

EXAMINATION NO. _____

THE PUBLIC ACCOUNTANTS EXAMINATION
COUNCIL OF MALAWI

2014 EXAMINATIONS

ACCOUNTING TECHNICIAN PROGRAMME

PAPER TC 1: ACCOUNTING/1

WEDNESDAY 4 JUNE 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. 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 8 pages

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

1. (a) You are given the following figures for the year 2013 for Tayamba Kick Starters, a new business venture.

	K
Inventories at 1 January 2013	400,000
Inventories at 31 December 2013	600,000
Purchases	5,200,000

A uniform mark-up rate of 20% was applied.

Required:

- (i) Calculate the cost of goods sold, sales and gross profit figures for Tayamba for the year ended 31 December 2013. **6 Marks**
 - (ii) Prove your answer to part (i) by preparing a trading account for the year. **2 Marks**
- (b) Scott Tabeledwa had his whole stock stolen from the warehouse on the night of 20 August 2013. His sales and purchases journals were also destroyed during the robbery but the sales and purchases ledgers were not destroyed. The following information was extracted from the available records:
- (1) The amount for inventories was known at the last statement of financial position date, 31 March 2013, to be MK1,248,000 at cost.
 - (2) Receipts on account of trade receivables during the period 1 April 2013 to 20 August 2013 amounted to MK3,174,500. Trade receivables at 31 March 2013 were MK1,427,800, at 20 August 2013 they were K1,233,300.
 - (ii) Payments for trade payables during the period 1 April 2013 to 20 August 2013 amounted to MK1,727,000. Trade payables at 31 March 2013 were MK763,300 and at 20 August 2013 they were MK628,900.
 - (iii) The gross profit margin on all sales had been constant at 25%.

Required:

Prepare a trading account for Scott Tabeledwa for the period ended 20 August 2013. (You are expected to show the flow of all your workings). **12 Marks**
(TOTAL : 20 MARKS)

Continued/.....

2. (a) Apart from the main books of original entry, there is the journal which is a form of a diary that is used to record some transactions before the entries are made in the double entry accounts.

Required:

List any **four** typical uses of the journal.

4 Marks

- (b) You are given the following transactions for the month of October 2013. These were extracted from the books of Chisomo Merchants.

- (1) Chisomo Merchants bought a van on credit from Mafumu Garage for K6,790,000.
- (2) A debt of K34,000 owing from Hazel Watsopano was written off as a bad debt.
- (3) Office furniture bought by Chisomo Merchants for K490,000 was returned to the supplier Zosowa Offices, as it was unsuitable. Full allowance will be given to Chisomo Merchants.
- (4) Chisomo Merchants are owed K150,000 by Wina Mphwanga. He is declared bankrupt and Chisomo Merchants received K39,000 in full settlement of the debt.
- (5) Chisomo Merchants take K45,000 goods out of business stock without paying for them.
- (6) Some time ago, Chisomo Merchants paid an insurance bill thinking that it was in respect of the business. Chisomo Merchants now discover that K76,000 of the amount paid was in fact insurance for their (Chisomo Merchants') private house.
- (7) Chisomo Merchants bought machinery for K980,000 on credit from Systems Accelerated.

Required:

Prepare journal entries, without narratives, to record these transactions in the books of Chisomo Merchants.

16 Marks

(TOTAL 20 MARKS)

Continued/.....

3. Tipumile Kaye made purchases during the month of May 2013 as follows:

May 1 From William Mzime : 4 radios at K30,000 each, 3 music centres at K160,000 each. These transactions were made at 25% trade discount

May 3 From Agness Achemwa: 2 washing machines at K200,000 each, 5 vacuum cleaners at K60,000 each, 2 dishwashers at K150,000 each. A 20% trade discount was given on these items.

May 15 From Shadreck Mphwayi: 1 music centre at K300,000, 2 washing machines at K250,000 each, both transactions at less 25% trade discount.

May 20 From Wilson Wabwino: 6 radios at K70,000 each, less 33 1/3% trade discount.

May 30 From Alfred Msuweni: 4 dishwashers at K200,000 each, less 20% trade discount.

Required:

(a) Work out the amounts of the purchases that Tipumile Kaye made in May 2013.

5 Marks

(b) Prepare the necessary entries to record the above transactions in the

(i) purchases day book;

(ii) purchases ledger;

(iii) general ledger of Chisomo Merchants.

15 Marks

(TOTAL : 20 MARKS)

Continued/.....

4. Lovemore and Loveness are in partnership sharing profits and losses equally. The following is their trial balance as at 30 June 2013:

	Dr K'000	Cr K'000
Buildings (Cost K75,000,000)	50,000	
Fixtures at cost	11,000	
Provision for depreciation : Fixtures		3,300
Trade receivables	16,243	
Trade payables		11,150
Cash at bank	677	
Inventory at 30 June 2012	41,979	
Sales		123,650
Purchases	85,416	
Carriage outwards	1,288	
Discounts allowed	115	
Interest: First Merchant Bank	4,000	
Office expenses	2,416	
Salaries and wages	18,917	
Bad debts	503	
Provision for bad debts		400
Loan : First Merchant Bank		40,000
Capital : Lovemore		35,000
Loveness		29,500
Current accounts : Lovemore		1,306
Loveness		298
Drawings : Lovemore	6,400	
Loveness	5,650	
	<u>244,604</u>	<u>244,604</u>

You are given the following additional information:

- (1) Inventory as at 30 June 2013 was K56,340,000.
- (2) Expenses to be accrued: Office expenses K96,000; Wages K200,000.
- (3) Fixtures are to be depreciated at the rate of 10% on reducing balance basis; and building at K1,000,000 per annum.
- (4) Provision for bad debts is to be reduced to K320,000.
- (5) K800,000 for partnership salary to Lovemore is not yet recorded in the books of accounts.

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- (6) Interest is to be charged on drawings at K180,000 for Lovermore, and at K120,000 for Loveness.
- (7) Capital account balances earn 10% interest per annum.

Required:

- (a) Prepare the Partnership's Income Statement (comprising a trading and profit and loss account and an appropriation account) for the year ended 30 June 2013. **9 Marks**
- (b) Prepare a Statement of Financial Position which should include summaries of partners' capital and current accounts for the year ended 30 June 2013. **11 Marks**

(Note: In both (a) and (b) vertical forms of presentation should be used).

(TOTAL 20 MARKS)

Continued/.....

5. You are given the following list of transactions for Attika Mwaswera (AM), an entrepreneur:

2013

- November 1 Started business with K100,000 in the bank.
- November 2 Tatandala lent AM K4,000 in cash.
- November 3 Bought goods on credit from Fatsani worth K8,400 and from Sokosa worth K36,000.
- November 4 Paid K2,500 cash into the bank.
- November 6 Sold goods on credit at a sum of K1,800 to Chazilala.
- November 8 Chazilala returned goods to AM whose amount was K400.
- November 10 Sold goods on credit to Moyenda and Penyani, invoicing them K1,900 and K3,200 respectively.
- November 12 AM returned goods to Fatsani whose value was K1,400.
- November 14 Bought scrap van for K26,000 on credit from Chelsea Motors.
- November 15 Bought office furniture on credit at an amount of K6,000 from Kalipentala.
- November 18 AM returned goods to Sokosa whose value was K1,100.
- November 19 Bought goods worth K2,200 in cash.
- November 20 Goods for an amount of K700 were sold for cash.
- November 24 Paid Fatsani K10,700 by cheque.
- November 25 Moyenda returned goods to AM whose invoice value was K300.
- November 26 Returned some of the furniture costing K1,600 to Kalipentala.
- November 27 AM put a further K5,000 into the business in the form of cash.
- November 28 Paid Chelsea Motors K26,000 by cheque for the purchase of the scrap van.

Required:

Using T-Accounts, record the above transactions into the accounts of Attika Mwaswera.

(TOTAL 20 MARKS)

Continued/.....

6. (a) Zamveka Canners and Bottlers had the following details of production cost for the year ended 31 December 2012:

	K million
1 January 2012, inventory of raw materials	500
31 December 2012, inventory of raw materials	700
Raw materials purchased	8,000
Direct wages	21,000
Royalties	150
Indirect wages	9,000
Rent of factory – excluding administration and selling and distribution blocks	440
Depreciation of plant and machinery in the factory	400
General indirect expenses	310

Required:

Prepare Zamveka Canners and Bottlers' manufacturing account for the year ended 31 December 2012. **9 Marks**

- (b) Zamveka Canners and Bottlers had a lot of plastic crates. These were not sold but were used by the business. Assume the firm started business on 1 January 2010.

	K million
In its first year it buys crates costing	800
Their estimated value at 31 December 2010 was	540
Crates bought in the year ended 31 December 2011 cost	320
Estimated value of all crates in hand on 31 December 2011 was	530
Crates bought in the year ended 31 December 2012 cost	590
Estimated value of all crates in hand on 31 December 2012 was	700

Required:

- (i) Open a crates T-account that clearly shows how the acquisition of, and the movements in, the crates stocks over the three years will be recorded. **6 Marks**
- (ii) Present an extract of the Income Statement that records the amounts of depreciation (that is, the use of crates), also in T-account format. **3 Marks**
- (iii) State how the balance of the crates account at the end of each year is shown in the books of accounts. **2 Marks**

(TOTAL : 20 MARKS)

Continued/.....

7. Write brief notes, comparing and/or contrasting the following pairs of accounting terms, as the case may be:

- (a) Bought Ledger *and* Purchases Ledger. **4 Marks**
- (b) Working Capital *and* Net Current Assets. **4 Marks**
- (c) Accumulated Fund *and* Capital Accounts. **4 Marks**
- (d) Trade Discount *and* Cash Discount. **4 Marks**
- (e) Bank Loan *and* an Overdraft (Bank Overdraft Facility). **4 Marks**

(TOTAL 20 MARKS)

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