



SCHOOL OF BUSINESS AND ECONOMICS

DEPARTMENT OF COMMERCE

END-SEMESTER EXAMINATION

SEMESTER: JANUARY 2012

CODE: ACC 111X

UNIT: FINANCIAL ACCOUNTING I

Time: 2.5 Hours

Instructions: Answer all **Four** questions

QUESTION ONE

The following

May 1 Assets: premises £34,000; Van £5,125; Fixtures £810; Inventory £6,390; accounts receivable: P Mullen £140, F lane £310;

Cash at bank £6,240; cash in hand £560.

Liabilities: Accounts payable: S Hood £215, J Brown £460.

- 1 paid storage costs by cheque £40
- 2 goods bought on credit from: S Hood £145; D main £206; W Tone £96; R Foot £66.
- 3 Goods sold on credit to: J Wilson £112; T Cole £164; F Syme £208; J Allen £91; P White £242; F Lane £90.
- 4 Paid for motor expenses in cash £47
- 7 Cash drawings by proprietor £150
- 9 Goods sold on credit to: T Cole £68; J Fox £131
- 11 Goods returned to Polk by: J Wilson £32; F Syme £48
- 14 Bought another van on credit from Abel Motors Ltd £4,850
- 16 The following paid Polk their accounts by cheque less 5 per cent cash discount: P Mullen; F Lane; J Wilson; F Syme
- 19 Goods returned by Polk to R Foot £6
- 22 Goods bought on credit from: L Mole £183; W Wright £191
- 24 The following accounts were settled by Polk by cheque less 5 per cent cash discount; S Hood; J Brown; R Foot.
- 27 Salaries paid by cheque £480

- 30 Paid business rates by cheque £132
- 31 Paid Abel Motors Ltd a cheque for £4,850.

Required

You are to open the books of F polk, a trader, via the journal to record the assets and liabilities and are then to record the daily transactions for the month of May. A trial balance is to be extracted as on 31 May 2009. (25 marks)

QUESTION TWO

The following trial balance was extracted from the books of R Giggs at the close of business on 28 February 2007.

	Dr	Cr
	£	£
Purchases and sales	92,800	157,165
Cash at bank	4,100	
Cash in hand	324	
Capital account 1 March 2006		11,400
Drawings	17,100	
Office furniture	2,900	
Rent	3,400	
Wages and salaries	31,400	
Discounts	820	160
Accounts receivable and accounts payable	12,316	5,245
Inventory 1 March 2006	4,120	
Allowance for doubtful debts 1 March 2006		405
Delivery ban	4,750	
Van running costs	615	
Bad debts written off	<u>730</u>	<u> </u>
	<u>174,375</u>	<u>174,375</u>

Notes:

- a) Inventory 28 February 2007 £2,400
- b) Wages and salaries accrued at 28 February 2007 £340
- c) Rent prepaid at 28 February 2007 £230

- d) Van running costs owing at 28 February 2007 £72
- e) Increase the allowance for doubtful debts by £91
- f) Provide for depreciation as follows: Office furniture £380; Delivery van £1,250

Required:

Draw up the income statement for the year ending 28 February 2007 together with a statement of financial position as at 28 February 2007.

(25 MARKS)

QUESTION THREE

The following is a summary of a cash book as presented by George Ltd for the month of October:

	£		£
Receipts	1,469	Balance b/d	761
Balance c/d	<u>554</u>	Payments	<u>1,262</u>
	<u>2,023</u>		<u>2,023</u>

all receipts are banked and all payments are made by cheque.

On investigation you discover:

- 1) Bank charges of £136 entered on the bank statement have not been entered in the cash book
- 2) Cheques drawn amounting to £267 had not been presented to the bank for payment.
- 3) Cheques received totaling £762 had been entered in the cash book and paid into the bank, but had not been credited by the bank until 3 November.
- 4) A cheque for £22 for sundries had been entered in the cash book as a receipt instead of as a payment.
- 5) A cheque received from K Jones for £80 had been returned by the bank and marked 'No funds available'. No adjustments has been made in the cash book.
- 6) A standing order for a business rates instalment of £150 on 30 October had not been entered in the cash book.
- 7) All dividends received are credited by the bank but no entries were made in the cash book.
- 8) A cheque drawn for £66 for stationery had been incorrectly entered in the cash book as £60
- 9) The balance brought forward in the cash book should have been £711, not £761.

Required:

- a) Show the adjustments required in the cash book.
- b) Prepare a bank reconciliation statement as at 31 October.

QUESTION FOUR

List and explain any FIVE fundamental concepts/principles used when preparing accounts (25 MARKS)