



## UNIVERSITY OF GHANA

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### **BSc. INFORMATION TECHNOLOGY - FIRST SEMESTER EXAMINATIONS: 2016/2017 CSIT 321: PRINCIPLES OF ACCOUNTING**

#### **INSTRUCTION:**

*ANSWER ANY THREE (3) QUESTIONS*

#### **TIME ALLOWED:**

*TWO AND HALF  $\left(2\frac{1}{2}\right)$  HOURS*

#### **QUESTION ONE (20 Marks)**

- a) State the main purpose of accounting.
- b) Explain briefly two (2) characteristics of useful accounting information.
- c) Explain the Prudence and the Going Concern concepts of accounting.
- d) Differentiate between Cash basis of accounting and Accrual basis of accounting.
- e) State two (2) advantages and two (2) disadvantages of operating each of the following types of business.
  - i. Sole Proprietorship
  - ii. Partnership
  - iii. Limited Liability company
  - iv.

#### **QUESTION TWO (20 Marks)**

The following information is extracted from the account of Aldra limited for the year ending 30th September 2015.

Number of ordinary shares.....1,000	Market value of shares.....GHC1,500.00
Value of one share.....GHC1.00	Current Liabilities.....GHC800.00
Profit before tax .....GHC600.00	Current Assets.....GHC4,500.00
Interest on long term loan .....GHC75.00	Closing Inventory.....GHC700.00
Tax.....GHC150.00	Turnover .....GHC2,500.00
Dividend (gross).....GHC180.00	Cost of goods sold.....GHC1,400.00
Opening Inventory.....GHC900.00	

**You are required to calculate the following ratios and interpret your results:**

- |                          |  |
|--------------------------|--|
| (i) Dividend yield       | (iv) Return on Capital employed (ROCE) |
| (ii) Interest cover      | (v) Acid test ratio                    |
| (iii) Inventory turnover |  |

**QUESTION THREE (20 marks)**

Access Bank Limited Company has a nominal share capital of GH¢800,000.00 comprising 200,000 ordinary shares of GH¢4.00 each. The whole of the capital was issued at par on the following terms:

	Per share
Payable on application	¢0.60
Payable on allotment	¢0.80
First call	¢1.20
Second call	¢1.40

Applications were received for 250,000 shares and it was decided to allot the shares on the basis of four for every five for which application had been made. The balance of application monies was applied to allotment, no cash being refunded. The balance of allotment monies was paid by the members.

The calls were made and paid in full by the members, with the exception of one who failed to pay the first and second calls on the 1,000 shares allotted to him. A resolution was passed by the directors to forfeit the shares. The forfeited shares were later issued to Judy at ¢3.20 each.

***You are required to prepare:***

- The ledger accounts recording of all the above transactions.
- The balance sheet extract after all the transaction had been completed.

**QUESTION FOUR (20 marks)**

Mr. Elliot Dela started trading as a general merchant on 1<sup>st</sup> January, 2015. During his first month of trading, his total sales were GH¢26,500.00 made up of GH¢5,400.00 for cash and the remainder on credit terms.

He started the business with his accumulated savings of GH¢10,000.00 and a loan of GH¢5,000.00 at an interest rate of 30% per annum. He rented a store on 1<sup>st</sup> January, 2015 and paid GH¢250.00 as two months' rent. Operating expenses including assistant's wages paid during the month totaled GH¢490.00.

Electricity bill for the month, estimated at GH¢25.00 remained unpaid at 31<sup>st</sup> January, 2015 and insurance premium for the year 2015 amounting to GH¢600.00 was paid on 1<sup>st</sup> January, 2015. Purchases for the month was GH¢23,500.00 and so far GH¢3,500.00 had been paid to the supplier at 31<sup>st</sup> January, 2015.

Mr. Elliot Dela took goods costing GH¢15.00 for his personal use. Stock remaining unsold on 31<sup>st</sup> January, 2015 cost GH¢7,500.00.

***You are required to prepare:***

- (i) The bank account of Mr. Elliot Dela's business as at 31<sup>st</sup> January, 2015
- (ii) The trading and profit and loss account for the month of January 2015
- (iii) A balance sheet as at that date

**QUESTION FIVE (20 marks)**

The following balances were extracted from the books of a manufacturer on 31<sup>st</sup> December, 2015

	GH¢
Purchase of raw materials	39,600.00
Factory wages	28,000.00
Royalties	4,000.00
Carriage on raw materials	2,200.00
Sales	200,000.00
Other direct expenses	6,000.00
Factory light and insurance	6,600.00
Printing and stationery	2,400.00
Other indirect expenses	2,000.00
Advertising	2,400.00
Vehicle maintenance	1,200.00
Bad debts written off	520.00
Provision on unrealized profit (1/1/2015)	3,200.00
Rent and rates	4,800.00
Wages and salaries	8,000.00
Depreciation of machinery	2,800.00
Depreciation of office computers	1,400.00

**Additional information:**

**I. Stocks**

	2014	2015
	GH¢	GH¢
Raw materials	14,600.00	12,000.00
Work - in – progress	5,600.00	3,600.00
Finished goods	16,000.00	7,200.00

**II.** Rent and rates: factory 2/5, office 3/5, Printing and stationery: factory 1/3, office 2/3.

**III.** 25% of both vehicle maintenance and wages and salaries are to be treated as factory cost.

**IV.** Finished goods are transferred to trading account at cost plus 25%.

**You are required to prepare:**

- (i) Manufacturing account for the year ended 31<sup>st</sup> December, 2015
- (ii) Trading, profits and loss account for the year ended 31<sup>st</sup> December, 2015.

### QUESTION SIX (20 marks)

The following information relates to Isaacjane Ventures:

- I. On 1<sup>st</sup> January, 2010, balances brought forward in respect of fixed assets were:

	GH¢
Plant and Machinery at cost	900,000.00
Motor Vehicles at cost	780,000.00
Provision for depreciation:	
Plant and Machinery	50,000.00
Motor Vehicles	30,000.00

- II. During the six months period ending 30<sup>th</sup> June, 2010 the following additional fixed assets were acquired.
- i. On 31<sup>st</sup> March, 2010 two cargo trucks at GH¢20,000.00 each and a plant for GH¢50,000.00
  - ii. On 1<sup>st</sup> April, 2010 one saloon car at GH¢25,000.00 and four machines at GH¢10,000.00 each.
- III. On 30<sup>th</sup> June, 2010, two machines purchased on 1<sup>st</sup> January, 2010 at GH9,000.00 each were sold for GH¢4,500.00 and GH¢5,500.00. On the same date, one saloon car purchased on 1<sup>st</sup> July, 2007 for GH¢15,000.00 was auctioned for GH¢11,000.00. The enterprise depreciates motor vehicles and plant machinery at 10% and 5% per annum respectively on the basis of one-month ownership, one-month depreciation on the straight line method.

*You are required to write up the following accounts 30<sup>th</sup> June, 2010.*

- (i) Plant and Machinery and Motor Vehicles
  - (ii) Provision for Depreciation of Plant and Machinery and Motor Vehicles
  - (iii) Disposal of Plant and Machinery and Motor Vehicles
- (Show workings)