

UNIVERSITY OF BOLTON

GREATER MANCHESTER BUSINESS SCHOOL

BA (HONS) ACCOUNTANCY

SEMESTER 2 RESIT EXAMINATIONS 2022/2023

FINANCIAL ACCOUNTING FUNDAMENTALS

MODULE NO: ACC4013

Date: Wednesday 19 July 2023

Time: 10am – 1pm

INSTRUCTIONS TO CANDIDATES:

There is ONE section on this paper. You must answer ALL 4 questions.

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

SECTION ONE: Answer all questions in this section

Question 1

The following trial balance was taken from the books of Laura Jones, a local retailer, on 31 December 2022.

	DR (£)	CR (£)
Capital		380,000
Drawings	64,560	
Purchases	246,890	
Sales		433,659
Inventory (1 Jan 2022)	23,445	
Fixtures and Fittings at cost	288,500	
Provision for depreciation: fixtures and fittings		16,500
Motor Vehicle	32,000	
Provision for depreciation: vehicles		6,800
Rent	18,000	
Heat and light	24,500	
Wages and salaries	58,500	
Motor expenses	12,350	
Insurance	15,600	
Bank	6,240	
Cash	664	
Loan (M. Money)		10,000
Bad debts	450	
Provision for doubtful debts		560
Accounts receivable	75,000	
Accounts payable		18,960
Discounts allowed	240	
Discounts received		460
	866,939	866,939

Question 1 continued over...
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Question one continued...

Laura has also provided you with the following information:

- (i) Inventory at 31 December 2022 has been valued at £25,430.
- (ii) Loan interest is 6% per year on the £10,000 borrowed.
- (iii) He made a payment of £6,000 for rent in October 2022, which was for three months from 1 November 2022.
- (iv) Estimated cost of gas and electricity owing at the year-end was £450.
- (v) The wages for the last week in December, amounting to £2,340 had not yet been paid.
- (vi) Laura makes a provision for doubtful debts of 1% of the outstanding debtors at the year end.
- (vii) Depreciation is charge on fixtures and fittings at 5% on cost and on motor vehicles at 20% using the reducing balance method.

Required:

(a) Prepare the income statement for the year ended 31 December 2022.

(12 marks)

(b) Prepare a statement of financial position as at 31 December 2022.

(13 marks)

(c) Explain to Laura the difference between gross profit and net profit.

(5 marks)

Total 30 Marks

Question 2

Kapil and Sally are the owners of a J's Paint House, selling trade paints and accessories. They set up in partnership on 1st January 2022. Kapil invested £400,000 as his capital, and Sally invested £200,000 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 2% on a pro-rata monthly basis.

Question 2 continued over...

Please turn the page

Question 2 continued...

Entitlements:

- Profits/losses to be shared in the ratio of the initial capital provided by each partner.
 - Kapil and Sally are entitled to an annual salary of £10,000 and £35,000 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 2022 amounted to £132,000.

During the year the partners had made drawings as below:

Kapil - £50,000 on 1 July 2022, and £12,000 on 31 December 2022

Sally - £30,000 at the end of June 2022 and £26,000 on 30 September 2022.

On 1 July 2022, the business required some extra funds in order to expand, and Kapil made a loan to the partnership of £50,000.

Required:

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

(12 Marks)

(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

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Question 3

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

Gerry Bradshaw 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

Gerry Bradshaw received the following bank statement at the end of March 2022:

Bank Statement : Polly Bank				
Account Holder: G Bradshaw				
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				

Question 3 continued over...
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Question 3 continued...

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

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

End of Questions