



# UNIVERSITY OF GHANA

(All rights reserved)

**B.SC INFORMATION TECHNOLOGY, FIRST SEMESTER EXAMINATIONS: 2015/2016**

**CSIT 321: PRINCIPLES OF ACCOUNTING (3 CREDITS)**

## **INSTRUCTION:**

*Answer Any Four (4) Questions*

## **TIME ALLOWED:**

*TWO AND A HALF (2½) HOURS*

## **QUESTION ONE. (15marks)**

- (A) i. State two (2) characteristics of a useful accounting information.
- ii. State two (2) users of financial statements and outline their information needs.
- iii. Distinguish between cash basis of accounting and accrual basis of accounting.
- iv. Explain the following accounting concepts:
- a. Going concern
  - b. Business entity concept
  - c. Matching concept.

**(B)** i. State any two characteristics of partnership.

ii. Outline any three ordinances which must be applied in the absence of partnership agreement.

iii. State any two (2) limitations of accounting ratios.

## QUESTION TWO (15marks)

The following balances appeared in the books of F W Ltd as on 31 December 2012:

GH¢	
10% Preference share capital	35,000
Ordinary share capital	90,000
10% Debentures (repayable 2016)	6,750
Goodwill (cost GH¢9,000)	8,100
Buildings (cost GH¢230,445)	212,445
Equipment (cost GH¢4,500)	3,600
Motor vehicles (cost GH¢9,900)	8,550
Provision for bad debt	720
Stock 31/12/2012	16,200
Accrued salaries and wages	360
Cash in hand	315
Debtors	6,300
Creditors	4,905
Bank	11,475
Net profit for the year 31/12/2012	17,100
Profit and loss account 31/12/2011	8,550

The following adjustments are needed:

- I. Provide for preference dividend GHS3,500 and final ordinary dividend of 20%
- II. Transfer GHS1,800 to general reserve.
- III. Authorised share capital is GHS35,000 in preference shares and GHS100,000 in ordinary shares.

**Required to prepare:**

- (A) The profit/loss appropriation account for the year ended 31st December, 2012 and
- (B) The statement of financial position (balance sheet) as at 31st December, 2012.

**QUESTION THREE (15marks)**

The following balances was extracted from the accounts of Baron Industries Limited for the year ended 31<sup>st</sup> December, 2014

	<b>GH¢</b>
Manufacturing wages	37,800.00
Carriage on finished goods	2,700.00
Carriage on raw materials	3,600.00
Sales	153,000.00
Factory expenses	540.00
Lighting, rent and insurance	7,200.00
Printing & stationery	1,080.00
Discount allowed	1,170.00
Returns outwards on raw materials	2,700.00
Return inwards	2,160.00
Bad debts written off	900.00

Provision for bad debts	1,080.00
Plant and machinery	32,400.00

Additional information:			
I. Stocks			
	2013	2014	
	GH¢	GH¢	
Raw materials	3,240.00	6,480.00	
Work - in – progress	1,530.00	3,060.00	
Finished goods	8,730.00	17,460.00	

- ii. Lighting, rent and insurance are to be apportioned: factory 3/4, administration 1/4.
- iii. Plant and machinery and administration computers are to be depreciated at 10% per annum on cost.

**You are required to prepare:**

- (A) The manufacturing account and
- (B) Trading, profits and loss account for the year ended 31<sup>st</sup> December, 2014.

#### **QUESTION FOUR (15marks)**

Nii Okai, a retail trader, has very limited accounting knowledge. In the absence of his accounting technician, he extracted the following trial balance as at 31 March 2013 from his business's accounting records:

GHS	GHS
Stock in trade at 1 April 2012	5,350

Stock in trade at 31 March 2013	3,900	
Discounts allowed		155
Discounts received	225	
Provision for doubtful debts	480	
Purchases	47,000	
Purchases returns	700	
Sales		66,190
Sales returns	550	
Freehold property: at cost	35,000	
Provision for depreciation	1,750	
Motor vehicles: at cost	7,500	
Provision for depreciation	2,250	
Capital – Nii Okai		42,300
Balance at bank	3,550	
Trade debtors		5,650
Trade creditors	3,800	
Establishment and administrative expenditure		8,300
Drawings	4,500	
Suspense	<u>140</u>	
<b><u>119,645</u></b>	<b><u>119,645</u></b>	

**Required:**

(A) Prepare a corrected trial balance as at 31 March 2013.

After the preparation of the above trial balance, but before the completion of the final accounts for the year ended 31 March 2013. The following discoveries were made:

- i. The correct valuation of the stock in trade at 1 April 2012 is GHS6,000; apparently some stock lists had been mislaid.
- ii. A credit note for GHS105 has now been received from Trenor Limited; this relates to goods returned in December 2012 by , Nii Okai. This has not yet been recorded.
- iii. Trade sample goods were sent to Johnson in February 2013. These were free samples, but were charged wrongly at GHS500 to Johnson. A credit note is now being prepared to rectify the error.
- iv. The total of the sales day book for March 2013 had been overstated by GH¢60.
- v. The owner had withdrawn a cheque for GH¢40 for private use in October 2012; both the bank and drawings account had been credited with this amount.
- vi. In March 2013, Nii Okai painted the inside walls of his stockroom using materials costing GHS75 which were included in the purchases figure in the above trial balance.

(B) Prepare the journal entries necessary to amend the accounts for the above discoveries (i-vi). Note: narratives are **not** required

(C) Prepare the suspense account. (Start with the amount in the corrected trial balance given in answer to required (A) above, and include any entries arising from the correction of the errors).

**QUESTION FIVE (15marks)**

Mr. Annor, a tyre retailer, who has been in business for some years now, has not been keeping complete records of his business. However, he wants to register voluntarily to collect VAT and is seeking your assistance in the preparation of his accounts based on the following information

I. Assets and liabilities as at 31 <sup>st</sup> October		2012	2013
		GH¢	GH¢
Owings for goods bought	67,500	72,900	
Rent prepaid	5,400		
Rent owing	3,240		
Insurance owing	1,800	4,680	
Debtors for sales	81,000	76,500	
Cash and bank balances	20,700	23,400	
Stock of goods	10,800	12,600	

I. An analysis of payments made showed the following

	GH¢
Rent	17,280
Insurance	16,200
Wages and salaries	86,400



Creditors for goods	85,500
Sundry expenses	12,150

I. Cash receipts were

Cash sales	108,000
Cash from debtors	145,800

I. Other pieces of information gathered were:

Debtors up to GH¢2,700 had been written off

Discounts of GH¢1,350 and GH¢1,035 were allowed and received respectively

The proprietor had taken from cash sales before recording GH¢ 4,500 per quarter for personal use.

Shop fittings were worth GH¢ 54,000 on 31<sup>st</sup> October, 2012 and are depreciated at 2 % per annum on cost.

I. Mr. Annor stated that any cash difference should be treated as additional drawings.

**You are required to prepare the:**

(A) Cash book and

(B) Trading, profit and loss account for the year ended 31<sup>st</sup> October, 2013. Show relevant workings.