

**SECTION ONE (1)**

**COMPULSAR QUESTION: (40 MARKS)**

✓ James Tryington is in business as a general retailer. On January 1, 2009 his state of affairs was as follows:

Cash, \$400,000. Stock in hand, \$2,500,000. Furniture and fittings, \$800,000. Motor Van, \$750,000. Sundry Debtors: H. Cohen, \$150,000; B. Mighty, \$360,000; C. Strong, \$120,000. Sundry Creditors: D.File, \$180,000; J. Pole, \$220,000.

During the month of January 2009, James Tryington had the following transactions:

Jan. 2 Sold on credit to H. Cohen goods valued at \$220,000.

4 Paid wages \$70,000.

5 Bought on credit from D.File goods valued at \$300,000

8 Sold for cash, goods valued at \$250,000

10 Sold on credit to T.Mohan, goods valued at \$150,000

12 Paid the amount owing to J. Pole

14 Paid carriage \$60,000.

16 Bought goods on credit from K. Lyle for \$380,000.

✓19 B. Mighty paid \$300,000 on account.

20 Paid wages \$100,000

24 Cash sales \$200,000.

26 Paid sundry expenses \$55,000.

27 Bought goods on credit from D. File, \$350,000.

29 Cash sales \$300,000.

✱30 Purchased for cash new office desk, \$45,000.

**Required:**

- (a) Show James Tryington opening Journal entries. (4 marks)
- (b) Open the Ledger Accounts and post the above transactions thereto, through the Journal and Cash Book. (8 marks)
- (c) Balance the accounts and bring down the balances. (3 marks)
- (d) Extract a Trial Balance as on January 31, 2009. (5 marks)

**SECTION TWO (2) ANSWER ANY THREE (3) QUESTIONS.**

**Question 2**

The following Trial Balance was extracted from the books of Evert Julius, a sole trader on December 31, 2008:

| Trial Balance                                     |               |               |
|---|---------------|---------------|
| Accounts  | Dr \$'000     | Cr \$'000     |
| Capital   |               | 4,500         |
| Drawings  | 350           |               |
| Purchases   | 2611          |               |
| Purchases returns                                 |               | 212           |
| ✓ Sales   |               | 7,492         |
| ✓ Sales returns                                   | 91            |               |
| Stock, January 1, 2008                            | 573           |               |
| Salaries E  | 314           |               |
| Wages E   | 1928          |               |
| Leasehold Premises                                | 1250          |               |
| Rent, rates and insurance E                       | 347           |               |
| Carriage inwards                                  | 116           |               |
| Carriage outwards E                               | 162           |               |
| Office expenses E                                 | 476           |               |
| Plant and machinery                               | 1200          |               |
| Provision for bad debts (1 <sup>st</sup> January) |               | 162           |
| Factory fuel E                                    | 398           |               |
| Discounts received                                |               | 59            |
| Discounts allowed <del>exp</del>                  | 50            |               |
| Bills receivable <del>Asset</del>                 | 62            |               |
| Sundry debtors <del>Asset</del>                   | 1948          |               |
| Sundry creditors L                                |               | 849           |
| Cash at bank A                                    | 620           |               |
| Cash in hand A                                    | 110           |               |
| Office furniture FA                               | 175           |               |
| Travelers salaries and commission E               | 493           |               |
|   | <b>13,274</b> | <b>13,274</b> |

In addition to the particulars given above, the following matters must be taken into consideration:

- (a) Depreciation is to be written off as follows: Leasehold premises 5%; Plant and Machinery 10%; Office furniture 5%.
- (b) The provision for bad debts is to be increased to \$200,000.
- (c) The value of the stock as at December 31, 2008 was \$715,000.
- (d) Wages amounting to \$29,000 had accrued due, but had not been paid on closing the books.
- (e) Insurance paid in advance amounted to \$34,000.

**Required:**

- (a) Trading and Profit and Loss accounts for the period ending December 31, 2008. (10 marks)
- (b) A Balance Sheet as at December 31, 2008. (10 marks)

**Question 3**

In October 2008, Alan Gladd received the following statement from his bank:

| DR      |                 |         | Bank Statement |              |         | CR |  |  |
|---------|-----------------|---------|----------------|--------------|---------|----|--|--|
| Date    | Details         | \$      | Date           | Details      | \$      |    |  |  |
| ✓ Oct 3 | R.Loner         | 45,000  | Oct 1          | ✓ bal b/f    | 250,000 |    |  |  |
| ✓ 6     | J. Kelly        | 65,000  | 3              | ✓ C.Wells    | 120,000 |    |  |  |
| ✓ 9     | H. Howard       | 125,000 | 7              | ✓ G.Dale     | 95,000  |    |  |  |
| 10      | Bank charges    | 4,000   | 8              | Interest     | 12,000* |    |  |  |
| ✓ 13    | A.Jones         | 41,000  | 13             | ✓ B. Bartley | 170,000 |    |  |  |
| ✓ 18    | V. Muscles      | 83,000  | 17             | ✓ T.King     | 65,000  |    |  |  |
| ✓ 22    | C.Cole          | 70,000  | 24             | ✓ G. Groute  | 111,000 |    |  |  |
| 23      | Commission      | 2,500   | 25             | Interest     | 8,000*  |    |  |  |
| ✓ 25    | A.Miller        | 30,000  | 26             | ✓ W.Laing    | 74,000  |    |  |  |
| ✓ 29    | Y.Seal          | 40,000  | 29             | ✓ M.Clarke   | 25,000  |    |  |  |
| ✓ 31    | T. Holt         | 15,000  | 31             | ✓ S. Spring  | 35,000  |    |  |  |
| 31      | NSF             | 25,000  |                |              |         |    |  |  |
| 31      | Standing charge | 7,500   |                |              |         |    |  |  |
| 31      | Bal c/d         | 412,000 |                |              |         |    |  |  |
|         |                 | 965,000 |                |              | 965,000 |    |  |  |

Alan Gladd's Cash Book for the month of October 2008 appeared as follows:

| DR    |            |           | Cash Book |              |           | CR |  |  |
|-------|------------|-----------|-----------|--------------|-----------|----|--|--|
| Date  | Details    | \$        | Date      | Details      | \$        |    |  |  |
| Oct 1 | bal b/f    | 250,000   | Oct 2     | ✓ R.Loner    | 45,000    |    |  |  |
| ✓ 2   | C. Wells   | 120,000   | 4         | ✓ J.Jelly    | 65,000    |    |  |  |
| → ✓ 5 | G. Dale    | 75,000    | 7         | ✓ H. Howard  | 125,000   |    |  |  |
| ✓ 9   | K. Verly   | 87,000*   | 9         | F. Daley     | 73,000*   |    |  |  |
| ✓ 12  | B. Bartley | 170,000   | 11        | ✓ A. Jones   | 41,000    |    |  |  |
| ✓ 16  | T. King    | 65,000    | 14        | N. Bones     | 108,000*  |    |  |  |
| 18    | E. Road    | 53,000*   | 17        | ✓ V. Muscles | 83,000    |    |  |  |
| ✓ 22  | G.Groute   | 111,000   | 20        | ✓ C. Cole    | 70,000    |    |  |  |
| ✓ 25  | W.Laing    | 74,000    | 23        | ✓ A.Miller   | 30,000    |    |  |  |
| 27    | P.Singh    | 14,000*   | 26        | L. Brunt     | 17,000*   |    |  |  |
| ✓ 28  | M.Clarke   | 25,000    | 28        | ✓ Y. Seal    | 40,000    |    |  |  |
| 29    | D. Elvis   | 140,000*  | 29        | ✓ T. Holt    | 15,000    |    |  |  |
| ✓ 30  | S. Spring  | 35,000    | 31        | bal c/d      | 507,000*  |    |  |  |
|       |            | 1,219,000 |           |              | 1,219,000 |    |  |  |

Note :(a) A cheque received from G.Dale for \$75,000 and entered in the Cash Book as such, was entered on the Bank Statement as \$95,000.

(b) A standing charge due on October 9,2008, for \$5000 was omitted from the Bank Statement

Required:

(a) Alan Gladd's updated Cash Book. (6 marks)

(b) A Bank Reconciliation Statement. (8 marks)

(c) What are Suspense Accounts? Use an example to illustrate their use. (2 + 2 marks)

(d) State two reasons why the Cash Book and Bank Statement balance will differ. (2 marks)

If balance b/d is on the credit side that

unpresented  
cheque

Unrecorded  
cheques

**Question 4**

The following Balance Sheet and Income Statement represents the summarized trading results of The Patty Palace for the financial years 2004 and 2005:

| Balance Sheet               |         | 2004           |           | 2005             |  |
|-----------------------------|---------|----------------|-----------|------------------|--|
|                             |         | \$             |           | \$               |  |
| <b>Fixed Assets</b>         |         | 500,000        |           | 750,000          |  |
| <b>Current Assets</b>       |         |                |           |                  |  |
| Stock                       | 200,000 |                | 400,000   |                  |  |
| Debtors                     | 100,000 |                | 500,000   |                  |  |
| Cash                        | 50,000  | 350,000        | 75,000    | 975,000          |  |
| <b>Total</b>                |         | <b>850,000</b> |           | <b>1,725,000</b> |  |
| <b>Capital and Reserves</b> |         |                |           |                  |  |
| Ordinary shares             | 600,000 |                | 1,000,000 |                  |  |
| Revenue reserves            | 150,000 | 750,000        | 400,000   | 1,400,000        |  |
| <b>Current Liabilities</b>  |         | 100,000        |           | 325,000          |  |
| <b>Total</b>                |         | <b>850,000</b> |           | <b>1,725,000</b> |  |

**Trading and Profit and Loss Account**

|                    |           |           |      |  |
|--------------------|-----------|-----------|------|--|
|                    | 2004      |           | 2005 |  |
|                    | \$        |           | \$   |  |
| Net sales          | 2,400,000 | 3,600,000 |      |  |
| Cost of sales      | 1,000,000 | 1,500,000 |      |  |
| Gross profit       | 1,400,000 | 2,100,000 |      |  |
| Operating expenses | 600,000   | 900,000   |      |  |
| Net profit         | 800,000   | 1,200,000 |      |  |

Opening Stock at the beginning of 2004 was valued at \$150,000

Required:

(a) Calculate the following accounting ratios for 2004 and 2005:

(i) Current ratio (3 marks)

$\text{Current Asset} / \text{Current Liabilities} = 7:1$

(ii) Liquid ratio. (3 marks)

$\text{Current Asset}$

(iii) Net profit percentage. (2 marks)

$\text{Net Profit} / \text{Sales} \times 100$

(iv) Stock turnover. (2 marks)

$\text{Cost of Sale} \div \text{Average Stock (OS + CS)}$

(v) Return on capital employed. (3 marks)

(vi) Gross profit percentage. (2 marks)

$\text{Gross Profit} \div \text{Sales} \times 100$

(vii) Debtors average collection period. (2 marks)

$\text{Debtor} \div \text{Sales} \times 365$

(b) Comment on the performance of the business by referring to any two of the ratios calculated in part (a). (3 marks)

**Question 5**

Mary, Jane and Barry operate The Cook Shop sharing profits in the ratio 2:1:1 respectively. On December 31,2007 the following Trial Balance was extracted from the books of The Cook Shop:

Trial Balance

| Accounts              | Dr\$      | Cr\$      |
|-----------------------|-----------|-----------|
| Capital: Mary         |           | 200,000   |
| Jane                  |           | 100,000   |
| Barry                 |           | 100,000   |
| Current Account: Mary |           | 80,000    |
| Jane                  | 40,000    |           |
| Barry                 |           | 60,000    |
| Drawings: Mary        | 30,000    |           |
| Jane                  | 25,000    |           |
| Barry                 | 35,000    |           |
| Purchases             | 750,000   |           |
| Sales                 |           | 3,050,000 |
| Premises              | 1,000,000 |           |
| Motor vehicle         | 925,000   |           |
| Salaries              | 80,000    |           |
| Electricity           | 20,000    |           |
| Stationery            | 5,000     |           |
| Stock (01/01/07)      | 150,000   |           |
| Sales returns         | 50,000    |           |
| Insurance             | 30,000    |           |
| Debtors               | 200,000   |           |
| Cash                  | 250,000   |           |
|                       | 3,590,000 | 3,590,000 |

Note:

- (i) Stock at December 31,2007 was valued at \$100,000.
- (ii) Partners are to receive 5% interest on their capital.
- (iii) Interest on drawings is to be charged at 5%.
- (iv) Jane and Barry are to receive salaries of \$100,000 each.
- (v) There was an amount of \$35,000 outstanding for salaries at December 31,2007.
- (vi) \$40,000 was due but unpaid for carriage outwards.
- (vii) Insurance paid in advance amounted to \$10,000.
- (viii) Depreciation is to be charged as follows: Motor vehicle-10% p.a. straight line; Premises-10% p.a. straight line.

Required:

- (a) The partners Trading and Profit and Loss Accounts for the period ending December 31,2007
- (b) The partners Profit and Loss Appropriation Account.
- (c) The partners Capital Account. *Current account*
- (d) A Balance Sheet as December 31,2007.

### Question 6

The following information was taken from the books of Production Services Ltd on December 31, 2007:

|            |  |           |
|------------|--|-----------|
| December 1 | Purchases Ledger Balance                           | 332,472   |
|            | Sales Ledger Balance                               | 552,832   |
|            | Totals for the year:                               |           |
|            | Purchase Journal                                   | 4,327,736 |
|            | Sales Journal                                      | 5,590,536 |
|            | Return outwards Journal                            | 74,144    |
|            | Return inwards Journal                             | 127,568   |
|            | Cheques to suppliers                               | 4,090,800 |
|            | Cash paid to suppliers                             | 2,184     |
|            | Cheques received from customers                    | 5,206,880 |
|            | Discount allowed                                   | 163,240   |
|            | Discount received                                  | 59,752    |
|            | Bad debts  | 11,088    |
|            | Transfer between sales ledger and purchases ledger | 29,008    |
|            | Purchases ledger balance                           | 404,320   |
|            | Sales ledger balance                               | 605,584   |

#### Required:

- Prepare the Sales Ledger Control Account. (8 marks)
- Prepare the Purchases Ledger Control Account. (8 marks)
- Use an example to explain the meaning of ~~Contra~~ <sup>Control</sup> Accounts. (4 marks)

### Question 7

- Name the four (4) basic financial statements that are used in business entities and briefly outline their functions. (6 marks)
- Describe four (4) differences between Financial Accounting and Cost and Management Accounting. (4 marks)
- Briefly outline the nature of three (3) types of business entities that uses accounting information. (4 marks)
- Explain the meaning of the following:
  - A debit entry in a personal account. (1 mark) Debtor A/c
  - A credit entry in a personal account. (1 mark) Creditor
  - A debit entry in a real account. (1 mark) Furniture (Motor Vehicle or organization or person
  - A credit entry in a real account. (1 mark) P/L expense
  - A debit entry in a nominal account. (1 mark) P/L Revenue.
  - A credit entry in a nominal account. (1 mark) P/L Revenue.

### Question 8

(a) On January 1, 2001, a trader buys machine X for \$2,000,000 and machine Y for \$1,000,000. He provides for depreciation under the Straight-line Method at 10% per annum. On December 31, 2002 machine Y is sold for \$800,000.

**Required:**

- (i) Machinery account. (2 marks)
- (ii) The journal entries recording the depreciation provisions. (3 marks)
- (iii) Provision for depreciation of machinery account. (4 marks)
- (iv) Disposal account(sale of asset). (3 marks)

(c) John Sam started business on January 1, 2008. The rent of his business premises is \$400,000 per annum payable at the end of each quarter. The insurance on the building are payable in advance and amount to \$150,000 for the period January 1 to March 31; \$300,000 each for the half years to September 30 and the following March 31. The following represents the payments that were made for rent and insurance.

**Payments for rent**

2008  
Apr 1     3 months to 31<sup>st</sup> March 2008 - \$100,000  
July 7     3 months to 30<sup>th</sup> June 2008 - \$100,000  
Oct 8     3 months to 30<sup>th</sup> September 2008 -\$100,000  
2009  
Jan 4     3 months to 31<sup>st</sup> December 2008 -\$100,000

**Payments for insurance**

2008  
Jan 6     3 months to 31<sup>st</sup> March 2008-\$150,000  
Apr 18    6 months to 30<sup>th</sup> September 2008- \$300,000  
Oct 10    6 months to 31<sup>st</sup> March 2009-\$300,000

**Required:**

- (a) John Sam rent account. (4 marks)
- (b) John Sam insurance account. (4 marks)