

Prince Daniels  
Your favorite Tutor



**THE COPPERBELT UNIVERSITY  
SCHOOL OF BUSINESS**

**END OF TERM 1 TEST**

**QUESTION PAPER**

<b>DEPARTMENT</b>	:	Accounting and Finance
<b>COURSE</b>	:	Basic Financial Accounting
<b>COURSE CODE</b>	:	BS/BHRM/BEC/BF120
<b>DATE</b>	:	Friday, 22 February 2019
<b>WRITING TIME</b>	:	2 Hours – (09:00 – 11:00 Hours)

**INSTRUCTIONS TO CANDIDATES**

1. There are TWO (2) questions in this paper
2. **QUESTION ONE (1)** is multiple choice
3. Answer ALL questions
4. ALL queries should be directed to the invigilator
5. Present legible and tidy work
6. Write your **STUDENT IDENTIFICATION NUMBER** on the front cover of the answer booklet

**Students are NOT permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.**

### **Question One**

In this section there are fifteen (15) multiple choice questions. You are required to attempt all of them. You should answer each question by writing your answer in the booklet of the relevant number and the alphabetical references which best represent your selected answer.

- 1.** Gwagwada a sole trader of Kamwala trading area has opening trade payables of K312, 232 and closing trade payables of K271,111. Purchases for the period amounted to K548, 754 (K52,950 relates to purchases for immediate payment). Calculate the total payments recorded in the payables ledger for the period.

- A K590, 875
- B K537, 925
- C K1, 080,147
- D K1, 133,097

- 2.** Where there is tension between the concepts of accruals and prudence

- A Accruals must prevail
- B Seek help from external auditors
- C A neutral approach must be adopted that ensures a fair presentation
- D Prudence must prevail

- 3.** A company uses the imprest system for its petty cash, keeping to a float of K7, 000. Since cash was last drawn, K1, 533 has been paid to the cleaner, K2, 437 has been spent on stationery and K452 paid to the taxi driver. One of the workers has repaid a K1, 250 travel advance given to him several weeks ago. What amount is needed to restore the imprest?

- A K3, 172
- B K2, 578
- C K1, 328
- D K3, 828

- 4.** A company has been overcharged by one of its suppliers. They receive a credit note. This is posted as follows:

- |                  |                |
|------------------|----------------|
| A DR purchases   | CR payables    |
| B DR payables    | CR purchases   |
| C DR purchases   | CR receivables |
| D DR receivables | CR purchases   |

5. The sales day book total for January 2018 of K657,000 was recorded in the nominal ledger as:

Cr Sales account  
Cr Receivables account

At 31 December 2018 a trial balance was prepared. Would the trial balance balance?

- A Yes
- B No Credits would exceed debits by K657, 000
- C No Credits would exceed debits by K1, 314, 000
- D No Debits would exceed credits by K657, 000

6. One of the BEC students made a mistake by overstating the purchases figure by K567, 900 in the trial balance and understating drawings by K67,000.

What would be the effect of the two mistakes on the gross profit and the net profit?

- A Gross profit overstated by K567, 000 and net profit overstated by K634,000
- B Gross profit understated by K567, 000 and net profit understated by K634,000
- C Gross profit overstated by K567,000 and no effect on net profit
- D Gross profit understated by K567,000 and no effect on net profit

7. A trial balance contains the following:

	K
Opening inventory	2,000
Closing inventory	4,000
Purchases	20,000
Purchases returned	400
Carriage inwards	3,000
Prompt payment discounts received	1,600

What is the cost of sales?

- A K17, 600
- B K19, 000
- C K20, 600
- D K24, 600

8. Carriage inwards K75, 000 has been recorded in the statement of profit or loss as an expense. As a result?

- A Net profit is understated by K75, 000
- B Gross profit is overstated by K75, 000, net profit is unchanged
- C Gross profit is understated by K75, 000
- D Net profit is overstated by K75, 000

9. The net assets of a trader, at 1 January 2018 amounted to K754, 300. During the year to 31 December 2018, the owner introduced a further K87, 940 of capital and made drawings of K52, 240. At 31 December 2018 the net assets totaled K970, 000.

What is the total profit or loss for the year ended 31 December 2018?

- A. K790, 000 profit
- B. K790, 000 loss
- C. K180, 000 loss
- D. K180, 000 profit

10. A credit entry of K700, 000 on Mutale's account in the receivables ledger of Walusiku Enterprises could have arisen by which one of the following transactions?

- A Mutale buying goods on credit from Walusiku
- B Walusiku paying Mutale K700, 000
- C Walusiku returning goods to Mutale
- D Mutale returning goods to Walusiku

11. The collection of accounts receivable is recorded by:

- A Credit to Cash and a credit to Accounts Receivable
- B Debit to Cash and a debit to Accounts Receivable
- C Credit to Cash and a debit to Accounts Receivable
- D Debit to Cash and a credit to Accounts Receivable

12. Mkandawire has net sales revenue of K150,000, sales discounts of K12,000, sales returns of K24,000, opening inventory of K15,000, purchases of K145,000 and closing inventory of K76,000. What would be the gross profit for?

- A K30, 000
- B K42, 000
- C K66, 000
- D K54, 000

13. Profit is equal to:

- A Income minus expenses
- B Receipts minus expenditures
- C Revenues minus cost of goods sold
- D Revenue minus expenses

- 14.** Mwalimu a sole trader purchased goods on credit from his personal funds. What is the effect on assets and liabilities?

	Effect upon assets	Effects upon Liabilities
A	Reduce bank	Reduce creditors
B	Increase cash	No effect
C	Increase inventory	Increase capital
D	None of the above	

- 15.** Chileshe's books showed the following amounts at 31 December 2018.

Plant and equipment	7,600,000
Trade receivables	1,200,000
Trade payables	800,000
Accrued rent	45,000
Fixtures and fittings	3,400,000
Inventory	1,300,000
Bank overdraft	450,000
Cash in hand	75,000
Prepaid heat and light	37,000
Wages owing	90,000
Long term loan	4,000,000

What is the balance of the company's working capital as at 31 December 2018?

- A K8, 227, 000
- B K1, 227, 000
- C K9, 612, 000
- D K2, 127, 000

[Total Marks = 30]

### Question Two

On 1 January 2019, Mr. Tumfweko started operating a retail shop (Tumfweko Retail Shop) that deals in fresh vegetables bought from local farmers. He pumped in K350, 000 in the bank and introduced his old van valued at K150, 000 into the business. The following transactions occurred in the month of January 2019:

**January  
2019**

**Transactions for the month of January**

- 2 He bought tomatoes on credit from Mashombe farms for K5, 500 and was promised a discount of 5% if he paid the whole amount within 30 days.
- 4 He got a loan of K56, 800 from Shunga Bank, paid directly into his bank account, which he used to buy a cold room vehicle.
- 5 He bought stationery worth K3, 500 by cheque from Kumba book shop.
- 6 He sold tomatoes to Shaka Ltd for K6, 000 cash and gave a trade discount of 10%.
- 7 He bought vegetables from Veggie fresh Ltd. for K25, 600 and paid by cheque.
- 8 He received interest from his bank Mwamba Building Society of 5% of his capital by cheque.
- 9 He returned K9, 500 worth of vegetables to Veggie fresh that had gone bad.
- 10 Veggie fresh engaged Mr. Tumfweko to sell vegetables on their behalf; for this he received a commission of K15, 500 cash.
- 11 He paid Jumbe transport K4, 500 by cheque for delivering vegetables valued at K12, 500 to his customer Kauseni Ltd who bought the vegetables on credit.
- 11 The cheque that was received on 8 January from Mwamba Building Society was deposited on 11 January
- 12 He introduced cash of K130,000 into the business which he got from his pension benefits
- 13 He sold tomatoes to Bwato Dealers for K11, 700 on credit.
- 14 He received an electricity bill of K23, 000 from ZESCO.
- 15 Bwato dealers returned goods worth K3, 400 and paid K5, 600 in cash.
- 16 He bought Machinery for making tomato paste from Kai Kai Ltd for K42, 700 cash.
- 18 He paid Mashombe farms K2,500 by cheque
- 20 He sold vegetables to Bwali Ltd for K6, 500 which had cost K5, 300 cash.
- 21 He paid salaries to his workers K35,700 by cheque
- 24 He paid rent to Mayanda properties K5,400 by cheque
- 25 He sold tomatoes worth K8, 500 cash to Manzub Ltd giving a discount of 10%.
- 26 He withdrew cash K4, 200 for his nephew's wedding.
- 27 He bought vegetable seedlings from Jungle Ltd. for K3, 600 cash and received a discount of 4%.
- 28 In order to expand his business, he purchased a building from Mamba Properties worth K82, 300 by cheque.

**Required:**

- a) Post the above transactions to relevant ledger accounts, balance off and extract a trial balance as at 31<sup>st</sup> January 2019.
- b) Prepare the Statement of Profit or Loss for Tumfweko Retail Shop for the year ending 31<sup>st</sup> January 2019 and the Statement of Financial Position as at that date.

**NOTE:**

Year end stock take revealed that closing inventory was valued at K5,000

END

Question One.

1. Trade Payables Ledger A/c

	K	K
Payment to Payables (Missing figure)	536925	b/f 312232
Credit Purchases		495804
Balance 9/d	271111	
	<hr/>	<hr/>
	808036	808036

Answer : B

2. D: Prudence Must Prevail

3. Amount = Payments - Receipts

$$= [1533 + 2437 + 452] - 1250$$

$$= K3172$$

Answer : A.

4. To cancel the Overcharged Amount

Dr Payables Cr Purchases

Answer : AB

5. Answer C.

Error of complete reversal will cause the wrong side to exceed the correct side by two.

6. Overstating the Purchases figure will underestimate both the Gross profit and net profit. Drawings does not affect profits.

Answer : B.

7.

Cost of Sales = Opening Inventory + Purchases + Carriage Inwards

- Returns Outwards - Closing Stock

$$= 2000 + 20000 + 3000 - 400 - 4000$$

$$= \underline{\text{K20600}}$$

Answer: C

8. Carriage Inwards reduces Gross Profit, If Not recorded under cost of sales . Gross Profit will be overstated. Carriage Inwards and all expenses are debited to the Income Statement so no effect on Net Profit:

Answer: B.

9. Using the formula By Section of the Balance sheet.

$$\text{Capital at Start} + \text{Capital introduced} + \text{Profit/loss} - \text{Drawings} = \text{Capital At End}$$

$$754300 + 87940 + \text{Profit} - 52240 = 970000$$

$$\text{Profit} = K180000$$

Answer: D.

10. Mitali returning goods to Wahala  
reduces the debtor (Mitali's) A/c.

Answer: D

11. B

12.

$$\text{Gross Profit} = \text{Net Sales} - \text{Cost of Sales}$$

$$= 150000 - [15000 + 45000 - 76000]$$

$$= K66000$$

Answer ; C

B. Gross Profit = Revenue - Cost of Sales

Net Profit = Income - Expenses.

Answer ; A or C

14. C

15.

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

Current Assets

K

Trade Receivables 1200000

Inventory 1300000

Cash In hand 75000

Prepaid Rent Hd<sup>L</sup> 37000

2612 000

K

Current Liabilities 800000

Trade Payables 45000

Accrued Rent 90000

Wages Owing 935000 + 450000

## Question Two (using T Accounts)

a)

CAPITAL ACCOUNT	
K	K
Bank	350 000
Van	150 000
Cash	130 000
Balance 9/	630 000
	630 000
Balance 6/	630 000

# BANK ACCOUNT

	K		K
Capital	350000	Vehicle	56800
loan	56800	Stationery	3500
Interest Received	17500	Purchases	25600
		Jumbe (Damage Inwards)	4500
		Manhombe	2500
		Salaries	35700
		Rent	5400
		Buildings	82300
		Balance 9/	208000
	<u>424300</u>		<u>424300</u>
Balana b/d	208000		

PURCHASES ACCOUNT

	K		K
Marhombe	5500		
Bank	25600		
Cash	3600		
		Bal b/d	34700
	<u>34700</u>		<u>34700</u>
Bal b/d	34700		

CASH ACCOUNT.

	K		K
Cash Sales	5400	Machinery	42700
Commission Received	15500	Discount Allowed	850
Capital	130000	Drawings	4200
Bwato	5600	Purchases	3600
Bwali (sales)	6500		
Manzub (Sales)	8500		
Discount Received	144		
		Bal c/d	120 294
	171 644		171 644
Bal b/d	120 294		

SALES ACCOUNT

	K	K
Cash (shaka)		5400
Kauseni		12500
Bwato		11700
Cash Sales (Bwati)		6500
Cash Sales (Mamzub)		8500
Bal c/d	44600	
	<hr/>	<hr/>
	44600	44600
Bal b/d		44600

VAN ACCOUNT

	K	K
Capital	150000	
	150000	
	150000	
Bal b/f	150000	

COLD ROOM VEHICLE

	K	K
Bal K	56800	
	56800	
	56800	
Bal b/f	56800	

MACHINERY ACCOUNT

	K	K
Cash	42700	
	42700	
	42700	
Bal b/f	42700	

BUILDINGS A/C

	K	K
Bank	82300	
		B/d
	82300	82300
Balance b/f	<u>82300</u>	<u>82300</u>

Administrative Expenses A/c

	K	K
Electricity	23000	
Salaries	35700	
Rent	5400	
		Bal c/f
	64100	64100
Bal b/f	<u>64100</u>	<u>64100</u>

Mashonbe A/c (Creditor / Trade Payable)

		K	
Payment	2500	Purchases	5500
Bal c/d	<u>3000</u>		
	<u>5500</u>		
	<u>3000</u>	Bal b/d	3000

Kauseni (Debtor / Trade Receivable)

	K	
Credit Sales	12500	

Bwato (Debtor)

	K		
Credit Sales	11700	Returns Inward	3400
		Payment	5600
		Bal c/d	2700
	<u>11700</u>		<u>11700</u>
Bal b/d	<u>2700</u>		

Returns Outwards / Purchases Returns

K

K

Veggie fresh

9500

Veggie fresh (Debtors / Other Receivable)

K

K

Returns

9500

Returns Inwards / Sales Returns

K

K

Bwato

3400

Discount Allowed

Cash	K	K
	850	

DISCOUNT RECEIVED

K		K
Cash		144

LOAN ACCOUNT

K.		K
Bank		56800

COMMISSION RECEIVED

K		K
Cash		15500

ACCrued EXPENSES

K	Zesco	K
		23000

Tunfweko's Trial Balance As 31 January 2019

	£		£
Bank	208000	Capital	630000
Purchases	34700	Sales	44600
Cash	120294	Trade Payables:	
Van	150000	Manhombe	3000
Cold Room Vehicle	56800	Returns Outwards	9500
Machinery	42700	Discount Received	144
Buildings	82300	Loan	56800
Administrative Expense	64600	Commission Received	15500
Debtors:		Accrued Expenses	23000
Kaiseni	12500	Interest Received	17500
Bwato	2700		
Veggie fresh	9500		
Returns Inwards	3400		
Discount Allowed	850		
Drawings	4200		
Carriage Outwards	4500		
Stationery	3500		
	<u>800044</u>		<u>800044</u>

② Tunfwenko's Income Statement for the month ending 31/6/10

	K	K
Sales	44600	
less Sales Returns	(3400)	
TurnOver / Net Sales		41200
Opening Stock	-	
Purchases	34700	
Carriage Inwards	-	
less Purchases Returns	(9500)	
less Closing Stock	(5000)	
Cost of Sales		(20200)
GROSS PROFIT		21000
Add Other Incomes :		
Discount Received	144	
Interest Received	17500	
Commission Received	15500	
		33144
Total Income		54144

LESS EXPENSES

Admin Expenses	64100
Discount Allowed	850
Damage Outwards	4500
Stationery	3500
Total Expenses	(72950)
Net Profit	<u>(18806)</u>

T's Balance sheet as at 31/01/09

Assets

Non Current Assets

Van

Cold Room Vehicle

Machinery

Buildings

	K	K	K
	COST	DEP	N.B.V
Van	150 000	—	150 000
Cold Room Vehicle	56800	—	56800
Machinery	42700	—	42700
Buildings	82300	—	82300
	331800	—	331800

Current Assets

Inventory

Trade & Other Receables

Cash

Bank

	5000	
	24700	
	120294	
	208000	
	357994	
	689794	

<u>Financed By</u>	
Capital	630000
Add Net Profit / loss	(18806)
	611194
less Drawings	(4200)
	606994
<u>Non Current Liabilities</u>	
Bank loan	56800
<u>Current Liabilities</u>	
Trade Payables	3000
Accruals	23000
	26000
Total Capital & Liabilities	689794