



UNIVERSITY OF EDUCATION, WINNEBA  
FACULTY OF BUSINESS EDUCATION  
DEPARTMENT OF ACCOUNTING STUDIES EDUCATION  
END OF SECOND SEMESTER EXAMINATIONS, MAY 2019

Candidate's Index Number:.....

COURSE CODE/ TITLE	BAC 1121 – Basic Accounting II	
DURATION	2 Hours	LEVEL : 100
PROGRAMME	B. Sc. Administration	
EXAMINER	INUSAH NASIRU	
INSTRUCTIONS	Attempt ALL Questions in Section A and Only TWO Questions in Section B	

SECTION A

**Instructions:** Answer all questions in this section. Choose by circling the letter of the option that matches your choice. Answer all questions in this section on the question paper.

Use the following information to answer questions 1- 3 A machine costs g GH¢360,000 and has a useful life span of n years and an expected disposal value of GH¢12,000 with annual depreciation of GH¢69,600.

- Using the straight-line method of depreciation, what is the useful life span of the machine?
  - 3 years
  - 4 years
  - 5 years
  - 6 years
  - 7 years
- Using the reducing balance method, what will be the depreciation charged for Year 2 (ignore residual value)?
  - GH¢72,000
  - GH¢57,600
  - GH¢51,600
  - GH¢72,500
  - GH¢69,600
- Using the reducing balance method, what will be the net book value of the asset at the end of Year 3?
  - GH¢230,400
  - GH¢288,000
  - GH¢208,800
  - GH¢151,200
  - GH¢184,320
- Which of the following is the effect on net income if a business decreases provision for doubtful debts?
  - It will increase net income
  - It will decrease net income

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- c. No effect
  - d. It will increase gross profit and net income
5. A firm has not recorded the bad debts by mistake. Which of the following is the effect of bad debts omission?
- a. Net profit would decrease
  - b. Net profit would increase
  - c. Gross profit would overstate
  - d. Gross profit would understate
6. A recovery of bad debt
- a. increases net income
  - b. decreases net income
  - c. increases gross profit
  - d. increases gross profit and net income
7. The opening balance of "provision for doubtful debts account" is \$1000 whereas the closing balance of debtors account is \$100,000. What amount of provision for doubtful debts should be charged to income statement using a 5% provision for doubtful debts for the current accounting period?
- a. \$5000
  - b. \$4000
  - c. \$2000
  - d. \$1000
8. The opening and closing balances of provision for doubtful debts account are \$1000 and \$2000 whereas bad debts are totaled \$200
- a. \$1000 is to be deducted from total debtors balance in the balance sheet
  - b. \$2000 is to be subtracted from total debtors balance in the balance sheet
  - c. \$1000 is to be added to total debtors balance in the balance sheet
  - d. \$2000 is to be added to total debtors balance in the balance sheet
9. Which of the following double entries is used to transfer "bad debts recovered" to income statement?
- a. Bad debts recovered Debit and income statement Credit
  - b. Income statement Debit and bad debts recovered Credit
  - c. Cash Debit and bad debts recovered Credit
  - d. Bad debts recovered debit and cash Credit
10. According to a general rule of accounting, the older a debts is outstanding, the more likelihood that the debt will turn out to be a
- a. provision for bad debt
  - b. profitable debt for the business
  - c. bad debt
  - d. asset for the business
11. Which of the following is correct: Where accounting records are maintained on accrual basis:
- a. Income should be accounted on accruals basis and expenditure on payments basis
  - b. Income should be accounted for only when received
  - c. Income and expenditure relating to the accounting period should be fully accounted for even if income is still to be received and expenditure is yet to be paid for.

- d. Expenditure should be accounted for only to the extent they have been paid for
12. Expenses relevant to the accounting period which remain unpaid by period end should be:
- a. included with expenses paid and shown as an asset at the period end
  - b. included in with expenses paid and shown as a liability at the period end
  - c. deducted from amount already paid and shown as a liability at the period end
  - d. ignored until they are paid for in the next period.
13. As at 1st January 2010 salary outstanding was \$128,400. Though during the year ended 31st December 2010 \$598,800 was paid as salary, as at 31st December 2010 salary amounting to \$142,900 remained unpaid. What is the salary expense to be written off in the Statement of income for the year ended 31st December 2010?
- a. \$613,300
  - b. \$584,300
  - c. \$598,800
  - d. \$741,700
14. Rent prepaid as at the commencement of the year was \$8,000. Having agreed to pay rent at \$4,000 per month, the business was able to pay during the year only \$28,000. What is the position at the year-end?
- a. Rent pre-paid is \$12,000
  - b. Rent prepaid is \$4,000
  - c. Rent accrued is \$20,000
  - d. Rent accrued is \$12,000
15. Rent paid for eight months up to 28th February 2010 amounts to £32,000. Since then rent has been increased by 20%. The rent written off as an expense in the Income statement for the year ended 30th June 2010 and stated as accrued on the Statement of financial position as at that date would be:
- a. Expense: £38,400; Accrued: £6,400
  - b. Expense: £48,000; Accrued: £16,000
  - c. Expense: £51,200; Accrued: £19,200
  - d. Expense: £57,600; Accrued: £25,600.
16. A Transporter's trial balance at year end on 31 December 2010 reports the balance in Motor Vehicle Maintenance account as £216,500. This amount includes £27,000 paid on 1 August 2010 for servicing the fleet of vehicles over three years from that date. The amounts to be expensed in 2010 and reported as prepaid as at the year-end are:
- a. Expense: £216,500; Prepayment : £27,000
  - b. Expense: £189,500; Prepayment : £27,000
  - c. Expense: £193,250; Prepayment : £23,250
  - d. Expense: £239,750; Prepayment: £23,250.
17. If an accrual as at year-end of £1,500 was treated as a prepayment, the net profit for the year would be:
- a. overstated by £3,000
  - b. understated by £1,500
  - c. overstated by £1,500
  - d. Understated by £3,000.

18. A loan of £30,000 at 6% interest per year, was given to a member of staff, in the previous year. No interest has been received during the year. The accounting entries for accruing interest income are:
- Debit Cash account and credit Interest earning account
  - Debit Interest receivable account and credit Interest earnings account
  - Debit Interest receivable account and credit Staff loan account
  - Debit Staff Loan account and credit Interest earnings account
19. None of the following is true about recording bad debts written off during a period in the control account except
- It is debited to creditor control a/c
  - It is credited to creditor control a/c
  - It is debited to debtor control a/c
  - It is credited to debtor control a/c
20. The owner of a shop draws a cheque on his personal bank account to pay for shop rent. This should be accounted for as:
- Credit Bank account in the Cash Book and debit Rent Account
  - Debit Bank account and credit Capital Account
  - Credit Capital account and debit Rent account
  - Credit Bank account in the cash Book and debit Drawings account
21. The following differences between the Cash Book entries and information in the bank statement have been identified:
- An amount incorrectly credited to the company's account by the bank
  - Lodgments into bank not reported in the bank statements
  - Dishonour of a cheque deposited into the bank
  - Bank loan interest recovered by the bank
  - Cheques drawn by the company yet to be presented to bank

Which set of alternatives correctly analyses treatment of these?

- In Cash Book: ii, iv, v; In bank reconciliation: i, iii
  - In Cash Book: iii, iv; In bank rec: i, ii, v
  - In Cash Book: i, ii, iii; In bank rec: iv, v
  - In Cash Book: iii, iv; In bank rec: i, ii, v
22. A Bank Reconciliation Statement is not part of the double entry system
- True
  - False
23. Dishonored cheques are debited to debtor control account?
- True
  - False
24. Payment of \$500 was received from debtors. Which of the following statements is correct?
- Debit account receivable control account with \$500
  - Credit account receivable control account with \$500
  - Debit account payable control account with \$500
  - Credit account payable control account with \$500
- 1 is correct
  - 2 is correct

- c. 3 is correct
  - d. 4 is correct
25. Which of the following, generally, doesn't appear in a debtor control account?
- a. Discount allowed
  - b. Bank or cash
  - c. Dishonored check
  - d. Provision for doubtful debts
26. Clinton plc depreciates machinery at 30% per annum, on reducing balance method, time apportioning for the nearest months of usage. As at 31.12.2010 machinery costing £720,000 were reported on the balance sheet at £485,600. A machine acquired for £120,000 on 1st July 2009 was sold on 30th September 2011 for £54,000. With regard to machinery, identify the items that would appear on their Statement of income for the year ended 31st December 2011
- a. Depreciation: £140,325; Disposal Gain/ loss: £17,400 loss
  - b. Depreciation: £140,325; Disposal Gain/ loss: £1,335 loss
  - c. Depreciation: £125,745; Disposal Gain/ loss: £1,335 loss
  - d. Depreciation: £176,325; Disposal Gain/ loss: £17,400 loss
27. Which of the following would be normal reason for a credit balance appearing in the Trade Receivables Ledger:
- i) A customer may occasionally be also a supplier
  - ii) A customer could have returned some goods after paying for them
  - iii) A customer may have paid without realizing his cash discount entitlement.
  - iv) Offset by contra exceeded the amount receivable from that customer
- a. i and ii
  - b. ii and iv
  - c. ii, and iii
  - d. iii and iv
28. A debit balance in the subscription account represents subscription received in advance
- a. True
  - b. False
29. A credit balance in the subscription account indicates subscription in arrears
- a. True
  - b. False
30. Subscription received is an income
- a. True
  - b. False

## SECTION B

**Instructions:** Answer TWO questions in this section

### Question One

OREGON TRANSPORT prepares its financial accounts to 31st December each year. The company's policy is to depreciate its vehicles from the month of purchase to the month proceeding the month of disposal. Depreciation rate used by OREGON TRANSPORT is 20% straight line. On the 1st January 2008 OREGON TRANSPORT had the following vehicles.

Vehicle	Date of purchase	Residual value GH¢	Cost GH¢
No. 1	1st January 2006	0	80,000
No. 2	1st July 2006	15,000	75,000
No. 3	1st December 2007	0	96,000

You have been provided with the following information by OREGON TRANSPORT:

- On the 1st July 2008 **Vehicle No. 1** was traded in for GH¢ 32,000 against a new vehicle costing GH¢93,000. **Vehicle No. 1** had modifications done to it on 1st January 2007 costing GH¢15,000. These modification had been depreciated at a rate of 40% in year one and thereafter at a rate of 20% Straight Line.
- On the 1st September 2008 **Vehicle No. 3** was crashed was replace by new vehicle costing GH¢120, 000. OREGON TRANSPORT claimed against its insurance policy and recouped compensation to the value of GH¢25, 000. The supplier of the new vehicle agreed to buy the crushed vehicle and an amount paid by cheque for the new vehicle was GH¢ 80,000 and the balance was settled with the crashed vehicle.

### Requirement

You are required to show with workings for each of the years 2006, 2007 and 2008:

- Vehicle Account
- The Provision for Depreciation account
- The vehicle Disposal Account.

### Question Two

The financial year of Tanoso enterprise ended on 31 December 2016. The following trial balance was extracted from the books of Tanoso enterprise at the close of business on 31 December 2016.

	<i>Dr</i>	<i>Cr</i>
	£	£
Purchases and sales	92,800	157,165
Cash at bank	4,100	
Cash in hand	324	
Capital account at 1 January 2016		11,400
Drawings	17,100	
Office furniture	2,900	
Rent received		3,400
Stationary	370	
Wages and salaries	31,400	
Discounts	820	160
Insurance	840	
Debtors and creditors	12,316	5,245
Rates	1,654	
Stock 1 January 2016	4,120	
Provision for doubtful debts 1 January 2016		405
Delivery van	3,750	
Motor expenses	615	
Bad debts written off	730	
	<u>174,375</u>	<u>174,375</u>

### Additional information

- (a) Motor expenses: Paid in 2016 £615; prepaid at 31 December 2015 is £40; Owing at 31 December 2016 £94.
- (b) Insurance: Owing at 31 December 2015 is £84; Prepaid as at 31 December 2016 £68
- (c) Stationery: Paid during 2016 £480; Owing as at 31 December 2015 £110; Owing as at 31 December 2016 £245. Only the owing at the start of the year was accounted for
- (d) Business rates: Prepaid as at 31 December 2015 £140; Prepaid as at 31 December 2016 £120.
- (e) Tanoso enterprise sub-lets part of the premises. Mr. Hart, the tenant, owed Tanoso enterprise £175 on 31 December 2015 and £185 on 31 December 2016. This is yet to be accounted for
- (f) Wages and salaries accrued at 31 December 2016 £340.
- (g) Increase the provision for doubtful debts by £91.
- (h) Provide for depreciation as follows: Office furniture £295; Delivery van £1,520.

### Required:

Draw up the trading and profit and loss account for the year ending 31 December 2016 together with a balance sheet as on 31 December 2016

### Question Three

The following trial balance was extracted from the books of TIME MATTER, a manufacturing firm, for the year ended 31st December 2008.

	Dr. GH¢	Cr. GH¢
Inventories at 1st January 2018:-		
Stock of raw materials	18,000	
Stock of finished goods	32,000	
Stock of work-in-progress	14,500	
Direct wages	245,000	
Factory indirect wages	86,000	
Provision for doubtful	9000	
Carriage inwards on raw materials	4,500	
Royalties	7,000	
Purchases of raw materials	360,000	
General factory expenses	24,000	
Light and heat	9,600	
Factory power	25,000	
Administration expenses	65,000	
Sales		1,172,000
Rent	15,000	
Selling expenses	26,000	
Carriage outwards	5,000	
Bank charges and fees	4,500	
Manufacturing Equipment (at cost: GHC 120,000)	90,000	
Office Equipment at cost	31,000	
Office Equip.: accumulated depreciation at 1/1/2018		5,000
Bank	10,000	
Trade receivables/Debtors	236,000	
Trade payables/Creditors	70,000	
Discount allowed	7,600	
Discount received		4,600
Drawings	22,000	
Capital at 1/1/2008		94,100
	<u>1,366,700</u>	<u>1,366,700</u>

#### ADDITIONAL INFORMATION

- I. Inventories at 31st December 2018: Stock of raw materials GH¢ 30,000, Stock of finished goods GH¢48,000, Stock of work- in-progress GH¢16,000
- II. Light and heat and rent are to be apportioned: Factory  $\frac{1}{4}$  Administration  $\frac{3}{4}$ .
- III. Depreciation of Manufacturing Equipment is to be charged at 10% on net book value. Depreciation of Office Equipment is to be charged at 20% on cost.
- IV. Finished goods are transferred to trading at a margin of 10%
- V. Doubtful debts provision: 5% of sundry debtors.
- VI. GH¢ 3,000 outstanding for Heating and light.
- VII. Rent paid in advance GH¢ 3,000.



VIII. One-fourth of administrative expenses is the cost of modification of office equipment ist  
January 2018

**Requirement**

- a) Compute the cost of production
- b) The profit on manufacturing
- c) The unrealized profit
- d) The net book value of noncurrent assets
- e) **Total current assets**
- f) **Total current liability**
- g) **Net profit or loss**