
CERTIFIED ACCOUNTING TECHNICIAN

LEVEL 1 EXAMINATION

L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 2 DECEMBER 2013

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)
- (i) Describe briefly the qualitative characteristics ‘relevance’ and ‘comparability’ **(2Marks)**
 - (ii) Why do businesses maintain control accounts? **(4 Marks)**
 - (iii) State the two objectives of preparing the income statement and statement of financial position for a business **(4 Marks)**
 - (iv) Differentiate between a receipts and payments account and the income and expenditure account for not for profit organization. **(4 Marks)**
 - (v) Describe and give an example of an error of complete reversal of entries. **(3 Marks)**

(b) From the following account balances extracted from the books of Fridah, who owns a minimarket,

Account balances at 30 September 2013	Frw	Frw
Capital		1,329,000
Furniture cost	1,800,000	
Equipment cost	570,000	
Accumulated depreciation-Furniture		375,000
Accumulated depreciation - Equipment		90,000
Opening inventory	30,000	
Cash	9,000	
Bank overdraft		71,200
Bank loan (repayable in June 2018)		450,000
Purchases	2,853,000	
Sales		4,500,000
Accounts payable (Creditors)		75,000
Accounts receivable (Debtors)	180,000	
Loan (repayable in June 2014)		15,000
Interest on loans paid	42,000	
Bad debts	12,000	
Allowance for doubtful debt		12,000
Wages	690,000	
Rental income		360,000
Drawings	375,000	
Discount allowed	18,000	
Discount received		39,000
Carriage out	15,000	

Carriage in	9,000	
Returns in	6,000	
Returns out		6,000
Rent expense	447,000	
General expenses	258,000	
Suspense	8,200	
	7,322,200	7,322,200

Additional information:

1. Closing inventory at 30 September 2013 was Frw40,000
2. Accruals and prepayments as at 30 September 2013
- 3.

	Accrued	Prepaid
	Frw	Frw
Loan interest	20,000	
Rental income		40,000
Rent expense	47,000	
General expense		10,000

Adjust allowance for doubtful debt to Frw7,000

4. Bad debt recovered in cash not yet recorded Frw8,000
5. Depreciation for the year is to be as follows
 - Furniture - 10% straight line method
 - Equipment is – 25% Reducing balance method
6. A transport invoice of Frw 3,500 for carriage inwards was treated as carriage outwards.
7. The suspense account was due to a bank charges Frw 8,200 already charged in the bank account but not shown anywhere else in the books.

Required:

- (i) Statement of profit and loss for the year ended 30 September 2013. **(14 Marks)**
- (ii) Statement of financial position as at 30 September 2013 **(9 Marks)**

(Total 40 Marks)

SECTION B

Attempt three of the four questions in this section.

QUESTION TWO

a) Differentiate between the following terms:

- (i) Sales invoice and sales daybook **(2 Marks)**
- (ii) Purchases daybooks and Purchases ledger **(2 Marks)**

b) Umuguzi is a sole trader who keeps his petty cash on the imprest system, the imprest amount being Frw 200,000. His petty cash transactions for the month of October 2013 were as follows:

Date	Transaction details	Frw
1	Petty cash in hand	45,000
1	Petty cash given to restore imprest	
4	Paid wages	35,000
8	Office consumable bought	22,000
10	Bought photocopying paper	7,000
11	Paid wages	35,000
15	Transport to Rwamagana	5,000
18	Paid wages	27,000
23	Paid Rwamatungo, a supplier	20,000
25	Paid wages	15,000
27	Purchased office consumables	7,000
29	Bought pens and staples	2,000
31	Petty cash given to restore imprest	

Required:

- (i) Draw up the petty cash book showing the balance as at 31 October 2013. **(12 Marks)**
(Payment analysis columns are to be: Wages, Stationery, Transport, Consumables and general ledger Accounts).
 - (ii) Show the general ledger accounts with entries from the petty cash book. **(4 Marks)**
- (Total 20 Marks)**

QUESTION THREE

- a) State any two reasons for preparing the trial balance **(2 Marks)**
- b) Differentiate between the following terms
 - (i) Stale cheque and un-credited cheque **(2 Marks)**
 - (ii) Bank statement and bank reconciliation statement **(2 Marks)**

c) The bank columns in the cashbook for October 2013 and bank statement for that month for Mugenzi are as follows:

Cashbook (bank column)					
		Frw			Frw
October 01	Balance b/f	580,000	October 05	Gishogu (2314)	25,000
October 07	Ubumenya (3129)	92,000	October 12	Ambara (2315)	340,000
October 16	Muhanga (8872)	120,000	October 16	Iteka (2316)	110,000
October 28	Bicumbi (9932)	40,000	October 29	RRA (2317)	270,000
October 30	Koresha (1728)	<u>320,000</u>	October 31	Balance c/f	<u>407,000</u>
		<u>1,152,000</u>			<u>1,152,000</u>

Bank statement for the month of 31 October 2013

		Debit	Credit	Balance	
		Frw	Frw	Frw	
October 01	Balance b/f			650,000	CR
October 04	Cheque (3129)		92,000	742,000	CR
October 04	Sogerwa (2257)	70,000		672,000	CR
October 08	Gisho (2314)	25,000		647,000	CR
October 10	Simba : Direct debit	310,000		337,000	CR
October 16	Cheque (8872)		210,000	547,000	CR
October 17	Ambara (2315)	480,000		67,000	CR
October 18	Iteka (2316)	110,000		43,000	DR
October 20	Cheque(3129) (Dishonoured)	92,000		135,000	DR
October 28	Cheque(9932)		40,000	95,000	DR
October 29	Sonarwa standing order	50,000		145,000	DR
October 30	Kimenyi : Direct credit		90,000	55,000	DR
October 31	Bank charges	19,000		74,000	DR

Additional information;

1. The cheque number 2315 paid to Ambara was wrongly recorded in the cash book while the bank statement amount was correct.
2. The cheque number 8872 from Muhanga was wrongly recorded in the bank statement while the cashbook amount was correct.
3. The cause of the difference in opening balance is due to a cheque number (2257) of Frw 70,000 to Sogerwa company that has been un-presented since September 2013.

Required

- (i) Adjusted cash book (bank column) **(9 Marks)**
 - (ii) Bank reconciliation statement as at 31 October 2013 **(5 Marks)**
- (Total: 20 Marks)**

QUESTION FOUR

Kaneza has prepared the following trial balance for the period of 31st December 2012

Description	Debit Frw000	Credit Frw000
Motor Van at cost	15,500	
Inventory	11,230	
Receivable Ledger control Account	19,167	
Cash at bank	218	
Petty Cash	50	
Payable Ledger control Account		15,666
Prepayments	2490	
Accruals		110
Motor Van Accounts depreciation		2,500
Sales		98,870
Purchases	76,182	
Rent expenses	1,700	
Wages expenses	17,500	
Electricity Expenses	536	
Telephone expenses	230	
Accountancy expenses	520	
Van expenses	280	
Depreciation Expenses	1,500	
Capital		25,000
Total	147,103	142,146

The trail balance does not balance this means that there must be errors in the bookkeeping:

On the investigation, the following errors were discovered:

- A transposition error was made when posting a sales day book total of **Frw 8,132**. the correct figure was entered in the receivable ledger control account but it was posted to the sales account as **Frw 1,382**
- The balance on the electricity account was incorrectly recorded and should read **Frw 719**
- When accounting for the telephone accrual of **Frw 110** at the year end, a single entry has been made. It was the expenses account entry that had been missed out.
- A mistake had been made when casting the purchase account. The total should have been **Frw 77,682**

Required:

- Make relevant journal entries for each error **(8 Marks)**
- Suspense account dully balanced. **(2 Marks)**
- Prepare the trial balance after correction of the errors. **(10 Marks)**

(Total: 20 Marks)

QUESTION FIVE

a) The IASB's Framework for the Preparation and Presentation of Financial Statements requires financial statements to be prepared on the basis that they comply with certain accounting concepts, underlying assumptions and (qualitative) characteristics. Five of these are:

- Matching
- Substance over form
- Prudence
- Comparability
- Materiality

Required:

Briefly explain the meaning of each of the above concepts/assumptions. **(10 Marks)**

(b) For most entities, applying the appropriate concepts/assumptions in accounting for inventories is an important element in preparing their financial statements.

Required:

Illustrate with examples how each of the concepts/assumptions in (a) may be applied to accounting for inventory. **(10 Marks)**

(Total: 20 Marks)

End of question paper

BLANK PAGE