



THE COPPERBELT UNIVERSITY

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

PRINCIPLES OF ACCOUNTING

BF/BEC/BS/HRM 120 – YEAR 1

DATE: Friday 24th November, 2017

TIME: 09:00 TO 11:00 HOURS

DURATION: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. There are **TWO (2)** questions
2. **ANSWER BOTH** questions
3. Marks are shown against each question
4. ALL queries should be directed to the invigilator
5. Present legible and tidy work

Do not open this exam paper until the invigilator tells you to.

QUESTION ONE

The trial balance for Bungwe B Ltd, a general dealer filed to agree on 31 December 2016. A difference of K 511,370 was found on the credit side. Upon checking the books, the following errors and omissions were discovered;

1. Coffee tables purchased on credit for K2800 had been entered on the incorrect side of the trade payables account and credited as K1800 to the equipment account.
2. A credit note sent to trade receivable for K620 had been entered on the day books as K260 and was subsequently posted to the incorrect side of the relevant ledger accounts.
3. Insurance due K340 and rent prepaid to Bungwe B K460 were not recorded in the books.
4. Goods previously sold on credit for K920, had been returned to Bungwe B. These returns had been incorrectly entered as K20 on the credit of equipment account and as K290 on the debit of purchases account
5. Cash payments of K450 for repairs to equipment had been credited to the trade payables account and also credited to the motor vehicles account.
6. A payment of K141, 000 for staff wages has been debited in the cash book but no entry has been made in the wages account.
7. A receipt of K41,000 from Simon smith, a trade receivable has been debited to his personal account
8. A discount allowed of K128,000 has not been recorded in the personal account of Jambo limited
9. A cheque to a supplier for K450,000 has been correctly shown as this amount in the bank and trade payables but has been recorded as K540,000 in the company's cash book
10. Delivery and installation costs of K161, 000 on new mining equipment had been recorded as a revenue expense.
11. The proceeds for the disposal of a plant for K25, 800 had been correctly debited to bank but credited to sales. The plant had originally cost K65, 000 for which K32, 600 had been provided as depreciation.
12. Discount allowed of K125, 000 had been posted to the credit side of the discount received account.
13. A purchase of raw materials of K350,000 had been recorded in the purchases account as K850,000

Required:

- a) Journalise the necessary corrections
- b) Show the suspense account

20 Marks

QUESTION TWO

Mr Mugape started business with a capital of K75, 000 cash which was a personal loan got in his name from Barclays Bank two weeks before the start of business. On the first of July he realized that the capital was not enough financing for the business, he then applied for a loan from Zanaco Bank Plc of K100, 000 in the name of the business as it was fully registered with PACRA as Mugape & Sons sole traders. He has the following transactions in the month of July.

- July 1st : Mugape buys a building to operate from costing K50, 000 on credit from NAPSA : agreeing to pay the cost in installments of K10, 000 per year at the end of each year for the next five years without interest.
- 1st : Purchased goods from Zanu Ltd on credit K25, 000
- 2nd : 80% of the Zanaco loan applied for above was approved and paid by crediting it into a bank account opened specifically for the business. Bought Motor Van for K20, 000 paying by cheque.
- 3rd : Purchased goods from Grace Enterprises on credit costing K15,000
- 4th : Sold goods to General Plc on credit for K16,000
- 5th : Goods of wrong colour costing K2,000 were returned to Grace Enterprises
- 6th : Brought furniture worth K5, 000 from his personal assets at home to be used for business operations.
- 7th : Bought goods from Kimbabwe for K12, 000 on Credit.
- 8th : Mugape Settled the bill with Kimbabwe by cash and was granted a 10% discount for prompt payment.
- 9th : K 1,000 worth of goods Sold goods to General Plc was returned.
- 10th : Mugape took out cash of K500 from the cash box to pay DSTV subscription for his home.
- 11th : Cash received from General Plc K5, 000.
- 12th : Paid 1% of the cost of the Building bought on 1st July as the first installment of the total insurance premiums on the said Building paying by cheque.
- 13th : Sold goods on credit to Impeach Plc for K18,000

- 14th : Cheque payment of K12,000 made to Zanu Ltd
- 15th : Received cash payment in full from Impeach Plc and allowed a discount of 5% for prompt payment.
- 18th : Paid wages to his office manager K5000 by cheque.
- 20th : Cash paid for the purchase of bicycle for Mugape's son 1,500
- 24th : Cash sales to Harari Investments for K40,000
- 30th : Purchases from Robert & sons for K13,500 and immediate payment by cheque

Required

- a) Record the above transactions in their ledgers and balance off the accounts.
- b) Extract a Trial balance.
- c) From your trial balance extract the Income Statement and the statement of financial position for the month assuming closing stock as at 31st July of K10, 000.

40 Marks