



ZCAS University

BAC1102 PRINCIPLES OF ACCOUNTING

MID-SEMESTER TEST

MONDAY 16th OCTOBER 2023

TIME: 08:30-11:30HRS

TIME ALLOWED: THREE HOURS (plus 5 minutes to read through the paper)

INSTRUCTIONS:

1. Section A: this question is compulsory and must be attempted.
2. Sections B: Answer Three (3) questions from this section.
3. This question paper carries a total of 100 marks.
4. Candidates must not turn this page until the invigilator tells them to do so.

SECTION A: Question 1 is compulsory and must be attempted.

Question 1

The following trial balance was extracted from the ledger of Lubuto, a sole trader, as at 31 May 2023- the end of his financial year.

**LUBUTO
TRIAL BALANCE AS AT 31 MAY 2023**

| | Dr K'000 | Cr K'000 |
|---|----------------|----------------------------------|
| Property, at Cost | 120,000 | |
| Equipment, at Cost | 80,000 | |
| Provisions for depreciation (as at 1 June 2022) | | |
| - on Property | | 20,000 |
| -on equipment | | 38,000 |
| Purchases | 250,000 | |
| Sales | | 402,200 |
| Inventory as at 1 June 2022 | 50,000 | |
| Discount allowed | 18,000 | |
| Discount received | | 4,800 |
| Returns Out | | 15,000 |
| Wages and Salaries | 58,800 | |
| Irrecoverable Debts | 4,600 | |
| Loan Interest | 5,100 | |
| Other Operating expenses | 17,700 | |
| Trade Payables | | 36,000 |
| Trade receivables | 38,000 | |
| Cash In Hand | 300 | |
| Bank | 1,300 | |
| Drawings | 24,000 | |
| Allowance for receivables | | 500 |
| 17% long term loan | | 30,000 |
| Capital | <u>667,800</u> | <u>121,300</u> <u>667,800</u> |

The following additional information as 31st May 2023 is available.

- (a) Inventory as at the close of business has been valued at K42,000,000.
- (b) Wages and Salaries need to be accrued by K800,000.
- (c) Other Operating expenses are prepaid by K300,000.
- (d) The allowance for receivables is to be adjusted so that it is 2% of trade receivables.
- (e) Depreciation for the year ended 31 May 2023 has still to be provided for as follows.
 - Property: 1.5% per annum using straight line method and
 - Equipment: 25% per annum using the reducing balance method.

Required

- I) Prepare Lubuto's Income Statement for the year ended 31 May 2023. (20 Marks)
- II) Prepare the statement of financial position as at 31 May 2023. (20 Marks)

[Total 40 marks]

SECTION B: Attempt any THREE questions in this section.

QUESTION TWO

- May 1 Started business with K25 000 in bank and K2 500 in cash.
- May 2 Bought goods on credit from: David k300.
- May 3 Paid commission by cheque K500.
- May 5 Bought motor Van on credit from Exim Motors K15 000.
- May 6 Cash purchases K 250.
- May 15 Paid Exim Motors by cheque K15 000.
- May 16 Paid by cheque, David K150.
- May 18 Sold goods on credit to: Godfrey K300.
- May 19 We (Business) returned goods to David K50.
- May 24 Godfrey returned goods to us (Business) K25.
- May 25 Withdrew by cheque K500 and Goods (Inventory) costing K250 for personal use.
- May 26 Received cheque from Godfrey K150.
- May 28 Received commission K250 by cheque.
- May 30 Introduced additional capital by bringing in Office Equipment worth K5 000 to the business.
- May 31 Cash sales K200.

Required:

Enter the above transactions for the month of May 2021 in relevant ledger accounts, balance the accounts, and bring down the balance as at 31 May 2021. Total [20 Marks]

QUESTION THREE

(a) From the following transactions of Hills for the month of November 2022, prepare the Cash Book- with cash and discount columns:

2022 November

- 1 Opening cash in hand K28, 000
- 5 Fred Antony, a trade receivable, settled his account with us for K200, 000, Less
5% discount.
- 7 Paid T. Hudson K120, 000 in full settlement of his account of K135, 000.
- 10 Cash Sales K300, 000.
- 15 Cash Purchases K180, 000.
- 18 Received from C. Coburn K150, 000 and allowed him discount of K12, 000.
- 25 Paid M. Marland K95, 000 and he allowed us discount of K8, 000.
- 30 Office Expenses paid K28, 000

(12 Marks)

b) Briefly describe the following accounting concepts and for each providing an example how they may apply in the preparation of financial information.

- i.) The Historical cost convention; and (2 marks)
- ii.) The Going Concern Convention (3 marks)
- iii.) prudence concept (3 Marks)
- Total** **[20 Marks]**

QUESTION FOUR

On 1st January 2019 a business purchased a laser printer costing K180, 000. It is estimated that the printer will have Economic Useful life of Four (4) years after which it would it have no value. It is the policy of the business that, in the year of purchase, full depreciation is charged irrespective of when the asset was bought. In the year of disposal, however, no depreciation is charged.

Required:

Calculate the annual depreciation charges for inclusion in Income Statement for 2019, 2020, 2021 and

2022 on the laser printer on the following bases:

i. The straight -line basis. **(4 Marks)**

ii. The reducing balance method at 60% per annum. **(7 Marks)**

iii. Define Depreciation and Describe 3 (Three) causes of Depreciation. **(3 Marks)**

(b) Briefly describe the following accounting concepts and for each providing an example how they may apply in the preparation of financial information.

i. The Accruals concept; **(2 Marks)**

ii. The Business entity concept; **(2 Marks)**

iii. The Materiality Concept; **(2 Marks)**

Total **[20 Marks]**

QUESTION FIVE

a) An inexperienced bookkeeper extracted a trial balance at 30 September 2022 from Andrea's books. It contains errors and does not balance.

| | K | K |
|----------------------|--------|---------|
| Motor van | 70,000 | |
| Plant and Machinery | | 30,000 |
| Office Equipment | | 5,000 |
| Wages | 7,600 | |
| Rent Payable | | 4,000 |
| Heating and Lighting | 1,500 | |
| Sundry expenses | 1,720 | |
| Sales | | 133,000 |
| Purchases | 57,000 | |
| Discount allowed | | 2,450 |
| Discounts Received | 1,070 | |
| Bank | 2,910 | |
| Trade receivables | | 14,000 |
| Trade payables | 10,140 | |
| Returns outwards | 2,400 | |
| Returns inwards | | 3,150 |

| | | |
|-----------------|----------------|----------------|
| Rent Receivable | 1,200 | |
| Capital | | 80,000 |
| Drawings | <u>28,480</u> | <u>-</u> |
| | <u>184,020</u> | <u>271,600</u> |

Required:

Re-write the trial balance and correct the errors so that it balances. (10 marks)

- b) Rule up a petty cash book with analysis columns for office expenses, motor expenses, cleaning expenses and casual labour. The cash float is K450 and the amount spent is reimbursed on 30 November.

| Date | | K |
|------|-----------------------------|----|
| 1 | T-wise- casual labour | 36 |
| 2 | Staples and tape dispenser | 19 |
| 2 | Black motors- motor repairs | 42 |
| 3 | Cleaning materials | 3 |
| 6 | Envelopes | 10 |
| 8 | Petrol | 18 |
| 11 | I delly casual labour | 12 |
| 12 | I marsh-Cleaner | 7 |
| 13 | Paper Clips | 2 |
| 14 | Petrol | 16 |
| 16 | Adhesive tape | 1 |
| 16 | Petrol | 24 |
| 21 | Car tyre | 63 |
| 22 | T. Randall- casual labour | 15 |
| 23 | J Marsh- cleaner | 16 |
| 24 | I. Gray- Casual labour | 21 |
| 25 | Paper | 7 |
| 26 | Car puncture repairs | 74 |
| 29 | Petrol | 19 |
| 30 | T. pointer- casual labour | 20 |

(10 Marks)

Total

[20 Marks]

End of Test