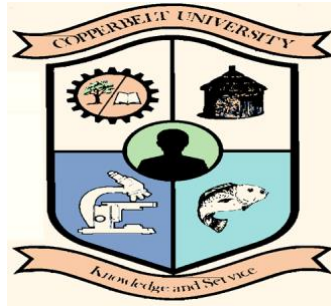


# THE COPPERBELT UNIVERSITY



## SCHOOL OF BUSINESS

BF/BS/120

BASIC FINANCIAL ACCOUNTING

**PRINCE DANIELS TUTOR SOLUTIONS**

TEST TWO (2)

WEDNESDAY 23/12/15

### INSTRUCTIONS:

1. Time Allowed: **2hours**
2. This test consists of TWO QUESTIONS
3. Attempt **all** the questions.

## QUESTION ONE

The following trial balance has been extracted from the nominal ledger of AugustinoSamfolosa on 31 October 2015.

Trial balance of AugustinoSamfolosa on 31 October 2015.

	Dr	Cr
Purchases / Sales	220,888,000	397,426,000
Premises	100,000,000	
Plant and machinery	86,000,000	
Fixtures and fittings	18,000,000	
Motor vehicles	36,000,000	
Plant and machinery depreciation		29,150,000
Fixtures and fittings depreciation		3,425,000
Motor vehicles depreciation		17,300,000
Stock 1 November 2014	62,145,000	
Returns	6,777,000	10,982,000
Carriage inwards	2,433,000	
Carriage outwards	5,200,000	
Wages	42,100,000	
Rent	3,200,000	
Light and heat	750,000	
Discounts	3,788,000	1,212,000
Telephone	1,489,000	
Printing and stationery	2,132,000	
Bad debts	1,344,000	
Motor expenses	5,128,000	
Repairs	2,510,000	
Provisions for bad debts		6,000,000
Advertising	4,329,000	
Insurance	1,650,000	
Accountancy fees	2,750,000	
Loan interest	11,000,000	
Debtors	79,452,000	
Creditors		56,156,000
Bank		25,483,000
Cash	1,200,000	
Loan (long term)		110,000,000
Capital		54,242,000
Bank interest	5,111,000	
Drawings	6,000,000	
	711,376,000	711,376,000

**NOTES:**

1. Depreciation is to be provided as follows: -

Plant and machinery	25%	Fixed installment method
Fixtures and fittings	10%	Fixed installment method
Motor vehicles	20%	Fixed installment method

2. 10% is to be provided for bad debts.

3. Telephone bills for the year to 31 October 2015 are estimated at K1,864,000

4. Rentals are K300 000 per month K3 200 000 has been paid as at 31 October 2015

5. Insurance costs are K112 500 per month

6. Stocks at 31 October 2015 refer to the table in (10) below (stock valuation)

7. Stocks of stationery at 31 October 2015 amounted to K350 000.

8. Goods costing K500 000 were taken by Augustino for his personal use.

9. AugustinoSamfolosa sub-contracted Toyota Zambia to carry out repairs and maintenance on the company motor vehicles. Toyota Zambia has just delivered the bill for repairs on motor vehicles amounting to K1, 250, 000 for the year ended 31 October 2015. Inspection of the cash book shows a payment of K750, 000 as at 31 October 2015.

10. The following information is also provided for the calculation of closing stock for the month of October 2015.

The opening balance as at 1 October 2015 was 4,000,000 units at K18 per unit. Transactions for the month in relation to closing stock figure are as follows:

DATE	RECEIPTS		ISSUES	
	units	Rate/ unit	units	Selling price/ unit
02.10.2015	450,000	20		
05.10.2015	650,000	25		
08.10.2015	750,000	30		
10.10.2015			1,450,000	80
12.10.2015	375,000	35		
14.10.2015	250,000	40		
15.10.2015			825,000	100
17.10.2015	150,000	40		
18.10.2015	200,000	45		
20.10.2015	175,000	50		
25.10.2015			625,000	120
27.10.2015	4,540	50		
31.10.2015			203,040	125

**Required:**

Using the First In First Out (FIFO) approach calculate the closing stock for Augustino Samfolosa on 31 October 2015.

**(15 marks)**

Prepare Augustino's Income Statement and Statement of Financial Position the year ended 31 October 2015.

**(25marks)**

**[TOTAL: 40 MARKS]**

**QUESTION TWO**

The cash book of Cobusu Stores showed a balance at the bank of K K4 867 in hand on 31 December 2008. At the same date, the bank statement balance of Cobusu Stores account was K3 400 overdrawn.

The following information is available after the Cash Book of Cobusu Stores was compared with their current account Bank Statement at 31 December 2008.

- 1) The deposit of K6 454 does not appear on the Bank Statement.
- 2) Cheques not yet presented for payment:
  - Cheque No. 511 K508
  - Cheque No. 516 K600
- 3) The bank recorded the following in the current bank account of Cobusu Stores:
  - Credit card levy K350
  - Management charge K400
  - Interest on overdraft calculated as 5% of the closing bank debit account balance.
- 4) A cheque for K500 received from Fountain Restaurant was dishonoured by the bank. Discount allowed on this cheque was 10%.
- 5) A payment by a debtor, Monk Ltd, for K1 500 appears in the Bank Statement and not in the Cash Book.
- 6) The Bank Statement showed a debit order for K930 in favour of Bungwe & Co. for an insurance premium.
- 7) B. Mojo, a tenant, deposited his monthly rent directly into the bank account, K2 500.
- 8) A standing order for a charitable subscription of K100 had been paid by the bank on 30 December but no entry had been made in the cash book.
- 9) A cheque paid by Cobusu for rent on 29 December for K9 500 had been entered in his cash book as K5 900.
- 10) The debit side of Cobusu's Cashbook had been overcast by K1 200.
- 11) Cobuso Stores Accountant committed a transposition error and or entered Cheque number 511 as K805.

**Required:**

- a) Make supplementary entries in Cash Book of Cobusu Stores on 31 December 2008.
- b) Draw up the Bank Reconciliation Statement on 31 December 2008.

**[TOTAL: 20 MARKS]**

# PRINCE DANIELS TUTORIALS.

Statement Of Financial Position				INCOME STATEMENT		
	K'000 COST	K'000 DEP	K'000 N.B.V		K'000	K'000
<u>Non-Current Assets</u>				Sales	xxx	
Plant	xxx	xxx	xxx	less Returns Inwards	(xxx)	xxx
Machinery	xxx	xxx	xxx	Turn Over		
Motor Vehicles	xxx	xxx	xxx	Opening Stock	xxx	
	xxx	xxx	xxx	Purchases	xxx	
<u>Current Assets.</u>				Carriage Inwards	xxx	
Closing Inventory		xxx		less Returns Out	(xxx)	
Debtors		xxx		less Closing Stock	(xxx)	
Cash & Bank		xxx		Cost of Sales		(xxx)
Prepayments		xxx	xxx	GROSS PROFIT		xxx
			xxx	<u>OTHER INCOMES</u>		
<u>TOTAL ASSETS</u>			xxx	Discount Received	xxx	
<u>Financed By</u>				Interest Received	xxx	xxx
Capital	xxx					xxxx
Add Profit	xxx	xxx		<u>TOTAL INCOME</u>		
less Drawings		(xxx)	xxx	<u>LESS EXPENSES</u>		
Accumulated Cap				Admin Expenses	xxx	
<u>Non-Current liabilities</u>			xxx	Selling & Distribution	xxx	
Bank loan				Finance Cost	xxx	
<u>Current liabilities</u>				Total Expenses		(xxx)
Creditors		xxx		<u>NET PROFIT</u>		xxx
Bank Overdraft		xx				
Accruals		xxx	xxx			
<u>Total Cap + liabilities</u>			xxx			

## Question One.

### 1. Depreciation.

	K'000
Plant $[86\,000\,000 \times 0.25]$	21500
Fixtures $(18m \times 0.1)$	1800
Motor Vehicles $(36m \times 0.2)$	7200

### 2. Provision for Bad Debts.

$$\begin{aligned}\text{Provision} &= \frac{10}{100} \times 79\,452\,000 \\ &= K7945\,200\end{aligned}$$

$$\begin{aligned}\text{Increase in Provision} &= 7945\,200 - 6000\,000 \\ \text{for Bad debts} &= \underline{K1945\,200}\end{aligned}$$

$$\begin{aligned}\text{Bad debts} &= 1945\,200 + 1344\,000 \\ &= \underline{K3289\,200}\end{aligned}$$



③ Telephone Bill

$$\begin{aligned}\text{Unpaid Bill} &= 1864000 - 1489000 \\ &= \underline{\underline{K375000}}\end{aligned}$$

④ Rental Expense

$$\begin{aligned}\text{Expense} &= 300000 \times 12 \\ &= \underline{\underline{K3600000}}\end{aligned}$$

$$\begin{aligned}\text{Unpaid Rentals} &= 3600000 - 3200000 \\ &= \underline{\underline{K400000}}\end{aligned}$$

⑤ Insurance Expense

$$\begin{aligned}\text{Expense} &= 12 \times 112500 \\ &= \underline{\underline{K1350000}}\end{aligned}$$

$$\begin{aligned}\text{Prepaid Insurance} &= 1650000 - 1350000 \\ &= \underline{\underline{K300000}}\end{aligned}$$

## ⑥ Closing Stock Valuation (FIFO)

Date	Purchases			Sales			In Stock		
	Units	Cost	Value K <sup>000</sup>	Units	Price	Value K <sup>000</sup>	Units	Cost	K <sup>000</sup>
1 Oct							400000	18	72000
2/10	450000	20	9000				400000	18	72000
5/10	650000	25	16250				450000	20	9000
8/10	750000	30	22500				650000	25	16250
							750000	30	22500
10/10				145000	80	116000	2550000	18	45900
							450000	20	9000
							650000	25	16250
							750000	30	22500
12/10	375000	35	13125				375000	35	13125
14/10	250000	40	10000				250000	40	10000
15/10				825000	100	82500	1725000	18	31050
							450000	20	9000
							650000	25	16250
							750000	30	22500
							350000	35	13125
							250000	40	10000
17/10	150000	40	6000				150000	40	6000
18/10	200000	45	9000				200000	45	9000
20/10	175000	50	8750				175000	50	8750



25/10				625000	120	75000	1100000	18	19800
							450000	20	
							650000	25	
							750000	30	
							375000	35	
							250000	40	
							150000	40	
							200000	45	
							175000	50	
27/10	4540	50	227				4540	50	227
31/10				203040	125	25380	896960	18	16145.28
							450000	20	9000
							650000	25	16250
							750000	30	22500
							375000	35	13125
							250000	40	10000
							150000	40	6000
							200000	45	9000
							175000	50	8750
							4540	50	227

Closing Stock : 3901500 units @ K/110 997 280

⑦

$$\text{Prepayment of Stationery} = K350\,000$$

$$\begin{aligned}\text{Stationery Expense} &= 2\,132\,000 - 350\,000 \\ &= \underline{K1\,782\,000}\end{aligned}$$

⑧

$$\begin{aligned}\text{Drawings} &= 6\,000\,000 + 500\,000 \\ &= \underline{K6\,500\,000}\end{aligned}$$

$$\begin{aligned}\text{Purchases} &= 2\,208\,880\,000 - 500\,000 \\ &= \underline{K2\,203\,880\,000}\end{aligned}$$

⑨

⑨

$$\begin{aligned}\text{Cash} &= 1\,200\,000 - 750\,000 \\ &= \underline{K450\,000}\end{aligned}$$

$$\text{Repairs Expense} = \underline{K1\,250\,000}$$

$$\begin{aligned}\text{Amount Unpaid} &= 1\,250\,000 - 750\,000 \\ &= \underline{K500\,000}\end{aligned}$$

# Augustines Income Statement for the Year Ending 31 October 2015

	K/000	K/000
Sales	397 426	
Sales Returns	6 777	
		390 649
Turn Over	62 145	
Opening Stock	220 388	
Purchases	24 33	
Carriage Inwards	(10 982)	
Returns Outwards	(110 997.28)	
Closing Stock		(162 986.72)
Cost of Sales		227 662.28
GROSS PROFIT		12 12
Other Incomes : Discount Received		228 874.28
Total Income		
<u>LESS EXPENSES.</u>		
Carriage Outwards	5 200	
Wages	42 100	
Rent	36 00	
Light & heat	750	
Discount Allowed	37 88	
Telephone	18 64	



Printing & Stationery	1782	
Bad debts	3289.2	
Motor Expenses	5128	
Repairs (2510 + 1250)	3760	
Advertising	4329	
Insurance	1350	
Accountancy fees	2750	
Loan Interest	<del>111452</del> 11000	
Bank Interest	5111	
Depreciation; Plant	21500	
Fixtures	1800	
Vehicles	7200	
Total Expenses		126 301.2
Net Profit		102 573.08

# Statement Of Financial Position

<u>Non-Current Assets</u>	Cost K'000	Dep K'000	N.B.V K'000
Premises	100 000	-	100 000
Plant & Machinery	86 000	50 650	35 350
Fixtures & Fittings	18 000	5 225	12 775
Motor Vehicles	36 000	24 500	11 500
	<u>240 000</u>	<u>80 375</u>	<u>159 625</u>
<u>Current Assets</u>			
Inventories		110 997.28	
Debtors	79 452		
less Provision for Bad debts	<u>(79 452)</u>		
		71 506.8	
Cash		450	
Prepayments		650	
			<u>183 604.08</u>
			<u>343 229.08</u>



Financed By:

Capital

Net Profit

54242

102573.08

156815.08

(6500)

less Drawings

Accumulated Capital

150315.08

Non - Current liabilities

Bank loan

110000

Current liabilities

Creditors

56156

Bank Overdraft

25483

Accruals

1275

82914

Total Capital & liabilities

343229.08

# Question Two

@

## UPDATED CASH BOOK

	K		K
Balance b/f	4867	Card levy	350
Note ⑤	1500	Mgt Charge	400
Note ⑦	2500	Interest	170
Note ⑩	297	Dishonoured Chq	500
		Insurance	930
		Subscription	100
		Note ⑨	3600
		Note ⑩	1200
		Balance c/d	1914
	9164		9164
Balance b/d	1914		

## ⑥ Reconciliation Statement

	K
Balance As the Bank Statement	(3400)
Deposits Not Credited	<u>6454</u>
	3054
Payments Not Yet Presented (508 + 600)	<u>(1108)</u>
Balance As Updated Cash Book.	<u><u>1946</u></u>

Difference Due.  
\* Error in the Question