

**2016 EXAMINATIONS**

**ACCOUNTING TECHNICIAN PROGRAMME**

**PAPER TC1: ACCOUNTING/1**

**TUESDAY 7 JUNE 2016**

**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. The number of questions on paper – 5
3. This paper is divided into two sections.
4. Section A – This **ONE** question is compulsory and **MUST** be attempted. The question carries 40 marks.
5. Section B – Has **FOUR** questions each carrying 20 marks. Candidates should attempt any **THREE** questions from this section.
6. Marks will be awarded for neat presentation and layout.
7. All workings must be shown.
8. Begin each answer on a fresh page.
9. **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. (a) Chimwemwe Banda began trading as a sole retailer selling a wide range of groceries on 1 January 2015. The following is a list of transactions for the business during the year ended 31 December 2015:
- (1) Invested K11,500,000 cash into the business.
  - (2) Transferred K9,500,000 to a newly opened bank account with Ndirande Bank of Malawi.
  - (3) Purchased groceries for sale for K550,000 by cash.
  - (4) Purchased on credit groceries from L Khaki for K2,400,000.
  - (5) Purchased till rolls (stationery) on credit from L Khaki at K92,000.
  - (6) Sold groceries on credit to H Gondwe worth K1,228,000.
  - (7) Paid a water bill by cheque amounting to K180,000.
  - (8) Bought till machines on credit from L Khaki for K650,000.
  - (9) Paid salaries amounting to K700,000 in cash.
  - (10) Returned groceries that had expired to L Khaki costing K72,000.
  - (11) Cash sales were K555,000 during the year.
  - (12) Paid for groceries bought on credit by cheque to L Khaki amounting to K1,018,000.
  - (13) Received cheque in settlement of outstanding debt from H Gondwe amounting to K528,000.
  - (14) H Gondwe paid for the remaining debt by cash amounting to K210,000
  - (15) Accepted returned goods by H Gondwe worth K170,000.

**Continued/.....**

**Required:**

(a) Record the above transactions in the following ledger accounts:

- (i) Cashbook
- (ii) Purchases (stock)
- (iii) Creditors
- (iv) Debtors
- (v) Sales
- (vi) Return inwards
- (vii) Return outwards
- (viii) Fixed asset
- (ix) Capital
- (x) Expenses

**21½ Marks**

(b) Prepare a trial balance as at 31 December 2015.

**7½ Marks**

(c) Prepare an income statement for the year ended 31 December 2015.

**6 Marks**

(d) Prepare a statement of financial position as at 31 December 2015.

**5 Marks**

**(TOTAL : 40 MARKS)**

**Continued/.....**

## **SECTION B**

### **THREE questions ONLY to be attempted from this section**

2. (a) Explain briefly the following accounting terms:
- (i) Partnership **2 Marks**
  - (ii) Partnership capital account **2 Marks**
  - (iii) Partnership current account **2 Marks**
- (b) State **four** characteristics of partnerships. **4 Marks**
- (c) John and Jane are in partnership sharing losses/profits in the ratio of 3:2 respectively. The terms of the partnership provide that:
- (i) The partners are entitled to interest on capital at 4% per annum.
  - (ii) Jane is entitled to a salary of K100,000 per month.
  - (iii) Interest is charged on drawings at 6% per annum.
  - (iv) No interest is charged on the partners' current account.

#### **Additional information**

- (1) The partners' capital accounts as at 1 January 2015 were: John K2,000,000  
Jane K1,700,000
- (2) The net trading profit of the firm before dealing with the partners' interest or salaries for year ended 31 December 2015 was K6,250,150.
- (3) The partners' current accounts as at 1 January 2015 were:  
John K250,000 (debit)  
Jane K100,000 (credit).
- (4) Drawings during the year to 31 December 2015 amounted to K1,500,000 for John, and K1,750,000 for Jane.

#### **Required:**

Prepare, for the year ended 31 December 2015:

- (i) The firm's profit and loss appropriation account. **7 Marks**
- (ii) The partners' current accounts. **3 Marks**

**(TOTAL : 20 MARKS)**

3. (a) Gerald Chamasowa runs a fast food business outlet, but does not keep proper records of his business transactions. The Malawi Revenue Authority (MRA) has requested him to prepare accounting records for his business for tax assessment purposes. He has asked for your assistance to prepare an income statement and statement of financial position for year ended 31 December 2015 from the following available information:

- (1) The opening and closing balances were as follows:

	<u>1/1/2015</u>	<u>31/12/2015</u>
	K	K
Inventory	108,000	122,000
Suppliers of goods	127,000	141,000
Customers of goods	212,000	198,000
Water bill prepaid	4,200	4,400
Equipment	18,000	16,000

- (2) Summary of bank account

	K		K
Balance b/f 1/1/2015	41,000	Payments to suppliers	673,600
Receipts from customers	911,900	Rent	39,500
Balance c/f 31/12/2015	63,000	Water bill	14,700
		Sundry expenses	6,100
		Drawings	282,000
	<u>1,015,900</u>		<u>1,015,900</u>

- (3) All sales were banked with the exception of K174,000 which went to wages as K112,600, drawings K12,000 and purchases of goods worth K49,400.

**Required:**

- (i) Prepare the cash book, debtors control and creditors control accounts for the year ended 31 December, 2015. **7 Marks**
- (ii) Prepare the income statement for the period ended 31 December 2015. **6 Marks**
- (iii) Prepare a statement of financial position as at 31 December 2015. **7 Marks**

**(TOTAL : 20 MARKS)**

**Continued/.....**

4. (a) Explain the roles of the following regulating bodies and instruments in relation to accounting in Malawi.
- (i) The Malawi Stock Exchange (MSE). **1½ Marks**
  - (ii) The Malawi Accountants Board (MAB). **1½ Marks**
  - (iii) The Companies Act (1984). **1½ Marks**
  - (iv) The International Financial Reporting Standards (IFRS) **1½ Marks**
- (b) (i) Explain the difference between output and input Value Added Tax (VAT). **4 Marks**
- (ii) List **three** types of supplies under the VAT Act. **3 Marks**
- (iii) Zeka Zulu made the following credit sales and purchases during the month of December 2015:

		<u>Amount</u>	<u>VAT</u>
		<u>K</u>	<u>16.5%</u>
1 December	Sales to Z Ltd	200,000	33,000
6 December	Purchases from X Ltd	180,000	29,700
17 December	Sales to Z Ltd	270,000	44,550
24 December	Purchases from X Ltd	210,000	34,650

**Required:**

Prepare ledger accounts for:

- (1) Sales and purchases
- (2) Z Ltd
- (3) X Ltd
- (4) VAT purchases and sales.

**7 Marks**  
**(TOTAL: 20 MARKS)**

5. Briefly explain the purposes of **each** of the following accounting terms:

- (a) Financial accounting and management accounting. **4 Marks**
- (b) Elements of accounting information. **4 Marks**
- (c) Gross loss. **4 Marks**
- (d) Bank statement. **4 Marks**
- (e) General Journal. **4 Marks**

**(TOTAL : 20 MARKS)**

**E N D**