

THE COPPERBELT UNIVERSITY
SCHOOL OF BUSNISS
PRINCIPLES OF FINANCIAL ACCOUNTING
BS/BF 120 2024 TEST 1 – 20 <sup>th</sup> March 2024
TIME ALLOWED – 1 HOUR 30 MINUTES

INSTRUCTIONS: Attempt All the questions in the paper.

**SECTION A: Multiple Choice**

- Winn Ltd has opening trade payables of K24,183 and closing trade payables of K34,655. Purchases for the period totaled K254,192 (K31,590 relating to cash purchases). Total payments recorded in the payables ledger for the period were?
  - K212,130
  - K233,074
  - K243,720
  - K264,664
- Which of the following documents is **not** a component of financial statements according to I.A.S. 1 "*Presentation of Financial statements*"?
  - The Balance Sheet.
  - The Annual Budget.
  - The Cash Flow Statement.
  - The Income Statement.
- The capital of a sole trader would change as a result of
  - A credit customer paying by cheque
  - Raw materials being purchased on credit
  - non-current assets being purchased on credit
  - Personal petrol being paid for out of the business's petty cash
- A sole trader is K5,000 overdrawn at her bank and receives K1,000 from a credit customer in respect of its account. Which elements of the accounting equation will change due to this transaction?
  - Assets and liabilities only
  - Liabilities only
  - Assets only
  - Assets, liabilities and capital
- A sole trader borrows K10,000 from a bank. Which elements of the accounting equation will change due to this transaction?
  - Assets and liabilities
  - Assets and capital
  - Capital and liabilities

D Assets only

6. A sole trader sells goods for cash for K500 which had cost K300. Which elements of the accounting equation will change due to this transaction?

- A Assets and liabilities
- B Assets and capital
- C Capital and liabilities
- D Assets only

7. G purchases goods on credit from H for K1,000. K100 of these goods are defective and G returns them to H. What document would H issue to G in respect of the returned goods?

- A Invoice
- B Remittance advice
- C Credit note
- D Delivery note

8. What transaction is represented by the entries: debit rent, credit landlord?

- A The receipt of rental income by the business
- B The issue of an invoice for rent to a tenant
- C The receipt of an invoice for rent payable by the business
- D The payment of rent by the business

9. A sole trader had receivables of K2,700 at 1 May and during May made cash sales of K7,200, credit sales of K16,500 and received K15,300 from his customers. The balance on his receivables account at the end of May was

- A K1,500
- B K3,900
- C K8,700
- D K11,100

10. In double-entry bookkeeping, which of the following statements is true?

- A Credit entry decrease liabilities and increase income
- B Debit entries decrease income and increase assets
- C Credit entries decrease expenses and increase assets
- D Debit entries decrease expenses and increase assets

## SECTION B

### QUESTION ONE

The following is a summary of Aquaclear Ltd's Cashbook at the end of January 2024. All transactions of the business are banked.

Details	Dr	Cr
Balance b/d		
Receipts	2,300,000	
Payments	8,352,000	
Balance c/d		9,002,000
Totals	10,652,000	1,650,000
		10,652,000

The following transactions were discovered upon collection of the Bank Statement.

- Balance as per bank statement as on 31st January 2024 is K5,000,000.
- Cheque 100 and cheque 101 of K2,000,000 and K1,000,000 respectively issued as on 30th January 2024 have not yet cleared for payment. *unpresented*
- Insurance Standing Order paid by the bank is K200,000. It is not yet recorded in the cash book.
- An outgoing cheque 102 of K1,000,000 was recorded twice in the cash book. It is accurately recorded in the bank's records.
- Payment of a K500,000 by cheque 103 is recorded twice in the Bank Statement.
- Dividends received directly in the bank of K600,000 recorded only in the bank statement and not in the cash book.
- A cheque 45 of K500,000 was deposited on 29th January, but it is not processed by the bank.
- Bank charges of K50,000 were debited, it is only recorded in the bank Statement.

Required:

(a) Calculate the correct cash book balance

(10 Marks)

(b) Prepare the Bank Reconciliation Statement as at the end of the period. (10 Marks)

Total = 20 marks

## QUESTION TWO

The following list of balances has been extracted from the ledgers of Sweetcorn Sole Traders as at 31 December 2023, the end of the most recent financial year.

	K
Inventory	5,500
Returns Inwards	3,360
Returns Outwards	2,440
Purchases	45,500
Sales	56,800
Capital balance as at start of year	12,600
Buildings at cost	19,000

Fixtures and fittings at cost	10,630
Motor vehicles at cost	12,500
10 % Debenture	20,000
Tax Payable	9439
Bank Overdraft	7,000
Trade receivables	8,520
Trade Payables	9,800
Cash drawings	3,820
Heat and light	950
Business rates and rent	600
Insurance	510
Cash on hand	900
Advertising	700
Salaries	5,630
Other operating expenses	400
Discounts Allowed	480
Discounts Received	691
Commissions Received	230

The following information is also available:

The cost of the inventory at 31 December, 2023 was K4,900.

#### REQUIRED

Using the above information, prepare the following.

- A trial balance for Sweetcorn Sole Traders for the year ended 31<sup>st</sup> December 2023.
- Income Statement for Sweetcorn sole Traders for the period ended 31<sup>st</sup> December 2023
- Prepare a Position Statement for Sweetcorn Sole Traders as at 31<sup>st</sup> December, 2023.

**Total = 30 Marks**