

Financial Accounting

057

14th Nov.2006 8.30 - 11.30a.m

RWANDA NATIONAL EXAMINATIONS COUNCIL



P.O. BOX 3817 KIGALI-TEL/FAX : 586871

ADVANCED LEVEL NATIONAL EXAMINATIONS 2006

SUBJECT : FINANCIAL ACCOUNTING

OPTION : ACCOUNTANCY

DURATION : 3 HOURS

INSTRUCTIONS :

Candidates must show ALL the working.

This paper consists of THREE sections : A, B, and C.

SECTION A : Answer ALL 15 questions.

SECTION B : Answer any THREE questions.

SECTION C : Answer the single compulsory question.

SECTION A: Answer ALL questions.

1. (i) State the accounting equation. (1mark)
(ii) Determine the value of capital given that assets are 135,350 Rwf and liabilities are 70,500 Rwf. (2marks)
2. Name the only subsidiary/book of original entry which is also part of the ledger. (1mark)
3. Name the different accounts in a three column cash book. (3marks)
4. The following information was obtained from the books of Mugabo for the months of March 2006.
1 March 2006, trade debtors 16,380 Rwf
31 March 2006 trade debtors 38,130 Rwf
During the month of March 2006, the following transactions took place.
Cash from credit customers 426,360 Rwf
Discounts allowed 10,650 Rwf
Determine credit sales during the month of March 2006. (4marks)
5. Distinguish between accruals and prepayments. (2marks)
6. Why is drawing an asset and capital a liability in the books of a business. (4marks)
7. At the end of a trading period, all nominal (Expense/Revenue) accounts are closed. If an expense account is still open with a credit balance, what does this balance represent? (2marks)
8. When an asset is sold, the money received is not recorded in the sales account.
 - (i) Where is it recorded? (1mark)
 - (ii) If one records this transaction in the sales account, what error would she have committed? (1mark)
9. Bad debt is debited to the bad debts account and credited to the debtors account. Why is provision for bad debts account not credited to the debtors account? (1mark)

10 The following information was extracted from Munyeshuri's books.

Receipts:

1/7/2005 ----- 1000 units 250 Rwf each
6/7/2005 ----- 700 units 240 Rwf each

Issues:

3/7/2005 ----- 800 units
12/7/2005 ----- 600 units

Determine the value of:

- (i) stock on 15/7/2005 using FIFO.
(ii) stock on 15/7/2005 using LIFO.

(2marks)

(2marks)

11. Use the information above to calculate the value of:

- (i) Cost of goods sold up to 12/7/2005 using FIFO.
(ii) Cost of goods sold up to 12/7/2005 using LIFO.

(2marks)

(2marks)

12. Which accounting concept allows you to record likely expenses on the higher side and forecast a lower net profit?

(1mark)

13. State the concept of substance over form.

(1mark)

14. When you overpay a supplier and she refunds your money in cash, what entries do you make?

(2marks)

15. A machine which cost 2,800,000 Rwf is to be depreciated at 25% using the reducing (declining) balance method. What is the book value of the machine at the end of four years?

(4marks)

16. In any business, stock is recorded in the ledger only at the end of the trading period. In which ledger accounts is stock recorded between the beginning and the end of the trading period?

(4marks)

17. What is the difference between cost of goods sold and cost of sales?

(2marks)

18. When the owner of a business takes goods from a business for personal use, you debit..... and credit.....

(2marks)

19. The following information is from the books of Batesi, a sole trader in Nyamirambo, as at 31 March 2006.

Land and Building	700,000 Rwf
Motor Vehicles	192,500 Rwf
Stock	157,500 Rwf
Cash at Bank	17,500 Rwf
Loan from BCDI due in 2008;	245,000 Rwf
Debtors 94,500 Rwf Overdraft	70,000 Rwf
Equipment 262,500 Rwf Creditors	122,500 Rwf.

- Calculate capital (owner's equity).
- Calculate working capital.

(5marks)
(3marks)

SECTION B: Answer any THREE questions.

20. The following Trial Balance was prepared after preparing the profit and Loss of Kigali Enterprises Ltd, for the year ending 31 December 2005.

	Dr	Cr
Ordinary shares.....		300,000
Share premium.....		80,000
Freehold premises.....	350,000	
Plant and Machinery.....	230,000	
Office Furniture.....	150,000	
Debtors and Creditors.....	85,000	67,000
10% Debentures.....		100,000
Stock at 31 December 2005.....	34,300	
Unpaid debenture interest.....		5,000
Bank Balance.....	47,800	
Prepaid Insurance.....	600	
Undistributed profits (1.1.2005).....		40,000
Profit for the year ending 31.12.2005....		25,700
<u>Accumulated depreciation up to 31.12.2005</u>		
Plant and Machinery.....		186,000
Office Furniture.....		94,000
	897,700	897,700

Additional Information:

- A corporation tax provision of 15,000 Rwf is to be made.
- The directors propose to pay a dividend of 10% to the ordinary shareholders.

(a) Profit and Loss appropriation account for the year. (3marks)

(b) Balance sheet as at 31st December 2005. (7marks)

21. (i) Explain how the following errors are committed:

- (a) Error of complete reversal of entries
- (b) Error of commission
- (c) Error of principle. (3marks)

(ii) An inexperienced bookkeeper prepared the following incorrect Trial Balance. Because the totals of the credit balances are equal to the totals of the debit balances, she believes that she has prepared the trial balance correctly.

Trial Balance of Niyonkuru for the Month ended 31.3.2005

	Dr (Rwf)	Cr (Rwf)
Debtors.....	310,584 ✓	.....
Motor Expenses.....	.....	134,280 ?
Office Equipment.....	180,000 ✓	.....
Capital..... X	714,600 ?	.....
Motor Vehicle.....	225,000 ✓	.....
Advertising Expenses.....	36,000 ✓	.....
Wages and Salaries.....	.....	284,760 ?
Purchases.....	2,682,636 ✓	.....
Water and Electricity.....	.....	66,240 ?
Sales..... X	.....	3,583,176 ✓
General Expenses.....	82,356 ✓	.....
Insurance.....	.....	103,320 ?
Creditors... X	.....	306,900 ✓
Rent and rates.....	315,000 ✓	.....
Drawings... X	.....	126,000 ?
Cash at Bank.....	58,500 ✓	.....
	<u>4,604,676</u>	<u>4,604,676</u>

Prepare a corrected trial balance. (7marks)

22. (i) Explain two reasons why the bank balance in the cashbook rarely agrees with the balance as per bank statement. (2marks)

(ii) The following extracts are from the cashbook and bank statement of Remera Hardware Ltd for the month ending June 30th 2005.

Cashbook (Bank Column Only)

2005		2005		Cheque N°.		
June 1.	Balance b/d	47,580	June 5.	Abatoni	99	3,000
	7. B.Munyeshuri	3,160		12. Rwandet	100	8,660
	16. Kayumba	1,960		16. Stationery	111	1,680
	28. Gahima	6,140		29. Bahizi	112	1,440
	30. Kamara	10,480		30. Balance b/d		54,540
		<u>69,320</u>				<u>69,320</u>
		=====				=====

Bank Statement

2005		<u>Payments</u>	<u>Receipts</u>	<u>Balance</u>
June 1.	Balance b/d	-	-	47,580
	7. Cheque 99	3,000.	-	44,580
	8. Deposit	-	3,160	47,740
	16. Cheque 100	8,660	-	39,080
	17. Cheque 111	1,680	-	37,400
	18. Deposit	-	1,960	39,060
	29. Standing order(loan)	1,500	-	37,860
	30. Credit transfer:RPA	-	2,700	40,560
	30. Bank charges	8,325	-	32,235

(a) Update the cashbook.

(b) Prepare a Bank Reconciliation Statement as at 30 June 2005. (8marks)

23. The following are summaries of assets and liabilities of John Ngarambe, a retail trader in Matheus, Kigali at the stated dated.

	1 January 2004	31 December 2004
Debtors.....	12,558	15,957
Creditors.....	8,754	6,552
Stock.....	41,250	72,300
Loan from Rugira (payable end of 5 years).....	9,000	9,000
Cash in hand.....	1,425	7,275
Bank balance.....	6,819	.....
Bank overdraft.....	.....	6,280
Plant and Machinery.....	55,500	45,000
Land and Building.....	105,000	105,000
Fixtures and Fitting.....	5,400	51,000

During the year John Ngarambe had withdrawn 1,500 Rwf per month

(i) Calculate John Ngarambe's Capital at 1st January 2005. (4marks)

(ii) Show the profit/loss for the year. (6marks)

24. (i) What is the difference between profit and loss account and a profit and loss appropriation account? (2marks)

(ii) P. Kabuga and A. Kazimbaya are in partnership, sharing profits and losses in the ratio 3:2 respectively. During the year ended 31 December 2004, the net trading profit was 1,460,000 Rwf and partners drawings were:

P. Kabuga Rwf 119,000

A. Kazimbaya Rwf 117,000

Interest is charged on partners' Capital at the rate of 15% per year.

Interest is charged on Drawings at 10% per year.

P. Kabuga is entitled to a Salary of 154,000 Rwf per year.

P. Kabuga has already taken 60,000 Rwf of his Salary.

The balances on the partners' accounts, (all credit balances) on 1st January 2004, were as follows:

	<u>Capital Account</u>	<u>Current Account</u>
P. Kabuga	800,000	62,800
A. Kazimbaya	600,000	35,600

Prepare the partners profit and loss appropriation account. (8marks)

SECTION C: This question is Compulsory.

25. Remain Butuzo, a sole trader extracted the following Trial Balance at the close of Business on 30th September 2005.

	Dr Rwf	Cr Rwf
Office Equipment	204,500	-
Purchases and Sales	2,645,850	4,782,525
Bank	230,950	-
Stock (30.9.2004)	630,250	-
Debtors and Creditors	1,304,250	662,625
Discounts	165,000	99,975
Motor Vehicle	310,000	-
Capital (1.10.2004)	-	1,325,250
Drawings	444,150	-
Returns	151,125	44,175
Bad debt (written off)	62,775	-
Rent	213,900	-
General Expenses	69,750	-
Cash	23,250	-
Wages	418,500	-
Salaries	449,500	-
Loan	-	409,200
	<u>7,323,750</u>	<u>7,323,750</u>

Additional information

(i) Stock was 604,500 Rwf on 30 September 2004.

(ii) ^{Actuals} Owing expenses at 30 September 2004 were

Rent: 26,100 Rwf

Salaries: 22,750 Rwf

(iii) Provide for depreciations follows:

Motor Vehicle: 60,450 Rwf

Office Equipment: 23,250 Rwf

(iv) Prepaid wages at 30.9.2004, were 83,750 Rwf.

(a) Prepare a Trading, Profit / Loss account for the year ending 30/9/2004.

(b) Prepare a Balance Sheet at 30/9/2004.

(15marks)

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R = AC $\frac{(100 - r)}{100}$