



**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