

## FINANCIAL ACCOUNTING

### EXAMINATION SCHEME

There will be two papers – Paper 1 and Paper 2, both of which will constitute a composite paper to be taken at one sitting.

**PAPER 1:** Will comprise fifty multiple choice questions to be taken in 1 hour for 50 marks.

**PAPER 2:** Will be made up of two sections: Sections A and B and will last 2½ hours.

**Section A:** Will contain five essay questions on theory of financial accounting. Candidates will be required to answer two out of the four questions for 15 marks each.

**Section B:** Will contain five essay questions on financial accounting practice. Candidates will be required to answer three out of the questions for 15 marks each.

### SAMPLE QUESTION

#### PAPER 1 (OBJECTIVE)

1. The double entry for a cheque returned by a bank to a customer marked “refer to drawer” is debit
  - A. bank, credit debtor.
  - B. bank, credit bad debt expenses.
  - C. bad debt expenses, credit bank.
  - D. debtor, credit bank.
2. Which of the following is a characteristic of joint venture?
  - A. The activities are of short term duration.
  - B. Individual maintains separate account.
  - C. There is perpetual succession.
  - D. There is limitation to membership.

3. The person who retains ownership of goods on consignment is
- A. commission agent.
  - B. del-credere agent.
  - C. consignor.
  - D. consignee.
4. The computer program instructions are read into the
- A. output unit.
  - B. input unit
  - C. storage unit.
  - D. central processing unit.
5. In Contract Accounts, retention money refers to the
- A. amount due to the contractor but held back by the customer.
  - B. progressive payments made by the customer to the contractor.
  - C. contractor's profit on the contract.
  - D. amount overpaid by the customer to the contractors.

**PAPER 2**  
**(ESSAY)**

**SECTION A**  
**THEORY OF FINANCIAL ACCOUNTING**

1. (a) Distinguish between *reserves* and *provisions*. (6 marks)
- (b) Explain the following giving **one** example in *each* case:
- (i) Depreciation;
  - (ii) Depletion;
  - (iii) Amortization. (9 marks)
2. (a) What is *value added tax*?
- (b) Distinguish between *input vat* and *output vat*.
- (c) State **four** features of Value Added Tax. (15 marks)

3. Explain the following terms as they are used in contract accounts:

- (a) Notional profit;
- (b) Retention money;
- (c) Progress payments;
- (d) Work certified;
- (e) Work-in-progress.

(15marks)

**SECTION B**  
**FINANCIAL ACCOUNTING PRACTICE.**

4. The following information is extracted from the book of Love Club as at December 2012:  
Receipts and Payments account

	<b>GH¢</b>		<b>GH¢</b>
Cash at bank 1/1/1012	2,120	Expense on dance	940
Subscription received	5,910	Repairs	220
Sale of dance tickets	730	Printing and stationery	310
Bar takings	4,110	New equipment	870
		Electricity	320
		Bar cost	3,020
		Balance at bank 31/12/12	<u>7,190</u>
	<u>12,870</u>		<u>12,870</u>
 Additional information:			
(i) Subscription in arrears		<b>GH¢</b>	
1/1/2012		450	
31/12/2012		560	
(ii) Subscription in advance			
1/1/2012		370	
31/12/2012		220	
(iii) Cost of printing in arrears		110	
(iv) Assets as at 1/1/2012:			
Fixtures and fittings		8,700	
Equipment		3,000	

- (v) Depreciation on fixed assets is to be provided at 15% per annum including the year of purchase.

You are required to prepare:

- (a) accumulated fund as at 1/1/2012  
(b) income and expenditure account for the year  
(c) balance sheet as at 31/12/2012. (15 marks)

(5) The debit side of Yahoo Ltd's trial balance exceeds the credit side. The net profit for the period was D4,210. Further investigation revealed the following errors:

- (i) Closing stock was under cast by D420,000;  
(ii) Cash in hand was recorded as D66,000 instead of D660,000;  
(iii) An invoice of D980,000 has been correctly included in the stock and purchases but not post to the personal ledgers;  
(iv) The bank balance has been under cast by D1,860,000;  
(v) An entire page in the Sales journal totaling D 2,450,000 was omitted from the postings to the Sales account;  
(vi) A private purchase of D 550,000 had been included in the business purchases;  
(vii) Insurance premium paid was under cast by D750,000;  
(viii) The total of the purchases journal was carried forward, and subsequently posted to the purchases account as D 2,355,000  
(ix) Income tax of D 540, 000 on employees' wages and salaries was owed to the Internal Revenue Service (IRS) but no provision had been made for this in the books.

You are required to:

- (a) Show the journal entries necessary to correct the errors,  
(b) Draw up a statement to show the adjusted net profit. (15 marks)