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## CERTIFIED ACCOUNTING TECHNICIAN

### LEVEL 1 EXAMINATION

#### L1.1: INTRODUCTION TO FINANCIAL ACCOUNTING

MONDAY: 9 JUNE 2014

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#### INSTRUCTIONS:

1. **Time Allowed: 3 hours 15 minutes** (15 minutes reading and 3 hours writing).
2. This examination has **two** sections; **A & B**.
3. Section **A** has **one** compulsory question to be attempted.
4. Section **B** has **four** questions, **three** questions to be attempted.
5. Marks allocated to each question are shown at the end of the question.
6. Show all your workings.
7. Any assumptions made must be clearly and concisely stated.



## SECTION A

*This section has one compulsory question*

### QUESTION ONE

- (a) (i) Differentiate between a sole trader business and a limited liability company **(2Marks)**
- ii) State any four financial accounting functions in a business? **(4 Marks)**
- iii) Why would a bank that lends money need financial accounting information of a business **(4 Marks)**
- iv) Describe with examples the basic accounting equation **(6 Marks)**
- v) Describe the “accruals” and “going concern” concepts. **(4 Marks)**
- (b) Kolombo Ltd owns a retail shop in Komasiyal Street and also sublets part of the shop to other business persons. He provides the following trial balance for the year ended 31 March 2014 :

	Debit Frw	Credit Frw
Accounts payable (Creditors)		262,500
Accounts receivable (Debtors)	630,000	
Accumulated depreciation - Equipment		315,000
Accumulated depreciation-Furniture		1,312,500
Allowance for doubtful debt		42,000
Bad debts	70,700	0
Loan from Kolombo		1,648,500
Bank overdraft		249,200
Capital		4,651,500
Carriage in	31,500	
Carriage out	52,500	
Cash	31,500	
Discount allowed	63,000	
Discount received		136,500
Drawings	1,312,500	
Equipment cost	1,995,000	
Furniture cost	6,300,000	

	Debit Frw	Credit Frw
General expenses	903,000	
Bank charges	147,000	
Opening inventory	105,000	
Purchases	9,985,500	
Rent expense	1,564,500	
Rental income		1,260,000
Returns in	21,000	
Sales		15,750,000
Wages	2,415,000	
	<b>25,627,700</b>	<b>25,627,700</b>

**Additional information :**

1. Closing inventory at 31 March 2014 was Frw203,000
2. Accrual for rental income is Frw 300,000 and there is a rental deposit received from the other shop tenants for Frw 500,000 which is to be held for the period of 5 years of the rental agreement.
3. Adjust allowance for doubtful debt to 2% of the account receivables balance
4. Depreciation for the year is to be as follows
  - Furniture - 5% straight line method
  - Equipment is – 10% reducing balance method
5. Overdraft interest amounting to Frw 88,000 was shown only in the bank statement as at 31 March 2014.
6. Kolombo took some goods for personal use Frw 38,000. This was not recorded.

**Required:**

- (i) Statement of profit and loss for the year ended 31 March 2014. **(10 Marks)**
  - (ii) Statement of financial position as at 31 March 2014 **(10 Marks)**
- (Total 40 Marks)**

## SECTION B

*Attempt three of the four questions in this section.*

### QUESTION TWO

- a) Compare what may cause differences between the income and expenditure account and the receipts and payments account for a non-profit making organization **(4 Marks)**
- b) Lobby is a non-profit organization with members with a common goal for the members benefit. They provided to you the following information for the year ended 31 March 2014

Description	2014	2013
	Frw	Frw
Equipment	15,500,000	17,000,000
Consumables inventory	11,230,000	3,500,000
Members subscription outstanding	200,000,000	110,000,000
Cash at bank	40,000,000	6,500,000
Petty Cash	50,000	10,000
Amounts payable to suppliers	56,500,000	16,500,000

The summary of receipts and payments from bank and petty cash was also provided for the year ended 31 March 2014

Receipts		Payment	
	Frw		Frw
Members subscription	1,000,000,000	Salaries and wages	20,000,000
Donations	60,000,000	Rent of office	12,000,000
Sale of brochures and artworks	10,000,000	Suppliers of consumables	200,000,000
		Telephone and internet	5,000,000
		Transport	15,000,000
		Repairs	5,300,000

#### Required:

- (i) Statement of receipts and payments for the year ended 31 March 2014 **(4 Marks)**
- (ii) Statement of income and expenditure for the year ended 31 March 2014 **(6 Marks)**
- (iii) Statement of financial position as at 31 March 2014 **(6 Marks)**

**(Total: 20 Marks)**

### QUESTION THREE

- a) In accordance to IAS 1 Presentation of Financial Statements; describe what are financial statements, give examples of different types of financial statements and highlight their purposes **(10 Marks)**

The balances and transactions affecting the control accounts of Jenifer Ltd. for the month of May 2014 are listed below :

Balances on 1 May 2014 :	Frw	Frw
Sales ledger	9,123,000	(Debit)
	211,000	(Credit)
Purchases ledger	4,490,000	(Credit)
	88,000	(Debit)
<b>Transactions during May 2014:</b>		
Purchases on credit	18,135,000	
Discounts received	629,000	
Receipts from customers by cheques	27,370,000	
Sale on credit	36,755,000	
Discount received	1,105,000	
Payments to creditors by cheques	15,413,000	
Contra settlements	3,046,000	
Bills of exchange receivable	6,506,000	
Discounts allowed	1,720,000	
Customers cheques dishonored	489,000	
Cash received from credit customers	4,201,000	
Refunds to customers for overpayments	53,000	
Discounts allowed	732,000	
<b>Balances on 31 May 2014</b>		
Sales ledger	136,000	(Credit)
Purchases ledger	67,000	(Debit)

**Required :** Sales ledger and purchases ledger control accounts for the month of May 2014 and show the respective debit and credit closing balances on 31 May 2014. **(10 Marks)**

**(Total 20 Marks)**

## QUESTION FOUR

- a) In producing financial statements, it is essential that they should be comparable with those of the same company for previous years to identify trends in order to try and ensure this, the IASB has identified three fundamental accounting assumptions namely: **Going concern, accruals and consistency**

**Required :** Discuss the three assumptions above giving illustrative examples. **(10 Marks)**

- b) If the information in financial statements is to be useful, regard must be made to the following accounting concepts among others: **Materiality, Substance over form, Measurability.**

**Required :** Explain the meaning of each of these concepts, including examples of the application of each of them. **(10 Marks)**

**(Total 20 Marks)**

## QUESTION FIVE

The Cash book of Usman Traders gives the following record for the month of December, 2012:

Usman Traders Cash Book (12358 -23-70) Opened in Investment Bank						
Date	Chq. No.	Narration / Particulars	Ledger code	Receipt Amount	Payment Amount	Balance Dr/ (Cr)
1-Dec		Opening Balance		150,000		150,000
7-Dec		Received from Anwer		10,000		160,000
8-Dec	57000	Paid to Tariq			19,500	140,500
15-Dec	57001	Paid to Shabbir			4,000	136,500
22-Dec		Received from Javed		9,700		146,200
28-Dec	57002	Paid to Salim			9,100	137,100
31-Dec		Received from Javed		20,000		157,100
31-Dec		Received form Rashid		17,800		174,900

The Bank Statement of Usman Traders shows the following picture:

Date	Narration / Particulars	Withdrawals Amount	Deposits Amount	Balance
1-Dec	Balance b/f			150,000
7-Dec	deposits		10,000	160,000
11-Dec	57000	19,500		140,500
20-Dec	57001	4,000		136,500
22-Dec	deposits		9,700	146,200
31-Dec	Charges	2,200		144,000

You are required to reconcile Cash Book with Bank Statement and prepare Bank Reconciliation Statement.

**(Total 20 Marks)**

**End of question paper**

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