



**THE COPPERBELT UNIVERSITY**

**SCHOOL OF BUSINESS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**PRINCIPLES OF ACCOUNTING**

<b>BF/BEC/BS/HRM 120</b>	<b>– YEAR 1</b>
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**DATE:** Wednesday 11<sup>th</sup> 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

**DO NOT OPEN THIS EXAM PAPER UNTIL THE INVIGILATOR TELLS YOU TO.**

### QUESTION ONE

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

Cash at bank	K245,000
Cash at hand	K 148,000
Inventory	K 700,000
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 Withdrew 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 Withdrew 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 machinery 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
- A. Complete reversal of entry
  - B. Errors of principle
  - C. Error of commission
  - D. 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....
- A. Complete Reversal of transaction
  - B. Error of principle
  - C. Error of commission
  - D. Compensating error
8. Which of the following is an internal stakeholder to the financial statements?
- A. Customer
  - B. Supplier
  - C. Management
  - D. Government
9. Transactions for small items such as purchase of stationery like pens and pencils are best recorded in :
- A. Bank account
  - B. Cash Account
  - C. Journal
  - D. Petty cash
10. ....is an example of external stakeholder to the financial statements
- A. Customer
  - B. Management
  - C. Employees such as directors
  - D. Employees such as internal auditors

END

2022





## BANK ACCOUNT

	Dr	Cr
Balance b/p	245 000	
Drawings		2000
<del>By</del> Cash On hand		2500
Payment to Peter		92 430
Receipt from John	135 000	
Receipt from Ben	225 000	
Payment to EW		45 000
Payment of loan		100 000
Payment of Expenses		1000
Electricity		7800
Rates		1450
Wages		
Receipts from Samson	54 000	
Discount Allowed		810
Mwamba loan	200 000	
Balance c/d		606 010
	859 000	859 000
Balance b/d	606 010	

# CASH ACCOUNT

	Dr	Cr
Balance b/f	148000	
Cash Sales	165000	
Purchases		45000
Payment from Denis	91140	
Stationery		300
Travel Expense		780
Balance c/d		358060
	404140	404140
Balance b/d	358060	

## SALES ACCOUNT

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

## PURCHASES ACCOUNT

	Dr K	Cr K
Peter	15000	<del>15000</del>
Inonge	25000	
Cash	45000	
Balance c/d		85000
	85000	85000
Balance b/d	85000	



## TRADE PAYABLES (PETER)

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

## TRADE PAYABLE (INONGE)

	Dr	Cr
Balance b/f		75000
Purchases		25000
Balance c/d	100000	
	100000	100000
Balance b/d		100000

## JOHN ACCOUNT (Trade Receivable)

	Dr      £	Cr      £
Balance b/f	150 000	
Receipt from John		135 000
Discount Allowed		<del>1000</del> 15 000
	150 000	150 000

## BEN ACCOUNT (Trade Receivable)

	Dr      £	Cr      £
Balance b/f	250 000	
Receipts from Ben		225 000
Discount Allowed		25 000
	250 000	250 000

## DENNIS ACCOUNT (Trade Receivables)

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

## SAMSON ACCOUNT (Trade Receivables)

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



## LOAN ACCOUNT.

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

## LAND & BUILDINGS.

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

## General Administration Expenses

	Dr	Cr
Electricity	1000	
Rates	7800	
Wages	1480	
Stationery	300	
Travel Expenses	780	
Balance c/d		11330
	11330	11330

Balance b/d 11330

## Other Payables (EW farms)

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

Balance b/d 30000



## Returns Outwards

	Dr	Cr
Peter		200
Balance c/d	200	
	200	200
Balance b/d		200

## Returns Inwards

	Dr	Cr
Oennis	7000	
Balance c/d		7000
	7000	7000
Balance b/d	7000	

## DISCOUNT RECEIVED

	Dr	Cr
Peter		2370
Balance b/d	2370	
	2370	2370
Balance b/d		2370

## DISCOUNT ALLOWED.

	Dr	Cr
John	15000	
Ben	25000	
Dennis	15000	
Samson	810	
Balance c/d		55810
	55810	55810
Balance b/d	55810	

## Question Two

### (a) Journal Entries

	Dr K	Cr K
1) Equipment	30000	30000
Suspense		
Suspense	390000	390000
Purchases		
* Sales Returns	930000	930000
Wangu Suspense		
2) Suspense	71000	71000
Discount Allowed		
3) Motor Vehicle	7000	7000
Purchases		

Electricity Cash	Dr 12000	Cr 12000
5) Debtor Suspense	9000	9000
6) Premises Suspense	250000	250000
Insurance Suspense	240000	240000
Repairs Suspense	250000	250000
⑦ Telephone Suspense	38000	38000



<p>⑧ Purchases Trade Payables</p>	<p>55000</p>	<p>55000</p>
<p>⑨ Discount Received Suspense</p>	<p>2000</p>	<p>2000</p>
<p>⑩ Cash Suspense</p>	<p>500</p>	<p>500</p>
<p>⑨ Discount Allowed Suspense</p>	<p>200</p>	<p>200</p>



## ⑥ Suspense Account

	Dr	Cr
		30000
Equipment		
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	<del>819700</del>

### Question 3

1. D

6. D

2. D

7. A

3. A

8. C

4. A

9. D

5. B

10. A

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