



**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2016,
TECHNICAL AND PROFESSIONAL STUDIES**

EXAM TITLE: Financial Accounting

OPTIONS: Accountancy (ACC)

Computer Science and Management (CSM)

DURATION: 3hours

INSTRUCTIONS:

The paper is composed of **three (3) main Sections** as follows:

Section I: Twelve (12) compulsory questions. 55 marks

Section II: Attempt any three (3) out of five questions. 30 marks

Section III: Attempt any one (1) out of three questions. 15 marks

Note:

Every candidate is required to carefully comply with the above instructions. Penalty measures will be applied on their strict consideration.

Section I. Twelve (12) Compulsory questions**55 marks**

- 01.** Differentiate the cash basis to accrual basis of accounting. **3 marks**
- 02.** The Rwanda Ministry of Foreign Affairs purchased an item of plant for 2,000,000 FRW on 01 October 2012. It had an estimated life of eight years and an estimated residual value of 400,000 FRW. The plant is depreciated on a straight line basis. Another plant of the same value is depreciated on a reducing basis at 40% of the cost in the year of purchase and 20% per annum during subsequent years.
In respect of the above items of plant, Calculate the difference between depreciation charged basing to straight line method and the one calculated on reducing basis as at 30 September 2015. **4 marks**

- 03.** Identify which of the following are shown under the wrong classification for J. Smith's business.

Assets	Liabilities
Cash in hand	Debtors
Creditors	Bank loan
Buildings	Stock of raw materials
Office furniture	
Bank overdraft	

2 marks

- 04.** You are drafting the contract for junior accountant and you are required to provide extract of payroll details showing all statutory deductions and net amount payable to the chief accountant. Basing to below information given to you, provide that extract clearly identifying TRR Payable, Contributions to Health Insurance both for employer and employee as well as the contribution to Social security both for employee and employer.
- Basic salary: 485,637 FRW
 - Housing Allowance: 69,377 FRW
 - Transport allowance: 69,377 FRW

5 marks

- 05.** Define the following terms:

- (a) Balance sheet;
- (b) Bank statement;
- (c) Bank reconciliation statement

6 marks

- 06.** MINICOM cashbook as at 31 October 2015 shows a balance of 915,000 FRW. At the same date the bank statement balance shows an overdraft balance of 52,000 FRW. On investigation, following items have been discovered:
- (1) Bank charges of 35,000 FRW shown on the bank statement have not been entered in the cash book.
 - (2) A cheque drawn for 47,000 FRW has been entered in error as receipt in the cash book
 - (3) A cheque for 18,000 FRW which was credited in cash book has bounced due to wrong beneficiary details and has not been written back in the cash book
 - (4) Three cheques signed 31st October 2015 for suppliers A, B, C of 214,000 FRW, 370,000 FRW and 30,000 FRW respectively have been credited in cash book but have not yet been presented to the bank for payment.

- (5) The proof for disbursement of a grant from African Development Bank of FRW 1,542,000 has been received by MINICOM accountant and recorded in the cash book; however the transfer has not reached the MINICOM bank account in National Bank of Rwanda.
- (6) The bank charged a cheque for 72,000 FRW by error to MINICOM account instead of charging National Institute of Statistics account. The Government Accounting Manual provides that the bank error is not recognized in books of accounts rather it is claimed to the bank for its correction.
- a) Calculate the revised cash book balance after taking into consideration items number (1) to number (6) **2 marks**
- b) Prepare the bank reconciliation for the period ended 31st October 2015. **3 marks**

07. Prepare a trial balance from the following account balances:

Name of accounts	Account balance in \$
Capital	200,000
Cash in hand	2,000
Machinery	60,000
Sales	254,800
Stock	50,000
Sundry creditors	40,000
Bills receivable	1,600
Bank overdraft	22,000
Sundry debtors	50,000
Return outwards	3,000
Interest expense	600
Cash at bank	6,600
Wages	70,000
Discount received	1,800
Land	40,000
Bills payable	1,800
Carriage inwards	2,400
Purchases	180,000
Salaries	24,000
Rent	4,000
Postage	1,000
Return inwards	3,200
Drawings	10,000
Furniture	18,000

5 marks

08. Briefly, explain the four functions of accounting and list the financial statements agreed by International Accounting Standard I.

6 marks

09. The accounts of the business of T. Mugabo on 31 January 2016 revealed the following (figures are in millions of FRW):

Cash at bank	6,300
Stock	10,800
Debtor A. Manzi	876
Debtor F. Gashi	3,048
Creditor F. Maniraguha	648
Office furniture	4,320
Creditor Philippe	828
Motor Vehicle	9,360

Calculate T. Mugabo's capital as at 31 January 2016.

4 marks

10. Complete the following table by determining the effects of different transactions and actions to be taken when preserving the double entry accounting principle. 5 marks

No	Transactions	Effects of transactions	Actions to be taken
1.	Opening of business with 500,000 FRW in bank		
2.	Purchase of a building for 3,000,000 FRW by cheque		
3.	Purchase of goods on credit for 100,000 FRW		
4.	Sales of goods on credit for 100,000 FRW		
5.	Sales of goods with immediate payment for 50,000 FRW ash		

11. Define the term "inventory" and provide the types of inventories in an enterprise.

'inventory' is a?

3 marks

12. Read the invoice below and answer the questions that follow:

YEGO ltd BUILDERS Date: 15/1/2016
 Ruhina Nziza Street
 PO.BOX 115 MUHANGA
INVOICE No. 40525

3,323,050.

Description	Quantity	Unit price (FRW)	Total amount (FRW)
Bricks	60,000	35	(a) 21,420,000
Bags of cement	100	12,100	(b) 12,100
			(c)
		10% Trade discount	(d)
			(e)
		5% Cash discount	(f)
			(g)
		18% VAT	(h)
		Invoice Total	(i)

Required:

- a) Calculate and enter the missing amounts at (a) to (i) on the invoice above. **4 marks**
- b) Make journal entries assuming the cash payment by cheque. **2 marks**
- c) What would be the VAT due or to be refund, if the VAT collected on sales in the period amounted to 709,409 FRW? **1 mark**

Section II. Choose and answer any three (3) questions.

30 marks

13. On 1st September, V Duckworth, a bar manager and entrepreneur, has the following financial position relating to her activities as a corporate function organizer:

	\$
Balance at Bank	1,000
Debtors: M Baldwin	2,500
A Roberts	900
G Platt	250
Stock	750
Creditors: Newton and Ridley	4,500
J Duckworth	125

During September the following events occur:

- 1. M Baldwin settles his account after taking a cash discount of 20%.
- 2. A Roberts is declared bankrupt and no payments are anticipated in respect of the debt.
- 3. G Platt pays in full.
- 4. All creditors are paid. Newton and Ridley had indicated that, because of the speed of payment, a 10% quick settlement discount may be deducted from the payment.

Required: Record the above transactions for September in the journal.

10 marks

14. (a) At the end of the fiscal year, before the accounts are adjusted, Accounts Receivable has a balance of 200,000\$ and Allowance for Doubtful Accounts has a credit balance of 2,500\$. If the estimate of uncollectible accounts determined by aging the receivables is 8,500\$, the amount of bad debt expense is: A) 2,500\$; B) 6,000\$; C) 8,500\$; D) 11,000\$
- (b) Mex Cars is a motor vehicle distributor that prepares its accounts on the calendar-year basis. Ten cars are purchased during 2001 for 4,500\$ each and sold for 6,000\$ each. Calculate profit by matching revenues with expenses.
- (c) Perry, trading as the Umbrella Shop ends his financial year on 30 September each year. On 1 October 2011 he had no goods in inventory. During the year to 30 September 2012, he purchased 30,000 umbrellas costing 60,000\$ from umbrella wholesalers and suppliers. He resold the umbrellas for 5\$ each, and sales for the year amounted to 100,000\$ (20,000 umbrellas).

At 30 September there were 10,000 unsold umbrellas left in inventory, valued at 2\$ each. During the course of the year 1 October 2012 to 30 September 2013, Perry purchased 40,000 umbrellas at a total cost of 95,000\$ and sold 45,000 umbrellas for 230,000\$. At 30 September 2013 he had 5,000 umbrellas left in inventory, which had cost 12,000\$.

Required:

- 1) What was Perry gross profit for the year ended 30 September 2012?
 - 2) What was his gross profit for the year ended 30 September 2013? **10 marks**
15. On 31 December 2008 the bank column of C Tench's cash book showed a debit balance of 1,500\$. The monthly bank statement written up to 31 December 2008 showed a credit balance of 2,950\$. On checking the cashbook with the bank statement, it was discovered that the following transactions had not been entered in the cashbook:
- (1) Dividends of 240\$ had been paid directly to the bank.
 - (2) A credit transfer – Customs and Excise VAT refund of 260\$ – had been collected by the bank.
 - (3) Bank charges 30\$.
 - (4) A direct debit of 70\$ for the RAC subscription had been paid by the bank.
 - (5) A standing order of 200\$ for C Tench's loan repayment had been paid by the bank.
 - (6) C Tench's deposit account balance of 1,400\$ was transferred into his bank current account.
- A further check revealed the following items:
- (7) Two cheques drawn in favour of T Cod 250\$ and F Haddock 290\$ had been entered in the cashbook but had not been presented for payment.
 - (8) Cash and cheques amounting to 690\$ had been paid into the bank on 31 December 2008 but were not credited by the bank until 2 January 2009.

Required:

- a. Explain why might the business' estimate of its bank balance be different from the amount shown on the bank statement?
- b. Starting with the debit balance of 1,500\$, bring the cashbook (bank columns) up to date and then balance the bank account.
- c. Prepare a bank reconciliation statement as at 31 December 2008. **10 marks**

16. (a) A company has the following data March 31, 2016:

	\$
Net sales	202,500
Cost of goods sold	110,000
Selling expenses	45,000
General and administrative expenses	30,000
Interest expense	2,000
Interest income	1,500

Prepare a multi-step income statement.

(b) The following data pertain to Branner Company at December 31, 2015:

Name of Account	Amount in \$
Accounts payable	10,200
Accounts receivable	7,600
Accumulated depreciation – building	2,800
Accumulated depreciation – equipment	3,400
Bonds payable	12,000
Building	14,000
Cash	6,240
Copyright	1,240
Equipment	30,400
Inventory	8,000
Investment in corporate securities (long-term)	4,000
Investment in six-month Government securities	3,280
F.Branner, Capital	47,640
Land	1,600
Prepared rent	240
Revenue received in advance	560

Prepare a classified balance sheet at December 31, 2015

10marks

17. For the coming year, Culpeper Products Ltd anticipates a unit selling price of 150\$, a unit variable cost of 110\$, and fixed costs of 800,000\$.

(a) Compute the anticipated break-even point in sales units;

(b) Compute the sales units required to realize income from operations of 300,000\$.

(c) Determine the probable income (loss) from operations if sales total 32,000 units.

(d) Construct a Cost-Volume-Profit (CVP) chart, assuming maximum sales of 40,000 units within the relevant range.

10 marks

18. KAGABO Jean owns AMARANGI AGEZWEHO, a business specializing in selling painting by numbers by mail order. The packs are purchased from a wholesaler and then resold. The public have no access to the wholesaler and so there is no competition.

During the year ended 30 June 2007 Kagabo sold 2,900 units at 89\$ each, having started the year with 19,250\$ of stock (600 units). During the year, he purchased a total of 3,150 packs from the wholesaler at 59\$ each. Kagabo wants to value his stock using the FIFO basis.

Staff has been paid wages totaling 14,500\$, which is only slightly less than the advertising bills paid of 15,000\$. Kagabo is upset since the advertising agency has yet to send a final bill, estimated to be 500\$. Postage per unit sent out was 2\$. The packing costs were 0.50\$ per unit. Rent was 1,000\$ per month. Insurance of 3,500\$ has been paid but 650\$ of this relates to the year ending 30 June 2008. Electricity bills amounted to 2,900\$, but the bill for the final quarter is still outstanding and is expected to be approximately 500\$.

The business has a computer which was purchased about two years ago and which Kagabo reckons has about another three years of useful life left, at which point it will be worthless. It cost 4,000\$ and Kagabo uses the straight line method when calculating the depreciation charge. He also has a fax machine which he uses to communicate with his suppliers.

Stationery charges have amounted to 1,350\$ and he has had telephone bills of 3,500\$, of which 200\$ relates to July and August 2007. In the year ending 30 June 2006, he paid 150\$ for July and August 2006.

Kagabo has also paid 5,000\$ from the business bank account for a month long holiday in Florida. He has asked you whether he can class this as business expenses since it has enabled him to recover from the stresses and strain of running his own business.

- a) Calculate the cost of goods sold and ending stock.
- b) Prepare an income statement for the year ending 30 June 2007.
- c) Write a brief letter to Kagabo explaining what drawings are in relation to a small business and answering his query concerning his holiday.

19. The following trial balance was extracted from the books of Trotters & Co, a retail business, as at 31 December 2001:

	Debit \$	Credit \$
Freehold land and buildings (at cost)	220,000	
Accumulated depreciation on buildings (at 1 Jan 2001)		26,400
Motor vehicles (at cost)	70,000	
Accumulated depreciation on vehicles (at 1 Jan 2001)		37,500
Sales		500,000
Purchases	350,000	
Debtors	62,000	
Creditors		48,000
Stock (at 1 Jan 2001)	40,000	
Advertising	16,000	
General expenses	10,000	
Wages	40,000	
Bad debts written off	13,000	
Provision for doubtful debts (at 1 Jan 2001)		1,500
Drawings	36,000	
Bank	50,000	
Capital		293,600
	907,000	907,000

You are given the following additional information:

1. Wages outstanding at 31 December 2001 amount to 1,000\$.
2. The provision for doubtful debts should be adjusted to represent 6% of debtors.
3. Stock at 31 December 2001 amounted to 50,000\$.
4. Advertising includes a prepayment of 2,000\$.
5. A debtor returned goods to the value of 20,000\$. This has not been accounted for in the above figures.
6. During the year a vehicle, which had cost 20,000\$ and had a written down value of 12,000\$, was sold for 15,000\$. No entries have been made for this transaction.
7. Depreciation should be charged as follows: Buildings 4,400\$; Vehicles 10,000\$.

Required:

- (a) Make the adjusting entries.
- (b) Prepare Income statement for the period ending 31 December 2001.
- (c) Prepare the Balance sheet as at 31 December 2001.

20. You are given the following financial statements as on 30 June 2016.

SellWell Ltd		
Balance Sheet as at 30/06/2016		
	\$	\$
ASSETS		
<u>Current assets</u>		
Stocks	600	
Debtors	900	
Cash at bank	<u>100</u>	1,600
<u>Fixed assets</u>		
Net Fixed Assets		2,600
Total Assets		<u>4,200</u>
EQUITY AND LIABILITIES		
<u>Current liabilities</u>		
Trade creditors		800
<u>Non-Current Liabilities</u>		
Debenture		1,400
<u>Capital and reserves</u>		
Preference share capital		200
Ordinary share capital (1,000 shares of \$)		1,000
Profit & Loss A/C		<u>800</u>
Total liabilities and equity		<u>4,200</u>

SellWell Ltd	
Income statement for the period ended 30/06/2012 (in \$)	
Sales	6,000
Cost of sales (including purchases of 4,300\$)	<u>4,500</u>
Gross profit	1,500
Administrative and distribution costs	<u>1,160</u>
Operating profit (EBIT)	340
Debenture interest	74
Profit before tax	266
Provision for tax	<u>106</u>
Profit after tax	<u>160</u>
Preference dividend	10
Profit available for ord. shareholders	150
Ordinary dividend	<u>10</u>
Retained profit	<u>140</u>

Note:

The number of ordinary shares outstanding is 1,000 and a market price of a share is 2\$.

Required:

Using the above information, calculate the following ratios:

- (a) Current ratio
- (b) Capital gearing ratio
- (c) Income gearing ratios (Times interest earned/Interest coverage ratio)
- (d) Debtors' collection period
- (e) Trade payables payment period
- (f) Net profit ratio
- (g) Return on Total Assets
- (h) Return on Owner's Equity
- (i) Earnings per share
- (j) Dividend yield ratio