SOLUTION 1

a. Process of Developing Accounting Standards
Identification of the need for an accounting standard for the purpose of resolving conflicting or varied views on a subject matter or where existing practice is unsatisfactory.

The IASB conducts a study on the subject matter through research and consultation with interested groups.

A draft standard is issued for the consideration of members of the accounting profession and other stakeholders.

A date is then fixed for the commencement of the standard which date is often stated in the standard itself.

i. ***Relevance***
Accounting information is relevant if it has the ability to influence the economic decisions of users and is provided in time to influence those decisions. Information that is relevant has both predicative value and confirmatory value. Relevance implies the following:

Timelines
Completeness
Appropriate and suitability to user objectives.

ii. ***Reliability***
Accounting information is reliable if it is free from material errors. It is complete and faithfully represented what it purports to represent. Reliability implies reasonable accuracy.

iii. ***Comparability***
Accounting information should permit meaningful comparison between one period and another as well as between one enterprise and another. The principle of comparability requires that consistent methods are applied over time and among different enterprises. It also requires full disclosure of material information.

iv. ***Understandability***
Users of accounting information need to be able to perceive the significance and implication of the information. Information must be understandable before it can be useful.

b. FORMATION
Partnership – Two to Twenty
Company – one or more

OWNERSHIP
Partnership – Shareholders
Company – Shareholders

MANAGEMENT
Partnership – Managed by the partners
Company – Managed by directors and managers appointed by shareholder

FINANCING
Partnership – Individual contributions, loans and overdrafts
Company – Floating of shares, Debentures, Preference Shares, loans

PROFIT DISTRIBUTION
Partnership – shared among the partners in the agreed ratio
Company – Shared to Shareholders as dividend

SOLUTION 2

a. Revaluation Account

			GHS		GHS
Inventory			2,000	Land & Building	20,000
Capital Account:				Plant & Machinery	52,000
	Kofi	46,667			
	Afia	23,333	70,000		
			72,000		72,000

Goodwill Account

		GHS			GHS
Capital Account:			Capital Account:		
	Kofi	16,000		Kofi	8,000
	Afia	8,000		Ama	8,000
				Kwame	8,000
		24,000			24,000

OR

Revaluation Account

		GHS		GHS
Inventory		2,000	Land & Building	20,000
Capital Account			Plant & Machinery	52,000
	Kofi	62,667	Goodwill	24,000
	Afia	31,333		
		96,000		96,000

b. Partners Capital Account

	Kofi	Afia	Kwame		Kofi	Afia	Kwame
	GHS	GHS	GHS		GHS	GHS	GHS
Goodwill	8,000	8,000	8,000	Balance b/d	62,500	72,000	
Balance c/d	133,167	103,333	102,000	Current Account	16,000	8,000	
				Cash			30,000
				Motor vehicle			60,000
				Computers			20,000
				Goodwill	16,800	8,000	
				Revaluation	46,667	23,000	
	141,167	111,333	110,000		141,967	111,333	110,000

c. Statement of Financial Position as at 1st January 2010

	GHS	GHS
NON-CURRENT ASSETS		
Land & Building		120,000
Plant & Machinery		100,000
Motor Vehicle (70,000 + 60,000)		130,000
Computers		20,000
		370,000
CURRENT ASSETS		
Inventory (20,000 – 2,000)	18,000	
Trade Receivables	14,.000	
Bank (30,000 + 20,000)	10,000	
	42,000	
CURRENT LIABILITIES		
Trade Payables	73,500	
NET CURRENT ASSET		(31,500)
NET ASSET		338,500
FINANCED BY		
Capital:		
Kofi	133,167	
Afia	103,000	
Kwame	102,000	338,500

SOLUTION 3

a. KEKELE ENTERPRISE
JOURNAL

	DR GHS	CR GHS
Insurance A/C	600,000	
Suspense A/C		600,000
Drawings/Capital A/C	440,000	
Purchase A/C		440,000
Suspense A/C	1,488,000	
Bank A/C		1,488,000
Suspense A/C	1,960,000	
Sales A/C		1,960,000
Stock A/C	336,000	
Suspense A/C		336,000
Cash A/C	522,720	
Suspense A/C		522,720
Suspense A/C	784,000	
Purchase Ledger Control/Credit		784,000
Purchase A/C	1,100,000	
Suspense A/C		1,100,000
Discount Allowed A/C	75,000	
Suspense A/C		75,000
Suspense A/C	187,000	
Discount Received A/C		187,000

b. KEKELE ENTERPRISE STATEMENT OF ADJUSTED NET PROFIT

	GHS	GHS
Net profit before Adjusted		3,368,000
Add:		
Private Purchase	440,000	
Sales Omitted	1,960,000	
Discount Received	187,000	2,587,000
		5,955,000
Less:		

Insurance Premium		
Inventory Undercast		
Purchase Undercast	600,000	
Discount Allowed	336,000	
Adjusted Profit	1,100,000	
	75,000	2,111,000
		3,844,000

SOLUTION 4

a. KAMA ENTERPRISE
INCOME STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2010

	GHS	GHS	GHS
Sales			490,500
LESS Returns			12,000
			478,500
Opening Inventory		99,000	
Add Purchases	243,750		
Less Returns	17,500	226,250	
		325,250	
Less Closing Inventory		129,500	
Cost of Sales			195,750
Gross Profit			282,750
Add: Discount Received			12,500
Investment Income			27,500
			322,750
Less Expenses:			
Discount Allowed		7,500	
Administrative Expenses (20,000 – 6,000)		20,000	
Employee Benefits		33,000	
Selling Expenses		20000	
Bad Debts		17,500	
Repairs		10,000	
Provision for Doubtful Debts		5,080	
Provision for Depreciation:			
Motor Vehicles	7,250		
Office Equipment	9,000		
Plant	11,500	27,750	140,830
Net Profit			181,920

KAMA ENTERPRISE
STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2010

b.

	COST	DEP	NBV
NON CURRENT ASSETS			
Plant	115,000	49,000	66,000
Office Equipment	90,000	39,000	51,000
Motor Vehicles	72,500	39,750	32,750
	277,500	127,750	149,750
CURRENT ASSETS			
Inventory		129,500	
Account Receivable	159,000		
Less Provision	19,080	139,920	
Prepayment-rent & Rates		6,000	
Cash & Bank (126,750 – 25,000)		101,750	
		377,170	
CURRENT LIABILITIES			
Accounts Payable	51,000		
Accruals	79,000	130,000	
NET CURRENT ASSETS			247,170
NET ASSETS			396,920
FINANCED BY			
Capital			240,000
Net Profit			181,920
Drawings			(25,000)
			396,920

SOLUTION 5

ABC LTD
ADJUSTED CASH BOOK

	GHS		GHS
Interest Received	2,400	Balance b/d	6,000
Dividend received	4,000	Bank Charges	700
Deposit Account	1,000	Undercast of Payment	200
Stale Cheque	500	Balance c/d	1,000
	7,900		7,900
Balance b/d	1,000		

ABC LTD
RECONCILIATION STATEMENT AS AT 30TH JUNE 2011

	GHS
Balance as per adjusted cashbook	1,000
Add: Unpresented cheque (10,000 – 500)	9,500
	10,500
Less: Uncredited cheques (8,000 – 1,200)	9,200
Balance as per bank statement	1,300

c.