

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST AFRICA
ACCOUNTING TECHNICIANS SCHEME, WEST AFRICA
PART I EXAMINATIONS – MARCH 2022
BASIC ACCOUNTING PROCESSES & SYSTEMS

Time Allowed: 3 hours

SECTION A: PART I MULTIPLE-CHOICE QUESTIONS (30 Marks)

ATTEMPT ALL QUESTIONS IN THIS SECTION

Write ONLY the alphabet (A, B, C, D or E) that corresponds to the correct option in each of the following questions/statements.

1. Which of the following is **NOT** the process involved in bookkeeping?
 - A. Classification of business transactions using source documents
 - B. Recording of transactions in appropriate subsidiary books
 - C. Reviewing the source document
 - D. Posting of entries from subsidiary books to the ledger
 - E. Extraction of the Trial Balance
2. Bank as an entity can be classified as a user of accounting information categorised under which of the following
 - A. Equity investor
 - B. Loan creditor
 - C. Customer
 - D. Analyst
 - E. Business contact
3. An entity that restricts the transfer of its shares can be best described as a
 - A. Public company limited by share
 - B. Partnership
 - C. Public company limited by guarantee
 - D. Private company
 - E. Business enterprise
4. The object clause of a registered company is usually contained in its
 - A. Article of association
 - B. Memorandum of association
 - C. Register of members
 - D. Register of directors' shares and debenture
 - E. Minutes of extra ordinary general meeting

5. The concept of accounting that aligned with the postulation of Luca Pacioli in 1494 when originating the principle of accounting is called
- A. Matching concept
 - B. Accrual concept
 - C. Money measurement concept
 - D. Consistency concept
 - E. Duality concept
6. The accounting concept that advocates similar presentation of information from one year to another is called
- A. Matching concept
 - B. Accrual concept
 - C. Money measurement concept
 - D. Consistency concept
 - E. Duality concept
7. Which of the following can be regarded as a fictitious asset
- A. Furniture and fittings
 - B. Fixtures and fittings
 - C. Franchise and copyright
 - D. Plant and machinery
 - E. Computer equipment
8. The residual interest in an entity after the value of all its liabilities have been deducted from the value of all its assets is
- A. Reserves
 - B. Net profit
 - C. Current liabilities
 - D. Current assets
 - E. Equity
9. Assume inventories are bought for ₦15,000 and loss on sale is ₦3,000, the revenue is
- A. ₦10,000
 - B. ₦12,000
 - C. ₦15,000
 - D. ₦17,000
 - E. ₦20,000

10. Assume goods are sold for Le23,000 and profit on sale is Le6,000. How much is total expenses?
- Le10,000
 - Le12,000
 - Le15,000
 - Le17,000
 - Le29,000
11. The following source documents do not contain full information to make recording possible in the book of original entries, **EXCEPT**
- Purchase order
 - Delivery note
 - Credit note
 - Good received note
 - Bin cards
12. The source document issued by employer to the employee showing details of his gross emoluments and deductions is known as
- Payslip
 - Payroll
 - Pay docket
 - Pay envelope
 - Pay ticket
13. A ledger containing details of capital account, drawing accounts, loan account and investment account could be classified as a
- Bought ledger
 - Sales ledger
 - Equity ledger
 - Private ledger
 - General ledger
14. State the correct entry to the transaction: Paid cash into bank account ₦50,000
- Dr Cash ₦50,000(Bank column); Cr Bank ₦50,000 (cash column)
 - Dr Bank ₦50,000(Cash column); Cr Cash ₦50,000 (bank column)
 - Dr Cash ₦50,000(Cash column); Cr Bank ₦50,000 (bank column)
 - Dr Bank ₦50,000 (Bank column); Cr Cash ₦50,000 (cash column)
 - Dr Cash ₦50,000 (Bank column); Cr Bank ₦100,000 (cash column)

15. State the correct entry to the transaction: Soji Limited bought equipment on credit from Bosun Limited ₦75,000
- | | | | | |
|----|------------------|---------|------------------|---------|
| A. | Dr Bosun Ltd | ₦75,000 | Cr Soji Ltd | ₦75,000 |
| B. | Dr Soji Ltd | ₦75,000 | Cr Bosun Ltd | ₦75,000 |
| C. | Dr Equipment a/c | ₦75,000 | Cr Soji Ltd | ₦75,000 |
| D. | Dr Soji Ltd | ₦75,000 | Cr Equipment Ltd | ₦75,000 |
| E. | Dr Equipment a/c | ₦75,000 | Cr Bosun Ltd | ₦75,000 |
16. Which of the following appear on the debit side of Receivable Ledger Control account?
- Cash received on account
 - Discount allowed
 - Irrecoverable debt written off
 - Dishonored bills
 - Bill receivables
17. Which of the followings appear on the credit side of Payable Ledger Control account?
- Cash refund from suppliers
 - Bills payable
 - Discount received
 - Credit notes
 - Return outwards
18. Which of the following is **NOT** the aim of good internal control on cash?
- Prevention of theft of cash
 - Always maintaining equal level of cash position
 - Maintaining proper banking system for cash transaction
 - Keeping optimal level of cash
 - Ensuring issuance of receipt for all cash and cheque received

Use the information to answer Questions 19 to 22

Ashanti Oil operates a bonus scheme. It presents the following information relating to one of its employees (Ayub Kofi) for the month of June 2020:

Standard Time	250 hours
Wage rate per hour	GH¢15
Actual time taken	220 hours

19. What is the amount of bonus payable to Ayub for the month of June 2020 based on Halsey Premium Plan?
- A. GH¢215
 - B. GH¢225
 - C. GH¢330
 - D. GH¢365
 - E. GH¢396
20. What is his total earnings in June based on Halsey plan?
- A. GH¢3,000
 - B. GH¢3,250
 - C. GH¢3,525
 - D. GH¢3,696
 - E. GH¢3,842
21. What is the bonus payable to him using Rowan bonus scheme?
- A. GH¢215
 - B. GH¢225
 - C. GH¢330
 - D. GH¢365
 - E. GH¢396
22. What is his total earnings in June based on Rowan plan?
- A. GH¢3,000
 - B. GH¢3,250
 - C. GH¢3,525
 - D. GH¢3,696
 - E. GH¢3,842
23. Which of the following is **NOT** the reason for dishonouring cheque?
- A. The cheque is not dated
 - B. Insufficient account balance
 - C. The amount in word and figure synchronize
 - D. Irregular signature of signatories
 - E. The cheque has been mutilated

24. When a cheque is payable over the counter only to a specific person whose name is written on it, it is known as
- Order cheque
 - Bearer cheque
 - Open cheque
 - Blanked cheque
 - Confirmatory cheque
25. Which of the following is **NOT** a function of Auto-Teller Machine (ATM)?
- Printing of statements
 - Provisions of account balance
 - Transfer of funds
 - Payment of bills
 - Clearing of cheque
26. From the following information, calculate the subscription to be transferred to Income and Expenditure account of Club Arcade, Accra for the year ended 31 December, 2021.
- | | |
|---------------------------------------|---------|
| | GH¢ |
| Subscription owing as at 1/1/2021 | 50,000 |
| Subscription received during the year | 480,000 |
- Subscription received during the year includes GH¢120,000 in respect of 2022
- GH¢300,000
 - GH¢310,000
 - GH¢380,000
 - GH¢410,000
 - GH¢550,000
27. Which of the following is **NOT** an application package?
- Peachtree
 - Oracle
 - Finacle
 - Writable
 - Globus

28. Given that:

		L\$
Equity	1/1/2019	50,000
Equity	31/12/2019	80,000
Drawings	31/12/2019	6,250
Profit or loss for the year is		

- A. L\$23,750 (profit)
- B. L\$23,750 (loss)
- C. L\$36,250 (profit)
- D. L\$36,250 (loss)
- E. L\$50,000 (profit)

29 A statement of affairs is similar to a (n)

- A. Cash book
- B. Income and expenditure account
- C. Trial balance
- D. Statement of financial position
- E. Statement of comprehensive income

30. The cost of goods sold, given the sales figure as Le750,000, with a mark-up of 20% is

- A. Le500,000
- B. Le550,000
- C. Le600,000
- D. Le625,000
- E. Le650,000

SECTION A: PART TWO SHORT-ANSWER QUESTIONS (20 MARKS)
ANSWER ALL QUESTIONS

Write the correct answer that best competes each of the following questions/statements:

- 1 What system of book keeping was developed by Luca Pacioli?
- 2. A fixed amount of money given to the Petty Cashier to start a petty cash book is referred to as
- 3. The incorporation documents that deals with the regulation of internal affairs of shareholders is called

4. The branch of Accounting that renders services in planning, monitoring and efficiency towards achieving corporate goals is called
5. The global body responsible for the development of International Accounting Standards is referred to as
6. The document that regulates the activities of the partnership business is known as
7. Depreciation of non-current asset is an example of concept.
8. A debit balance in Rent Receivable account represents in the statement of financial position.

Use the following information to answer questions 9 and 10.

An extract from the books of Jeromi Ani Enterprises showed the account of a customer as follows:

Customer's Account			
	₦		₦
Balance b/d	280,000	Balance b/d	36,000
Cash	48,000		
Bank	32,000	Balance c/d	45,000

9. Determine the cash receipt for the period.
10. What is the classification of this type of ledger?
11. The accounting standard used for accounting for Property, Plant and Equipment (PPE) is called
12. The process of identifying and eliminating errors from an excel program is referred to as
13. The fall in the value of Non-current assets as a result of passage of time is known as
14. An item of expenditure that the life time spans more than one accounting period is called

Use the following information to answer questions 15 and 16.

Given the following information about Mr. Nana's pay details for the period.

Standard time allowed	6,000 Hours
Actual hours worked	5,400 Hours
Wage rate per hour	₦400 per hour

15. Calculate the bonus payable to Mr. Nana if he is paid under the Rowan scheme.
16. Determine his gross pay for the period.
17. A trader had Trade Receivables of GMD500,000 at the end of an accounting period and a balance of GMD600,000 at the beginning of the year. Provision for doubtful debts is at the rate of 5% per annum. What is the change in value of the Provision for doubtful debts at the end of current accounting period?
18. In preparing the Statement of profit or loss, interest on Fixed Deposit account is treated as
19. A system of information sharing using several inter-connected computers in different locations of the world is referred to as
20. The Excess of Expenditure over Income in a statement of income and expenditure of a Not-for-Profit Organisation is called

SECTION B: ATTEMPT ANY FOUR QUESTIONS IN THIS SECTION (50 MARKS)

QUESTION 1

At December 31, 2021 the balance on Kunda's receivable Ledger Control account was L\$703,360 (debit). It did not agree with the total balances extracted from the receivable ledger. The following errors have been found:

- (i) The total of the discount allowed column in the cash book has been overstated by L\$8,400.
- (ii) A receipt of L\$36,000 from B. Dalasi, a customer, has been treated as a refund from P. Dalasi, a supplier.
- (iii) An invoice for L\$48,000 sent to Kolloli, a customer, has been entered in the receivable journal as L\$40,800.
- (iv) The total of the receivable journal for December has been understated by L\$24,000.
- (v) Goods with a selling price of L\$23,120 were sent to Tanji, a customer in December, and she has been invoiced for that amount. It has now been

discovered that the goods were sent on sale or return and the customer has not yet indicated whether she will purchase the goods.

- (vi) An invoice for L\$126,400 sent to Bakau, a customer, has been posted correctly in the receivable journal but posted in the customer's account as L\$144,400.

You are required to:

- a. Prepare the Receivable Ledger Control Account showing clearly amendments to the original balance. **(4 Marks)**
 - b. Calculate the total of the balances extracted from the receivable ledger before the errors listed above had been corrected. **(3 Marks)**
 - c. Prepare the journal entries to correct the receivable ledger accounts. Narratives are required. **(5½ Marks)**
- (Total 12½ Marks)**

QUESTION 2

Josephine extracted a trial balance from her ledgers on December 31, 2021. The trial balance totals were ₦4,776,800 (debit) and ₦4,971,200 (credit). She placed the difference in a Suspense account so that she could prepare a draft comprehensive income statement account for the year ended December 31, 2021, and a Statement of financial position as that date.

Josephine found the following errors:

- (i) The debit side of the Telephone account had been overstated by ₦40,000.
- (ii) An invoice sent to Kole for ₦48,000, had been completely omitted from the books.
- (iii) A cheque for ₦24,800 received from Jola and co. had been posted to the debit of their account.
- (iv) The purchase of some office equipment for ₦236,000 had been debited to office expenses account.
- (v) Discounts received ₦18,000 had been posted to the purchase ledger but not to the discounts received account.
- (vi) Rent paid for ₦160,000 had been credited to rent receivable account.
- (vii) A refund of an insurance premium ₦12,000 had been recorded in the cash book but no other entry had been made.
- (viii) A purchase of office stationery ₦44,000 had been debited to purchases account in error.
- (ix) A credit balance of ₦6,000 in the purchase ledger had been omitted from the list of balances extracted from the ledger. The total of the list had been included in the trial balance.
- (x) Goods returned to Dele had been credited to Dele's account and debited to purchases returns account. The goods had cost ₦80,000.

You are required to prepare:

- a. Journal entries to correct errors (i) to (x), with appropriate narrations.
(7½ Marks)
 - b. Suspense account showing the opening balance and the correcting entries.
(5 Marks)
- (Total 12½ Marks)**

QUESTION 3

- a. List **FIVE** fields in each record of file used in purchases ledger sub-system of computer application packages.
(2½ Marks)
 - b. State and explain **FIVE** factors to consider when deciding on which accounting package to use or buy.
(5 Marks)
 - c. Explain **FIVE** disadvantages of application packages.
(5 Marks)
- (Total 12½ Marks)**

QUESTION 4

- a. Explain **FIVE** advantages of Limited Liability Company.
(5 Marks)
 - b. List **SEVEN** books and documents which every company is required to keep under your Company and Allied Matters Act (CAMA) LFN 2004/Company's Act.
(3½ Marks)
 - c. Explain **FOUR** outputs of purchases ledger sub-system of computer application packages.
(4 Marks)
- (Total 12½ Marks)**

QUESTION 5

A limited liability company may be brought into existence when certain processes are undertaken. Enumerate **FIVE** procedures, which bring about the formation of a limited liability company in your country.
(Total Marks 12½)

QUESTION 6

1. The following balances were extracted from the records of Kofi Venture as at 31 May, 2020:

	GH¢
Inventory as at 1 June, 2019:	
Raw Materials	60,000
Work In progress	40,000
Finished Goods	70,000
Indirect Costs	
Variable factory overheads	150,000
Fixed factory overheads	80,000
Purchases of raw materials	400,000
Salaries and Wages	300,000
Rent and Rates	200,000
Heat and lighting	120,000
Other Administrative Expenses:	
Stationery and Postages	30,000
Interest on overdrafts	100,000
Bad debts	220,000
Distribution expenses	180,000
Sales	1,980,000
Plant and Machinery at cost	350,000
Delivery Van at Cost	180,000
Provision for depreciation:	
Plant and Machinery	70,000
Delivery Van at Cost	49,950
Trade Payables	600,000
Drawings	120,000
Trade Receivables	260,000
Delivery van running expenses	50,000
Bank	175,000
Capital	385,050

Additional Information:

- (i) Inventory as at 31 May 2020: Raw Materials GH¢80,000, Work In progress GH¢70,000, Finished Goods GH¢200,000. Allowances for doubtful debt is 10%

- (ii) The direct proportion of salaries and wages is 25%, indirect 45% and the balance is administration.
- (iii) The proportions of non-manufacturing costs of the following costs are: Rent and Rates 25%, Heat and Lighting $33\frac{1}{3}\%$ and the balances are the proportion of the administrative expenses.
- (iv) The factory outputs are transferred to the income statements at $12\frac{1}{2}\%$ margin
- (v) The rate of depreciation: Plant and Machinery 10% on cost and Delivery Van 15% reducing balance

Required:

Prepare the Manufacturing account and Income Statements for the year ended 31 May, 2020.

(Total Marks $12\frac{1}{2}$)

SOLUTION TO QUESTIONS

MULTIPLE-CHOICE QUESTIONS

1. C
2. B
3. D
4. B
5. E
6. D
7. C
8. E
9. B
10. D
11. C
12. A
13. D
14. D
15. E
16. D
17. A
18. B
19. B
20. C
21. E
22. D
23. C
24. A
25. E
26. B
27. D
28. C
29. D

30. D

WORKING NOTES TO MULTIPLE CHOICE QUESTIONS (MCQ)

Q9 Computation of Revenue

$$\text{Revenue} = \text{Profit} + \text{Expenses}$$

$$\begin{aligned}\text{Revenue} &= (\text{N}3,000) + \text{N}15,000 \\ &= \text{N}12,000\end{aligned}$$

Q10 Computation of Expenses

$$\text{Expenses} = \text{Revenue} - \text{Profit}$$

$$\begin{aligned}\text{Expenses} &= \text{N}23,000 - \text{N}6,000 \\ &= \text{N}17,000\end{aligned}$$

Q19. Bonus based on Hasley Premium Scheme

$$\text{Bonus} = 50\% (\text{Time saving} \times \text{Time rate})$$

$$\text{Time saving} = \text{Time allowed} - \text{Time taken}$$

$$\text{Time saving} = 250 - 220 = 30$$

$$\begin{aligned}\text{Bonus} &= 50\% (30 \times \text{GHe } 15) \\ &= \text{GHe } 225\end{aligned}$$

Q20. Total Earning based on Halsey Premium Scheme

$$\begin{aligned}\text{Total Earning} &= (\text{Time taken} \times \text{Time rate}) + \text{Bonus} \\ &= 220 \times \text{GHe } 15 + \text{GHe } 225 \\ &= \text{GHe } 3525\end{aligned}$$

Q21. Bonus based on Rowan Scheme

$$\begin{aligned}\text{Bonus} &= \frac{\text{Timesaving}}{\text{Time allowed}} \times \text{Time taken} \times \text{Time rate} \\ &= \frac{30}{250} \times 220 \times \text{GHe } 15 \\ &= \text{GHe } 396\end{aligned}$$

Q22. Total Earnings based on Rowan Scheme

$$\begin{aligned}\text{Total Earning} &= (\text{Time taken} \times \text{Time rate}) + \text{Bonus} \\ &= (220 \times \text{GHe } 15) + \text{GHe } 396 \\ &= \text{GHe } 3696\end{aligned}$$

Q26

Subscription account

	GHe		GHe
Balance b/d	50,000	Receipt and payment	480,000
Inc & Exp	310,000		
Balance c/d	<u>120,000</u>		
	<u>N480,000</u>		<u>N480,000</u>

Q28. Equity account	Le
Opening equity	50,000
Add profits/loss	<u>36,250</u>
	86,250
Less Drawing	<u>(6,250)</u>
Closing equity	<u>80,000</u>

Q30. Sales Value = Cost of goods + profit

Let cost = 100%

Profit = 20%

Sales = 120%

~~₦~~750,000 = 100% + 20%

Cost = $\frac{\text{₦}750,000}{120\%} \times 100\%$
= ~~₦~~625,000

SHORT-ANSWER QUESTIONS

1. Double entry accounting system
2. Cash float
3. Article of Association
4. Performance Management/Management Accounting
5. International Accounting Standards Board (IASB)
6. Partnership deed/Partnership agreement
7. Prudence
8. An asset/current assets
9. ~~₦~~279,000 (~~₦~~280,000 + 48,000 + 32,000 - 36,000 - 45,000)
10. Personal ledger
11. IAS 16
12. Debugging
13. Depreciation
14. Capital expenditure
15. ~~₦~~216,000
16. ~~₦~~2,376,000
17. Decrease of GMD 5,000
18. Part of operating income/other income/income
19. Internet
20. Deficit

WORKING NOTES

SAQ 15:

Bonus payable = Time saved/Time allowed X Time taken X Time rate

Time saved = 6,000 hours - 5,400 hours = 600 hours

Bonus payable = $600/6,000 \times 5,400 \times \text{N}400 = \underline{\text{N}216,000}$

SAQ 16:

Gross pay = (Time taken X Time rate) + Bonus

Gross pay = $(5,400 \times \text{N}400) + \text{N}216,000 = \text{N}2,160,000 + \text{N}216,000 = \underline{\text{N}2,376,000}$

SAQ 17:

	GMD	GMD
Trade receivable @ beginning of year	<u>600,000</u>	
Allowance for doubtful debts @ 5% Trade receivable @ end of the period	<u>500,000</u>	30,000
Allowance for doubtful debts @ 5%		<u>(25,000)</u>
Decrease in allowance for doubtful debts		<u><u>5,000</u></u>

QUESTION I

a)

KUNDA ADJUSTED TRADE RECEIVABLES LEDGER CONTROL ACCOUNT AS AT DECEMBER 31, 2021

	LS		LS
Bal b/f		Bal c/d	<u>742,960.00</u>
Total discount allowed overstated	703,360.00		
Invoice understated on receivable	8,400.00		
journal	7,200.00		
December understatement error	<u>24,000.00</u>		
	<u>742,960.00</u>		<u>742,960.00</u>
Bal b/d	742,960.00		

(b)

KUNDA TRADE RECEIVABLES LEDGER RECONCILIATION STATEMENT AS AT DECEMBER 31, 2021

LS		LS
Balance as per adjusted trade receivable control a/c	LS	LS
ADD/(DEDUCT):		742,960.00 DR
Receipt from B. Dalasi, treated as a refund from a supplier	36,000	<u>742,960.00</u>
Goods on sale or return basis, wrongly invoiced to Tanji	23,120	
Invoice overstated on Bakau's account	<u>18,000</u>	
December understatement error		<u>77,120</u>
		<u>820,080.00</u> DR
TOTAL LIST OF BALANCES AS PER RECEIVABLE LEDGER		

(c)

KUNDA

NECESSARY JOURNAL ENTRIES

PARTICULARS	DR LS	CR LS
Trade payables – P Dalasi a/c Trade receivables – B. Dalasi a/c Being receipt from a customer, B. Dalasi, wrongly treated as refund from a supplier, P. Dalasi, now corrected	36,000.00	36,000.00
Sales a/c Trade receivables – Tanji a/c Goods on approval a/c Being value of goods on sale or return basis, invoice to Tanji, now corrected	23,120.00	23,120.00
Trade receivables – Tanji a/c Goods on approval a/c Being value of goods on sale or return basis, invoice to Tanji but treated as final sale to him, now corrected	23,120.00	23,120.00
Suspense a/c Trade receivables – Bakau a/c Being invoice of LS126,400 posted to Bakaus' account as LS 144,400, now corrected	18,000.00	18,000.00

QUESTION 2

a) **JOSEPHINE**
CORRECTING JOURNAL ENTRIES FOR THE YEAR ENDED DECEMBER 31, 2021

PARTICULARS	DR N	CR N
Suspense a/c Telephone a/c Being overstatement of the debit side of the telephone account, now <u>Corrected</u>	40,000.0	40,000.00
Trade receivables- Kole a/c Sales a/c Being invoice issued to Kole, completely omitted from the <u>books. now corrected</u>	48,000.00	48,000.00
Suspense a/c Trade receivables- Jola & Co. a/c Being a cheque of N24,800 received from Jola & Co., debited to <u>customers' account in error. now corrected</u>	49,600.00	49,600.00
Office equipment a/c Office expenses a/c Being purchase of some office equipment, debited to office <u>expenses account in error. now reversed</u>	236,000.00	236,000.00
Suspense a/c Discount received a/c <u>Being discount received omitted on discount received account. now recorded</u>	18,000.00	18,000.00
Rent a/c Rent receivable a/c Suspense a/c Being rent payment of N160,000 credited to rent receivable <u>account. now corrected</u>	160,000.00 160,000.00	320,000.00
Suspense a/c Insurance a/c Being refund of insurance premium, omitted on the insurance <u>account. now recorded</u>	12,000.00	12,000.00

Office stationeries a/c	44,000.00	
Purchases a/c		44,000.00
Being purchase of office stationery, debited to purchases account in error, now reversed		
Suspense a/c	6,000.00	
Trade payables control a/c		6,000.00
Being a credit balance of N6,000 in the purchases ledger omitted on the list of balances, now corrected		
Trade payables- Dele a/c	160,000.00	
Purchases returns a/c		160,000.00
Being cost of goods returned to Dele, costing N80,000, debited to purchases returns account and credited to Dele's account, now corrected		

30 ticks @ ¼ = 7½ Marks

b)		Suspense a/c	
	N		N
Bal b/f (Wk 1)	194,400	Rent	160,00
Telephone	40,000	Rent receivable	160,00
Trade receivables- Jola & Co.	49,600		
Discount received	18,000		
Insurance	12,000		
Trade payables control	6,000		
	320,000		320,00

10 ticks @ ½ = 5 Marks

JOSEPHINE WORKING NOTES

Wk 1: Determination of suspense account opening balance

Total credit balances on the trial balance

Total debit balances on the trial balance

4,971,20

(4,776,80

194,400

QUESTION 3

a) *The fields in each record of file used in purchases ledger sub- system of computer application packages include:*

- Account number
- Name
- Address
- Credit details
- Bank details
- Cash discount details
- Details of transactions
- Balance outstanding

b) *The following factors are to be consider when deciding on which accounting package to use or buy:*

- Cost: This includes the cost of software, setting-up and operating the system.
- Flexibility: How easy is it to amend or otherwise update or upgrade.
- Types of processing: What is the input and output medium associated with the package.
- Timing of processing: How fast will the accounting package process data
- Hardware required: This will entails the number of computers required, the network configurations, etc
- Degree of reliability: How reliable are the outputs from the application package, in assisting the information needs of users
- Integration with other systems: How effective will the application package be able to integrate with existing system
- Users processing requirements: Will the application package meets up with users processing needs

c) *The disadvantages of application packages include:*

- Some packages are not brought up-to-date.
- The packages may not be 100% suitable for a particular use, as they may not be fully tailored towards the use
- One may not get experts who will be on ground for immediate assistance in case there are problems
- Inefficiency may be experienced due to inclusion of features that are not particularly relevant in the packages.

- The vendor company that wrote the package may cease to exist. Users will then face the challenge of getting support for and maintaining the software. In some instances the particular packages may have been phased out
- If computer virus or other malicious programs enter the whole data of a system, then packages can be damaged, including the computer system
- The application package may not be compatible with other programs
- Developing application software is highly expensive and may not be within the budget of most organisations.

QUESTION 4

a) *The advantages of Limited Liability Company includes:*

- (i) The liability of the shareholders is limited to the amount they have subscribed to the company's capital if it goes bankrupt.
- (ii) It can raise substantial amount of capital from the numerous shareholders or from financial institutions.
- (iii) The chance of survival is high because the company is controlled and managed by highly skilled professional management team appointed by the Board of Directors who are elected by and answerable to the shareholders.
- (iv) The limited company is a separate legal entity distinct from its members. It can sue and be sued in its name.
- (v) Unless it is wound up, a limited company has perpetual succession so that it is not affected by the death, bankruptcy, mental disorder or retirement of its members.
- (vi) Floating charges can be created by a limited company.
- (vii) Shares in a public company can be transferred without the consent of other members

b) *Books and documents required of every company under the Company and Allied Matters Act (CAMA) LFN 2004, includes:*

- (i) The register of the company's members,
- (ii) The Index of members where they are more than 50,
- (iii) The register of charges registered against the company;
- (iv) Minutes Book (of all General meetings, Directors' meetings and Manager's meetings (if any) including copies of shareholders' resolutions passed,
- (v) Register of Directors' shares' and Debentures
- (vi) The register of directors and secretaries,

- (vii) The register of interest in shares
 - (viii) The Accounting Records
 - (ix) Director's service contracts
- c) *The outputs of purchases ledger sub-system of computer application packages include:*
- (i) Lists of transactions posted – produced every time the system is run;
 - (ii) An analysis of expenditure for nominal ledger purposes. This may be produced every time the system is run or at the end of each month;
 - (iii) Lists of trade payables balances together with a reconciliation between the total balance brought forward, the transactions for the month and total balance carried forward;
 - (iv) Copies of payables accounts.

QUESTION 5

The formation Procedure of a limited liability company in Nigeria are as follows:

- a) The name proposed by the promoter of a company has to be 'searched for' and approved by the Corporate Affairs Commission, which must be utilized within 60 days, otherwise the name has to be revalidated. This is to ensure that the entity's proposed name does not bear resemblance of already existing names and does not cause confusion.'
- b) A limited liability company, private or public, may be brought into existence when the documents enumerated below and appropriate fees are paid to the Registrar, Corporate Affairs Commission:
- c) Incorporation Documents
 - (i) A Memorandum of Association signed by at least two subscribers, dated and witnessed by a Chartered Accountant, Chartered Secretary 'or' a Lawyer facilitating the registration of the Company. Each subscriber must agree to subscribe for at least one share.
 - (ii) A minimum of 25% of the authorized share capital must be taken up at incorporation.
 - (iii) Articles of Association will be similarly signed, dated and witnessed by the Professionals involved in the registration of the Company as mentioned above.

- (iv) A statement of nominal capital (unless the company is to have no share capital) must be stated. Stamp duty varying with the amount of authorized share capital is payable.
 - (v) There is no upper limit to the amount of the authorized share capital, although the minimum is currently N10,000 for a private company while that of a public limited liability company is N500,000 (except in cases of special companies such as, banks and insurance companies).
 - (vi) A statutory declaration by a solicitor engaged in the formation of the company or by one of the persons named as directors or secretary that the requirements of the Companies and Allied Matters Act 2004 in respect of registration have been complied with.
 - (vii) A statement (in the prescribed form) of the particulars of the first directors and secretary and the first address of the company's registered office. The persons named as directors and secretary must sign the form to record their consent to act in the relevant capacity and when the company is incorporated; these persons are automatically appointed.
- d) When the Registrar General, Corporate Affairs Commission is satisfied that all the documents are in order and that the objects specified in the memorandum are lawful, he issues a certificate of incorporation.
- e) The purpose of the memorandum and articles of association is to define the constitution of the company. The memorandum sets out basic elements of the constitution while the articles are mainly internal rules, but of interest to outsiders since they define the powers of the directors to enter into contracts on behalf of the company. The memorandum prevails if there is any inconsistency between it and the articles.
- f) A private company may do business and exercise its borrowing powers from the date of its incorporation but a public company (incorporated as such) may not do business or borrow until it has obtained a trading certificate (not a statutory expression) from the Registrar General.
- g) The memorandum of every company limited by shares must include:
- (i) The company's name, which if the company is limited by shares or by guarantee, should end with the word 'limited'. A limited company may in some circumstances omit the word "limited" from its name. An unlimited company does not end its name with the word "Limited".
 - (ii) The country (not the address) in which the company's registered

office is to be situated. This determines the nationality and the place of domicile of the company which cannot be changed.

- (iii) The objects of the company contained in an “objects clause” which, because of the developments of company law over time, specifying both alternative business activities and express powers to engage in every kind of business which the company might wish to undertake. The objects stated in the opening paragraphs are treated as “main objects” while the others are ancillary to them, unless the contrary is stated.
- (iv) The liability of members: If the company is one limited by guarantee, this is followed by a second clause, which states the maximum amount that each member undertakes to contribute in winding-up to enable the company pays its debts. The authorized share capital (of a company limited by shares) must disclose the amount of the share capital with which the company proposes to be registered and specify shares of stated value into which that amount is divided. For example, the share capital of the company of N100,000 may be divided into 200,000 shares of 50k each. The amount of the authorized share capital may be increased (or reduced) in the manner provided by the articles, usually by passing an ordinary resolution. The authorized share capital is the maximum amount in shares which the company may issue.
- (h) The articles of association deal mainly with the internal conduct of the company’s affairs, e.g. the issue and transfer of its shares, alterations of its capital structure, conduct of general meetings, members voting rights, powers of directors and board meetings, dividends, accounts and notices.
- (i) The articles of association usually delegate the power to allot and issue shares to the directors as one of their management functions. The formal procedure is that the subscriber applies for shares (often in response to an invitation by the company) and the directors accept his offer by deciding at a board meeting to allot shares to him. His name is entered in the register of members, a share certificate is issued and within one month of allotment, a return is submitted to the Registrar General.

QUESTION 6

KOFI VENTURE STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED MAY 31, 2020

	GHc	GHc
Opening inventory- Raw materials		60,000
Purchases of raw materials		<u>400,000</u>
Cost of raw materials available		460,000
Closing inventory- Raw materials		
Cost of raw materials used		380,000
Direct salaries and wages (Wk 1)		75,000
PRIME COST OF PRODUCTION		455,000
<u>FACTORY OVERHEADS:</u>		
Indirect salaries and wages (Wk 1)	135,000	
Factory rent and rates (Wk 2)	50,000	
Factory heat and lighting (Wk 3)	40,000	
Depreciation- Plant and machinery (Wk 4)	35,000	
Variable factory overheads	150,000	
Fixed factory overheads	<u>80,000</u>	490,000
<u>CHANGE IN WORK IN PROGRESS:</u>		
Opening inventory- Work in progress	40,000	
Closing inventory- Work in progress	<u>(70,000)</u>	
COST OF PRODUCTION		915,000
Manufacturing profit (Wk 5)		<u>130,714</u>
MARKET VALUE OF MANUFACTURED		1,045,714
Revenue		1,980,000
<u>COST OF SALES:</u>		
Opening inventory- Finished goods	70,000	
Market value of manufactured goods	<u>1,045,714</u>	
	<u>1,115,714</u>	
Closing inventory- Finished goods	<u>(200,000)</u>	(915,714)
GROSS PROFIT		1,064,286
Manufacturing profit (Wk 5)		<u>130,714</u>
		1,195,000
<u>OPERATING EXPENSES:</u>		
Administrative salaries and wages (Wk 1)	90,000	
Administrative rent and rates (Wk 2)	150,000	
Administrative heat and lighting (Wk 3)	80,000	
Depreciation- Delivery van (Wk 6)	19,508	
Increase in allowance for doubtful debt (Wk	26,000	
Increase in allowance for unrealised profit	25,000	
Stationery and postages	30,000	
Interest on overdrafts	100,000	
Bad debts	220,000	
Distribution expenses	180,000	
Delivery van running expenses	<u>50,000</u>	
NET PROFIT		<u>224,492</u>

Closing inventory of finished goods X Manufacturing Profit
Market value of manufactured goods

KOFI VENTURE

WORKING NOTES

Wk 1: Apportionment of salaries and wages expenses

	GHc
Salaries and wages as per a/c	<u>300,000</u>
<u>Apportioned as follows:</u>	
Direct salaries and wages @ 25% (25% X GHc 300,000)	75,000
Indirect salaries and wages @ 45% (45% X GHc 300,000)	135,000
Admin salaries and wages @ 30% (30% X GHc 300,000)	
	<u>300,000</u>

Wk 2: Apportionment of rent and rates expenses

	GHc
Rent and rates as per a/c	<u>200,000</u>
<u>Apportioned as follows:</u>	
Factory rent and rates @ 25% (25% X GHc 200,000)	50,000
Admin rent and rates @ 75% (75% X GHc 200,000)	
	<u>200,000</u>

Wk 3: Apportionment of heat and lighting expenses

	GHc
Heat and lighting as per a/c	<u>120,000</u>
<u>Apportioned as follows:</u>	
Factory heat and lighting @ 33 1/3% (33 1/3% X GHc 120,000)	
Admin heat and lighting @ 66 2/3% (66 2/3% X GHc 120,000)	

Wk 4: Calculation of depreciation on plant and machinery for the year

Plant and machinery @ cost	<u>350,000</u>
Depreciation @ 10% (10% X GHc 350,000)	<u>35,000</u>

Wk 5: Computation of manufacturing profit

Manufacturing profit margin	12 1/2 %	
If margin is	25/2 x 1/100	
Mark - up is	1/(8-1) 1/7	
Cost of production		<u>915,000</u>
Manufacturing profit (1/7 X GHc 915,000)		<u>130,714</u>

Wk 6: Computation of depreciation on delivery van

Delivery van @ cost	180,000
Accumulated depreciation on delivery van	
Delivery van @ carrying value	<u>130,050</u>
Depreciation @ 15% (15% X GHc 130,050)	<u>19,508</u>

Wk 7: Computation of increase in allowance for doubtful debt

Trade receivables as per a/c	<u>260,000</u>
Allowance for doubtful debt @ 10%	<u>26,000</u>

Wk 8: Computation of increase in allowance for unrealised profit

Allowance for unrealised profit is

GHc 200,000	X	GHc 130,714	
GHc 1,045,714			<u>25,000</u>