

S1042 & 1 June

W.A.S.S.C.E. 2000

FINANCIAL

ACCOUNTING 2 & 1

3½ hours

2&1

Name

Identification Number

THE WEST AFRICAN EXAMINATIONS COUNCIL

West African Senior School Certificate Examination

June 2000

FINANCIAL ACCOUNTING 2 & 1

3½ hours

Do not open this booklet until you are told to do so. While you are waiting, read the following instructions carefully.

Write your Name and Identification Number in the spaces provided at the top right-hand corner of this booklet.

This booklet consists of two papers. Answer Paper 2 which comes first, in your answer booklet and Paper 1 in your Objective Test answer sheet. Paper 2 will last for 2½ hours after which the answer booklet will be collected. Do not start Paper 1 until you are told to do so. Paper 1 will last for 1 hour.

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SECTION A

THEORY OF FINANCIAL ACCOUNTING

Answer two questions only from this section

1. (a) List **five** items that will cause the Cash Book balance not to agree with the Bank Statement balance [5 marks]
- (b) Explain how the items listed in (a) above may cause a difference between the Cash Book balance and Bank Statement balance. [10 marks]
2. (a) Differentiate between *adjustments* and *closing* entries. [3 marks]
- (b) Explain how the following items are treated in the final accounts:
- (i) provision for doubtful debts; [3 marks]
 - (ii) prepaid expenses; [3 marks]
 - (iii) accrued income; [3 marks]
 - (iv) depreciation on fixed assets. [3 marks]
3. (a) Mention **three** features of not-for-profit making organisations. [6 marks]
- (b) Give **two** similarities and **two** differences between a Receipt and Payment Account and an Income and Expenditure Account. [9 marks]
4. (a) What are accounting concepts? [3 marks]
- (b) State the accounting concept or convention which best explains each of the following statements:
- (i) Unless there is an evidence to the contrary, accounting assumes that a business will operate into the foreseeable future.
 - (ii) Revenues and expenses are recognised as they are earned or incurred and not when money is received or paid.
 - (iii) The accounting treatment of like items should be continuously applied from one accounting period to the next.
 - (iv) A business should not lay claim to any profits before they have been earned with reasonable certainty but should anticipate future losses.
 - (v) An accounting statement should not be influenced by the personal bias of the person preparing it.
 - (vi) The assumption that for reporting purposes the life of an enterprise can be divided into discrete time period. [12 marks]

SECTION B

FINANCIAL ACCOUNTING PRACTICE

Answer three questions only from this section

5. Prosperity Industries is a small business producing and selling food beverage. The following list of balances has been extracted from the books as at 31 December, 1998.

₦

Sales	225,000
Purchases of raw materials	45,000
Carriage inwards on raw materials	2,000
Carriage outwards on finished goods	1,000
Wages - Factory operatives	46,250
Salaries - Factory supervisors	11,250
- Management and clerical staff	31,000
- Sales and marketing staff	26,000
General expenses	4,875
Electricity and rent	16,000
Insurance	2,375
Advertising	5,000
Discounts received	1,500
Plant and machinery	23,000
Delivery van	9,000
Stocks at 1/1/98 : Raw materials	8,500
Work-in-progress	5,250
Finished goods	10,000
Stocks at 31/12/98 : Raw Materials	7,250
Work-in-progress	8,000
Finished goods	12,500

Additional information:

- (a) Depreciation for the year is to be charged as follows:
 Plant and machinery at 10% per annum.
 Delivery van at 20% per annum.
- (b) At 31/12/98 insurance prepaid was ₦375 and general expenses owing amounted to ₦125
- (c) Apportionment of expenses is to be made as follows:

	Factory	Administration
Electricity and rent	80%	20%
Insurance and general expenses	75%	25%

You are required to prepare :

- (i) Manufacturing Account; and
 (ii) a Trading and Profit and Loss Account for the year ended 31st December, 1998.

[15 marks]

Turn over

6. The Balance Sheet of Sosseh Limited as at 30th June, 1998 shows motor vehicles as follows:

	₦
Motor vehicles at cost	618,500
Less : Depreciation	<u>324,260</u>
	<u>294,240</u>

Vehicles are depreciated on the straight line basis over a five year life. Depreciation is charged pro-rata to time in the year of acquisition but no charge is made in the year of disposal

The Disposal Account is written up to the last day of each year.

During 1997 - 1998, the following vehicles were purchased :

30th September :	KMC 1041A	₦ 86,000
31st October :	BJL 419A	₦ 107,000
28th February :	KMC 2121A	₦ 40,000

Sale of vehicles :		
31st October :	GA 4242	₦ 3,000; original cost ₦28,000
31st December :	GA 3001	₦ 5,400; original cost ₦24,000
31st March :	GA 426	₦ 4,200; original cost ₦19,000

The vehicles were originally purchased on 1st July, 1994, 30th November, 1995 and 1st April, 1996 respectively.

You are required to prepare:

- (a) Vehicles Account;
- (b) Vehicles Depreciation Account; and
- (c) Vehicles Disposal Account.

[15 marks]

7. Audu Bako is a trader. The following balances were extracted from his books on 31st July, 1998.

	₦
Sales	307,442
Sales ledger control	28,860
Stock-in-trade 1/8/97	21,488
Trade subscriptions	104
Telephone and postages	884
Travellers commission	14,968
Salaries	10,432
Rent paid	2,280
Purchases	253,066
Purchases ledger control	12,358
Printing expenses	1,578
Petty cash in hand	32
Equipment and office furniture	3,240
Electricity	812
Insurance	504
Miscellaneous expenses	3,046
Drawings - Audu Bako	7,054
Discount allowed	770
Discount received	1,452
Cash at Bank	8,464
Capital Account - Balance 1/8/97	36,814
Bad debts written off	484

Additional information:

- (a) Amounts owing by Audu Bako on 31st July, 1998 were Rent ₦760, Travellers commission and expenses ₦1,230, Electricity ₦112.
- (b) Stock at 31st July, 1998 was ₦19,112
- (c) Provision :
- | | |
|---------------------|-------|
| Accountancy charges | ₦ 462 |
| Doubtful debts | ₦ 580 |
- (d) Office furniture and equipment is to be depreciated by 10 percent.

You are required to prepare :

- (i) Trading and Profit and Loss Account for the year ended 31st July, 1998; and
 (ii) a Balance Sheet as at that date. [15 marks]

8. The following information has been extracted from the books of C. Bintu :

- January 1 Balance at bank ₦683.
 January 1 Drew and cashed cheque for ₦500.
 January 1 Bought for cash 14 model coats for ₦282.
 January 3 B. Aluko paid by cheque ₦100 on account.
 Paid cheque into bank.
 January 5 Sold for cash two costumes at ₦36 and ₦33 respectively.
 January 5 Paid in cash, wages ₦72 and office expenses ₦10.
 January 9 Paid by cheque, H. Abba Account ₦258 less 5% discount.
 January 10 Cash sales to date, ₦76.
 January 12 Paid by cheque M. Harrison Account ₦300.
 January 14 Paid in cash carriage ₦33.
 January 18 Paid by cheque B. Banjo Account ₦82.
 January 18 Gave H. Abba a cheque on account ₦100.
 January 18 Cash sales for the week ₦190.
 January 18 B. Daodu paid ₦250 by cheque.
 Paid cheque into bank.
 January 21 Purchased for cash 7 packets office pins at ₦1.17 per packet.
 January 22 Paid cash into bank ₦100.

You are required to prepare a three column Cash Book to record the above transactions.

[15 mark

9. T. Emeka maintains a business bank account with 2nd Bank (Nigeria) Ltd. The bank statement received for the month of March 1999 showed a balance of ₦14,265 to his credit while according to his Cash Book, he should be having ₦13,380. Subsequent investigation revealed the following:

- Two cheques A000111 for ₦3,400 and X222419 for ₦6,000 deposited to the bank on 28th March, 1999 were not credited by the bank until 2nd April, 1999.
- A cheque for ₦6,500 issued to Jango Ltd. had not been presented for payment.
- A cheque for ₦3,000 received from a customer in full settlement of a debt of ₦3,300 had been entered in the Cash Book at the full value of the debt.
- Dividend of ₦650 from PZ Ltd. had been paid direct to the bank.
- The bank deducted a total of ₦125 as its charges.
- The bank had credited a cheque of ₦3,560 of V. Amaka in error to T. Emeka Account.

You are required to prepare:

- Adjusted Cash Book; and
- a Bank Reconciliation Statement for the month of March, 1999. [15 marks]

DO NOT TURN OVER THIS PAGE UNTIL YOU ARE TOLD TO DO SO.

YOU WILL BE PENALIZED SEVERELY IF YOU ARE FOUND LOOKING AT THE NEXT PAGE BEFORE YOU ARE TOLD TO DO SO.

WHILE YOU ARE WAITING, READ THE FOLLOWING INSTRUCTIONS CAREFULLY

- Use **HB** pencil throughout
- If you have got a blank answer sheet, complete the top section of it as follows:
 - In the space marked *Name*, write in capital letters your **surname** followed by your **other names**.
 - In the spaces marked *Examination, Year, Subject, and Paper*, write 'W.A.S.S.C.E.', 2000 JUNE', 'FINANCIAL ACCOUNTING' and '1' respectively.
 - In the box marked *Identification Number*, write down your **Identification Number** vertically in the spaces on the left-hand side. There are numbered spaces in line with each digit. Shade carefully the space with the same number as each digit.
 - In the box marked *Subject Code*, write down the digits **104112** in the spaces on the left-hand side. Shade the corresponding numbered spaces in the same way as for your identification number.
 - In the box marked *Sex*, shade the space marked **M** if you are **male**, or **F**, if you are **female**.
- If you have got a pre-printed answer sheet, check that the details are correctly printed, as described in 2 above. In the boxes marked *Identification Number, Subject Code* and *Sex*, **reshade** each of the shaded spaces.
- An example is given below. This is for a **male** candidate, whose **name** is **Hamza Isa AUDU**, whose **Identification Number** is **4251102068** and who is offering **Financial Accounting 1**.

THE WEST AFRICAN EXAMINATIONS COUNCIL

PRINT IN BLOCK LETTERS

Name: AUDU HAMZA ISA Examination: W.A.S.S.C.E. Year: 2000 JUNE
Surname Other Names

Subject: FINANCIAL ACCOUNTING Paper: 1

IDENTIFICATION NUMBER	
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SEX	
Indicate your sex by shading the space marked M (for Male) or F (for Female) in this box:	M <input type="checkbox"/> F <input type="checkbox"/>

INSTRUCTIONS TO CANDIDATES

- Use grade **HB** pencil throughout.
- Answer each question by choosing one letter and shading it like this: [A] [B] [C] [D]
- Erase completely any answers you wish to change.
- Leave extra spaces blank if the answer spaces provided are more than you need.
- Do not make any markings across the heavy black marks at the right hand edge of your answer sheet.

For Supervisors only.
 If candidate is absent shade this space:

Answer all the questions.

Each question is followed by **four** options lettered **A** to **D**. Find out the correct option for each question and shade **in pencil** on your answer sheet, the answer space which bears the same letter as the option you have chosen. Give only **one** answer to **each** question. An example is given below.

Which of the following documents is used to deposit money into a current account?

- A. Pass book
- B. Paying-in-slip
- C. Cheque book.
- D. Credit card

The correct answer is paying-in-slip, which is lettered **B**, therefore answer space **B** would be shaded.

[A]

[C]

[D]

Think carefully before you shade the answer spaces; erase completely any answers you wish to change. Now answer the following questions.

1. Which of the following is **not** an intangible asset?
 - A. Licences
 - B. Patents
 - C. Trade marks
 - D. Fixtures

2. Which of the following is a capital expenditure?
 - A. Salaries and wages
 - B. Stationery
 - C. Repairs of motor vehicle
 - D. Purchase of furniture

3. Sale of goods for ₦600 to Ade was not posted. This is an error of
 - A. omission.
 - B. commission.
 - C. principle.
 - D. compensation.

4. Shares sold at the nominal value are issued at
 - A. a discount.
 - B. a premium.
 - C. a loss.
 - D. par.

5. The excess of current assets over current liabilities is
 - A. authorised share capital.
 - B. working capital.
 - C. loan capital.
 - D. called-up capital.

Use the following information to answer questions 6 to 9.

Williams and Jacob are in partnership but there is no partnership agreement. The capital contributed are ₦60,000 and ₦40,000 respectively. Profit for the year is ₦20,000. Interest on capital is 10%.

6. What is Williams' share of profit?
 - A. ₦12,000
 - B. ₦10,000
 - C. ₦ 8,000
 - D. ₦ 5,000

7. What is Jacob's share of profit?
 - A. ₦10,000
 - B. ₦ 8,000
 - C. ₦ 5,000
 - D. ₦ 4,000

8. If Williams introduces cash of ₦10,000 by way of loan to the partnership, how much interest will he earn per annum on the loan?
 - A. ₦2,000
 - B. ₦1,500
 - C. ₦1,000
 - D. ₦ 500

9. What is Williams' interest on capital?
 - A. ₦10,000
 - B. ₦ 7,000
 - C. ₦ 6,000
 - D. ₦ 4,000

10. In a bonus issue of one new share for every four held, a holder of 100,000 shares will get additional shares of
 - A. 50,000
 - B. 25,000
 - C. 20,000
 - D. 10,000

11. A partner who has full powers of participating in the conduct of a partnership business is a
 - A. general partner.
 - B. limited partner.
 - C. sleeping partner.
 - D. nominal partner.

12. The ratio which measures the solvency of a firm is the
 - A. quick ratio.
 - B. gross profit over sales ratio.
 - C. stock turnover ratio.
 - D. debtors turnover ratio.

13. When goods are purchased on account, the accounting entries are
- A. debit Purchases Account; credit Supplier's Account.
 - B. credit Purchases Account; debit Supplier's Account.
 - C. credit Bank Account, debit Purchases Account.
 - D. debit Bank Account, credit Purchases Account.
14. Closing stock was overstated. The effect is that
- A. amount of goods available was understated.
 - B. cost of goods sold was overstated.
 - C. amount of sales returns was understated.
 - D. gross profit was overstated.

Use the following information to answer questions 15 and 16.

XYZ Enterprises bought ABC Enterprises by issuing 30,000 ordinary shares of ₦1 each at discount of 5%. The assets of ABC Enterprises are

Stock	₦18,000
Debtors	₦11,000

15. The purchase consideration was
- A. ₦31,500
 - B. ₦30,000
 - C. ₦28,500
 - D. ₦28,000
16. Capital reserve was
- A. ₦1,500
 - B. ₦1,000
 - C. ₦ 500
 - D. ₦ 150
17. The entries necessary for recording profit loading on goods sent to branch are
- A. debit Branch Stock Account, credit Branch Stock Adjustment Account.
 - B. credit Branch Stock Adjustment Account, debit Goods Sent to Branch Account.
 - C. debit Goods sent to Branch Account, credit Branch Stock Account.
 - D. debit Branch Stock Adjustment Account, credit Branch Stock Account.
18. Expenses incurred when incorporating a company are
- A. preliminary expenses.
 - B. selling expenses.
 - C. administrative expenses.
 - D. financial expenses.
19. Gross Profit of a business is the
- A. excess of sales over all the trading expenses.
 - B. difference between sales and purchases.
 - C. excess of sales over the cost of goods sold.
 - D. difference between discounts received and discounts allowed.

20. Prepaid rent of ₦650 had been recorded as ₦560. This is an error of
- A. commission.
 - B. principle.
 - C. compensation.
 - D. original entry.
21. When a buyer is under-charged, the seller forwards
- A. a debit note.
 - B. a credit note.
 - C. an undercast note.
 - D. a payment receipt.

Use the following information to answer questions 22 and 23.

Rent owing as at 31st December 1998 ₦800
Rent paid up to 31st December 1998 ₦1,700
Rent owing as at 1st January 1998 ₦500

22. Rent charged to the Profit and Loss Account for the year 1998 is
- A. ₦2,000
 - B. ₦1,700
 - C. ₦1,400
 - D. ₦1,300
23. The closing balance for 1998 is an item under
- A. current liability.
 - B. current asset.
 - C. long term liability.
 - D. fixed asset.
24. In computing, external storage is called
- A. backing storage.
 - B. logging storage.
 - C. primary storage.
 - D. extra storage.
25. Profit expressed as a fraction of the selling price is known as
- A. mark-up.
 - B. margin.
 - C. gross profit.
 - D. net profit.

26. In computing ALU stands for
- Accounting Logical Unit.
 - Arithmetic Logic Unit.
 - Access Logic Unit.
 - Additional Liability Unit.
27. Which of the following is **not** a Petty Cash Book item? Purchase of
- stationeries.
 - postage stamps.
 - cutlass for gardeners.
 - machinery.

Use the following information to answer questions 28 to 30.

₦

Opening Stock :	
- raw materials	6,500
- work-in-progress	2,500
Closing Stock :	
- raw materials	4,000
- work-in-progress	1,000
Purchases of raw materials	12,500
Manufacturing wages	2,000
Factory rent	500

28. What is the cost of raw materials consumed?
- ₦18,500
 - ₦16,000
 - ₦15,000
 - ₦12,500
29. What is the cost of production?
- ₦19,000
 - ₦18,500
 - ₦15,000
 - ₦12,500
30. What is the prime cost?
- ₦19,000
 - ₦18,000
 - ₦17,500
 - ₦17,000
31. The vote book in Public Sector Accounting is used to
- register the names of voters.
 - control expenditure.
 - control government policies.
 - record revenue accruing to the government.

32. The accounting entry for depreciation at the end of each year is to debit
- Provision for Depreciation Account and credit Machinery Account.
 - Provision for Depreciation Account and credit Profit and Loss Account.
 - Trading Account and credit Provision for Depreciation Account.
 - Manufacturing Account and credit Provision for Depreciation Account.
33. An account is said to have a debit balance because
- the first entry made in it is on the debit side.
 - there are more entries on the debit side than on the credit side.
 - total value of debit entries is more than total value of credit entries.
 - there is no entry at all on the debit side.

Use the information below to answer questions 34 to 36.

A motor vehicle bought for ₦16,000 was estimated to have a useful life span of 4 years and a scrap value of ₦2,000

34. What is the net book value of the motor vehicle at the end of the third year, using the straight line method?
- ₦9,000
 - ₦5,500
 - ₦3,500
 - ₦2,000
35. Using the straight line method, what is the amount of depreciation charged per annum?
- ₦9,000
 - ₦5,500
 - ₦4,000
 - ₦3,500
36. If the vehicle is sold for ₦6,000 at the end of third year, what is the profit or loss on sale?
- ₦1,000 profit
 - ₦500 profit
 - ₦500 loss
 - ₦1,000 loss
37. Which of the following is **not** an example of input device?
- Card reader
 - Keyboard
 - Visual Display Unit
 - Central Processing Unit
38. The double entry for increasing provision for bad debt is debit
- Debtor's Account, credit Provision for Bad Debt Account.
 - Profit and Loss Account, credit Debtor's Account.
 - Debtor's Account, credit Profit and Loss Account.
 - Profit and Loss Account, credit Provision for Bad Debt Account.

39. Bills receivable is a
- current liability.
 - current asset.
 - long-term liability.
 - fictitious asset.
40. How much did Olu sell goods bought at ₦1,000 if he sells at a margin of 20% on selling price
- ₦1,250
 - ₦1,200
 - ₦1,000
 - ₦ 250
41. Which of the following accounts has a debit balance?
- Capital reserve
 - Revenue reserve
 - Share premium
 - Share discount
42. A list of all credit and debit balances from the ledger accounts is
- Trial Balance.
 - Profit and Loss Statement.
 - Statement of Affairs.
 - Balance Sheet.

Use the following information to answer questions 43 to 46.

	₦
Sales	14,600
Purchases	5,500
Returns inward	150
Rent	2,000
Salaries	1,000
Discount received	400
Closing stock	250
Opening stock	100

43. The cost of goods sold is
- ₦5,350
 - ₦5,150
 - ₦4,500
 - ₦4,250
44. Gross Profit is
- ₦10,350
 - ₦10,200
 - ₦ 9,500
 - ₦ 9,100

45. Net Sales is
- A. ₦15,000
 - B. ₦14,750
 - C. ₦14,600
 - D. ₦14,450
46. Net Profit is
- A. ₦9,100
 - B. ₦7,850
 - C. ₦7,750
 - D. ₦6,500
47. The capital of a not-for-profit making organisation is
- A. capital reserve fund.
 - B. accumulated fund.
 - C. endowment fund.
 - D. development fund.
48. Which of the following is used in locating errors in the ledger?
- A. Trading Account
 - B. Trial Balance
 - C. Control Account
 - D. Journal Proper
49. A reserve is an amount
- A. to be paid to creditors.
 - B. set out of profit for future use.
 - C. for paying dividends.
 - D. recovered from debts earlier written off.
50. The document which authorises the Minister of Finance to release fund for government expenditure is
- A. a warrant.
 - B. a bank cheque.
 - C. an order.
 - D. a vote book.