



UNIVERSITY OF GHANA

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BSc. FIRST SEMESTER EXAMINATIONS: 2017/2018

DEPARTMENT COMPUTER SCIENCE

CSIT321: PRINCIPLES OF ACCOUNTING

INSTRUCTIONS:

ANSWER QUESTION ONE (1) AND ANY OTHER TWO (2) QUESTIONS

TIME ALLOWED: 2 ½ HOURS

QUESTION ONE [30 marks]

a. I. Explain the term Partnership and state **two (2)** reasons for partnership. **[3 marks]**

II. List any **four (4)** things that apply according to Section 35 of the Incorporated

Partnership Act 1962 (Act 152) where there is no partnership agreement. **[2 marks]**

a. Caleb and Elsie are in partnership sharing profits and losses in the ratio **2/3: 1/3**, respectively. The following is their trial balance as at 31 December 2015.

| | | |
|------------------------------|----------------|----------------|
| Buildings (cost GH¢210,000) | Dr | Cr |
| Fixtures at cost | GH¢ | GH¢ |
| Provision for depreciation: | 160,000 | |
| Fixtures | 8,200 | |
| Debtors / Creditors | | 4,200 |
| Cash at bank | 61,400 | 26,590 |
| Stock at 31 December 2014 | 6,130 | |
| Purchases / Sales | 62,740 | |
| Carriage outwards | 210,000 | 363,111 |
| Discounts allowed | 3,410 | |
| Loan interest: Martin | 620 | |
| Office expenses | 3,900 | |
| Salaries and wages | 4,760 | |
| Bad debts | 57,809 | |
| Provision for doubtful debts | 1,632 | |
| Loan from Martin | | 1,400 |
| Capitals: Caleb | | 65,000 |
| Elsie | | 100,000 |
| Current accounts: Caleb | | 75,000 |
| Elsie | | 4,100 |
| Drawings: Caleb | | 1,200 |
| Elsie | 31,800 | |
| | 28,200 | |
| | 640,601 | 640,601 |

Additional information:

I. Stock at 31 December 2015, GH¢74,210.

II. Expenses to be accrued: Office Expenses GH¢215; Wages GH¢720.

III. Depreciate fixtures 15% on reducing balance basis, buildings GH¢5,000.

IV. Reduce provision for doubtful debts to GH¢1,250.

V. Partnership salary: GH¢30,000 to Caleb. Not yet entered.

VI. Interest on drawings: Caleb GH¢900; Elsie GH¢600.

VII. Interest on capital account balances at 5%.

Required:

I. Prepare a trading, profit and loss and appropriation account for the year ended 31 December 2015. **(15 marks)**

I. Balance Sheet as at 31 December, 2015. **(10 marks)**

QUESTION TWO

a. Explain the term “Accounting”.

[2

marks]

a. I. State and explain two (2) users of accounting and their information needs. [2 marks]

II. Identify four (4) characteristics of useful accounting information. [2 marks]

(c) State two (2) advantages and two (2) disadvantages of operating each of the following forms of business.

I. Sole Proprietorships [4 marks]

I. Partnerships [4 marks]

III. Limited Liability Companies [4 marks]

(d). Explain the following concepts and conventions

I. Going Concern [1 mark]

I. Matching Principle

[1

mark]

QUESTION THREE

a. Explain what is meant by the term 'Depreciation'.

[2 m

arks]

(b) List any four (4) factors/causes that contribute to depreciation of a Fixed Asset. **[4 marks]**

(c) ABC Ltd bought Motor Vehicle on 1st January 2012 at a cost of GH¢35,000. Using a rate of 20% calculate the depreciation for the first two years using the reducing balance method of depreciation. **[4 marks]**

(d) The following information was extracted from the records of ABC Ltd, as at 31st July, 2016. Balance as per Bank Statement as at 31st July, 2016 was GH¢2,000 credit. Cash Book balance was GH¢8,000 credit in the Bank Account column.

The following had been reflected in the Bank Statement but not in the Cash Book.

- i. Bank loan interest GH¢ 1,200
- ii. Bank Charges GH¢ 400
- iii. Dividends from Investment GH¢2,000
- iv. Interest from Treasury Bill GH¢ 800

In addition, a cheque of GH¢ 4,000 issued by ABC Ltd to Eric was dishonoured because of insufficient fund. A cheque of GH¢5,000 from Stephen has not been credited. A cheque of GH¢9,800 issued to Samuel remained unpresented.

You are required to prepare:

I. An adjusted Cash Book. [4.5 marks]

II. Bank Reconciliation Statement as at 31st July, 2016. [3.5 marks]

III. State any four (4) items that caused the differences between the Cash Book balance and the Bank Statement balance of ABC Ltd. [2 marks]

QUESTION FOUR

a. I. Define Book of Original Entry. [1 mark]

II. Mention any four (4) Books of Original Entry. [2 marks]

(b) Carol a sole proprietor made the following transactions in March 2014

March 1: Credit purchases from: Martin GHC2,000; Jacob GHC1,500; Ernest GHC1,250;

in each case a trade discount of 5% allowed

3: Credit sales to: Addo GHC2,500; Michael GHC1,500; Djan GHC1,000;

in each case a trade discount of 7.5%

9: Credit purchases from: Martin GHC1,500; Yaa GHC1,100

12: Credit sales to: Michael GHC3,300; subject to 7.5% trade discount, Robert GHC900

18: Credit purchases from: Yaa GHC2,000; Nii GHC1,250; Oduro 1,350

20: Credit sales to: Owusu GHC3,000; Robert GHC1750; Okyere GHC2,250

28: Goods returned to Carol from: Addo GHC500; Okere GHC200; Owusu GHC400

30: Carol returns goods to: Jacob GHC100; Ernest GHC150; Yaa GHC250

You are required to:

**I. Open the relevant subsidiary books, and [8
marks]**

**I. Post the transactions to their relevant ledgers [9
marks]**

QUESTION FIVE

**a. Explain the term 'Trial Balance' and state its primary purpose. [4
marks]**

a. State three of the errors that do not affect the trial balance agreement [3 marks]

a. State any three errors that affect agreement of the trial balance [3 marks]

a. At the end of a financial year, the trial balance of Bukom Banku failed to agree and the difference of GH¢180 was entered in the credit side of a suspense account. Subsequently, the following errors were discovered.

- I. The sales day book had been undercast by GH¢312
- II. A customer's personal account had been correctly credited with GH¢150 discount, but no corresponding entry was made in the discount column of the cash book
- III. Discounts allowed amounting to GH¢72 were credited instead of being debited to the discount allowed account.

- I. A debit balance on the account of Ayittey Powers, a customer, was undercast by GH¢60.
- II. An old credit balance of GH¢150 on a customer's account (Bastie) had been entirely overlooked when extracting the balances.

Required:

Prepare Journal Entries to correct the errors.

[10

marks]