



THE COPPERBELT UNIVERSITY

SCHOOL OF BUSINESS

BSP 220: FINANCIAL ACCOUNTING

TEST1 2024

TIME ALLOWED: 11/2 HOURS

INSTRUCTIONS TO CANDIDATES

1. There are two Questions in this paper
2. Attempt Both Questions
3. All answers should be written on the separate answer sheet. For question two attach workings.

SECTION A: ATTEMPT ALL MULTIPLE CHOICE QUESTIONS

1.) Consider the following statements:

- (i) 'Double entry bookkeeping' means that two sets of records are maintained.
 (ii) In double entry bookkeeping we have a basic check on the accuracy of the entries as the total value of the debit entries and the total value of the credit entries should be equal. Are the statements true or false?

	A	B	C
Statement (i)	True	True	False
Statement (ii)	True	False	True

2) A company's income statement for the year ended 31 December 2018 showed a net profit of K83,600. It was later found that K18,000 paid for the purchase of a motor van had been debited to the Purchases account.

Which type of error was committed?

- A Error of commission B Error of complete reversal C Error of Principle
 D Error of compensation

3.) Which of the following balance sheet summaries is correct?

	Capital	Assets	Liabilities
A	K35,000	K24,000	K11,000
B	K21,000	K15,000	K36,000
C	K25,000	K33,000	K8,000
D	K33,000	K25,000	K8,000

4.) Which of the following statements are correct?

- Avalon gives his customers individual trade discounts from the list price and a general 5% cash discount for all invoices settled within 7 days of issue. A new customer, Nolava negotiates a 25% trade discount. His transactions during June are:
 June 12 Buys goods with a K5,000 list price
 June 15 Returns goods with a K1,000 list price as faulty
 June 16 Pays half of the net balance on his account

How much does Nolava owe Avalon at the end of June?

- A K1,425 B K1,500 C K2,000 D K2,850

5.) What business document provides proof of payment for a business transaction? A Invoice B Receipt C Claim D Debit note

6.) East buys goods from South on credit. Which one of the following is the correct double entry for this transaction in East's books?

- A Dr Purchases, Cr Cash B Dr Purchases, Cr South C Dr Cash, Cr Purchases
 D Dr South, Cr Purchases

7.) In which books of prime entry would the following transactions be entered?

- A credit sale for K387 and a cash sale of K200 less 10% discount for cash payment.
 A The cash book and sales day book B The petty cash book and sales day book
 C The purchase day book and sales day book D The journal and cash book

8.) Which of these statements are correct?

- (i) A casting error in a day-book will stop the trial balance balancing.
 (ii) A transposition error in a daybook will stop the trial balance balancing.
 A (i) only B (i) and (ii) C (ii) only D Neither (i) or (ii)

9.) Which basic accounting concept is being followed when a charge is made for depreciation?

- A Accruals B Consistency C Going concern D Prudence

10.) Allowances for receivables are an example of which accounting concept?

- A Accruals B Consistency C Matching D Prudence

11) Which of the following items should be included in the calculation of gross profit?

- A Carriage inwards B Carriage outwards C Early settlement discount allowed

12.) The business entity concept requires that a business is treated as being separate from its owners. **Is this statement true or false?** A True B False

13) Which of the following items would be likely to be paid out of petty cash?

- (i) Payment to window cleaner K10
 (ii) Hire purchase payment for a delivery van K123
 (iii) A payment for postage stamps K11.60
 (iv) A payment to a supplier for goods bought on credit of K65

- A All of the above B i, iii and iv C i only D i and iii

14). Chanda is preparing her bank reconciliation. She has noted the following:

- (i) the bank has levied charges on her account
 (ii) a cheque payable to S. Bboloka has not been presented at the bank

Which of the above errors require an entry in the revised cash book?

- A both (i) and (ii) B (i) only C (ii) only

15). Depreciation is best described as

- A A means of spreading the payment for non-current assets over a period of years

- B A decline in the market value of the assets

- C A means of spreading the net cost of non-current assets over their estimated useful life

- D A means of estimating the amount of money needed to replace the assets

16) Mubanga introduces her car into her business.

Which parts of the business' accounting equation will change?

- A Assets and capital liabilities B Capital and profit C Liabilities and assets D Capital and

[Total 32 Marks]

QUESTION TWO (28 Marks)

The following information relate to the business of Mubemba at 30 June 2023

	K
Buildings (cost K75,000)	50,000
Fixtures and Fittings at cost	11,000
Provision for depreciation- Fixtures	3,300
Debtors	16,243
Creditors	11,150
Cash at Bank	677
Stock at 30 th June 2022	41,979
Sales	123,650
Purchases	85,416
Carriage outwards	1,288
Discount allowed	115
Loan Interest- Howard	4,000
Office expenses	2,416
Salaries and wages	18,917
Baddebts	503
Provision for baddebts	400
10%Loan	40,000
Drawings	12,050

Additional Information

- i) Stock, 30th June 2023 K56,340
- ii) Office Expenses to be accrued K96 ;wages K200
- iii) Depreciate fixtures 10% on reducing balance basis, buildings 2% on cost
- iv) Provision for bad debts to be reduced to K320

From the above information, answer the following questions.

- (1) What is the capital for the business _____
- (2) The trial balance totals prepared before additional information are _____ each side.
- (3) The value of Turnover is _____
- (4) The total cost of goods available is _____
- (5) The value of cost of sales is _____
- (6) What is the Gross profit _____
- (7) Total expenses are _____
- (8) What is Net profit figure _____
- (9) The total net Book Value of non current assets as at 30-06-23 is _____
- (10) What is the value of total current assets _____
- (11) What is the value of total current liabilities _____
- (12) What is the value of working capital _____
- (13) What is the value of Total Non Current Liabilities _____
- (14) What is the value of Total capital _____