

EXAMINATION NO. _____



2014 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC1: ACCOUNTING/1

THURSDAY 11 DECEMBER 2014

**TIME ALLOWED : 3 HOURS
9.00 AM - 12.00 NOON**

INSTRUCTIONS

1. You are allowed **15 minutes** reading time **before the examination begins** during which you should read the question paper and, if you wish, make annotations on the question paper. However, you are **not** allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. This paper is divided into two sections.
3. Section A – This **ONE** question is compulsory and **MUST** be attempted. The question carries 40 marks.
4. Section B – Has **FOUR** questions each carrying 20 marks. Candidates should attempt any **THREE** questions from section B.
5. Marks will be awarded for neat presentation and layout.
6. All workings must be shown.
7. Begin each answer on a fresh page.
8. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

This question paper contains 6 pages

This question paper must **not** be removed from the examination hall.

SECTION A

This question is compulsory and MUST be attempted

1. Gift Malizani runs a small business. He has provided you with the following information about the business for the fortnight of 1 May to 14 May 2014:

- (1) During the fortnight, K768,460 was deposited into the business bank account. This included a gift of K60,000 received from a relative, with the balance being receipts from customers.
- (2) Before banking the cash, Gift Malizani had paid business expenses of K57,000 in cash and had taken cash drawings of K78,000.
- (3) Gift Malizani did not have any cash on hand.
- (4) In addition to payments to suppliers, payments out of the bank account included business expenses of K34,000 and drawings of K20,000.
- (5) Gift Malizani does **not** make purchases from his suppliers on credit.
- (6) Gift Malizani's current assets and liabilities were:

	1 May 2014 K	14 May 2014 K
Inventory	52,500	41,900
Trade receivables	16,760	13,600
Cash at bank	Nil	5,660
Bank overdraft	12,400	Nil

- (7) Gift Malizani normally adds a markup of 20% to calculate the selling price of his goods, but on some occasions he reduces the selling price in order to make a sale.
- (8) Gift Malizani had the following non-current assets and liabilities as at 14 May 2014:

	K
Motor vehicles	64,000
Fixtures	29,900

- (9) Capital introduced in the business is K34,760.

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Required:

- (a) For the fortnight to 14th May 2014, calculate Gift Malizani's:
- (i) total payments made from the bank account; **3 Marks**
 - (ii) payments received from customers; **4 Marks**
 - (iii) sales; **3 Marks**
 - (iv) purchases; **3 Marks**
 - (v) gross profit; **3 Marks**
 - (vi) net profit. **2 Marks**
- (b) Calculate the total value of discounts Gift Malizani offered his customers during the fortnight to 14th May 2014. **3 Marks**
- (c) Prepare Gift Malizani's statement of financial position as at 14 May 2014. **11 Marks**
- (d) The following are the figures for Gift Malizani's recently audited accounts and assume a 20% sales mark-up:

	K
Opening inventory (1 April 2013)	4,000,000
Closing inventory (31 March 2014)	6,000,000
Purchases	52,000,000

Required:

- Calculate sale and gross profit. **4 Marks**
- (e) (i) List and explain **two** errors, in bookkeeping, that affect the balancing of a trial balance. **2 Marks**
- (ii) Mention and explain **two** errors, in bookkeeping, that do not affect the balancing of a balance trial. **2 Marks**
- (TOTAL: 40 MARKS)**

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SECTION B

THREE questions ONLY to be attempted from this section

2. Nachisale Chikhwaya is a multi-millionaire who runs a fruit processing company at Ngolowindo, along the shores of Lake Malawi. She trades under the name Zakumwa Drinking Enterprises (ZDE). The company depreciates machinery at a rate of 20% per annum on a reducing balance basis. It provides a full year's depreciation in the year the machinery is acquired, and no provision is made in the year of disposal. At 1 November 2012, the cost of ZDE's machinery was K70 million, and the net book value was K50 million. During the year to 31 October 2013, a machine which had cost K10 million and had been depreciated for three years was traded in for a new one. The new machine cost K20 million, and the trade-in value was K5 million. At 31 October 2013 the balance of the cost of the new machine was still outstanding.

Required:

- (a) Calculate the profit or loss on the machine that was traded in. **4 Marks**
- (b) Calculate the depreciation charge for the machinery for the year to 31 October 2013. **4 Marks**
- (c) Show the following ledger accounts as at 31 October 2013:
 - (i) machinery at cost; **5 Marks**
 - (ii) accumulated depreciation. **4 Marks**
- (d) Calculate the total charge to be reported in the income statement for the year to 31 October 2013 in respect of machinery. **1 Mark**
- (e) Show the balances to be reported in the statement of financial position as at 31 October 2013, arising from to these transactions. **2 Marks**

(TOTAL: 20 MARKS)

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3. (a) Name any **three** forms (types) of a business. **3 Marks**

- (b) A Trainee Accountant in your office has produced a set of draft accounts for the year ended 30 April 2014 for two cousins, Friday Tsiku and January Mwezi, who are in partnership. The accounts show a gross profit of K157,846 and a net profit of K51,024 before charging the partners' salaries. Cash payments of K30,000 (K15,000 to each partner) had been included in the expenses.

On 1 May 2013 the balances in the partners' capital and current accounts were as follows:

	Friday K	January K
Capital account	125,000 (credit)	70,000 (credit)
Current account	34,568 (credit)	23,741 (debit)

The partnership agreement includes the following terms:

	Friday	January
Share of profits and losses	Two-thirds (2/3)	One-third (1/3)
Salary	K18,000	K12,000
Interest on capital (per annum)	8%	8%

The partnership agreement also states that the partners' capital account balances will remain fixed, and the balances in the partners' current accounts should not be included in the calculation of interest on capital.

Required:

- (i) Show the gross profit and calculate the correct net profit to be reported in the partnership income statement for the year to 30 April 2014. **3 Marks**
- (ii) Calculate the amount of profit which will be credited to each partner's current account for the year to 30 April 2014. **7 Marks**
- (iii) Calculate the balance in each partner's current account at 30 April 2014. **3 Marks**
- (iv) Calculate the total net assets of the partnership at 30 April 2014. **4 Marks**
(TOTAL: 20 MARKS)

Continued/.....

4. (a) State any **two** main advantages of using a computerised accounting system over a manual accounting system. **2 Marks**
- (b) Explain the difference between the *underlying accounting concepts* and the *fundamental accounting concepts*. Give **one** example in each case. **8 Marks**
- (c) Yamikani Useni, a sole trader, has extracted the following trial balance from the accounting records of his small business, for the year ended 30 June 2014:

	Debit K	Credit K
Sales		410,234
Purchases	217,078	
Wages	67,374	
Electricity	19,052	
Rent	14,400	
General expenses	9,576	
Non-current assets at cost	251,960	
Accumulated depreciation at 1 July 2013		50,392
Inventory at 1 July 2013	23,258	
Trade receivables	39,770	
Receivables allowance		2,884
Cash at bank	3,462	
Trade payables		93,410
Capital at 1 July 2013		68,610
Loan (due for repayment in year 2019)		80,000
Drawings	<u>59,600</u>	
	<u>705,530</u>	<u>705,530</u>

Yamikani has also provided you with the following additional information:

- (1) Depreciation for the year has been calculated as K50,392
- (2) Electricity accrued at 30 June 2014 is K1,880
- (3) Rent was prepaid by K2,400 at 30 June 2014
- (4) Inventory at 30 June 2014 was valued at K27,328
- (5) The receivables allowance is to be revised to K3,240.

Required:

Prepare Yamikani's income statement for the year to 30 June 2014.

10 Marks

(TOTAL: 20 MARKS)

5. (a) Explain any **two** differences between a *Receipts and Payments account* and an *Income and Expenditure account*. **4 Marks**
- (b) State similarities and differences between *return inwards daybook* and *return outwards daybook*. **4 Marks**
- (c) Explain any **four** generally accepted fundamental accounting concepts used by accountants. **4 Marks**
- (d) Mention any **two** common methods of *inventory valuation*. **4 Marks**
- (e) Mention any **two** *users of final accounts of a business* and one reason why each one of them is interested in the final accounts. **4 Marks**
- (TOTAL: 20 MARKS)**

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