

EXAMINATION NO._____

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2014 EXAMINATIONS

CERTIFICATE IN FINANCIAL ACCOUNTING PROGRAMME

PAPER FA 4 : BUSINESS ACCOUNTING

FRIDAY 30 MAY 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 will **not** be allowed, **under any circumstances**, to open the answer book and start writing or use your calculator during this reading time.
2. Number of questions on paper – 7.
3. Answer **FIVE** question **ONLY**.
4. Each question carries 20 marks.
5. Marks will be awarded for neatness and layout. All workings forming part of your answers should be shown.
6. Begin **each** answer on a fresh page.
7. This question paper must **not** be removed from the examination hall.
8. **DO NOT OPEN THIS PAPER UNTIL YOU ARE INSTRUCTED BY THE INVIGILATOR.**

This question paper contains 6 pages

1. Mr Banda who has a business at Sunduzeni Trading Centre has prepared the following information for the period ended 30 November 2013:

	Dr K	Cr K
Capital		600,000
Motor van cost	800,000	
Accumulated depreciation		200,000
Fixtures & fittings	600,000	
Accumulated depreciation		120,000
Inventories as at 1 Dec 2013	250,000	
Purchases	900,000	
Carriage inwards	80,000	
Sales		1,800,000
Return inwards	50,000	
Return outwards		30,000
Wages	160,000	
Motor vehicle expenses	35,000	
Bank interest	12,000	
Advertising cost	22,000	
City licence fees	24,000	
Interest receivable		8,000
Insurance costs	18,000	
Bank & cash	30,000	
Receivables	120,000	
Payables		70,000
Bank loan		300,000
Provision for doubtful debts		14,000
Bad debts	24,000	
Rent paid	17,000	
	<u>3,142,000</u>	<u>3,142,000</u>

Additional information

- (1) Closing inventory as at 30 November 2013 was K300,000.
- (2) Electricity bill amounting to K45,000 for the whole year had not been paid.
- (3) Provision for doubtful debt should be increased to K20,000.
- (4) Accrued interest receivable was K10,000.
- (5) K5,000 of licence fees relates to the next financial year.
- (6) Depreciation is 25% using the reducing balance method on all assets.

Continued/.....

Required:

- (a) Prepare the statement of comprehensive income for the year to 30 November 2013. **12 Marks**

- (a) Prepare the statement of financial position as at 30 November 2013. **8 Marks**
(TOTAL: 20 MARKS)

2. The following information relates to receivables and payables for Jayson Ltd for the month of October 2013:

	K
Balance b/f – Receivables	320,000
Payables	180,000
Credit purchases	610,000
Cash purchases	50,000
Credit sales	980,000
Cash sales	80,000
Returns on credit purchases	15,000
Returns on credit sales	30,000
Returns on cash sales	5,000
Interest on overdue receivables	18,000
Contra sales	40,000
Bad debts written off	32,000
Cash paid to suppliers	600,000
Cash from credit customers	900,000
Discount to credit customers	50,000
Discount from credit supplies	34,000

Required:

- (a) Prepare sales control and purchases control accounts for the month of November 2013. **16 Marks**

- (b) Mention any **four** items which may bring about differences between a customer's balance in a company's books of accounts and what is presented on a customer's statement. **4 Marks**

(TOTAL : 20 MARKS)

Continued/.....

3. Nantapha Furniture Ltd has won a tender to supply furniture to Luchenza Community Hall. The supply includes 50 desks and 100 wooden chairs. The costs relating to the order are as follows:

2000 planks of wood @ K2,000 each
 200 labour hours @ K700 per hour
 50kg of nails @ K500 per kg
 60 litres of vanish @ K1,000 per litre

The standard costing for each table and chair is as follows:

	Table	Chair
Planks	10 pieces	5 pieces
Labour hours	2hrs	1hr
Nails	0.5kgs	0.2kgs
Varnish	0.5 litres	0.3 litres
Overheads	K400/labour hours	K300/labour hr
Mark up rate	20%	20%

Required:

- (a) Compute the standard cost for producing:

- (i) one table **5 Marks**
 (ii) one chair. **5 Marks**

- (b) Compute the total sales to be derived from the total supply and profit for

- (i) tables
 (ii) chairs **7 Marks**

- (c) Apart from job costing, mention **three** other costing methods and give **one** scenario where each method can be used. **3 Marks**

(TOTAL: 20 MARKS)

4. For the following accounting terms, provide the definition, accounting treatment in both the statement of comprehensive income and statement of financial position:

- (i) Closing inventories **4 Marks**
 (ii) Provision for doubtful receivables **4 Marks**
 (iii) Bad debts written off recovered **4 Marks**
 (iv) Depreciation **4 Marks**
 (v) Discount allowed. **4 Marks**

(TOTAL : 20 MARKS)

5. Liza is a trainee accountant who has been recruited by a company which manufactures soft drinks. The following errors were identified in the company's accounts during the accounting period:

- (1) Additional cash injected into the business amounting to K3 million was only recorded in the bank account.
- (2) Sales return amounting to K60,000 has been credited to sales account instead of a customer's account.
- (3) Purchases were undercast by K42,000.
- (4) Accrued rentals amounting to K70,000 were completely omitted from the financial statements.
- (5) Payment to M Banda of K50,000 has been debited to both M Banda and bank account.
- (6) A disposal of motor vehicle costing K600,000 (accumulated depreciation K320,000) for K400,000 cash has not been recorded in the books.
- (7) Interest receivable of K48,000 has been accounted as interest payable by debiting interest and crediting accruals.

Required:

- (a) Mention, with examples, any **four** errors which can affect the balancing of a trial balance. **4 Marks**
- (b) Prepare, without narratives, journals to correct the transactions listed above. **10 Marks**
- (c) Assume the trial balance has a suspense account amounting to K3,058,000 on the credit side. Prepare a suspense account based on the transactions above. **4 Marks**
- (d) Define, with an example, "error of commission". **2 Marks**

(TOTAL: 20 MARKS)

Continued/.....

6. Non-current asset information for Namitete Limited for the year ended 30 September 2012 was as follows:

	K
Cost - Land & buildings (land 250,000)	850,000
- Plant & machinery	900,000
- Motor vehicle	700,000
- Office equipment	600,000
Accumulated depreciation	
- Buildings	30,000
- Plant & machinery	340,000
- Motor vehicle	300,000
- Office equipment	200,000

During the year to 30 September 2013, the following transactions took place.

- Acquired land for K100,000
- Acquired a new vehicle worth K400,000
- Disposed of office equipment with a cost of K200,000 and accumulated depreciation K80,000. Disposal price was K150,000.
- Plant & machinery worth K700,000 were acquired during the year and machinery with an original cost of K500,000 (K300,000 net book value) was disposed of for K450,000.
- Depreciation charge was 5% on buildings, 20% on motor vehicles, 10% on plant and machinery and 25% on office equipment.

The company policy is not to charge depreciation in the year of disposal.

Required:

- (a) Calculate the depreciation charge for the year to 30 September 2013 using the straight line method for all assets except for office equipment which should be depreciated using the reducing balance method. **5 Marks**
- (b) Prepare a non-current asset schedule, clearly showing separately, the movement in cost and accumulated depreciation. **15 Marks**

(TOTAL: 20 MARKS)

Continued/.....

7. (a) Briefly describe and outline why the following accounting concepts are useful:

(i) Going concern concept **1 Mark**

(ii) Accruals concept **1 Mark**

(b) Transactions relating to rent and rates accounts and electricity and water accounts were as follows:

	K
Prepaid expenses b/f – Rent	14,000
– Electricity	20,000
Accrued expenses b/f – Water	10,000
– Rates	15,000
Payments made during the month	
– Rent	40,000
– Rates	30,000
– Electricity	25,000
– Water	15,000
Balances as at the end of the month	
– Rent	12,000 prepayment
– Rates	8,000 accrual
– Electricity	6,000 prepaid
– Water	11,000 accrual

Required:

(i) Prepare T accounts for:

- water and electricity combined **8 Marks**

- rent and rates combined. **8 Marks**

(ii) Prepare a balance sheet extract for balances at the end of the month. **2 Marks**

(TOTAL: 20 MARKS)

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