



PAMIBIA UNIVERSITY
OF SCIENCE AND TECHNOLOGY

Faculty of Computing & Informatics

Department of Informatics

QUALIFICATION : Bachelor of Informatics	
QUALIFICATION CODE: 07BAIF	LEVEL: 6
COURSE: Business Accounting for Informatics	COURSE CODE: BAI620S
DATE: January 2019	SESSION: 2
DURATION: 3 Hours	MARKS: 100

SECOND OPPORTUNITY/ SUPPLEMENTARY QUESTION PAPER	
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THIS QUESTION PAPER CONSISTS OF 7 PAGES

(Excluding this front page)

Instructions for the candidate

9. Answer **ALL** questions.
10. When writing take the following into account: The style should inform than impress, it should be formal, in third person, paragraphs set out according to ideas or issues and the paragraphs flowing in a logical order.
11. Information should be brief and accurate.
12. Please ensure that your writing is **legible, neat** and **presentable**.

SECTION A: MULTIPLE CHOICE

10 Marks

Question 1

Job makes purchases on credit from SAD Ltd for \$24,000. What is the correct double entry?

- | | Debit | Credit |
|----|-----------|-----------|
| A. | Purchases | Debtors |
| B. | Purchases | Creditors |
| C. | Creditors | Purchases |
| D. | Creditors | Cash |

Question 2

During the year ended 31 December 2017 the net assets of Sharon's business increased from \$54,000 to \$63,000. He drew \$18,000 out of the business and paid in a football pools win of \$36,000. What was the profit or loss for the year?

- A. \$9,000 profit
- B. \$9,000 loss
- C. \$27,000 profit
- D. \$27,000 loss

Question 3

Which of the following errors would not cause there to be a difference in the trial balance?

- A. incomplete double entry
- B. addition error
- C. transaction not recorded at all
- D. transposition error

Question 4

Norman started business on 1 May 2015 and is charged rent at the rate of \$18,000 per annum. During the period to 31 December 2015 he actually paid \$13,800. What should his charge in profit and loss account be in respect of rent?

- A. \$600
- B. \$900
- C. \$105
- D. \$1,200

Question 5

The following information related to a company's rent and rates account:

	<i>Closing balance</i>	<i>Opening balance</i>
Rates prepayment	90	60
Rent accrual	360	300

Cash payments of \$2,520 were made in respect of rent and rates during the period. The charge to the profit and loss account for the year is

- A. \$2,550
- B. \$2,490
- C. \$2,110
- D. \$3,030

Question 6

Businesses charge depreciation on non-current assets in order to

- A. ensure that sufficient funds are available to replace the assets
- B. spread the cost of the assets over their estimated useful life
- C. comply with the prudence concept
- D. reduce profits and dividends

Question 7

Graham has the following balances in his trial balance at 31 December 2015.

	\$
Total debtors	420,000
Bad debts written off (not previously provided for)	3,000
Provision at 1 January 2015	30,000

The company wishes to carry forward a provision equal to 10% of total debtors. What is the total effect of the above on the profit and loss account for the year ended 31 December 1993?

- A. charge of \$14,700
- B. credit of \$14,700
- C. charge of \$15,000
- D. credit of \$15,000

Question 8

The accountant of Aina Limited gives you the following information for the year ended 31 December 2017:

Inventory at 1 January	\$9,075
Inventory at 31 December	\$4,500
Purchases	\$36,325
Gross profit margin	30%

What was the company's gross profit for the year?

- A. \$12,270
- B. \$13,608
- C. \$15,567
- D. \$17,529

Question 9

Ash started a business on 1 October 2016. The following information is available for the year ended 31 September 2017:

Cash received from customers	\$60,450
Cash paid to suppliers	\$63,360
Trade debtors at 30 September 2017	\$17,880
Trade creditors at 30 September 2017	\$7,020
Mark-up on cost	40%

What is the cost of inventory at 30 September 1998?

- A. \$14,430
- B. \$20,181
- C. \$23,382
- D. \$27,090

Question 10

What does "Limited" mean in a company's name?

- A. A company's liability is limited to the total amount of its authorised share capital.
- B. The company's liability is limited to the total amount of its issued share.
- C. The members' liability is limited to the total amount payable on the shares held by them.
- D. The members' liability is limited to the nominal value of the shares held by them.

SECTION A: STRUCTURED QUESTIONS**[50 Marks]****Question 1****[3 marks]**

Distinguish between management accounting and financial accounting

Question 2**[3 marks]**

It is easy to see how 'internal' people get hold of accounting information. A manager, for example, can ask the accounts department to prepare whatever accounting statements he needs. But external users of accounts cannot do this. How, in practice, can a business contact or a financial analyst access accounting information about a company?

Question 3**[14 marks]**

- a. Discuss what is the definition of a trial balance. (3 marks)
- b. Give three reasons why a trial balance may not balance? (3 marks)
- c. Give four examples of errors that do not affect the trial balance from agreeing and explain what each one means. (8 marks)

Question 4**[10 marks]**

X purchased goods costing \$500 from Z Ltd (before VAT). Z gave X a trade discount of 20%.

- a. calculate the net amount after discount. (3 marks)
- b. calculate VAT on purchases after trade discount. (4 marks)
- c. what would be the final double entry after calculation of trade discount and VAT? (3 marks)

Question 5**[10 marks]**

Discuss the factors and causes of depreciation.

Question 6**[10 marks]**

- a. Given that: Sales are \$220,000. Purchases are \$160,000. Opening inventory is \$24,000. Closing inventory is \$20,000. Calculate the rate of inventory turnover. (5 marks)
- b. Given selling price of \$700 and gross profit mark-up of 40 per cent, determine the cost price. (5 marks)

SECTION C: PRACTICAL QUESTIONS**[50 Marks]****Question 1****[20 marks]**

- a. The double-entry ledger is conveniently divided so that accounts with similar characteristics are placed together. Identify each of the recognised ledger divisions and describe, with an example, the account types that each division contains. (4 marks)

ABC Dealing is a business owned and run by Alan B Crick. Whilst the following events took place in the first few days of this month, ledger accounts have not yet been written up and that will become your task here.

- 01-Jun The business bank account is in funds by \$1,500 and there is \$2,000 cash in the business's office safe. Open accounts as relevant and simply show these as existing balances brought forward.
- 01-Jun Bought new inventory on credit from N Joshi and received an invoice for \$1,800 inclusive of VAT.
- 01-Jun Sold goods to Joan's Phones on credit and sent an invoice for \$3,500 plus VAT.
- 01-Jun Alan B Crick puts \$2,500 into the business bank account and puts \$2,500 into the office safe. This is all new money to his business.
- 02-Jun Purchased goods for resale in cash from MTC Wholesale and their cash invoice/receipt was \$2,000 goods, plus VAT.
- 03-Jun Sold more goods for \$2,700 including VAT and all customers paid by cheque.
- 05-Jun Goods returned by Joan's Phones and ABC issued a credit note for \$250 plus VAT.
- 06-Jun Alan purchased a second-hand van solely for use within ABC Dealing from D Trotter in cash for \$1,200 including VAT.

- b. Opening ledger accounts as necessary and following recognised bookkeeping and accounting principles, correctly record each of the transactions stated above. (12 marks)
- c. Explain the principles and characteristics of Value Added Tax from a business accounting perspective. (4 marks)

Question 2**[10 marks]**

The following trial balance was extracted from the books of J Churchard at the close of business on 31 July 2005.

Inventory at 1 Aug 2004	6,105	
Sales		56,193
Purchases	30,010	
Office expenses	3,980	
Rent	1,750	
Wages	11,325	
Premises	26,500	
Equipment	4,990	
Trade receivables	2,655	
Trade payables		3,156
Bank	1,074	
Capital		34,500
Drawings	5,460	
	93,849	93,849

Additional information:

1. Inventory 31 July 2005 \$7,230
2. Office expenses owing at 31 July 2005 \$510
3. Rent accrued at 31 July 2005 \$230
4. Wages paid in advance 31 July 2005 \$995.

Create:

- a) a statement of comprehensive income for the year ended 31 July 2005 [5]
- b) a statement of financial position at that date. [5]

Question 3**[20 marks]**

- a. Explain the Accruals (or Matching) Concept in relation to the financial accounts and statements of a business. (4 marks)
- b. A business information report has been obtained on Lucrative Prospects Ltd, a recent sales lead. Your Sales Manager is naturally keen that credit terms can be agreed as soon as possible and is extremely interested to learn what the data in the report means and how it helps with the account opening decision.

Explain the usefulness of each of the following ratios in reviewing the performance of a business:

- i. Current Ratio (2 marks)
- ii. Acid Test Ratio (2 marks)
- iii. Debtors Receivables Period (2 marks)
- iv. Creditors Payables Period (2 marks)
- v. Inventory Turnover Rate (2 marks)

c. The following data has been extracted from the business information report for Lucrative Prospects Ltd. Analyse the changes for each between 2015 and 2016, showing the potential impact upon Lucrative Prospects Ltd. (6 marks)

Business Information Report (extract) on Lucrative Prospects Limited		
Ratio Calculated	2016	2015
Current Ratio	2.5:1	2.2:1
Acid Test Ratio	0.7:1	1.1:1
Debtors Receivables Period	49.5 days	33.3 days

End of Paper