

CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATION

L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 3 DECEMBER 2012

INSTRUCTIONS:

1. **Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **two** sections; **A & B**.
3. Section **A** has **one** compulsory question to be attempted.
4. Section **B** has **four** questions, **three** questions to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings.
7. Any assumptions made must be clearly and concisely stated.

SECTION A

This section has one compulsory question

QUESTION ONE

- a) Explain the purpose of the following financial statements:
- i) Statement of financial position **(2 marks)**
 - ii) Income statement **(2 marks)**
- b) Indicate what a debit entry represents in:
- i) An expense account; **(1 mark)**
 - ii) A liability account; **(1 mark)**
 - iii) An asset account; **(1 mark)**
 - iv) An income account; **(1 mark)**
 - v) In October 2012 Diana issued a credit note for Frw 95,000 to a customer, but this was omitted from her accounting records. The credit note had the reference CN251. Show the general journal entry to record this transaction **(2 marks)**
- c) The following account balances were extracted from the books of Linett at the end of her financial year 30 September 2012:

	Frw	Frw
Sales		5,400,000
Purchases	2,826,000	
Shop fittings cost	2,340,000	
Accumulated depreciation – shop fittings		240,000
Capital		3,060,000
Opening inventory	846,000	
Bank as per cashbook	90,000	
Cash	18,000	
Shop wages	792,000	
Accounts receivable	456,000	
Drawings	630,000	
Accounts payable		90,000
Carriage in	36,000	
Carriage out	27,000	
Maintenance and repair	135,000	
Commission income		180,000
Electricity and water	144,000	
Rent income		126,000
Insurance	810,000	
Allowance for doubtful debt		54,000
	<u>9,150,000</u>	<u>9,150,000</u>

While preparing the financial statements, the following should be accounted for:

1. The closing inventory cost and net realizable amount was Frw 910,000 and Frw 890,000 respectively.
2. Bank interest income accrued Frw 80,000 was only shown in the bank statement.
3. Electricity prepaid and water unpaid amounted Frw 20,000 and Frw 13,000 respectively.
4. Rent income received in advance for the month of October 2012 amounted to Frw 16,000
5. An account receivable with a balance of Frw 71,000 included in the figure above had died before year end and the relatives had promised to only pay Frw 45,000 and no more.
6. Due to the possibility of some receivables becoming bad, the allowance for doubtful debt was to be adjusted to Frw 50,000
7. Depreciation on shop fitting is to be at 10% straight line basis

Required:

- | | | |
|------|---|--------------------------|
| (i) | Income statement for the year ended 30 September 2012 | (17 marks) |
| (ii) | Balance sheet as at 30 September 2012 | (13 marks) |
| | | (Total: 40 marks) |

SECTION B

Attempt three of the four questions in this section.

QUESTION TWO

- a) “The bank balance as shown by the cash book of the business is rarely the same as the balance as shown by the bank statement”. State and explain the **four** causes of difference between the two balances that need to be dealt with in the bank reconciliation statement (not adjusted cashbook). **(4 marks)**
- b) The cash book of John (who sales airtime cards in Remera) showed credit balance of Frw 30,850 on 30 September 2012 whereas the bank statement showed debit balance of Frw 30,250 on the same date. After comparing the cash book and the bank statement, it was discovered that:
1. Cheque No.251, for Frw 4,000 was paid to a supplier on 28 September 2012. This cheque was not presented to bank till 10 October 2012.
 2. The cashier in totaling the cash book pages, undercasted the debit totals of the cash book by Frw 3,000
 3. A cheque received on 30 September 2012 amounting to Frw 2,500 was credited by the bank on 1 October 2012.
 4. The bank had debited Frw 2,000 interest on overdraft and Frw 600 for bank charges. These were not recorded in the cash book.
 5. The credit side of the cash book was undercast by Frw100 during the month of September 2012.
 6. Cheque No.329 for Frw 2,000 drawn for office expenses were presented on 2nd October 2012
 7. A cheque for Frw 1,000 was issued to a supplier Socobico on 27 September 2012 and was omitted to be entered in the cash book. It was however, presented to bank by 30 September 2012.
 8. Dividends amounting to Frw 500 had been paid direct to the bank and not entered in the cash book
 9. A cheque of Frw 800 issued by James, another bank client, was wrongly debited by the bank in John’s account.
 10. A cheque received of Frw 800 and deposited into the bank on 20 September 2012 was shown in the bank statement as dishonored on 30 September 2012.
 11. A cheque of Frw 1,200 deposited in the bank was credited as Frw 2,100 in the bank statement

Required:

- (i) Adjusted cashbook (bank column) **(10 marks)**
- (ii) Bank reconciliation statement **(6 marks)**
- (Total: 20 marks)**

QUESTION THREE

The following list of balances as at 30 September 2012 has been extracted from the books of Ocampo and Hague, trading partnership, sharing the balance of profits and losses in the proportions 3:2 respectively.

	Frw	
Printing, stationery and postage	3,500	
Sales	322,100	
Stock in hand at 1 October 2011	23,000	
Purchases	208,200	
Rent and rates	10,300	
Staff salaries	36,100	
Telephone charges	2,900	
Motor vehicle running costs	5,620	
Discounts allowable	950	
Discount receivable	370	
Sales returns	2,100	
Purchases returns	6,100	
Carriage inwards	1,700	
Carriage outwards	2,400	
Fixtures and fittings: at cost	26,000	
Provision for depreciation	11,200	
Motor vehicles: at cost	46,000	
Provision for depreciation	25,000	
Provision for doubtful debts	300	
Drawings: Ocampo	24,000	
Hague	11,000	
Current account balances At 1 October 2011:		
Ocampo	3,600	Credit
Hague	2,400	Credit
Capital account balances		
At 1 October 2011:		
Ocampo	33,000	
Hague	17,000	
Debtors	9,300	
Creditors	8,400	
Balance at bank	7,700	

Additional information

1. Frw 10,000 is to be transferred from Ocampo's capital account to a newly opened Ocampo Loan Account on 1 July 2012.
2. Interest at 10 per cent per annum on the loan is to be credited to Ocampo.
3. Hague is to be credited with a salary at the rate of Frw 12,000 per annum from 1 April 2012.
4. Stock in hand at 30 September 2012 has been valued at cost at Frw 32,000.

5. Telephone charges accrued due at 30 September 2012 amounted to Frw 400 and rent of Frw 600 prepaid at that date.
6. During the year ended 30 September 2012 Hague has taken goods costing Frw 1,000 for his own use.
7. Depreciation is to be provided at the following annual rates on the straight line basis:

Fixtures and fittings	10%
Motor vehicles	20%

Required:

- (a) Prepare an Income Statement for the year ended 30 September 2012. **(12 marks)**
 - (b) Prepare Statement of Financial position as at 30 September 2012 which should include summaries of the partners' capital and current accounts for the year ended on that date. **(8 marks)**
- (Total 20marks)**

QUESTION FOUR

The balance sheet of Joab Utaka, a sole trader, as at 31 March 2012 was as follows:

	Frw	Frw		Frw	Frw
	'000'	'000'		'000'	'000'
Capital 1 April 2011		1,890	Land and buildings		1,650
Profit for year 2012	450		Machinery (at cost)	1,200	
Deduct: drawings	<u>150</u>	300	Deduct: depreciation	<u>750</u>	450
Creditors		630	Stock at cost	570	
Bank overdraft		<u>270</u>	Debtors	<u>420</u>	<u>990</u>
		<u>3,090</u>			<u>3,090</u>

Further investigation reveals the following information:

1. The closing stock includes damaged goods which, although they had cost Frw. 10,000 have an estimated sale value of Frw 7, 500.
2. Debtors include Frw. 20,000 in respect of a customer who has gone bankrupt. A provision for doubtful debts of 2 ½% is also required on the balance of the debtors.
3. The machinery was acquired five years ago and is being depreciated to its scrap value on a straight-line basis over eight years. A more realistic estimate indicates that the life span will be 10 years.
4. Wages owing at 31st March 2012 amounted to Frw. 9,500 but this has not been reflected in the accounts.
5. Charges for the bank overdraft, amounting Frw 8,000 have not been reflected in the accounts.
6. In arriving at the profit for the period, a drawing of Frw 100,000 paid to Mr.Joab Utaka had been deducted as an expense.
7. Frw 20,000 rent owing to Mr. Joab Utaka for the letting of part of his business premises to external party had not been received and no entry had been made in the books in respect of this item.

Required:

a) Journal entries to correct errors and omissions. **(12 marks)**

b) A revised balance sheet as at 31 March 2012. **(8 marks)**

(Total: 20 marks)

QUESTION FIVE

The following balances were extracted from the books of Ejide Kalisa a business man at Nyabugogo Bus Park, as at 1st January 2011.

	Frw.
Fixed assets	1,750,000
Stock in trade	294,000
Trade debtors	420,000
Trade creditors	315,000
Balances at bank	252,000
Cash balance	84,000
Bank loan	840,000
Accrued sundry expenses	70,000

a) The following transactions took place in the month of January 2010

Jan	
3	The business made credit sales of Frw.5, 950,000 and cash sales of Frw.840, 000.
7	The business purchased goods on credit worth Frw.4, 410,000. Further purchases of goods worth of Frw.560, 000 were made and paid for by cheque.
10	Debtors paid Rwf.5, 600,000 less a discount of 2%.
14	Fixed assets were purchased for Frw. 1, 050,000 and paid for by cheque.
16	The proprietor withdrew Rwf.280, 000 from the bank and Frw.140,000 from the cash box personal use.
21	Trade creditors were paid Frw.4, 200,000 by cheque less 3% discount.
23	Salaries and wages amounting to Frw.336, 000 were paid by cheque.
24	Bank loan repayment of Frw.140, 000 was made by cheque. In addition, interest on loan amounting to Frw.21, 000 was paid also by cheque.
27	Sundry expenses for the month of January 2011 amounted to Frw.175, 000. A sum of Frw.196, 000 was paid for sundry expenses in the month of January 2011 by cheque.
30	A cash deposit of Frw.700, 000 was made in the bank from the cash account.

Required

1) Calculate the Capital on 1 January 2011 **(4 Marks)**

2) Enter the above transactions in the ledger accounts and a three column cash book, and balance them off. **(12 Marks)**

3) Draft a trial balance at 31 January 2011. **(3 Marks)**

(Total 20marks)

End of question paper