

**ACC - Financial Accounting**

**T055**

**Tuesday, 20/11/2012, AM**

**WORKFORCE DEVELOPMENT AUTHORITY**



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**ADVANCED LEVEL NATIONAL EXAMINATIONS, 2012.  
TECHNICAL AND PROFESSIONAL OPTIONS**

**EXAM TITLE: FINANCIAL ACCOUNTING**

**OPTION: ACCOUNTANCY (ACC)**

**DURATION: 3HOURS**

**INSTRUCTIONS:**

The paper is conceived in Three (3) Sections as follows:

**Section A: 17 questions, all compulsory. 55 marks**

**Section B: Choose and Answer any THREE (3) questions. 30marks**

**Section C: Choose and Answer any ONE (1) question. 15marks**

**SECTION A: ALL QUESTIONS ARE COMPULSORY. 55marks**

- 01.** Financial accounting is based upon the accounting equation. Indicate whether the following statements are true or false. **3marks**
- Assets less liabilities are equal to capital
  - Capital plus assets are equal to liabilities
  - Capital less liabilities are equal to assets
- 02.** Classify each of the following items as an asset or a liability. **3marks**
- Motor van
  - Bank loan
  - Money owing from debtors
- 03.** Identify 3 different stakeholders to accounting information and explain why each of them would need the information. **3marks**
- 04.** What is a special journal? Give an example. **3marks**
- 05.** Mr. Sovu and Mrs. Sibagire are in partnership. During the year ended 31 December 2007, Mr. Sovu took a notebook computer from the partnership for his own use. The cost, accumulated depreciation and agreed selling price of the notebook computer are respectively RWF15,000, RWF5,000 and RWF8,000. Show the accounts to be debited or credited (journal entries) to record this event. **4marks**
- 06.** State whether the following is true or false. Accounting is a process of:  
i. recording      ii. Classifying      iii. summarising **3marks**
- 07.** Goods purchased for 4,800,000 were sold at a profit margin of 20% on sales. Calculate their selling price and the profit **3marks**
- 08.** A company's income statement for the year ended 31 December 2005 showed a net profit of RWF83,600. It was later found that RWF18,000 paid for the purchase of a motor van had been debited to the motor expenses account. It is the company's policy to depreciate motor vans 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? **3marks**

**09.** Should the following items be included in the calculation of prime cost?

- i. Administrative expenses.
- ii. Direct materials.
- iii. Direct labour.
- iv. Factory electricity.
- v. Plant depreciation.

**5marks**

**10.** State whether the following statements are TRUE or FALSE:

The difference between the balance as per cash book and the balance as per bank statements may be caused by: **4marks**

- i. casting error in the bank account.
- ii. post-dated cheque.
- iii. unrepresented cheques.
- iv. unrecorded bank charges deducted by the bank.

**11.** A supply of paper bags has been delivered to Kitchen Packers Ltd by East African Cartons Ltd. The purchase order sent from Kitchen Packers Ltd, and the invoice from are shown below.

<b>Kitchen Packers Ltd</b> 14 Bucuruzi Street <b>MUJYIMWIZA CITY</b> Purchase Order No. KK1067
To: East African Cartons Ltd
Date: 7 July 2011
Please supply 5000 paper bags product code 190467
Purchase price: RWF5000 per 100, plus VAT
Less 20% trade discount, as agreed.

<b>East African Cartons Ltd</b> No. 3278 21 Bucuruzi Street <b>MUJYIMWIZA CITY</b> VAT Registration No. 398 3877 00	<b>Invoice</b>
<b>Kitchen Packers Ltd</b>	
10 July 2011	



5000 paper bags product code 190467 @. 50 RWF each	RWF250.000
VAT @ 17.5%	RWF
43.750	
Total	
RWF293.750	
Terms: 30 days net	

Check the invoice against the purchase order and answer the following questions.

Has the correct purchase price of the paper bags been charged?

Has the correct discount been applied?

What would be the VAT amount charged if the invoice was correct?

What would be the total amount charged if the invoice was correct? **4marks**

**12.** Name and briefly explain two accounting principles: **4marks**

**13.** X and Y are in partnership, sharing profits equally. On 30 June 2011, Z joined the partnership and it was agreed that from that date all three partners should share equally in the profit. In the year ended 31 December 2011 the profit amounted to RWF300,000, accruing evenly over the year, after charging a bad debt of RWF30,000 which it was agreed should be borne equally by X and Y only. What should X's total profit share be for the year ended 31 December 2005? **4marks**

**14.** State whether each of the items below is capital expenditure, revenue expenditure, capital income or revenue income.

- i. Receipts from cash sales
- ii. Receipt from sale of Kitchen Kuts' delivery van
- iii. Purchase of motor vehicle
- iv. Purchase of goods for resale
- v. Purchase of stationery using petty cash.

**5marks**

15. The following information is extracted from accounting records for the year ended 31 December 2007. Calculate the cost of goods sold for the year

	RWF	
Carriage inward	30,000	
Closing balance of stock	480,000	
Opening balance of stock	400,000	
Purchase returns	150,000	<b>4marks</b>

**SECTION B: CHOOSE AND ANSWER ANY THREE (3) QUESTIONS (30marks)**

16. The following is a summary of transactions with Etties Ltd, a new credit customer.

RWF 3,525 re invoice 3070 of 12 July

RWF 1,175 re invoice 3120 of 20 July

RWF 752 re credit note 103 of 21 July

RWF 846 re invoice 3134 of 27 July

Cheque for RWF 1,800 received 29 July

Copy and complete the statement of account below.

**10marks**

Date 2011	Details	Transaction amount RWF	Outstanding amount RWF
12 July	Invoice 3070		
20 July	Invoice 3120		
21 July	Credit note 103		
27 July	Invoice 3134		
29 July	Cheque		

17. Faida Factory Ltd purchased a production line on 1 January 2007.  
The following relevant expenditures were incurred on that day.

	RWF
Invoice price	3,500,000
Transportation cost	50,000
Import tax	130,000
Legal charges	30,000
Annual maintenance fee	100,000

The production line is depreciable over 10 years on a straight-line basis. The scrap value is estimated to be zero.

Calculate the amount of profit or loss on disposal if the production line is disposed of on 31 December 2011 at a price of RWF 1, 250,000. **10marks**

18. Mr. Kaneza, treasurer of Lovely Country Club, has extracted the following information on membership fees from the accounting records.

Received for the year ended 31 December 2007	135,000
Received in advance as at 1 January 2007	36,000
Received in arrear as at 1 January 2007	24,000
Received in advance as at 31 December 2007	57,000
Received in arrear as at 31 December 2007	60,000

What is the fees income for the year ended 31 December 2007? **10marks**

19. The following information relates to the trade payables of Amazing Grace Ltd for the year ended 31 December 2007.

	RWF
Trade payables' control account as at 1 January 2007 (credit balance)	82,000
Credit purchases for the year ended 31 December 2007	833,000
Cash paid to suppliers for the year ended 31 December 2007	313,000
Discount received for the year ended 31 December 2007	15,000
Return outwards for the year ended 31 December 2007	72,000



Amounts settled by offsetting trade receivables against trade payables for the year ended 31 December 2007 230,000

Calculate the balance of trade payables as at 31 December 2007. **10marks**

**20.** An account clerk found the following errors and omissions.

- i. An amount of RWF 50,000 received from a customer had been entered in the bank account correctly but omitted in the trade receivables account.
- ii. The debit side of the rental expense account had been undercast by RWF 30,000.
- iii. Salary expense of RWF 353,000 was recorded as RWF 535,000.
- iv. Sales return of RWF 4,000 was recorded on the wrong side of the account.

Assuming the unadjusted profit for the year was RWF 500,000, what is the profit for the year after adjustments? **10marks**

**SECTION C: CHOOSE AND ANSWER ANY ONE (1) QUESTION (15marks)**

**21.** The following balance sheet was wrongly prepared :

ASSETS:	RWF	LIABILITIES:	RWF
Cash	12,000	Accounts Receivable	33,500
Accounts Payable	22,000	Equipment	67,000
Revenues	123,000	Goodwill	88,000
Salaries Payable	4,000	Stock	29,000
Investments	10,000	Notes Payable	20,000
Interest Earned	1,000	Cost of Goods Sold	(62,000)
Common Stock	5,000	Supplies	1,500
Total Assets	177,000	Total Liabilities	177,000

Prepare a corrected balance sheet in proper format. **15marks**

**22.** Prepare a cash flow statement using the following information: **15marks**

- a. cash borrowed from the bank 100,000
- b. cash paid for equipment 32,000

c. cash collected from customers	237,000
d. cash received from selling land	68,000
e. cash used to repay long term debt	50,000
f. cash paid to suppliers	76,000
g. cash received for interest income	5,000
h. cash dividends paid	3,000
i. revenues earned from providing services	157,000
j. expenses incurred this period	97,000
k. expense paid this period	93,000

23. From the following information, prepare a profit & loss account (income statement). All figures are in RWF. **15marks**

Accounts Receivable	32,000	Goodwill	16,000
Building	142,000	Accrued Expenses	9,000
Cash	15,000	Short-term Notes Payable	25,000
Salary Expense	22,000	Cost of Goods Sold	52,000
Accounts Payable	57,000	Long-term Investments	25,000
Equipment	76,000	Common Stock	1,000
Supplies	1,000	Interest Income	2,000
Prepaid Expenses	12,000	Stock	82,000
Sales	123,000	Dividends paid	25,000
Accumulated Deprec.	32,000	Rent Income	1,200
Rent expense	8,000	Depreciation Expense	3,000