earnings		<u>4,250</u>				<u>2,960</u>
		<u>18,000</u>				<u>22,210</u>

Additional Notes:

- i. Tax for the year to March 31, 2016 was \$2,070
- ii. Dividend proposed for the year was \$3,000
- iii. A Transfer of \$2,000 was made to General Reserve
- iv. Fixed Assets costing \$2,160 which were 85% depreciated were sold for \$224 during the year ended March 31, 2016.

Required:

Prepare the Statement of Cash Flow in good style showing all workings for the year ended March 31, 2016

[Total 25 Marks]

Question 5

Saleema and Yolanda have been in a partnership running an Igloo Ice Cream Shop for several years. They shared profits and losses in the ratio 3:2 respectively. The following balance sheet reflects their financial position as at 31-March-2017:

<u>Saleema and Yolanda Ice Cream</u>			
<u>Balance Sheet</u>			
<u>As at 31-March-2017</u>			
	\$	\$	\$
Non-Current Assets			
Goodwill		15,000	
Ice Cream Shop Machines		40,000	
Ice Cream Shop Premises		<u>80,000</u>	135,000
<u>Current Assets</u>			
Ice Cream and Snacks Inventory		5,000	
Accounts Receivable		2,000	
Cash at Bank		<u>9,000</u>	
		16,000	
<u>Less: Current Liabilities</u>			
Accounts Payable		<u>3,000</u>	
Working Capital			<u>13,000</u>
Net Assets			<u>148,000</u>
Financed by:			
Current Accounts			
Saleema		10,000	
Yolanda		<u>8,000</u>	18,000
Capital Accounts			
Saleema		78,000	
Yolanda		<u>52,000</u>	<u>130,000</u>
			<u>148,000</u>

On 1-April-2017 they agree to invite Lysandra, who is very experienced in running ice cream shops as a partner. Lysandra is to make a cash contribution equal to that of Saleema. Upon reviewing the assets of the partnership, Saleema and Yolanda agreed that the following assets should be revalued: Ice Cream Shop Machines \$35,000, Ice cream shop premises \$95,000. Goodwill was agreed to be valueless.

REQUIRED:

- | | |
|---|-----------|
| (a) The Goodwill Account | (4 Marks) |
| (b) The Revaluation Account | (5 Marks) |
| (c) Partners Capital and Current Accounts | (7 Marks) |
| (d) The Bank Account | (2 Marks) |
| (e) The Balance Sheet after the admission of Lysandra | (7 Marks) |

[Total 25 Marks]

Question 6

The following is a Trial Balance for Jano's Ltd as at 31 January 2017:

	DR \$	CR \$
Share capital: Issued		250 000
Inventory at 1 February 2016	96 984	
Accounts receivable	200 000	
Accounts payable		50 508
15% Debentures		60 000
Fixed assets replacement reserve		40 200
General Reserve		21 850
Profit and Loss A/C as at 31 January 2016		30 000
Discounts Received		5 637
Debenture interest	6 000	
Equipment at cost	240 000	
Motor vehicles at cost	78 500	
Computers	15 696	
Bank	8 900	
Cash	7 060	
Sales		954 000
Provisions for doubtful debts		1 000
Purchases	540 500	
Returns Inwards	29 990	
Carriage Inwards	550	
Wages and salaries	150 000	
Rent, Business rates and Insurance	25 440	
Discounts allowed	2 415	
Directors' remuneration	75 560	
Provisions for depreciation:		
Equipment		38 000
Motor vehicles		26 400
	<u>1 477 595</u>	<u>1 477 595</u>

ADDITIONAL INFORMATION:

- (I) Inventory \$365 410 at 31 January 2017
- (II) Of the \$ 350 000 authorised share capital, the issued capital consisted of 200 000 ordinary shares of 75p each and 100 000 15% preference shares of \$1 each. The dividend on the preference shares was proposed to be paid as well as a dividend of 8% on the ordinary shares
- (III) Accrued rent: \$900, Directors' remuneration \$1 000
- (IV) Prepaid wages: \$ 1000 ; Insurance \$ 600
- (V) Decrease provisions for doubtful debts to \$710
- (VI) Debenture interest owing

(VII) Depreciation - on cost: equipment 25%; Reducing Balance: Motor Vehicles 30%

(VIII) Transfer to reserves: General \$12 000; Fixed asset replacement reserve \$14 000

Required:

- | | | |
|-------|-------------------------------------|------------|
| (i) | The Income Statement | (10 marks) |
| (ii) | The Statement of Changes in Equity | (5 marks) |
| (iii) | The Statement of Financial Position | (10 marks) |

[Total 25 Marks]