

UNIVERSITY OF BOLTON
INSTITUTE OF MANAGEMENT
BA (HONS) ACCOUNTANCY
SEMESTER ONE EXAMINATIONS 2022/2023
FINANCIAL ACCOUNTING FUNDAMENTALS
MODULE NO: ACC4013

Date: Monday 9 January 2023

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.

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SECTION ONE: Answer all questions in this section

Question 1

The following trial balance was taken from the books of Mr Rigby's Shop, a local retailer, on 31 December 2022.

	Dr (£)	Cr(£)
Purchases	59,136	
Sales		179,700
Inventory (1 Jan 2021)	14,239	
Returns	451	1165
Discounts	713	2,029
Drawings	65,222	
Buildings at cost	187,853	
Provision for depreciation: Buildings		18,785
Fixtures and Fittings	45,085	
Provision for depreciation: Fixtures and Fittings		5,636
Wages and Salaries	34,978	
Advertising	4,246	
Rates	15,479	
Sundry Expenses	13,882	
Bank	7,552	
Cash	225	
Trade Receivables	9,393	
Bad Debts	189	
Provision for doubtful debts		978
Trade Payables		7,025
VAT		6,086
Capital		152,705
Long term loan		84,534
	458,643	458,643

Question 1 continues over the page

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Question 1 continued

You are required to process the following transactions:

1. Inventory was valued at £11,384 on 31 December 2022
2. Depreciate buildings at 20% using reducing balance method
3. Depreciate fixtures and fittings at 10% per annum using straight line method
4. Provision for doubtful debts is to be 5% of trade receivables
5. Wages accrued are £940
6. Advertising prepaid is £657

Required:

(a) Prepare the Statement of Profit and Loss for the year ended 31 December 2022.

(12 Marks)

(b) Prepare a Statement of Financial Position as at 31 December 2022.

(13 Marks)

(c) Define and explain the role of the trial balance?

(5 Marks)

Total 30 Marks

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Question 2

Colin and Sue are the owners of a Jolly's Paint Centre, selling trade paints and accessories. They set up in partnership on 1st January 2022. Colin invested £20,000 as his capital, and Sue invested £10,000 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.

The partnership agreement is as follows:

Charges:

- Interest on drawings 1% on a pro-rata monthly basis.

Entitlements:

- Profits/losses to be shared in the ratio of the initial capital provided by each partner.
- Colin and Sue are entitled to an annual salary of £3,000 each.
- Interest on capital at 3% per year on each partners opening balance on their capital.
- Interest on any loans made by the partners to be 1% on a pro-rata monthly basis.

The partners were to keep separate capital and current accounts.

Net profit for the year to 31 December 2022 amounted to £30,268.

During the year the partners had made drawings as below:

Colin - £1,750 on 1 July 2022, and £300 on 31 December 2022

Sue - £500 at the end of June 2022 and £700 on 30 September 2022.

On 1 September 2022, the business required some extra funds in order to expand, and Colin made a loan to the partnership of £2,000.

Required:

- (a) Prepare the partnership appropriation account for the year ended 31 December 2022.

(12 Marks)

Question 2 continues over the page

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Question 2 continued

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

(c) Explain the Partnership Agreement act 1890
(2 Marks)

Total 25 marks

Question 3

The following is the cash book for Graham Brown for the month of March 2022.
 Graham has identified a possible error in the cash book which may need correcting.

Graham Brown Cash Book					
		£			£
21-March	Balance b/d	1292.00	22-March	T Potney	302.00
22-March	Sales	698.00	24-March	H Bottle	298.16
24-March	C Song	376.25	25-March	M Prawn	191.17
26-March	O Paddy	422.63	26-March	G Dwane	100.04

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Question 3 continued

Graham Brown received the following bank statement at the end of March 2022:

Bank Statement : Pollygram Bank				
Account Holder: G Brown				
Date	Detail	Debit	Credit	Balance
		£	£	£
21-March	BALANCE			1292.00
22-March	T Potney	302.00		990.00
22-March	Sundries		698.00	1688.00
24-March	H Bottle	289.16		1398.84
24-March	DD Re: RCC	203.00		1195.84
24-March	C Song		376.25	1572.09
25-March	SO Re: A/C 127	71.00		1501.09
27-March	Bank Charges	38.00		1463.09
DD= Direct Debit SO = Standing Order				

Required:

- (a) Rewrite and balance the cashbook as at 31 March 2022 making any necessary adjustments and bring down any relevant balances.

(10 Marks)

- (b) Prepare a Bank Reconciliation Statement as at 31 March 2022.

(8 Marks)

- (c) Discuss the reasons of compiling a bank reconciliation

(7 Marks)

Total 25 Marks

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SECTION TWO : Answer ONE question ONLY from this section

Question 4

(a) Discuss the role of the trial balance and suspense accounts in double-entry book keeping.

(10 Marks)

(b) Explain briefly the meaning of the following accounting concepts: going concern; accruals (or matching); consistency and prudence.

(10 marks)

Total 20 Marks

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Question 5

- (a) Ross reported his net receivables as £14,000 in the statement of financial position as at 31 December 20X1. During 20X2 he made sales on credit of £130,000 and received cash from trade receivables of £121,500. At 31 December 20X2, Ross decided to write off debts of £6,200 and increase the specific allowance for receivables by £950 to £2,100.

Required:

Calculate the net receivables figure reported in the statement of financial position as at 31st December 20X2? (show all workings)

(10 Marks)

- (b) IAS 16 Property Plant and Equipment defines depreciation as “the systematic allocation of the depreciable amount of an asset over its’ useful life” (IAS 16 para 6).

The following information relates to Enon carpet manufacturers:

	Machine 1	Machine 2
Cost	£68,000	£34,000
Purchase Date	1 July 20X1	1 July 20X2
Depreciation Method	10% straight line pro rata	20% reducing balance pro rata

Required:

Calculate the total depreciation charge for the years ended 31 December 20X1 and 20X2?

(10 Marks)

Total 20 Marks

END OF EXAMINATION