

Alice S MR
Macheni



THE COPPERBELT UNIVERSITY

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

PRINCIPLES OF ACCOUNTING

BS 120 – YEAR 1
TEST 1

DATE: Wednesday ,5th May, 2021

TIME: 09:00 TO 11:00 HOURS

DURATION: 2 HOURS

INSTRUCTIONS TO CANDIDATES

1. There are THREE (3) questions
2. ANSWER ALL
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 [15 marks]

The following transactions relates to Chabula for the month of December 2020:

- 01 Started business with K80,000 in the bank and K75,000 cash
- 02 Kelvin lent us K8,000 in cash
- 03 Purchased goods on credit from ABC K9000 and S Sakala K4,600.
- 04 Goods which cost K9,000 were sold for K11,000 paid for immediately
- 06 Withdraw K26,000 of the cash and paid it into the bank
- 08 Sold goods on credit to M. Mweemba K15000 which cost K12,000
- 10 Sold goods on credit to Joel K12,000 with 10% cash discount if paid within a month *
- 11 Bought goods on credit from ABC Ltd K3,400 promised a 5% cash discount if paid within a month *
- 12 M Mweemba returned goods to us K2,000
- 14 Sold goods on credit to Henry K19,000 and J Jackson K37,000
- 15 We returned goods to ABC Limited K1,250
- 17 Bought motor van on credit from Toyota Zambia K2,100 with 10% cash discount if paid within 15 days
- 19 We returned goods to S .Sakala K1,100
- 20 Bought goods for cash K2200
- 25 Paid money owing to ABC in full by cheque
- 26 Goods returned to us by Henry K2,000
- 28 Chabula put a further K9,500 into business in the form of cash
- 29 Paid Toyota Zambia in full by cheque
- 31 Bought office furniture for cash K10,000

You are required to enter the above transactions in their respective ledger accounts, balance off the accounts at the end of the month. Do not extract a trial balance.

cash

9000 17 → 210

170

3230

QUESTION TWO

1. The concept implies that the business will continue in operational existence for the foreseeable future, and that there is no intention to liquidate some activities significantly known as:
A.Consistency concept ✓
 B Going concern
C.Materiality
D.Prudence (1 mark)
2. Which accounting concept states that once an accounting policy has been adopted it has to be maintained for a considerable period of time without changing .
A. Maintenance concept
B. Materiality
 C Consistency concept
D. Money Measurement (1 mark)
3. A provision for doubtful debts or allowance for trade receivables is an application of:
 A Prudence concept
B. matching concept
C. Duality concept
D. Money measurement concept (1 mark)
4. Which of the following is not a user of financial statements
A. Shareholders
B. Potential investors
C. Customers
 D. None of the above (1 mark)
5. Which of the following book is used for cash transactions
A. Sales day book
 B Cashbook
C. Purchases day book
D. Sales returns (1 mark)
6. When correcting an error it is advisable to use a
 A Journal
B. Debit note
C. Credit note
D. Ledger (1 mark)

1040,000
600,000
600,000

9. Patel started business with the following assets and liabilities on 1 January 2019:

	K
Inventory	3,000
Buildings	4,200
Land	1,200
Loan	2,340
Trade payables	1,800
Accruals	250

8400

What was his capital?

- A. K4010
- B. K4,260
- C. K4,510
- D. K6,060

(1 mark)

10. An invoice number 12 amounting to K260 was omitted from the totals posted into the books. This error is known as:

- A. Error of original entry
- B. Complete reversal
- C. Compensating error
- D. Error of omission

(1 mark)

QUESTION THREE [25 marks]

At the year-end of Nguzu and wives, the trial balance did not balance, the credits exceeding debits by K2,083,000. As an accounting student you have been sent to Nguzu and wives. Initial investigations revealed the following errors.

- Payments from a business bank account for repairs to business premises K600,000 and insurance of private dwelling K520,000 were entered correctly in the bank account but respectively credited to premises account and credited to insurance account.
- A payment of K70,500 for Rent has been credited in the cash book but no entry has been made in the Rent account.
- A receipt of K20,500 from Simon Mwewa lane, a trade receivable has been debited to his personal account
- A discount allowed of K64,000 has not been recorded in the personal account of Hatembo limited
- A return outward of K19,000 has been posted as K41,500 in Nawakwi's personal account
- A cheque to a supplier for K225,000 has been correctly shown as this amount in the bank and trade payables but has been recorded as K270,000 in the company's cash book
- Transport costs of K80,500 on new mining equipment had been recorded as a revenue expense.
- Several credit sales invoices totaling K37,500 for the month had been found in the accounting manager's tray no entries had yet been made.
- 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 Nguzu and wives. These returns had been incorrectly entered as K20,000 on the credit of equipment account and as K290,000 on the debit of purchases account.

Required:

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

END

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QUESTION ONE. (COMMISSIONS EXPECTED)

LESA PANTANSHI

SALES LEDGER

K	K
Cash	11000
Mweemba	15000
Joel	12000
Henry	19000
Jackson	37000
Bal %	94000
<hr/>	<hr/>
94000	94000

JACKSON LEDGER

K	K
Sales	37000
<hr/>	<hr/>
Bal %	37000
<hr/>	<hr/>
37000	37000

RETURNS INWARDS ACCOUNT

K	K
Mweemba	2000
Henry	2000
<hr/>	<hr/>
Bal %	4000
<hr/>	<hr/>
4000	4000

MWEEMBA LEDGER

K	K
Sales	15000
<hr/>	<hr/>
Refunds	2000
<hr/>	<hr/>
Bal %	13000
<hr/>	<hr/>
15000	15000

HENRY LEDGER

K	K
Sales	19000
<hr/>	<hr/>
Refunds	2000
<hr/>	<hr/>
Bal %	17000
<hr/>	<hr/>
19000	19000

RETURNS OUTWARDS

K	K
ABC	1250
<hr/>	<hr/>
Sakala	1100
<hr/>	<hr/>
Bal %	3350
<hr/>	<hr/>
3350	3350

MOTOR VAN LEDGER

K	K
Toyota	2100
<hr/>	<hr/>
2100	2100

TOYOTA LEDGER

K	K
Payment	2100
<hr/>	<hr/>
Motor Van	2100

Daniel Mugala - 09772286191

1. Invation /hee

FURNITURE ACCOUNT

	K	K
Cash	10000	
	Bal % 10000	
	10000	10000

CAPITAL ACCOUNT

	K	K
Bank	80000	
Cash	75000	
Cash	9500	
Bal %	164500	
	164500	164500

ABC

	K	K
Payment	9000	Purchases 9000
	9000	9000

Sakala Account

	K	K
Returns	1100	Purchases 4600
Bal %	3500	
	4600	4600

DISCOUNT RECEIVED

	K	R
Toyota		210
Bal %	210	
	210	210

CASH ACCOUNT

	K	K
Capital	75000	Bank 26000
Kefrin	8000	Purchases 2200
Sales	11000	Furniture 10000
Capital	9500	
		Bal % 65300
	103500	103500

ABC LIMITED

	K	K
Returns	1250	Purchase 3400
Bal %	2150	
	3400	3400

PURCHASES ACCOUNT

	K	K
ABC	9000	
Sakala	4600	
ABC	3400	
Cash	2200	
Bal %	19200	
	19200	19200

Question Three

a) Journal Entries

Daniel Njuguna - 0972226191

	Dr	Cr
1. Premises Suspense	600 000	600 000
Repairs to Premises Suspense	600 000	600 000
Insurance Suspense	1040 000	1040 000
2. Rent Suspense	70 500	70 500
3. Suspense Receivables	41 000	41 000
4. Suspense Receivables Payables	64 000	64 000
5. Suspense Payables	22 500	22 500
6. Cash Suspense	45000	45 000
7. Equipment Revenue Exp	80500	80500
8. Receivables Sales	37 500	37 500

Journal Entries

	Dr	Cr
9. Discount Allowed Suspense	62 500	62 500
Discount Received Suspense	62 500	62 500
10. Suspense Purchases	290 000	290 000
Equipment Suspense	20 000	20 000
Returns Inwards Receivables	920 000	920 000

6) Suspense Account

Daniel - 0972286191

	K		K
Balance b/f	2083000	Premises	600000
Receivable	4000	Repairs	600000
Receivable	64000	Insurance	1040000
Payables	22500	Rent	70500
Purchases	290000	Cash	45000
		Discount	62500
		Discount	62500
		Equipment	20000
	<u>2500 500</u>		<u>2500 500</u>

Daniel Nygård - 0972286191

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THE COPPERBELT UNIVERSITY

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

PRINCIPLES OF ACCOUNTING

BF/BEC/BS/HRM 120 - YEAR 1

DATE: Wednesday 11th May, 2022

TIME: 09:00 TO 10:50 HOURS

DURATION: 1 HOUR 50 MINUTES

INSTRUCTIONS TO CANDIDATES

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

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QUESTION ONE

Fountain Restaurant had the following balances on 1/1/2021:

Cash at bank	K245,000
Cash at hand	K 148,000
Inventory	K700,000
Trade Receivables :	
	John K150,000
	Ben K250,000
	Dennis K100,000
Trade Payables :	
	Peter K80,000
	Inonge K75,000
Land and Buildings	K450,000
Loan	K178,000

The following transactions took place during the month:

- 4/1/21 Sold goods for cash K165,000, the goods cost K152,000 ✓
 5/1/21 Purchased goods on credit from Peter and Inonge for K15,000 and K25,000 respectively.✓
 6/1/21 Withdraw cash amounting to K2,000 from the bank for personal use. ✓
 7/1/21 We returned to Peter K200 worth of goods purchased on 5/1/21 for poor quality ✓
 9/1/21 Withdraw K2,500 from the bank for business use ✓
 10/1/21 We paid Peter in full by cheque after allowing us a discount of 2.5% ✓
 11/1/21 We purchased goods paying by cash K45,000 ✓
 12/1/21 Bought Land from EW farms on credit for K75,000 ✓
 13/1/21 Received a cheque from John and Ben if full after allowing them a discount of 10%. ✓
 15/1/21 Dennis returned goods worth K7,000 ✓
 17/1/21 Dennis settled his account in full by cash after allowing him a discount of 2% ✓
 18/1/21 Paid EW Farms 60% of the amount owed by cheque.✓
 22/1/21 K100,000 was paid towards the loan by cheque ✓
 27/1/21 Paid the following by cheque: Electricity K1,000, Rates K7,800 and Wages K1,450. ✓
 28/1/21 Paid the following by cash: Stationery K300 and Travel expense K780 ✓
 29/1/21 Sold goods on credit to Samson for K54,000. If payment is received within 10 days a cash discount of 1.5% will be given.✓
 30/1/21 Samson settled his account in full by cheque.✓
 31/1/21 J Mwanza lent us K200,000. The amount was deposited directly into our account. ✓

Required to enter the above accounts in their respective ledger accounts (balance off the ledger accounts) (24 marks)

QUESTION TWO (26 marks)

At the year end of Wangu and sons ltd, the trial balance did not balance, the credits exceeded debits by K358,700. As an accounting student you have been sent to Wangu and sons. Initial investigations revealed the following errors

- 1) Tractor parts, previously sold on credit for K930,000 had been returned to Wangu and sons. These returns had been incorrectly entered as K30,000 on the credit of equipment account and K390,000 on the debit of purchases
- 2) A discount allowed of K71,000 has not been recorded in the personal account of Hamududu limited
- 3) Purchase of motor vehicle by cheque amounting to K7,000 was entered in the Purchases account and was recorded in the bank account.
- 4) Electricity amounting to K6,000 paid by cash was wrongly posted to the wrong sides of both accounts
- 5) An Invoice to a customer for K98,000 was posted to the customer's account as 89,000 but the other account was correct.
- 6) Payments from a business bank account for repairs to business premises K250,000 and insurance of private dwelling K120,000 were entered correctly in the bank account but respectively credited to premises account and credited to insurance account
- 7) The balance of K38,000 on the telephone expense account had been omitted from the trial balance
- 8) Several credit purchases invoices totalling K55,500 for the month of June had been found in the accounting managers tray, no entries had yet been made
- 9) Discount allowed amounting to K200 was correctly entered in the customer's account but wrongly entered in the discount received account as K2,000
- 10) Petty cash balance of K500 was not included in the trial balance.

Required:

- a) Prepare Journal entries to correct each of the above errors (Narratives are not required)
(14 marks)
- b) Open a suspense account and show the corrections to be made **(12 marks)**

Question three (multiple choice questions) (10 marks)

1. Revenue and costs should be recognized in the financial statements when earned and not incurred but not when cash is received or paid. This is the definition of ...
 - A. Going concern concept
 - B. Accrual concept
 - C. Materiality concept
 - D. Realization concept
2. Provision for doubtful debts is an example of ...
 - A. Consistency concept
 - B. Materiality Concept
 - C. Money measurement concept
 - D. Prudence concept
3. The company has a policy of charging depreciation using straight line method and this method used for the past five years. The policy has been changed to diminishing balance. This is an example of
 - A. Consistency concept
 - B. Going concept
 - C. Business entity concept
 - D. Prudence
4. The company had the following assets and liabilities at the beginning of the year:
Inventory K2500
Plant and machiney K3000
Cash and hand K3600
Fixtures and fixtures K2000
Loan K3670
Trade payables K3100
Trade receivables K1100

The capital at the start of business is

- A. K5,430
 - B. K8,530
 - C. K6,330
 - D. K4,670
5. If capital at start of business was K15,000 and at the year end the company made of profit of K500 and drawings by the owner was K4,000. The capital at year end will be...
 - A. K15,500
 - B. K11,500
 - C. K11,000
 - D. K12,500

6. An invoice amounting to K5,000 was completely omitted from the records. This error is known as
- Complete reversal of entry
 - Errors of principle
 - Error of commission
 - Error of omission
7. Salaries paid by cheque amounting to K700 by paid was debited to the bank account and credited to the salaries account. This is an error of....
- Complete Reversal of transaction
 - Error of principle
 - Error of commission
 - Compensating error
8. Which of the following is an internal stakeholder to the financial statements?
- Customer
 - Supplier
 - Management
 - Government
9. Transactions for small items such as purchase of stationery like pens and pencils are best recorded in :
- Bank account
 - Cash Account
 - Journal
 - Petty cash
10.is an example of external stakeholder to the financial statements
- Customer
 - Management
 - Employees such as directors
 - Employees such as internal auditors

END

2022



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BANK ACCOUNT

	DR	LC	Cr	u
Balance b/p	245000			
Drawings			2000	
Cash On hand			2500	
Payment to Peter			92430	
Receipt from John	135000			
Receipt from Ben	225000		45000	
Payment to EW			100000	
Payment of loan				
Payment of expenses			1000	
Electricity			7800	
Rates			1450	
Wages				
Receipts from Samson	54000			
Discount Allowed			810	
Mwamza loan	200000			
Balance d/f			606010	
	859000		859000	
Balance b/d	606010			

CASH ACCOUNT

	Dr	Cr
Balanc b/f	148 000	
Cash Sales	165 000	
Purchases		45000
Payment from Dennis	91140	
Stationery		300
Travel Expenses		780
Balanc c/d		358 060
	404 140	404 140
Balanc b/f	358 060	

SALES ACCOUNT

	Dr K	Cr K
Cash		165000
Samson		54000
Balance %	219000	
	219000	219000
Balance b/d		219000

PURCHASES ACCOUNT

	Dr K	Cr K
Peter	15000	180
Shonge	25000	
Cash	45000	
Balance %		85000
	85000	85000
Balance b/d	85000	

TRADE PAYABLES (PETER)

	Dr	K	Cr	K
Balance b/f			80000	
Purchases			15000	
Refunded Outwards	200			
Payment to Peter		92430		
Discount Received	2370			
	95000		95000	

TRADE PAYABLE (WONGEE)

	Dr	K	Cr	K
Balance b/f			75000	
Purchases			25000	
Balance c/f	100 000			
	100 000		100 000	
Balance b/f			100 000	

JOHN ACCOUNT (Trade Receivable)

	Dr	K	Cr	K
Balana b/f		150000		
Receipt from John			135000	
Discount Allowed			15000	15000
	<u>150000</u>		<u>150000</u>	

BEN ACCOUNT (Trade Receivable)

	Dr	K	Cr	K
Balana b/f	250000			
Receipts from Ben			225000	
Discount Allowed			25000	
	<u>250000</u>		<u>250000</u>	

DENNIS ACCOUNT (Trade Receivable)

	Dr	Cr
Balana b/f	100 000	
Returns Inwards		7000
Payment from Dennis		91140
Discount Allowed		1860
	<u>100 000</u>	<u>100 000</u>

SASON ACCOUNT (Trade Receivable)

	Dr	Cr
Credit Sales	54000	
Receipts from Samson		54000
	<u>54000</u>	<u>54000</u>

LOAN ACCOUNT

	Dr	Cr
Balanc b/f		178 000
rePayment of loan	100 000	
Joseph Mwanza		200 000
Balanc b/f	278 000	
	378 000	378 000
Balanc b/f		278 000

LAND & BUILDINGS

	Dr	Cr
Balanc b/f	450 000	
EW farms	75 000	
Balanc c/f		525 000
	525 000	525 000
	525 000	

General Administration Expenses

	Dr	Cr
Electricity	1000	
Rates	7800	
Wages	1450	
Stationery	300	
Travel Expenses	780	
Balance d/c		11330
	11330	11330
Balance b/d	11330	

Other Payables (EW farms)

	Dr	Cr
Land		75000
Payment to EW farms	45000	
Balance d/c	30000	
	75000	75000
Balance b/d		30000

Returns Outwards

	Dr	Cr
Peter		200
Balana 9/1	200	
	200	200
Balana b/d		200

Returns Inwards

	Dr	Cr
Dennis	7000	
Balana 9/1		7000
	7000	7000
Balana b/d	7000	

DISCOUNT RECEIVED

	Dr	Cr
Peter		2370
Balana b/d	2370	
	2370	2370
Balana b/d		2370

DISCOUNT ALLOWED.

	Dr	Cr
John	15000	
Ben	25000	
Dennis	15000	
Samson	810	
Balana 9/4		55810
	55810	55810
Balana b/d	55810	

Question Two

@

Journal Entries

		Dr K	C L
1)	Equipment Suspense	30000	30000
	Suspense Purchases	390000	390000
	* Sales Returns Klangu Disbaanze	930 000	930 000
2)	Suspense Discount Allowance	71 000	71 000
3)	Motor Vehicle Purchases	7000	7000

		Dr	Cr
	Electricity	12000	
	Cash		12000
5)	Debtors	9000	9000
	Suspense		
6)	Premises	250 000	250000
	Suspense		
	Insurance	240 000	240000
	Suspense		
	Repairs	250000	250000
	Suspense		
7)	Telephone	38000	38000
	Suspense		

⑧	Purchases Trade Payables	55000	55000
⑨	Discount Received Suspense	2000	2000
⑩	Cash Suspense	500	500
⑪	Discount Allowed Suspense	200	200

(b) Suspense Account

	Dr	C
Equipment		30000
Purchases	390000	
Discount Received	71000	
Debtors		9000
Premises		250000
Insurance		240000
Repairs		250000
Telephone		38000
Discount Received		2000
Cash		500
Discount Allowed		200
Balance b/f	358700	
		819700
	819700	<u>5994700</u>

Question 3

1. D

2. D

3. A

4. A

5. B

6. D

7. A

8. C

9. D

10. A

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THE COPPERBELT UNIVERSITY



SCHOOL OF BUSINESS

BS 120/BF 120

PRINCIPLES OF FINANCIAL ACCOUNTING

TEST ONE

WEDNESDAY 22ND MARCH 2023

INSTRUCTIONS:

1. Time Allowed: **2 HOURS**
2. This **TEST** consists of **TWO SECTIONS**
3. Attempt **ALL THE QUESTIONS** in both sections.
4. Section A consists of **TEN (10)** Multiple Choice Questions
5. Section B consists of **TWO (2)** questions of **20 Marks each.**

ALL THE BEST!!!

1

SECTION A

Multiple Choice Section (1 Mark Each: Total = 10 Marks)

1) Which of the following are enhancing qualities of the qualitative characteristics of Reliability in accordance with the International Financial Reporting Standards (IFRSs)?

- i. Relevance
 - ii. Substance over form
 - iii. Verifiability
 - iv. Prudence
- a) (i), (ii) and (iii)
 - b) (ii) and (iii) ✓
 - gj (i) and (iii)
 - d) (iii) only

2) Which of the following fully explains what an asset is in accordance with the Conceptual Framework for Financial Reporting 2018?

- a) A tangible property owned by a company as a result of past events and from which future economic benefits are expected.
- b) A resource controlled by the entity because of past events and from which future economic benefits are expected to flow to the entity.
- c) An investment owned by the company as a result of the capital contributed by the shareholders.
- d) A valuable and useful resource that a company holds and is recorded on the debit side of the balance sheet.

3) Which of the following is a source document for a "returns outward" transaction?

- gj Debit note
- b) Credit note
- c) Invoice
- d) Receipt

4) Which of the following are considered as "Day Books" under any bookkeeping system?

- i) Sales ledger
 - ii) General Ledger
 - iii) Sales Journal
 - iv) General Journal
- a) All of them
 - b) (i) and (iv)

(ii) and (iii)
 (iii) and (iv)

- 5) When performing a bank reconciliation, the accountant discovers that a cheque for K22,000 for sundries had been entered in the cash book as receipt instead of a payment. What are the correct entries for the discovery during bank reconciliation?
- a) Debit the Updated cash book with K22000
 - b) Debit the Updated Cash book with K44,000
 - c) Credit the Updated Cash book with K22,000
 - d) Credit the Updated Cash book with K44,000
- 6) Muleya and company extracted a trial balance for the years ended 31st December 2022 and the total of the credit side was less the debit side by K3,000. Which of the following statements could explain the difference?
- a) A cash receipt of K1,500 from a customer was not entered in the accounts
 - b) A Debit Note of K3,000 was recorded on the debit side of the payable's account and the credit side of the purchases returns account.
 - c) Carriage Inwards of K3000 cost was added to the purchases account and credited to cash account.
 - d) A payment of K1,500 from for rentals was correctly entered in the rentals account and debited in the cashbook.
- 7) Pep and Dapp are in partnership and at the beginning of the year ended 31st December 2022, the had assets of K419,400 and liabilities of 262840. During the year 2022, Dapp contributed K55,000 more capital to the business and they paid rentals of K9,000 and water bills of K600 for the year. On 31 December 2022, the partnership had assets of K514,130 and liabilities of K269,770.
What is the profit for the year 2022 for the Partnership?
- a) K22,000
 - b) K40,600
 - c) K42,400
 - d) K79,200

Q8 to Q10 relates to the following:

HH Ltd produces their financial statements on a monthly basis and the following is selected information relating to the January 2023.

Detail	K	Detail	K
Motor Vehicles	200,000	Sundries	80,000
Bank	160,000	Accounts Receivable	180,000
Service Revenue	720,000	Remuneration	14,000
Electricity	220,000	Investment	330,000
Capital opening balance	200,000	Owner's takings in kind	100,000

Determine the Total Assets, Net Income, and Owner's Equity for HH ltd for January 2023.

	(Q8) Total Assets	(Q9) Net Income	(Q10) Owner's Equity
(a)	540,000	306,000	506,000
(b)	710,000	406,000	100,000
(c)	870,000	736,000	306,000
(d)	884,000	420,000	606,000

SECTION B

QUESTION ONE

Kingstrade ltd is a manufacturing company whose financial year end is the 31st of December. On 31st December the bank statement balance showed a positive balance of K1,885,530 and the company records shows a debit cash balance of K1,657,950 and he following information came to light.

- 1) The bank teller recorded a deposit of K69,000 as a payment in error. ^{cr}
- 2) Kingstrade issued cheques to one of their suppliers for goods bought but the bank has not yet paid the last two cheques. Each cheque was to be paid on the Friday of each week of the month of December as follows:

• Cheque 1	Week 1	K195,590
• Cheque 2	Week 2	K150,000
• Cheque 3	Week 3	K297,500
• Cheque 4	Week 4	K298,090

} unc
- 3) At the beginning of the month, sales of K300,000 were incorrectly recorded as K3,000,000 by the company. During some routine internal audits, this error was discovered and corrected on the 21st of December in the company records.
- 4) Kingstrade's accountant incorrectly recorded sales of K170,000 as K185,000. The bank on the other hand received this deposit on the 15th of December and captured it correctly on the bank statement.
- 5) Together with dishonoured cheques returned, the bank sent a credit memorandum indicating that the bank was in receipt of a promissory note from Covid ltd one of Kingstrade's clients in the amount of K140,000 plus K10,000 in interest on the note. A debit memorandum was also enclosed for the K2,500 collection fee. The company had not entered these amounts in its records. ^{unc}
- 6) On the 27th of December, the company's bank account received a credit of 10% interest on the company's average balance of K78,100. This was only discovered by Kingstrade upon collection of the bank statement at the year end.
- 7) Monthly maintenance fees of K6250 were charged on the company's account but not yet recognised by the company.
- 8) Also on the bank statement was a Non-Sufficient Fund (NSF) fee of K64,070 which was not yet recorded on the cashbook.
- 9) A K300,000 cheque received and recorded by Kingstrade on the 29th of December, had not yet cleared at the bank by "bank statement" date. ^{unc}

27 875 40

Required:

- Show what adjustments you would make in Kingstrade Ltd's cash book as at 31st December 2022.
- Prepare a bank reconciliation statement as at 31st December 2022.

20 Marks

QUESTION 2

Lineo is a sole trader who has been running his business for several years. His accounting record balances at 28th February, 2023 were as follows:

Purchases and Sales K92,370 and K163,920 respectively, Inventory at 1/03/22 K13,350, Returns inwards K4,760, Returns Outwards K3,220, Carriage inwards K1,840, Carriage outwards K2,955, Bank loan (5 years loan) K15,000, Insurance K3,580, Staff costs K20,976, Electricity bills K5,015, Business rates and rent K6,710, Debentures K39,000. General expenses K4,140, Bad debts written off K778, Furniture and Equipment at cost K18,400, Motor van at cost K16,000, Trade receivables K10,000, Trade payables K8,575, Bank and Cash K37,490, Drawings K27,330, Capital K27,864, Discounts allowed K2,375, Discounts received K9,475 and Commission received K1,015.

A L E G
Dr Cr
Debtors Creditors

The following information whose "double-entry" has not yet been done is also available:

- The cost of the inventory on 28th February 2023 was K14,890 and the net realisable value was K16,000 and financial statements are produced on a going concern assumption.
- The purchases figure shown in the trial balance includes K3,400 for goods that Lineo took home for his own personal use.
- Interest on Bank loan and Debenture is 10% and 20% on the opening balances of the loans respectively. This is owing at the end of the year as it has not yet been paid.
- During the last month of the year, Lineo made a repayment by cheque of K5,000 towards his bank loan and K9,000 towards his debenture loan that has not yet been accounted for in his books.

Required:

Prepare a Trial Balance for the account balances given before additional information above and the Income Statement for the year to 28th February 2023 and the Statement of Financial Position at 28th February, 2023.

20 Marks

Inventory A/c	
Inventory	161,890
Drawings	3,400
Bank loan (balance)	1500
Debenture interest A/c	
	16,000
	229,069
	5
	268,069

BS/BF 120 Test One 2023

SECTION A

- | | |
|------|-------|
| 1. C | 6. D |
| 2. B | 7. C |
| 3. A | 8. C |
| 4. D | 9. B |
| 5. D | 10. A |

Prince Daniels Tutor

0972286191

SECTION B

Q1 @ Kingstrade Ltd Updated Cash Book

	K		K
Balance b/f	1657950	Note 4	15000
Note ⑤ Romisory	140000	Collection fee (5)	2500
Interest (5)	10000	Maintenance fee	6250
Interest Received ⑥	7810	NSF ⑧	64070
		Balance d/f	1727940
	<u>1815760</u>		<u>1815760</u>
Balance b/f	1727940		

(b)

Bank Reconciliation

	K	K
Balance As Bank Statement		1885530
Adjust Error (Note 1) [69000x2]		<u>138000</u>
Adjusted Bank Balance		2023530
Add Uncredited Cheques:		300000
Note ⑨		<u>2323530</u>
less Unpresented Cheques:		
Chq 3	297500	
Chq 4	<u>298090</u>	(595590)
Balance As the Updated Cash Book		<u>1727940</u>

Q2

Linc Trial Balance as at 28th February 2023

	Dr	Cr
Purchases & Sales	92370	163920
Inventory 1/03/22	13350	
Returns Inwards	4760	3220
Returns Outwards		
Carriage Inward	1840	
Carriage Outwards	2955	15000
Bank loan (5 years)		
Insurance	3580	
Staff Costs	20976	
Electricity Bills	5015	
Business Rates	6710	39000
Debentures		
General Expenses	4140	
Bad debts	778	
Furniture & Equipment	18400	
Motor Van	16000	
Trade Receivables	10000	
Trade Payables		8575

Bank & Cash

37490

Drawings

27330

Capital

27864

Discount Allowed

2375

Discount Received

9475

Commission Received

1015

268069

268069

Adjustments

① Cost of Inventory = K14890 (You take the lower value)

② Purchases = 92370 - 3400 = K88970

Drawings = 27330 + 3400 = K30730

③ Interest on loans = 10% of 15000
= K1500

Interest on Debentures = 20% of K39000
= K7800

(4)

$$\text{Bank loan} = 15000 - 5000 = \underline{\text{K10000}}$$

$$\text{Cash \& Bank} = 37490 - 5000 = \text{K32490}$$

$$\text{Debenture loan} = \text{K39000} - 9000$$

$$= \underline{\text{K30000}}$$

$$\text{Cash \& Bank} = 32490 - 9000$$

$$= \underline{\text{K23490}}$$

lineo Income statement for the Year ending 28/02/23

	K	K
Sales	163920	
less Sales Returns	(4760)	
Turn Over		159160
Opening stock	13350	
Purchases	88970	
Carriage Inwards	1840	
	104160	
less Purchases Returns	(3220)	
	100940	
Closing stock	(14890)	
Cost of Goods Sold		(86050)
GROSS PROFIT		73110
Add Other Incomes		
Discount Received	9475	
Commission Received	1015	
	10490	
Total Incomes		83600

LESS EXPENSES

Carnage Outward	2955
Insurance	3580
Staff Costs	20976
Electricity bills	5015
Business Rates	6710
General Expenses	4140
Bad debts	778
Discount Allowed	2375
Interest On loans	1500
Interest On Debentures	7800

Total Expenses

(55829)

NET PROFIT

27771

limeo Statement of Financial Position as at 28/02/23

ASSETS

Non Current Assets

Furniture & Equipment

	K	K	K
	COST	DEP	N.B.V
	18400	-	18400
	16000	-	16000
	<u>34400</u>	-	<u>34400</u>

Current Assets

Inventory

14890

Trade Receivable

10000

Cash & Bank

23490

48380

TOTAL ASSETS

82780

Finanad ByCapital
Add Profit

27864

27771

55635

(30730)

24905

less Drawings

Accumulated Capital

Non - Current liabilitiesBank loan
Debentures

10000

30000

40000

Current liabilitiesTrade Payable
Interest Payable On loans
Interest Payable On Debentures

8575

1500

7800

17875

82780

Total Capital & liabilities

Prince Daniels
Your favorite Tutor.



**THE COPPERBELT UNIVERSITY
SCHOOL OF BUSINESS**

END OF TERM 1 TEST

QUESTION PAPER

DEPARTMENT	:	Accounting and Finance
COURSE	:	Basic Financial Accounting
COURSE CODE	:	BS/BHRM/BEC/BF120
DATE	:	Friday, 22 February 2019
WRITING TIME	:	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 31st January 2019.
- b) Prepare the Statement of Profit or Loss for Tumfweko Retail Shop for the year ending 31st 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
	312 232
	Credit Purchases
	495804
Balance 9/1	271111
	<u>808036</u>
	<u>808036</u>

Answer : B

2. D: Prudencia Must Prevail.

3. Amount = Payments - Receipts

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

$$= K3172$$

Answer : A.

4. To cancel the Overchanged Amount

Dr Payables Cr Purchases

Answer : A

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 understate both the Gross profit and net profit. Drawings does not affect profits.

Answer : B.

7.

$$\text{Cost of Sales} = \frac{\text{Opening Inventory}}{} + \text{Purchases} + \frac{\text{Carriage Inwards}}{}$$

$$- \text{Returns Outwards} - \text{Closing Stock}$$

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

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

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 finana By Section of the
Balana 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. Mutale returning goods to Wahuklu
reduces the debtors (Mutale's) A/c.

Answer: D

11. B

12.

$$\begin{aligned}\text{Gross Profit} &= \text{Net Sales} - \text{Cost of Sales} \\ &= 150000 - [15000 + 145000 - 76000] \\ &= K66000\end{aligned}$$

Answer ; C

B. Gross Profit = Revenue - Cost of Sales

Net Profit = Income - Expenses.

Answer ; A or C

14. C

15.

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

Current Assets

	K
Trade Receables	1200000
Inventory	1300000
Cash In hand	75000
Prepaid Rent Hdg	37000
	<hr/>
	2612 000

Current Liabilities

	K
Trade Payables	800000
Accrued Rent	45000
Wages Owing	90000
	<hr/>
	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
	630 000
Balance 6/	630 000

BANK ACCOUNT

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

PURCHASES ACCOUNT

	K	K
Manhombe	5500	
Bank	25600	
Cash	3600	
		Bal 9/1 34700
	<u>34700</u>	<u>34700</u>
Bal b/f	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		
	<hr/> 171 644	Bal c/d	120 294
Bal b/d	120 294		<hr/> 171 644

SALES ACCOUNT

K	K
Cash (shaka)	5400
Kauseni	12500
Bwato	11700
Cash Sales (Bwali)	6500
Cash Sales (Mangub)	8500
Bal c/d	44600
	44600
Bal b/d	44600

VAN ACCOUNT

	K	K
Capital	150000	
	<u>150000</u>	
	Bal b/f	150000
	<u>150000</u>	<u>150000</u>
Bal b/f	150000	

COLD ROOM VEHICLE

	K	K
Bank	56800	
	<u>56800</u>	
	Bal b/f	56800
	<u>56800</u>	<u>56800</u>
Bal b/f	56800	

MACHINERY ACCOUNT

	K	K
Cash	42700	
	<u>42700</u>	
	Balance b/f	42700
	<u>42700</u>	<u>42700</u>
Bal b/f	42700	

<u>BUILDINGS</u>		<u>A/C</u>
	K	K
Bank	82300	
		B/d
		82300
	82300	
Balance b/d	82300	82300

<u>Administrative Expenses A/c</u>		
	K	K
Electricity	23000	
Salaries	35700	
Rent	5400	
		Bal c/d
		64100
	64100	
Bal b/d	64100	64100

Mashonbe A/c (Creditor / Trade Payable)

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

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

Burrito 3400

Discount Allowed

Cash	₹ 850	
------	-------	--

DISCOUNT RECEIVED

	Cash	₹ 144
--	------	-------

LOAN ACCOUNT

	Bank	₹ 56800
--	------	---------

COMMISSION RECEIVED

	₹ 15500	Cash
--	---------	------

ACCrued EXPENSES

K	K
Zero	23000

Tunfweko's Trial Balance As 31 January 2019

	£		£
Bank	208000	Capital	630000
Purchases	34700	Sales	44600
Cash	120294	Trade Payables;	
Van	150000	Marhombe	3000
Cold Room Vehicle	56800	Returns Outwards	9500
Machinery	42700	Discount Received	144
Buildings	82300	Loan	56800
Administrative Expenses	64100	Commission Received	15500
Debtors ;		Accrued Expenses	23000
Kauseni	12500	Interest Received	17500
Bwato	2700		
Veggie fresh	9500		
Returns Inward	3400		
Discount Allowed	850		
Drawings	4200		
Carriage Outwards	4500		
Stationery	3500		
	<u>800 044</u>		<u>800 044</u>

⑥ Tunfwenko's Income Statement for the month ending 31/01/0

	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
Carriage 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	
		357 994
		689 794

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