

UNIVERSITY OF BOLTON

INSTITUTE OF MANAGEMENT

ACCOUNTANCY

SEMESTER 1 EXAMINATIONS 2018/2019

FINANCIAL ACCOUNTING FUNDAMENTALS

MODULE NO: ACC4013

Date: Wednesday 16 January 2019

Time: 10.00 – 1.00

INSTRUCTIONS TO CANDIDATES:

There are TWO sections on this paper. You must answer 4 questions ONLY as follows:

Answer ALL 3 questions in section One and 1 question ONLY from section TWO.

Silent calculators may be used.
This is a closed book examination.

Institute Of Management
 Accountancy Pathway
 Semester 1 Examination 2018/19
 Financial Accounting Fundamentals
 Module No. ACC4013

SECTION ONE: Answer all questions in this section

Question 1

The following trial balance was taken from the books of Simmy Shop, a local retailer, on 31 December 2018.

	Dr (£)	Cr (£)
Purchases		56,664
Sales		172,188
Inventory (1 Jan 2016)	13,644	
Returns	432	1,116
Discounts	684	1,944
Drawings		62,496
Buildings at cost	180,000	
Provision for depreciation: Buildings		18,000
Fixtures and Fittings	43,200	
Provision for depreciation: Fixtures and Fittings	5,400	
Wages and Salaries	33,516	
Advertising		4,068
Rates	14,832	
Sundry Expenses	13,302	
Bank		7,236
Cash		216
Trade Receivables	9,000	
Bad Debts	180	
Provision for doubtful debts		936
Trade Payables		6,732
VAT		5,832
Capital	146,322	
Long term loan		81,000
	460,512	418,428

Question 1 continues over the page

Institute Of Management
Accountancy Pathway
Semester 1 Examination 2018/19
Financial Accounting Fundamentals
Module No. ACC4013

Question 1 continued

Simmy is confused as the trial balance does not balance. She requires you to balance the trial balance and process the following transactions:

1. Inventory was valued at £10,908 on 31 December 2018
2. Depreciate buildings at 3% using reducing balance method
3. Depreciate fixtures and fittings at 8% per annum using straight line method
4. Provision for doubtful debts is to be 5% of trade receivables
5. Wages accrued are £900
6. Advertising prepaid is £630

Required:

- (a) Correct the trial balance
(5 Marks)
- (b) Prepare the income statement for the year ended 31 December 2018
(12 Marks)
- (c) Prepare a Statement of Financial Position as at 31 December 2018
(13 Marks)

Total 30 Marks

Question 2

Brian and Roseen are the owners of an accountancy firm, offering their services to local businesses in the Liverpool area. They set up in partnership on 1st January 2018. Brian invested £60,000 as capital, and Roseen invested £30,000 as her capital. As the business has only started trading both partners are being cautious on the drawings that they take from the business. Interest would be charged on any drawings made.

Question 2 continues over the page

Institute Of Management
Accountancy Pathway
Semester 1 Examination 2018/19
Financial Accounting Fundamentals
Module No. ACC4013

Question 2 continued

The partnership agreement is as follows:

Charges:

- Interest on drawings 2% on a pro-rata monthly basis.

Entitlements:

- Profits/losses to be shared in the ratio of the initial capital provided by each partner.
- Brian and Roseen are entitled to an annual salary of £4,500 and £3,800 respectively.
- Interest on capital at 5% per year on each partners opening balance on their capital.
- Interest on any loans made by the partners to be 4% on a pro-rata monthly basis.

The partners were to keep separate capital and current accounts.

Net profit for the year to 31 December 2018 amounted to £21,780.

During the year the partners had made drawings as below:

Brian - £4,000 on 1 July 2018, and £700 on 31 December 2018

Roseen - £2,400 at the end of June 2018 and £1,100 on 30 September 2018.

On 1 July 2018, the business required some extra funds in order to expand, and Brian made a loan to the partnership of £5,000.

Required:

- (a) Prepare the partnership appropriation account for the year ended 31 December 2018.

(12 Marks)

- (b) Prepare the partner's capital and current accounts using "T" accounts.

(11 Marks)

- (c) Explain the disadvantages of not drawing up a partnership agreement.

(2 Marks)

Total 25 marks

PLEASE TURN THE PAGE

Institute Of Management
 Accountancy Pathway
 Semester 1 Examination 2018/19
 Financial Accounting Fundamentals
 Module No. ACC4013

Question 3

The following is the cash book for T Brooks for the month of June 2018. T Brooks has identified a possible error in the cash book which needs correcting.

T. Brooks Cash Book					
		£			£
21-Jun	Balance b/d	1,170.00	22-Jun	T Potland	270.00
22-Jun	Sales	630.00	24-Jun	H Bott	237.60
24-Jun	C Fischer	337.50	25-Jun	M Brawn	164.70
26-Jun	O Peddrey	379.65	26-Jun	G Mane	86.40

Question 3 continues over the page

Institute Of Management
 Accountancy Pathway
 Semester 1 Examination 2018/19
 Financial Accounting Fundamentals
 Module No. ACC4013

Question 3 continued

Brook received the following bank statement at the end of June 2018:

Bank Statement : Angleberry Bank				
Account Holder: T Brook				
Date	Detail	Debit	Credit	Balance
		£	£	£
21-Jun	BALANCE			1,170.00
22-Jun	T Potland	270.00		900.00
22-Jun	Sundries		630.00	1,530.00
24-Jun	H Bott	273.60		1,292.40
24-Jun	DD Re: MCC	180.00		1,112.40
24-Jun	C Fischer		337.50	1,449.90
25-Jun	SO Re: A/C 127	60.00		1,389.90
27-Jun	Bank Charges	30.00		1,359.90
DD= Direct Debit SO = Standing Order				

Required:

- (a) Rewrite and balance the cashbook as at 30 June 2018 making any necessary adjustments and bring down any relevant balances.

(10 Marks)

- (b) Prepare a Bank Reconciliation Statement as at 30 June 2018.

(8 Marks)

- (c) You work as an accounts clerk in the office of T. Brooks. One of your tasks at the end of each month is to reconcile the bank statement with the company's cash book. A trainee student asks you what is the importance of performing a bank reconciliation, prepare a written response to the trainee students query.

(7 Marks)

Total 25 Marks
PLEASE TURN THE PAGE

Institute Of Management
Accountancy Pathway
Semester 1 Examination 2018/19
Financial Accounting Fundamentals
Module No. ACC4013

SECTION TWO : Answer ONE question ONLY from this section

Question 4

Roozbeh Habibi runs a Persian restaurant in Chorlton Green. He is very good at running his restaurant but not very keen on doing the accounting side of his business. He employs you as the accounts assistant and asks you to deal with the following transactions:

Jan

- 1 Started in business with £21,000 cash.
- 2 Put £18,000 of cash into a bank account.
- 3 Bought goods for cash £1,100
- 4 Bought goods on credit from: T Pomm £1,600; F Reddy £1,860; M Senior £320; G Lower £1,020
- 5 Bought stationery on credit from Bentley Ltd £178
- 6 Sold goods on credit to: R Teale £340; L Flip £480; M. Sager £652; A Talmas £408
- 8 Paid rent by cheque £440
- 10 Bought fixtures on credit from Winny Ltd £1,220
- 11 Paid salaries in cash £1,580
- 14 Returned goods to F Reddy £60, M Senior £84
- 15 Bought a van by cheque £13,000
- 16 Received a loan from B Mustafa by cheque £4,000
- 18 Goods returned to us by R Teale £10; M Sager £40
- 21 Cash sales £290
- 24 Goods sold on credit to L Flip £260; A Talmas £820; R Penny £316
- 26 Roozbeh paid the following by cheque : F Reddy £1,800; M Senior £236
- 29 Received cheques from R Penny £316; L Flip £740
- 30 Received a further loan from B Mustafa by cash £1,000
- 30 Received £1228 cash from A Talmas

Required:

- (a) Draw up the "T" accounts for the transactions above for the month of January, balance off the accounts, and extract a trial balance as at 31st January 2018.

(20 Marks)

PLEASE TURN THE PAGE

Institute Of Management
Accountancy Pathway
Semester 1 Examination 2018/19
Financial Accounting Fundamentals
Module No. ACC4013

Question 5

(a) You are an accounts assistant working at Granada Chartered Accountants. A part-time trainee accounts assistant is confused with understanding capital and revenue expenditure. You are required to write a memo to her to explain what capital and revenue expenditure is **and** categorise the following expenditure into capital/revenue or both:

- Purchase of an extra grinding machine (includes £600 for repair of the old machine) - £2,600
- Cost of rebuilding warehouse wall which had fallen down – £3,250
- Building extension to warehouse - £42,000
- Painting extension to warehouse when first built - £1000
- Cost of repainting the office - £420

(10 Marks)

(b) The trainee assistant requests you define the following accounting concepts:

- Going Concern
- Materiality Concept
- Accruals Concept
- Prudence Concept
- Consistency Concept

(10 Marks)

Total 20 Marks

END OF QUESTIONS