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PAPER 2

ESSAY

$2\frac{1}{2}$ hours

This paper consists of **two** *Sections, A and B. Answer* **two** *questions from Section A and* **three** *questions from Section B.*

You are reminded of the importance of clarity of expression and orderly presentation of relevant material. Calculators may be used but **all** *workings must be shown.*

SECTION A

THEORY OF FINANCIAL ACCOUNTING

Answer two questions only from this section.

1. *(a)* Identify three books of account from which entries are made into control accounts. [3 marks]

   (b) State two uses of control accounts. [4 marks]

   (c) List four items each which would be recorded on the debit side of:
   (i) *Purchases Ledger Control Account;*
   (ii) *Sales Ledger Control Account.*
   [8 marks]

2. *(a)* What is *goodwill?* [2 marks]

   (b) List four items of recurrent expenditure for a local government. [4 marks]

   (c) Explain the three types of inventory in a manufacturing account. [9 marks]

3. *(a)* Explain the following terms:
   (i) *Accumulated Fund;*
   (ii) *Statement of Affairs.* [4 marks]

   (b) List five sources of income for a not-for-profit-making organization. [5 marks]

   (c) State three differences between *Receipts and Payments Account* and *Income and Expenditure Account.* [6 marks]

4. *(a)* List three documents prepared by the head office for the branch. [3 marks]

   (b) Explain two methods of accounting for goods sent to branch. [4 marks]

   (c) State four reasons for preparing departmental accounts. [8 marks]

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5. *(a)* List **four** sources of credit available to a sole trader. [4 marks]
(b) Explain the following credit instruments:
(i) *acceptance credit;*
(ii) *luncheon voucher;*
(iii) *bill of exchange.* [6 marks]
(c) State **two** advantages and **three** disadvantages of hire purchase to the seller. [10 marks]

6. *(a)* Explain **three** means of payment in international trade and **two** means of payment in home trade. [10 marks]
(b) Explain **five** reasons countries engage in international trade. [10 marks]

7. The marketing manager of a shoe factory was in a senior management meeting to convince the board to accept his proposal of using television to advertise the company's products.

(a) State **four** benefits the company would derive from using television to advertise its products. [8 marks]
(b) List and explain **four** other promotional means the company could adopt. [12 marks]

8. The data below relate to J. K. Limited as at December 31, 2021.

	D
Inventory – 1st January 2021	80,000.00
Inventory – 31st December 2021	60,000.00
Purchases	180,000.00
Operating expenses	40,000.00
Discount received	20,000.00
Other current assets	150,000.00
Current liabilities	100,000.00

Calculate:

(i) Gross profit;
(ii) Net profit;
(iii) Gross profit margin;
(iv) Net profit margin;
(v) Working capital;
(vi) Rate of inventory turnover. [20 marks]

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SECTION B

FINANCIAL ACCOUNTING PRACTICE

Answer **three** *questions* **only** *from this section.*

The cash book of *Dupe Enterprises* showed an overdrawn balance of ₦216,126 and her bank statement also showed ₦905,825 overdrawn. On 31/12/2016, a detailed examination of the records showed the following differences.

(i) A cheque drawn for ₦697,550 had been entered in the cash book as ₦365,050.
(ii) A standing order of ₦420,000 and bank charges of ₦8,750 entered in the bank statement had not been recorded in the cash book.
(iii) Bank lodgement of ₦1,922,375 on 27th December 2016 has not been credited by the bank.
(iv) Dividend received of ₦315,000 had been recorded in the bank but not received in the cash book.
(v) Cheques paid to suppliers totalling ₦1,163,500 has not been presented for payment.
(vi) A cheque for ₦700,000 received from Tunde was dishonoured by the bank but no entry had been made in the cash book.
(vii) A cheque of ₦256,813 received from a customer was entered as a payment in the cash book.
(viii) A cheque for ₦350,000 recorded in Dupe Enterprises cash book had been credited by the bank to Dudu Enterprises' account.
(ix) An amount of ₦1,050,000 received from a customer was paid directly to Dupe Enterprises account but no entry was made in the cash book.

You are required to prepare:

(a) Dupe Enterprises Adjusted Cash Book;
(b) Bank Reconciliation Statement as at 31st December 2016.

[15 marks]

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Answer **all** *the questions.*

Each *question is followed by* **four** *options lettered* A *to* D. *Find the correct option for* **each** *question and* **in pencil**, *on your answer sheet, the answer space which bears the same letter as the option you have c*
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. Passbook
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] [B] [C] [D]

Think carefully before you shade the answer spaces; erase completely any answer(s) you wish to change

Do **all** *rough work on this question paper.*

Now answer the following questions.

1. An economic activity that involves exchange of values is

A. transaction.
B. statement.
C. account.
D. bookkeeping.

2. A user of accounting information who would be more concerned about the financial stability of the business is the

A. government.
B. creditor.
C. public.
D. analyst.

3. The balances in the ledgers are used to extract the

A. general journal.
B. trial balance.
C. trading account.
D. balance sheet.

4. One of the advantages of an imprest syste is that it leads to

A. high yield of profit by the business.
B. high reward for the petty cashier.
C. easy preparation of trial balance.
D. prompt settlement of minor expense

5. The book of original entry for recording payments and receipts is

A. sales day book.
B. general journal.
C. cash book.
D. purchases day book.

6. A resource controlled by a business whic expected to yield a future benefit is classifie

A. an asset.
B. a liability.
C. an expense.
D. a revenue.

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16. The current liability is

A. *D* 920,000.
B. *D* 780,000.
C. *D* 620,000.
D. *D* 580,000.

17. The total asset is

A. *D* 1,700,000.
B. *D* 1,500,000.
C. *D* 1,180,000.
D. *D* 920,000.

18. The method of depreciation which is ascertained by dividing the cost of the asset less the residual value by the number of estimated useful life is

A. diminishing balance method.
B. straight line method.
C. revaluation method.
D. sum of the years' digits method.

19. An example of revenue reserve is

A. retained earnings.
B. profit on forfeiture of shares.
C. surplus on revaluation of assets.
D. deferred tax.

20. The balance in the provision for depreciation account would be shown in the

A. trial balance as a debit entry.
B. balance sheet as a fixed asset.
C. trial balance as a credit entry.
D. balance sheet as a current liability.

21. Assets which reduce in quality and value through use are classified as

A. intangible assets.
B. tangible assets.
C. liquid assets.
D. fictitious assets.

22. Debtors at start was $ 2,810 and at close was $ 1,730; cash and cheques received from customers amounted to $ 8,165. Credit sales for the year was

A. $ 12,705.
B. $ 7,085.
C. $ 5,355.
D. $ 4,540.

23. The capital available for day-to-day running of a business is

A. capital employed.
B. capital owned.
C. loan capital.
D. working capital.

24. The sales ledger contains accounts of

A. creditors.
B. suppliers.
C. debtors.
D. owners.

25. The *Sales Ledger Control Account* contains

A. discount received.
B. payment to creditors.
C. returns outwards.
D. discount allowed.

26. The use of single entry by a business could be due to

I its acceptability for tax purpose
II lack of qualified accountant
III deliberate attempt to commit fraud
IV inability of the business to make profit

A. I and II only.
B. II and III only.
C. I, II and IV only.
D. I, III and IV only.

7. The double entry for goods stolen is: debit

A. Goods Stolen Account; credit Sales Account.
B. Goods Stolen Account; credit Stock Account.
C. Stock Account; credit Goods Stolen Account.
D. Sales Account; credit Goods Stolen Account.

8. An imprest of *Le* 800,000 was given to a petty cashier and *Le* 200,000 was spent during the period. The reimbursement at the end of the period would be

A. *Le* 1,000,000.
B. *Le* 800,000.
C. *Le* 600,000.
D. *Le* 200,000.

9. Goods worth ₦ 64,000 sold to a customer was entered in the books as ₦ 46,000. The entries to correct this error are: debit

A. Sales ₦ 64,000; credit Cash ₦ 64,000.
B. Cash ₦ 64,000; credit Sales ₦ 64,000.
C. Sales ₦ 18,000; credit Cash ₦ 18,000.
D. Cash ₦ 18,000; credit Sales ₦ 18,000.

10. An item which would appear in the bank statement but not in the cash book is

A. dishonoured cheque.
B. unpresented cheque.
C. bills receivable.
D. standing order.

11. Realization concept stipulates that revenue should be recognized when

A. it is earned.
B. cash is received.
C. cash is paid.
D. it is incurred.

12. The accounting concept which allows a particular method to be used overtime is

A. historical cost concept.
B. consistency concept.
C. entity concept.
D. going concern concept.

13. The concept which shows that business is a body recognized by law is

A. consistency concept.
B. materiality concept.
C. realization concept.
D. entity concept.

14. In a business enterprise, the goods available for sale are

A. purchases.
B. stock.
C. materials.
D. consumables.

Use the following information to answer questions **15** *to* **17**.

Ojamah started business on October 1 2017 with the following transactions:

	D
Cash at bank	660,000
Borrowing from friend (Ajadi)	200,000
Land and building (revalued)	840,000
Loan from cooperative society	420,000
Overdraft from bank	300,000

15. The owner's capital is

A. *D* 920,000.
B. *D* 780,000.
C. *D* 620,000.
D. *D* 580,000.

27. When there is no complete set of accounts, closing capital will be ascertained by preparing

A. trial balance.
B. balance sheet.
C. profit and loss account.
D. statement of affairs.

28. An item in the income and expenditure account includes

A. purchase of office equipment.
B. sale of fixed asset.
C. profit on bar.
D. balance on accumulated fund.

29. One of the items shown on the debit side of the income and expenditure account is

A. profit on bar.
B. interest on deposit.
C. honorarium.
D. dues.

30. In the balance sheet of not-for-profit-making organizations, subscription in advance is shown under

A. fixed assets.
B. long-term liabilities.
C. current assets.
D. current liabilities.

31. Return of goods sold on credit is posted to

A. returns inwards journal.
B. returns outwards journal.
C. general journal.
D. sales journal.

32. Where there is no partnership agreement, loan offered by a partner to the business would attract

A. no interest.
B. 5% interest.
C. 10% interest.
D. 15% interest.

33. The partner who contributes capital but does not participate in the day-to-day running of the business is

A. an active partner.
B. a sleeping partner.
C. a nominal partner.
D. a limited partner.

34. Interest on partner's capital is shown on the

A. debit side of partner's current account.
B. credit side of partner's current account.
C. debit side of partner's drawings.
D. credit side of profit and loss appropriation account.

35. Journal proper is used to

A. record sale of fixed asset on credit.
B. determine the provision for depreciation.
C. record credit sale of goods.
D. determine income surplus.

36. When a wrong amount is entered in the appropriate books, this is an error of

A. omission.
B. commission.
C. original entry.
D. principle.

Use the following information to answer questions **37** *and* **38**.

Cost of machinery *GH¢* 460,000; rate of depreciation 20%. The company uses diminishing method to depreciate its fixed assets.

37. Depreciation charge for the second year is

A. *GH¢* 184,000.
B. *GH¢* 165,600.
C. *GH¢* 92,000.
D. *GH¢* 73,600.

46. *Temaku* bought motor vehicle for business use on credit. The transaction will be recorded in a

A. sales journal.
B. journal proper.
C. purchases ledger.
D. general ledger.

47. The accounting equation is expressed as

A. assets + capital = liabilities.
B. liabilities - capital = assets.
C. liabilities + assets = capital.
D. assets - liabilities = capital.

48. A source of local government revenue is

A. personal income tax.
B. sale of military properties.
C. market rates.
D. custom duties.

49. A statement that shows the financial position of a business at a given period is

A. cash book.
B. trial balance.
C. bank statement.
D. balance sheet.

50. Accounts prepared for a branch includes

A. profit and loss account.
B. capital account.
C. subscription account.
D. receipts and payments account.

END OF PAPER

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38. The net book value at the end of the **third** year is

A. *GH¢* 235,520.
B. *GH¢* 224,480.
C. *GH¢* 188,416.
D. *GH¢* 165,600.

39. Items on the credit side of a profit and loss account includes

A. bad debts written off.
B. loss on sale of assets.
C. reduction in provision for doubtful debts.
D. increase in provision for doubtful debts.

40. Where a business maintains a fixed capital account, share of profit of a partner would be

A. credited to current account.
B. debited to current account.
C. credited to capital account.
D. debited to capital account.

41. The document which contains the internal regulations of a limited liability company is

A. certificate of incorporation.
B. prospectus.
C. articles of association.
D. memorandum of association.

42. Undistributed profit of a limited liability company is

A. retained earnings.
B. net profit.
C. goodwill.
D. equity.

43. One of the contents of memorandum of association is

A. rights of shareholders.
B. details of the directors.
C. sources of promoter's contribution.
D. liability clause of the company.

44. A margin of $\frac{1}{5}$ would give a mark-up of

A. $\frac{1}{6}$.
B. $\frac{1}{4}$.
C. $\frac{1}{3}$.
D. $\frac{2}{5}$.

45. Impersonal real account includes

I salary expenses
II rental income
III purchase of raw materials
IV purchase of motor vehicle

A. I and II only.
B. II and III only.
C. III and IV only.
D. I, II and IV only.

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1. A
2. B
3. B
4. D
5. C
6. A
7. C
8. B
9. D
10. C
12. B
13. D
14. D
15. D
16. A
17. B
18. B
19. C
20. C
21. B
22. B
23. D
24. C
25. D
26. B
27. D
28. C
29. D
30. D
31. A
32. B
33. B
34. B
35. A
36. C
37. D
38. A
39. C
40. A
41. B
42. A
43. A
44. B
45. C
46. D
47. D
48. C
49. D
50. A

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Q3

(a) Manufacturing account is an account prepared by enterprises engaged in the production of goods to ascertain the cost of goods produced within the period.

Q3b

(i) Prime cost is the total of all direct cost. i.e Direct materials, Direct Labour and direct expenses.

(ii) Work-in-progress is referred to as partly finished goods.

(iii)

(iv) Direct Labour cost is the cost of labour can be identified directly with a particular product or department.

(v) ~~Factory Expenses~~

(v) Direct Expenses are expenses that can be identified with the ~~particular~~ production process Eg Royalty.

(vi) factory overheads are the aggregate of indirect materials, Indirect Labour and in direct expenses

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Q2 Methods of providing depreciation

1- Stright line / fixed. Instullent method
2- Reducing or deminishing balance method
3- Sum of the year degit methods.

2b

(i) Wear and tear. (iii) Climatic factor.
(ii) Passage of time (iv) absolent.

c

(i) To Determin the cost which the asset must be dispose or sold.
(ii) It Determin the scrape or residual value of the asset
(iii) It help management in planing action
(iv) It help to implement policy within the orgination.

Q9 Madam Titan

Departmental Trading profit and loss account for the year ended 31/12/2018.

	Jewellery		Textiles		Shoes	
	₹	₹	₹	₹	₹	₹
Sales	—	72,000	—	36,000	—	108,000
Less Cost of Sales						
opening stock	8000	—	6000	—	12,000	
Purchases	44,000	—	12,000	—	64,000	
Goods transfer	(400)	—	(2000)	—	(6,000)	
Closing stock	(12800)	—	10,000	—	(16000)	
	—	(3600)	—	(6000)	—	(62000)
Gross profit	—	(3600)		30,000		46000
Less expenses						
General expen (32:26:10)	1600		800		2400	
Rent (2:5:3)	2800		7000		4200	
Lighting (2:5:3)	1600		4000		2400	
other admin expenses	6400		3200		9600	
Assistant wages	11200		20,000		24000	
		(23600)		(35000)		(21000)
Net profit (loss)	—	12400	—	(5000)		(25000)

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