



SCHOOL OF BUSINESS

EXCELLENCE TUTORIALS

BS 120 TEST 1

TIME: 3 HRS

- *Show your working to get full marks
- *Answer all questions in **Section A and section B**
- *Late submission will not be marked
- *Total marks of the paper 60 marks

All the best!!

SECTION A [Total Marks = 20]

1. Which of the following calculates a sole trader's net profit for a period?

- A Closing net assets + drawings – capital introduced – opening net assets
- B Closing net assets – drawings + capital introduced – opening net assets
- C Closing net assets – drawings – capital introduced – opening net assets
- D Closing net assets + drawings + capital introduced – opening net assets

2. Which of the following explains the imprest system of operating petty cash?

- A Monthly expenditure cannot exceed a set amount
- B The exact amount of expenditure is reimbursed at intervals to maintain a fixed float
- C All expenditure out of the petty cash must be properly authorized
- D Regular equal amounts of cash are transferred into petty cash at intervals

3. A company uses the imprest system to control its petty cash, keeping a float of K50, Since the cash was last replenished it had the following transactions:

- I) K12.50 to the Milkman
- II) K10.00 on taxis
- III) K5.70 on stationary
- IV) K20.00 advance taken by the director for a taxi fare, returned unused
- V) K18.50 to the cleaner

How much should now be drawn out of the bank?

- A K50.00
- B. K41.70
- C. K46.70
- D. K31.70

4. After calculating your company's profit for the year, you discover that: I) These two errors have had the effect of A non-current asset costing K50,000 has been included in the purchases account;

II) Stationery costing K10, 000 has been included as closing inventory of raw materials instead of inventory of stationery.

- A Understating gross profit by K40,000 and understating net profit by K50,000
- B Understating both gross profit and net profit by K40,000
- C Understating gross profit by K60,000 and understating net profit by K50,000
- D Overstating both gross profit and net profit by K60,000

5. The IASB's Conceptual Framework for Financial Reporting identifies characteristics which make financial information faithfully represent what it purports to represent. I) Accruals

II) Completeness

III) Going concern

IV) Neutrality

A 1 and 2 B. 2 and 4

C. 2 and 3

D. 1 and 4

6. Amy is a sole trader and had assets of K569, 400 and liabilities of K412, 840 on 1 January 20X8. During the year ended 31 December 20X8 she paid K65, 000 capital into the business and she paid herself wages of K800 per month. At 31 December 20X8, Amy had assets of K614, 130 and liabilities of K369, 770.

What is Amy's profit for the year ended 31 December 20X8?

A K32, 400

B K23, 600

C K22, 800

D K87, 800

7. Which ONE of the following is an error of principle?

A. A gas bill credited to the gas account and debited to the bank account

B. The purchase of a non-current asset credited to the asset account at cost and debited to the payable's account

C. The purchase of a non-current asset debited to the purchases account and credited to the payable's account

D. The payment of wages debited and credited to the correct accounts, but using the wrong amount

I) A debit entry in the cashbook will increase an overdraft.

II) A debit entry in the cashbook will increase a bank balance.

8. Are these statements true?

A. Both true

B. Both false

C. (i) true and (ii) false

D. (i) false and (ii) true

9. A credit balance on a ledger account indicates
- A. An asset or an expense
 - B. A liability or an expense
 - C. An amount owing to the organization
 - D. A liability or a revenue

10. Which of the following is not an objective of financial statements?
- A. Providing information regarding the financial position of a business
 - B. Providing information regarding the performance of a business
 - C. Enabling users to assess the performance of management to aid decision making
 - D. Helping to assess the going concern status of a business

11. The double-entry system of bookkeeping normally results in which of the following balances on the ledger accounts?

Debit balances

- A. Assets and revenues
- B. Revenues, capital and liabilities
- C. Assets and expenses
- D. Assets, expenses and capital

Credit balances

- Liabilities, capital and expenses
- Assets and expenses
- Liabilities, capital and revenues
- Liabilities and revenues

12. A credit entry of K450 on X's account in the receivables ledger of Y could have arisen by
- A. X buying goods on credit from Y
 - B. Y paying X K450
 - C. Y returning goods to X
 - D. X returning goods to Y

13. A sole trader had opening capital of K10, 000 and closing capital of K4, 500. During the period, the owner introduced capital of K4, 000 and withdrew K8, 000 for her own use.

Her profit or loss during the period was.

- A. K9,500 loss
- B. K1, 500 loss
- C. K7,500 profit
- D. K17,500 profit

14. Sales revenue should be recognized when goods and services have been supplied; costs are incurred when goods and services have been received. The accounting concept which governs the above is the

- A. Accruals concept
- B. Materiality concept
- C. Realization concept
- D. Dual aspect concept

15. Where a transaction is credited to the correct ledger account, but debited incorrectly to the repairs and renewals account instead of to the plant and machinery account, the error is known as an error of

- A. Omission
- B. Commission
- C. Principle
- D. Original entry

16. If a purchase return of K48 has been wrongly posted to the debit of the sales returns account, but has been correctly entered in the supplier's account, the total of the trial balance would show

- A. The credit side to be K48 more than the debit side
- B. The debit side to be K48 more than the credit side
- C. The credit side to be K96 more than the debit side
- D. The debit side to be K96 more than the credit side

17. You are the accountant of ABC and have extracted a trial balance at 31 October 20X4. The sum of the debit column of the trial balance exceeds the sum of the credit column by K829. A suspense account has been opened to record the difference. After preliminary investigations failed to locate any errors, you have decided to prepare draft final accounts in accordance with the prudence concept.

The suspense account balance would be treated as?

- A. An expense in the income statement
- B. Additional income in the income statement
- C. An asset in the statement of financial position
- D. A liability in the statement of financial position

18. Carriage inwards K5, 000 has been recorded in the I/S account as an expense, as a result?

- A. Net profit is understated by K15,000
- B. Gross profit is overstated by K15,000, net profit is unchanged
- C. Gross profit is understated by K15,000
- D. Net profit is overstated by K15,000

19. When a trial balance was prepared, a suspense account was opened. It was discovered that the only error that had been made was to record K2, 050 of discounts received on the wrong side of the trial balance. What is the journal to correct this error?

- A. Dr discounts received K2,050 Cr suspense K2,050
- B. Dr suspense K2,050 Cr discounts received K2,050
- C. Dr discounts received K4,100 Cr suspense K4,100
- D. Dr suspense K4,100 Cr discounts received K4,100

20. When a trial balance was prepared, the closing inventory of K20, 400 was omitted. To make the trial balance agree, a suspense account was opened.

What was the balance on the suspense account?

- A. Nil
- B. Debit K20,400
- C. Credit K20,400
- D. Debit K40,800

SECTION B

QUESTION ONE (20 MARKS)

The following transactions relates to Margret Chileshe for the month of December 2022:

1. Started business with K80, 000 in the bank and K75, 000 in cash.
2. Isaac lent us K8,000 in cash
3. Purchased goods on credit from Natasha M. Ltd K9,000 and Kafula K4,600
4. Goods which cost K9, 000 were sold for K11, 000 paid for immediately.
5. withdraw k26,000 of the cash and paid it to the bank
6. sold goods on credit to Mutinta M. K15,000 which cost K12,000
7. sold goods on credit to Uncle Jay K12,000 with 10% cash discount if paid within the month
8. bought goods on credit from Natasha M. Ltd K3,400 promised a 5% discount if paid within the month
9. Mutinta M. return goods to us worth K2,000
10. Sold goods on credit to Katita K19,000 and Karen Kabuta K37,000
11. We returned goods Natasha M. Ltd K1,250
12. Bought motor van on credit from Toyota Zambia K2,100 with 10% cash discount if paid within 15 days
13. We returned goods to Kafula K1,100
14. Bought goods for cash K2,200
15. Paid money owing to Natasha M. in full by cheque
16. Goods returned to us by Katita K2,000
17. Margret Chileshe put a further K9,500 into the business in the form of cash
18. Paid Toyota Zambia in full by cheque
19. Bought office furniture for cash K10,000

REQUIRED

Enter the above transactions in their respective ledger accounts, balance off the accounts at the end the month and extract a trial balance.

QUESTION THREE (20 MARKS)

At the year-end of Excellence Tutorials. The trail balance didn't balance the credit exceeded the debits by K2, 083,000. As an accounting student you have been sent to Excellence tutorials. Initial investigations revealed the following errors.

1. Payment from a business bank account for repairs to business premises K600, 000 and insurance of private dwellings K520, 000 were entered correctly in the bank account but respectively credited to premises account and credited to insurance account.
2. A payment of K70, 500 for Rent has been credited in the cash book but no entry has been made in the Rent account.
3. A receipt of K20, 500 from Amon Chizola, a trade receivables has been debited to his personal account.
4. A discount allowed of K64, 000 has not been recorded in the personal account of Chola Chakopo Ltd.
5. Return outwards of K19, 000 has been posted as K41, 500 in Clément's personal account
6. A cheque to a supplier for K225, 000 has been correctly shown as his amount in the bank and trade payables but has been recorded as K270, 000 in the company's cash book.
7. Transport costs of K80, 500 on new mining equipment had been recorded as a revenue expense.
8. Several credits sales invoices totaling K37, 500 for the month had been found in the accounting manager's tray no entries had yet been made.
9. Discount allowed of K62, 500 had been posted to the credit side of the discount received account.
10. Car parts, previously sold on credit for K920, 000 had been returned to Excellence Tutorials. These returns had been incorrectly entered as K20, 000 on the credit of the equipment account and as K290, 000 on the debit of purchases account.

Required

- (a) Prepare journal entries to correct each of the above errors (Narrations are not required).
- (b) Open a suspense account and show the corrections to be made.

END OF TEST