

ACC & CSM – Financial

Accounting

T051

Monday, 03/11/2014

8:30 –11:30 AM

WORKFORCE DEVELOPMENT AUTHORITY



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2014
TECHNICAL AND PROFESSIONAL TRADES**

EXAM TITLE: Financial Accounting

OPTIONS: - Accountancy (ACC)

- Computer Science and Management (CSM)

DURATION: 3hours

INSTRUCTIONS:

The paper is composed of **two (2) main Sections:**

Section I: Twelve (12) questions, all **Compulsory.**

55marks

Section II: Five (5) questions, **Choose any Three (3).**

45marks

SECTION I. TWELVE (12) COMPULSORY QUESTIONS.

- 01.** (a) State the accounting equation. **2marks**
(b) Give two (2) examples of a current asset. **2marks**
(c) How is the current ratio calculated? **2marks**
- 02.** A Juice factory Owner took 3 containers of the final product costing Rwf 58,000 from the factory stock for his domestic use. The normal selling price of the goods is Rwf 160,000. What journal entries would you make to record this correctly? **3marks**
- 03.** MIRINDA Factory values its stock using the first in, first out (FIFO) method.
At 1st February 2009 the company had 2,750 engines in inventory, valued at Rwf 5,190 each. During the year ended 31st March 2010 the following transactions took place:
- | | | |
|------|---------------------------|--|
| 2009 | 1 st April | Purchased 1533 engines at Rwf 350,600 each |
| | 15 th August | Sold 1759 engines for Rwf 616,705,400 |
| 2010 | 11 th January | Purchased 1305 engines at RWF 375,300 each |
| | 25 th February | Sold 1253 engines for RWF 470,250,900 |
- What is the value of the company's closing stock of engines at 31st March 2010? **7marks**
- 04.** Outline the essential differences between an ordinary shareholder and a preference shareholder? **6marks**
- 05.** The following terms are used by trading businesses. What are their equivalent terms in non-trading organizations?
(a) Net loss
(b) Profit and Loss account *to the extent*
(c) Cash Book **3marks**
- 06.** A Farm income statement for the year ended 31 December 2012 showed a net profit of Rwf 1,436,000. It was later found that Rwf 580,400 paid for the purchase of farm equipment had been debited farm supplies account. It is the company's policy to depreciate farm equipment at 25 per cent per year on the straight line basis, with a full year's charge in the year of acquisition. What would the net profit be after adjusting for this error? **5marks**
- 07.** Give two (2) examples of business transactions and explain how each transaction is recorded in the accounts **6marks**

08. What is the difference between bad debts and provision for doubtful debts? **2marks**

09. Outline five main features of an invoice. **5marks**

10. MAGANEM Stationary forgotten to keep accurate accounting records during the financial year 2011. It had opening inventory of Rwf 13,757,300 and purchased goods costing Rwf 65,950,830 during the year. At the end of the year the Shop had Rwf 1,134,370 left in inventory. All sales are made at a markup on cost of 15%.

What is MAGANEM's gross profit for the considered year? **5marks**

11. What is a special journal? Give an example **3marks**

12. Classify any four (4) items below as capital expenditure, revenue expenditure, capital income or revenue income.

- a. Purchase of motor vehicle
- b. Purchase of stationery using petty cash
- c. Receipts from cash sales
- d. Purchase of goods for resale
- e. Receipt from sale of Kitchen Kuts' delivery van.

4marks

SECTION II. CHOOSE AND ANSWER ANY THREE (3) QUESTIONS.

13. Two companies were in partnership. Their partnership agreement provided that:

- a) Interest on capital is allowed at 7.5% per annum,
- b) Interest on drawings is charged at 8% per annum, calculated on the balances of the Drawings accounts at the end of the financial year,
- c) The 1st Company get salaries of Rwf 7,650,000 a year,
- d) Remaining profits are shared: 1st Company: and 2nd Company:

The financial year end of the partnership is 31 October. On 30 October 2013, balances in the partnership's books included:

	RWF
Profit and Loss Account (net profit for year)	23,756,800
Capital accounts:	
1 st Company	10,500,000
2 nd Company	10,300,000
Drawings accounts:	
1 st Company	4,230,000
2 nd Company	5,170,000

Prepare the partnership's Profit and Loss Appropriation Account for the year ended 30 October 2013. **9marks**

- (b) Explain why it was important for the two Companies to draw up a partnership agreement before they started in business. **2marks**
- (c) Explain the difference between Capital accounts and Current accounts in a partnership. **4marks**

14. NDAMAGE Enterprise makes up its annual accounts to 31 December. Her Trial Balance at 31 December 2012 showed the shortage on the debit side of Rwf 1,050. This difference was posted to a Suspense account.

The following errors were then discovered.

- a. The Purchases Journal had been under cast by Rwf 56,300.
- b. The sale of office equipment had been posted to the sales account, Rwf 13,205.
- c. Received from Kwizera Florian Rwf 66,700, a debtor, was correctly entered in the Cash Book, but had been wrongly posted to the Debtors Ledger as Rwf 6,600.
- d. Discount allowed of Rwf 1500 had been entered in the Cash Book, but was not posted in the customer's account.
- e. Machinery was purchased on credit from Ruvubu Factory for Rwf 250,000, but no entry had been made in the Enterprise's books.

(i) Prepare the entries in NDAMAGE Enterprise's General Journal to correct the above errors. Narratives are **not** required. **5marks**

(ii) For each error (a – e) state how the net profit will be affected when the errors are corrected. **5marks**

(iii) Calculate the corrected net profit. **5marks**

15. a) On 31 December 2013, a highwayman took some of House shop's stock and its stock records. The following information was available:

	Rwf
Stock 1 December	412,340
Sales for November	1,345,000
Purchases for October	417,300
Stock in good condition at 31 December	845,000

Standard gross profit percentage on sales is 35%.

Based on this information, what is the value of the stock lost? **8marks**

b) The above Shop prepares its financial statements for the year to 31 July each

year. The business pays rent for its premises quarterly in advance on 5th February, 5th May, 5th August and 5th November each year. The annual rent was Rwf 675,000 per year until 30th August 2012. It was increased from that date to Rwf 750,000 per year. Determine the rent expense and end of year prepayment in the financial statements for the year ended 30 June 2013.

7marks

- 16.** Muvunyi invested in transport business with 5 buses for a value of Rwf 120,000,000 and it has decided to depreciate this asset at a rate of 18% per annum using the reducing balance method of depreciation.

Calculate the depreciation and show the asset's net book value at each year end, for the first five years.

15marks

- 17.** Juliud is an accountant at Rwanda Housing Company and his Institution wants to buy shares in a company that deals in building materials. He is required to give advices on the following financial indicators as presented by the Institution from two supplier's companies.

	CAMPBELL LTD	MAILTO LTD
Market price per share	750 RWF	885 RWF
Net asset value per share	609 RWF	939 RWF
Earnings per share	410 RWF	176 RWF
Dividends per share	240 RWF	185 RWF
% return on shareholders' equity	21.3%	11.2%
% return on total capital employed	32.6%	13.6%
% interest rate on loans	15.0%	15.0%
Debt/Equity ratio	0.3 : 1	2.0 : 1
Current ratio	6.0 : 1	1.5 : 1
Acid-test ratio	2.8 : 1	0.9 : 1
Period for which stock is on hand	150 days	88 days
Average debtors' collection period	53 days	25 days

- a) The Institution is of the opinion that MAILTO Ltd is handling its working capital more effectively and is in a better liquidity situation than CAMPBELL Ltd. Explain and quote three (3) financial indicators to support his opinion.

8marks

- b) (i) Which company is making more use of loans? Quote a financial indicator for each company. **2marks**
- (ii) Explain whether or not it was a good idea for that company to make use of loans. Quote one (1) financial indicator. **2marks**
- c) Quote three (3) financial indicators that show CAMPBELL Ltd has a better percentage return, earnings and dividends than MAILTO Ltd. **3marks**