

EXAMINATION NO. _____

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2011 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC 1: ACCOUNTING/1

(JUNE 2011 MAIN)

THURSDAY 9 JUNE 2011

ALLOWED: 3 HOURS

TIME

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. Number of questions on paper - 7.
3. **FIVE** questions **ONLY** to be answered.
4. Each question carries 20 marks.
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 7 pages

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

1. (a) Name any **three** users of the final accounts of a business, and give any **one** reason for each user being interested in the final accounts. **6 Marks**

(b) Indicate the effect, whether positive or negative, of the following transactions on the assets, liabilities and capital of a business entity:

Paid a creditor K10,000 in cash.

Bought equipment K267,000 paying by cheque.

Bought goods on credit K51,000.

(iv) The proprietor paid K600,000 to the firm.

Returned goods costing K6,500 to a supplier whose bill had not been paid.

Note: no amounts should be shown, only effects.

10 Marks

(c) Determine and explain the meaning of the balance in the following account on 31 May 2010:

Miss Mchimwene			
2010	K		
May 1 sales	205,000		
May 14 sales	360,000		
May 30 sales	180,000	2010	K
May 17 cash	300,000		
May 28 returns	50,000		

4 Marks

(TOTAL : 20 MARKS)

Continued/.....

2.(a) Give and briefly explain any **two** reasons for the use of control accounts in accounting.

5 Marks

(b) Zanyanya Tailors has employed an Assistant Accountant on 1 March 2010 who noted that the balance on the payables control account in the general ledger was K450,000. The total value of the list of balances of the suppliers personal accounts was K464,000. After further investigations, the Assistant Accountant discovered the following:

(1) An invoice from a supplier for K7,000 has been entirely omitted from the accounting records.

A credit note received from a supplier for K3,000 was entered in the daybook as an invoice.

No entries have been made in respect of an agreement to offset a credit balance of K8,000 in the payables ledger against a debit balance in the receivables ledger.

Payments to a supplier totaling K18,000 have been recorded in the general ledger, but no entries have been made in the supplier's personal account.

A payment of K170,000 was made to a supplier whose account had a balance of K175,000. After this payment, the balance on the supplier's account was to be written off.

A payment of K5,600 to a supplier was recorded as K6,500.

A credit balance of K2,000 on a supplier's account, was listed as a debit balance.

Required:

Prepare the payables control account, including the necessary adjusting entries and the corrected balance.

7 Marks

Prepare a reconciliation of the list of balances of the suppliers' accounts to the corrected balance on the payables control account.

8 Marks

(TOTAL : 20 MARKS)

Continued/.....

3.(a) A review of the books of accounts for Namatetule Druggists revealed the following errors:

Goods worth K200,000 sold to JJ pharmaceuticals were not entered in both the sales and JJ pharmaceuticals accounts.

A sale of K98,000 to Kendo was entered in Candle's account.

A motor van costing K9 million was debited to motor expenses account.

The sales account was overstated by K900 and the purchases account was also overstated by K900.

There had been sales of K1.2 million cosmetics but an error was made in preparing the sales invoice. It was prepared and posted as K1.1 million.

A cheque paid to Unilever for K400, 000 was posted as a debit to Bank account and a credit to Unilever.

A sale for K3,542 was entered in books as K3,524 with double entry correctly observed.

Required:

Name the type of error that had been made in each of the above cases, and indicate the total effect on the trial balance of these errors. **8 Marks**

(b) The trial balance of Zasephana Drilling Specialists as at 30 April 2010 showed a difference of K3,600 which was posted to a suspense account. Draft final accounts for the year ended 30 April 2010 were prepared showing a net profit of K47,240. The following errors were subsequently discovered:

(1) Sales of K450 to Chimalizeni had been debited to Malizani Manufacturing Limited.

(2) A payment of K275 for telephone charges had been entered on the debit side of the telephone account as K375.

The sales account had been under cast by K2, 000.

Repairs to a machine, costing K390, had been charged to Machinery account.

Continued/.....

A cheque for K1,500, being rent received from Anjiru Ltd, had only been entered in the cash book.

Purchases from Pasani, amounting to K765, had been received on 30 April 2010 and included in closing stock at that date, but the invoice had not been entered in the purchases account.

Required:

Give the journal entries, without narratives, necessary to correct the above errors.

6 Marks

Show the effect of each of these adjustments on the net profit in the draft accounts and the correct profit for the year ended 30 April 2010.

6 Marks

(TOTAL : 20 MARKS)

- 4.(a) Give any three advantages of a partnership over a sole trader form of business organisation.

3 Marks

- (b) Dzulo and Mawa own Tsiku grocery shop. Their first financial year ended on 30 September 2010.

The following balances were taken from the books of accounts on that date:

Capital:
Partnership salaries
Drawings Dzulo – K6,000,000
Dzulo – K900,000
Dzulo – K1,286,000 Mawa – K4,800,000
Mawa – K600,000
Mawa – K1,340,000

The firm's net profit for the year before charging partners salaries was K3,284,000.

Interest on capital is to be allowed at 10% per year.

Profits and losses are to be shared equally.

Required:

Prepare the firm's appropriation account;

9 Marks

Prepare the partners' current accounts;

7 Marks

(iii) If there is no partnership agreement, which Act of Parliament would govern the partnership?

1 Mark

(TOTAL : 20 MARKS)

Continued/.....

5. Elementary Limited began operations in January 2010 with K900,000 obtained from selling 450,000 ordinary shares with a par value of K2 each. Some of the major transactions for the year included the following:

The company purchased plant and equipment for K750,000 as well as land and buildings for K450,000, financing the purchase with a mortgage bond of K287,500, a long-term loan of K595,000, and cash for the balance. During the year the company used cash to reduce the mortgage bond balance by K25,000 and to repay K75,000 towards the long-term loan.

The company also invested K195,000 in short-term marketable securities. On 1 October 2010, the company issued a further 200,000 shares at K3 each. Depreciation expense for the year was K200,000. The net profit after tax for the year ended 31 December 2010 was K250,000.

Dividends for the year (declared and paid) amounted to K220,000.

Required:

From the information provided above, calculate the amount that should be reflected for each of the following items in the statement of financial position of Elementary Limited for the financial year ended 31 December 2010.

Non-current assets	2 Marks
Retained earnings	2 Marks
Total owners' equity	4 Marks
Non-current liabilities.	3 Marks

(b) Name the six books of original entry, giving alternative terms where applicable.

8 Marks

(c) State one reason why day books are useful in accounting.

1 Mark

(TOTAL: 20 MARKS)

Continued/.....

6. Thendo manufactures spices at their factory near Chitimba, northern part of Lake Malawi. Their trial balance as at 31 August 2010 was as following:

Motor vehicle running expenses	
Electricity and Power Factory	
Electricity and Power Office	
Manufacturing Salaries and Wages	
Purchases of raw materials	
Machinery (cost K1,250,000)	
Office equipment (cost K500,081) See note 2	
Accounts receivable	
Accounts payable	
Cash and Bank	
Sales	
Inventory at 1 September 2009:	
Raw materials	
Finished goods	
Capital	Dr
	K
	217,000
	124,600
	67,350
	394,780
	1,108,790
	992,002
	334,060
	177,700
	101,000
	97,288
	416,622
	<hr/>
4,031,192	Dr
	K

89,000

1,750,000

2,192,192

4,031,192

You are further advised that:

Inventory as at 31 August 2010 were Raw materials K123,800

Finished goods K471,082

Work in progress NIL

- (2) Depreciation for the year for machinery of K57,998 and for office equipment of K16,000 should be provided. However, before year ended 31 August 2010, depreciation on equipment had been undercharged by K73,998.

Required:

- (a) Prepare the manufacturing, Trading, Profit and Loss Account for Thendo Manufacturers for year ended 31 August 2010. **10 Marks**

- (b) Prepare the Balance Sheet for Thendo Manufacturers as at 31 August 2010.

10 Marks

(TOTAL : 20 MARKS)

Continued/.....

7. Explain clearly what you understand by the following five accounting terms. You are expected to give at least two examples in each case to clarify your answer.

- (a) Prepaid expense; 4 Marks
- (b) Bank statement; 4 Marks
- (c) Fundamental accounting concepts; 4 Marks
- (d) Capital expenditure; 4 Marks
- (e) Gross loss. 4 Marks

(TOTAL : 20 MARKS)

END