WASSCE JUNE 2015 — FINANCIAL ACCOUNTING 2 ESSAY

2015 PAPER 2 THEORY

SECTION A

Question 1

(a) Describe the following:

(i) bank statement; (ii) bank reconciliation statement

(b) Explain five causes of disagreement between the cash book and the bank statement balances.

Question 2

(a) What is a suspense account?

(b) Explain five errors that would not affect the agreement of the Trial balance.

Question 3

(a) State two ratios which fall under the following classification of accounting ratios:

(i) Profitability; (ii) activity; (iii) liquidity; (iv) investment; (v) leverage.

(b) Outline:

(i) three uses of accounting ratios;

(ii) two limitations in the use of accounting ratios.

Question 4

(a) What is a Manufacturing account?

(b) Explain the following terms:

(i) prime cost; (ii) factory overheads;

(iii) work-in-progress;

(iv) Cost of goods transferred; (v) finished goods;

(vi) profit on manufacturing

SECTION B

Question 5

The following balances have been extracted from the books of D. J. Publishers.

	X
January 2014: Sales ledger balance	96,000

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January 2014: Purchases ledger balance	160,000
Purchases journal	1,600,000
Sales journal	4,000,000
Cash and Cheques from customers	2,320,000
Cheques paid to suppliers	1,200,000
Return outwards journal	24,000
Return inwards journal	40,000
Discount allowed	44,800
Discount received	1,680
Bad debts written off	1,200
Customers cheques dishonoured	480
Balance of sales ledger set off against balance in the purchase's ledger	8,000
Petty cash to suppliers	16,000
Bills receivable	1,280
Bills payable	520
Discount allowed now disallowed	240
Service charges added to unpaid accounts	832
Credit notes issued to customers	39,440

Balances at 31st December 2014:

Purchases ledger	24,000Dr
Sales ledger	400,000Cr

You are required to prepare:

(a) Total Debtors Account; (b) Total Creditors Account

Question 6

Babou Social Club was formed on April 1, 2013 with 50 members, each paying an annual subscription of D12.

The following information were extracted from the books of the club on 31st March, 2014:

(i) Amount realised during inauguration - D3,000; expenses on inauguration D1,000.

(ii) All members paid their subscription with the exception of five members who were still owing by 31st March, 2014.

(iii) Gate fees from organized football match were D500 and expenses incurred D300.

(iv) Proceeds from end of the year dance amounted to D4,000 and expenses on dance D2,000.

(v) Honorarium to officers amounted to D520 and sundry expenses D1,120.

(vi) Amount paid for damages to furniture during dance D300.

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You are required to prepare for the year ended 31st March, 2014.

(a) Receipts and Payments Account.

(b) Income and Expenditure Account.

Question 7

Odum, Ltd keeps its books on a single-entry basis, and the following information relates to its business for the year 2014.

	1st January 2014	31st December 2014
	GHc	GHc
Investment	-	1,000
Bills payable	-	300
Creditors	1,750	1,900
Debtors	2,100	3,400
Cash	150	200
Stock	1,000	1,250
Motor car	2,000	2,000
Loan from Nyadu	-	500

In addition, Odum withdrew an amount of GHc500 and introduced GHc200 as additional capital.

(a) You are required to ascertain:

(i) opening capital; (ii) closing capital; (iii) net profit

(b) Prepare the Balance Sheet as at 31st December, 2014.

Question 8

Weah Co. Ltd has authorised capital of $120,000, divided into 100,000 ordinary shares and 20,000 5% preference shares.

Issued and fully paid capital:

	$
Ordinary share capital	80,000
5% Preference share capital	20,000
Land and buildings at cost	68,000
Motor vehicles at cost	30,000
Fixtures and fittings at cost	6,000
Stock	7,000
Debtors	6,300
Bank	2,000
Cash	70
Creditors	900
Call in arrears	2,000

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Provision for doubtful debts	300
Profit for the year ended 31st December 2014	13,570

Additional information:

(i) Provide for depreciation on motor vehicles at 20% and furniture and fittings at 10% per annum.

(ii) The directors decided to:

transfer $3,000 to reserve;

recommend to dividend of 10% on ordinary shares and pay preferences shares dividend.

You are required to prepare:

(a) Appropriation Account/Income Surplus Account for the year ended 31st December, 2014;

(b) Balance Sheet as at that date.

Question 9

The following balances were extracted from the books of Bonjuri, a retailer as at 31st March, 2014.

	Dr (Le)	Cr (Le)
Capital		100,000
Drawings	50,000	
Cash in hand	1,000	
Cash at bank	18,500	
Debtors and creditors	70,000	4,000
Insurance	2,500	
Purchases and sales	535,000	700,000
Stock: 1st April, 2013	50,000	
Electricity	2,000	
General expenses	13,000	
Equipment at cost	15,000	
Provision for depreciation - 1st April, 2013		3,000
Wages and salaries	30,000	
Rent	20,000	
Total	807,000	807,000

Additional information:

(i) Stock on 31st March, 2014 was valued at Le 60,000;

(ii) At 31st March 2014: Le 1,500 was outstanding on insurance; electricity was prepaid by Le 500 and there was a doubtful debt of Le 1,000;

(iii) Depreciation is to be provided on equipment at 10% on Cost.

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You are required to prepare:

(a) Profit and Loss Account for the year ended 31st March, 2014;

(b) Balance Sheet as at that date.

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WASSCE JUNE 2015 — FINANCIAL ACCOUNTING 2 ESSAY (SOLUTIONS)

SECTION A

Question 1

(a)(i) Description of Bank statement:

Bank statement refers to a periodic statement issued to a current account holder by the bank indicating transactions that had been made between the bank and the account holder within a given or specified period of time. In the statement, the inflows and outflows are found on the credit and debit side respectively on the document.

(ii) Bank reconciliation statement:

This refers to a periodic statement prepared to bring into agreement the discrepancies or differences between the cash book and the bank statement balances for a particular or given period of time. In other words, it is a tool used to match an organisation's cash records with its bank statement, indicating deposits in transit, outstanding checks and bank fees.

(b) Causes of Disagreement between the Cash book and the bank statement balances:

1. Transfer: This represents the money received by the bank on behalf of the account holder. The account holder may not be aware of the inflow before the bank statement was issued and such transactions are found on the credit side of the bank statement without a corresponding debit entry in the cash book.
2. Uncredited cheques: These refer to bank lodgements which were yet to be credited prior to when the bank statement was issued to the account holder. Note that these transactions would have been debited in the cash book without a corresponding credit entry in the bank statement.
3. Unpresented cheques: These refer to cheques issued by a current account holder to his creditor or a given beneficiary but which were not presented for payment before the bank statement was issued by the bank to him/her. Hence, the account holder will have these transactions on the credit side of the cash book but there is no corresponding debit entry in the bank statement.

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4. Standing Order: A standing order is an instruction given by the account holder to the banker to pay a certain amount of money on his/her behalf to a specific beneficiary. This type of instruction is usually found on the debit side of the bank statement without a corresponding credit entry in the cash book, where the account holder forgets to capture such transaction. Standing order is also called the banker's order.

5. Bank charges: Bank charges are levies on the services rendered by the bank to the account holder. The charges (levies) are deducted from the balance of the account holder. Consequently, the charges appear on the debit side of the bank statement without a corresponding credit entry in the cash book.

Question 2

(a) Definition of Suspense account:

This is an account where accounting errors affecting the trial balance are posted temporarily pending when such errors are discovered (located) and corrected.

(b) Errors that would not affect the agreement of trial balance:

(i) Error of Omission: This refers to an error where a transaction is completely omitted from the books. Implying that no entries were made at all for such transaction, as if it never existed/occurred.

(ii) Error of Commission: In Error of Commission, double entry was made and the transaction was posted to a wrong account of the same level.

(iii) Error of Principle: This error also occurs when double entry on a transaction is made but an entry is made in the wrong class of account.

(iv) Error of Original entry: In this type of error, the transaction must have been correctly posted to the double entry ledger accounts but with the wrong figure or amount.

(v) Complete reversal of entries: This is noticed when the account to be debited was credited while the account to be credited was debited with the appropriate amount or figures for a given transaction.

(c) Class of Account that would show:

(i) For debit balance = Expenses and Assets

(ii) For credit balance = Revenues, Equity and Liabilities

Question 3

(a) Ratios which fall under the following classifications of Accounting

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ratios:

(i) Profitability = Gross Margin Ratio and Profit Margin Ratio

(ii) Activity = Working Capital Ratio, Asset Turnover Ratio and Accounts Receivable Turnover

(iii) Liquidity = Current Ratio and Acid Test Ratio

(iv) Investment = Return on Investment

(v) Leverage = Debt to Equity Ratio and Debt Ratio

(b)(i) Uses of Accounting Ratios:

1. Accounting ratio gives an insight into the past performance. Hence, it can be used to prepare a forecast.
2. It helps in taking appropriate decisions on both financial and operational structure of the firm.
3. It helps in ascertaining the efficiency of a firm in the usage of fixed asset to generate stakes.

(ii) Limitations in the use of Accounting Ratios:

1. Time factor may prove the fact of an analysis wrong.
2. The changes in price level can make accounting ratio difficult.
3. The analysis is based on past records. Hence, a future projection may not be realistic because it may not be indicated in the past.

Question 4

(a) Definition of Manufacturing Account:

It is an accounting statement that is prepared by a production company to calculate the total cost of producing goods in a factory during a specific period. It reflects the prime cost, manufacturing overheads, the total manufacturing cost as well as the manufacturing gross profit.

(b)(i) Prime Cost: This is the total or basic cost of manufacturing the goods. It considers the total of direct materials, direct labour (factory wages) and direct expenses.

(ii) Factory Overheads: These refer to indirect manufacturing cost which consists of direct raw material cost, direct labour cost, royalty, factory rent, electricity, machine depreciation etc.

(iii) Work-in-Progress (WIP): These are goods which are partly made, but which are not yet completed. The WIP goods are elements of the

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cost of manufactured goods. Adjusted by adding opening WIP and subtracting closing WIP.

(iv) Cost of goods transferred: This refers to the cost of goods sent to the trading section of a manufacturing firm. The provision of this cost enables accountants to ascertain if there is a gross profit or loss on the manufacturing cost of goods produced.

(v) Finished goods: Finished goods refer to raw materials on which production processes have been completed and they are available for sale to the final consumers.

(vi) Profit on Manufacturing: This refers to the positive difference between the cost of goods transferred and the production cost of manufactured goods. Profit on manufacturing is experienced when production cost is less than cost of goods transferred. Hence, it is credited to the Profit or Loss Account.

SECTION B

Question 5

(a) D. J. PUBLISHERS — Total Debtors Account

	N		N
Balance b/f	96,000	Cash and Cheques from customers	2,320,000
Sales Journal	4,000,000	Returns inwards journal	40,000
Customer cheque dishonoured	480	Discount allowed	44,000
Discount disallowed	240	Bad debts written off	1,200
Charges on unpaid accounts	832	Set-off	8,000
Credit notes issued to customers	39,440	Bills receivable	1,280
Balance b/d	400,000	Balance c/d	2,122,512
	4,536,992		4,536,992
Balance b/d	400,000		

(b) Total Credit (Creditors) Account

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	N		N
Cheques paid to suppliers	1,200,000	Balance b/f	160,000
Returns outwards journal	24,000	Purchases journal	1,600,000
Discount received	1,680	Balance c/d	24,000
Set off	8,000		
Petty Cash to supplier	16,000		
Bills payable	2,520		
Balance c/d	531,800		
	1,784,000		1,784,000
		Balance b/d	24,000

Question 6

BABOU SOCIAL CLUB

(a) Receipts and Payments Account for the period ended 31st March 2014

Receipts	D	Payments	D
Inauguration receipts	3,000	Inauguration expenses	1,000
Subscription received from members	540	Gate fee expenses	300
Gate fee proceeds	500	Year end dance expenses	2,000
Year end dance proceeds	4,000	Honorarium to officers	520
		Sundry expenses	1,120
		Furniture repair cost	300
		Balance c/d	2,800
	8,040		8,040
Balance b/d	2,800		

(b) Income and Expenditure Account for the period ended 31st March 2014

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Expenditure	D	Income	D
Inauguration expenses	1,000	Inauguration receipts	3,000
Gate fee expenses	300	Subscription from members	600
Year-end dance expenses	2,000	Gate fee proceeds	500
Honorarium to officers	520	Year-end dance proceeds	4,000
Sundry expenses	1,120		
Furniture repair cost	300		
Surplus of income over expenditure	2,860		
	8,100		8,100

Question 7

ODUM LTD

(a)(i) Opening Capital Statement as at 1st January, 2014

Assets	GHc	Liabilities	GHc
Motor Car	2,000	Creditors	1,750
Investment	-	Bills payable	-
Stock	1,000	Loan from Nyadu	-
Debtors	2,100		(1,750)
Cash	150		
Total	5,250		
Opening Capital			3,500

(ii) Statement of Closing Capital as at 31st December, 2014

Assets	GHc	Liabilities	GHc
Motor Car	2,000	Creditors	1,900
Investment	1,000	Bills payable	300
Stock	1,250	Loan from Nyadu	500
Debtors	3,400		(2,700)
Cash	200		
Total	7,850		

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Closing Capital			5,150

(iii) Statement of Net Profit as at 31st December, 2014

	GHc
Closing capital	5,150
Opening capital	3,500
Add: Additional capital	200
Less Drawings	500
Net profit	1,950

(b) Balance sheet as at 31st December, 2014

	GHc		GHc	GHc
Capital (3,500+200)	3,700	Fixed Assets:		
Net profit	1,950	Motor car		2,000
	5,650	Investment		1,000
Drawings	(500)			
Owners' equity	5,150	Current assets:		
		Stock	1,250	
Loan from Nyadu	500	Debtors	3,400	
		Cash	200	4,850
Current Liabilities:				
Creditors	1,900			
Bills payable	300			
	7,850			7,850

Question 8

WEAH CO. LTD

(a) Appropriation Account/Income Surplus Account for the year ended 31st December, 2014

	$		$
Transfer to reserve	3,000	Net profit	13,570
Final dividend:			
Ordinary shares (10%×80,000)	8,000		

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Preference shares (5%×20,000)	1,000		
Retained profit	1,570		
	13,570		13,570

(b) Balance sheet as at 31st December, 2014

	$	$	Fixed Assets	$	$
Authorised share capital			Land and building		68,000
Ordinary shares	100,000		Motor vehicles	30,000	
5% Preference shares	20,000	120,000	Depreciation (20%×30,000)	(6,000)	24,000
Issued & fully paid			Fixtures and fittings	6,000	
Ordinary shares	80,000		Depreciation (10%×6,000)	(600)	5,400
5% Preference shares	20,000				97,400
Retained profit	1,570		Current Assets		
Reserves	3,000		Stock		7,000
			Debtors	6,300	

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Current liabilities			Provision for doubtful debts	(300)	6,000
Creditors	900		Bank		2,000
			Cash		70
Dividends			Call in arrears		2,000
Ordinary shares	8,000				
Preference shares	1,000	9,000			
		114,470			114,470

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Question 9

BONJURI

(a) Trading, Profit and Loss Account for the year ended 31st March,

2014

	Le	Le		Le
Opening Stock		50,000	Sales	700,000
Purchases		535,000		
Cost of goods available for sale		585,000		
Closing stock		(60,000)		
Cost of sales		525,000		
Gross profit c/d		175,000		
		700,000		700,000
Expenses			Gross profit b/d	175,000
Insurance	2,500			
Add: Outstanding	1,500	4,000		
Electricity	2,000			
Less: Prepayment	500	1,500		
General expenses		13,000		
Wages and salaries		30,000		
Rent		20,000		
Provision for doubtful debt		1,000		
Depreciation:				
Equipment (10%×15,000)		1,500		
Net profit		104,000		
		175,000		175,000

(b) Balance sheet as at 31st December, 2014

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	Le	Le		Le	Le
Capital		100,000	Fixed Assets		
Net profit		104,000	Equipment	15,000	
		204,000	Depreciation (3,000+1,500)	(4,500)	10,500
Drawings		(50,000)			
		154,000	Current Assets		
			Stock		60,000
Current Liabilities			Debtors	70,000	
Creditors		4,000	Provision for doubtful debt	(1,000)	69,000
Outstanding insurance		1,500	Cash in hand		1,000
			Cash at bank		18,500
			Electricity prepaid		500
		159,500			159,500

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WASSCE JUNE 2016 — FINANCIAL ACCOUNTING 2 ESSAY

PAPER 2 THEORY SECTION A

Question 1

(a) What is general journal?

(b) State six uses of the general journal

Question 2

(a) List four items each that are found on the:

(i) credit side of the sales ledger control account;

(ii) debit side of the purchases ledger control account.

(b) List seven types of errors a trial balance will not reveal

Question 3

(a) Outline three distinguishing features of public and private companies

(b) State three rights available to an ordinary shareholder

Question 4

(a) What is depreciation of an asset?

(b) List three causes of depreciation

(c) Explain the following methods of depreciation:

(i) Straight line; (ii) reducing balance; (iii) revaluation.

SECTION B

Question 5

Momoh enterprise cashbook showed a debit balance of Le4,500 on December 31, 2014.

Further examination revealed the following:

(i) A direct debit of Le 350 for subscription had been paid by the bank.

(ii) Bank charges of Le 500 had not been reflected in the cash book.

(iii) Payment settled by standing orders were omitted from the cash book: electricity bill Le 70, insurance Le 100 and medical bill Le 120.

(iv) A dividend of Le 320 paid directly into the bank had not been entered in the cash book.

(v) It was discovered that the cash book balance brought down was undercast by Le 180.

(vi) Cheques amounting to Le 4,800 issued for payment had not been presented for payment.

(vii) Cheques amounting to Le 1,990 paid into the bank had not yet been credited.

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You are required to prepare:

(a) The revised cash book;

(b) Bank reconciliation statement as at December 31, 2014

Question 6

The following is the Receipt and Payments Account of Kayode Social Club for the year ended 31st December, 2014.

Receipts and Payments Account for the year ended 31st December, 2014

Receipts	**N**		**Payments**	**N**
Cash in hand 1/1/2014	500		Purchase of sports equipment	1,800
Cash at bank 1/1/2014	1,000		Repairs	1,500
Subscriptions:			Salaries	1,700
2013	1,200		Insurance	1,000
2014	4,000		Show expenses	3,200
2015	2,300	7,500	Transport expenses	500
Donations		2,000	Secretarial expenses	300
End-of-year show		15,000	Purchase of furniture	3,000
Transfer from deposit account		3,000	Balance c/d	16,000
		29,000		29,000

Additional information:

(i) Equipment was valued at N3,250 and furniture N1,550

(ii) Depreciation to be provided as follows: Equipment N505; Furniture N55

(iii) The following expenses were outstanding: Salaries N300; Transport N100; Repairs N250

(iv) Subscriptions owing by members were as follows: 31st December, 2013 N1,200; 31st December, 2014 N2,100

(v) The balance in the bank deposit account at 31st December, 2013 was N3,000.

You are required to prepare:

(a) Statement of affairs as at 31st December, 2013

(b) Subscriptions account for the year ended 31st December, 2014

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(c) Income and Expenditure account for the year ended 31st December, 2014.

Question 7

The following balances were extracted from the books of Ogba Enterprise on December 31, 2014.

	N
Capital	315,200
Purchases	259,800
Sales	184,700
Carriage inwards	17,410
Premises at cost	215,000
Equipment at cost	198,000
Trade debtors	76,800
Bank overdraft	63,509
Trade creditors	64,820
Cash in hand	13,100
Stock (January 1, 2014)	27,680
Salaries and wages	56,700
Provision for doubtful debts	13,000
Discount allowed	11,150
Drawings	70,000
Discount received	22,800
Electricity	29,229
General expenses	37,060
Rent	43,000
9% Debentures	100,000
Return Inwards	24,500
Return Outwards	16,000

Additional information:

(i) Stock in trade at December 31, 2014 was N29,400;

(ii) Provision for doubtful debts to remain at 8% of debtors;

(iii) General expenses owing totalled N12,860;

(iv) Rent prepaid N19,500;

(v) Depreciation is to be provided as follows:

Premises 12½% on cost

Equipment 10% on cost

You are required to prepare: (text cut off in the photo at this point — please check this against your original)

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Question 8

The following information relates to the books of accounts of Adam Ltd.

Trading and Profit and Loss Account for the year ended 31st December, 2014

	GHc	GHc		GHc
Opening Stock	20,000		Sales	240,000
Add Purchases	160,000			
	180,000			
Less closing stock	(36,000)			
Cost of goods sold		144,000		
Gross profit c/d		96,000		
		240,000		240,000
Selling and distribution Expenses		73,200	Gross profit b/d	96,000
Administrative expenses		14,800		
Net profit		8,000		
		96,000		96,000

(b) Balance Sheet as at that date.

Balance Sheet as at 31st December 2014

	GHc	GHc		GHc	GHc
Share Capital			Fixed assets at cost	125,000	
Ordinary Shares	100,000		Less Depreciation	(25,000)	100,000
Preference Shares	10,000				
General reserve	24,000		Current Assets		
Profit and loss Account	8,000		Stock	36,000	
			Debtors	39,000	
Current Liabilities			Cash and Bank	7,000	82,000
Trade creditors	28,000				
Accruals	12,000	40,000			

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Discount allowed		1,500			
		182,000			182,000

(Note: some figures in this account are difficult to make out clearly from the photo — please check these against your original.)

Question 9

The following information was extracted from the books of Dauda Manufacturing Company for the year ended 31st December, 2012:

Stock of goods – 1st January, 2012:

	D
Raw materials	8,000
Finished goods	28,000
Work-in-progress	2,000
Purchases of raw materials	40,000
Carriage inwards	1,000
Manufacturing wages	100,000
Sales	390,000
Rent	60,000
Factory expenses	50,000
Royalties	1,500

Stock of goods – 31st December, 2012:

	D
Raw materials	6,000
Finished goods	26,000
Work-in-progress	1,300

Depreciation:

	D
Machinery	7,500
Delivery van	1,280
Selling expenses	3,000

Additional information:

(i) Factory expenses prepaid amounted to D5,000;

(ii) Selling expenses accrued was D2,500;

(iii) Rent is apportioned between factory and selling department in the ratio 5:3.

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You are required to prepare:

Manufacturing, Trading and Profit and Loss Account for the year ended 31st December, 2012.

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ANSWERS/SOLUTIONS TO WASSCE JUNE 2016
FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A

QUESTION 1

(a) Definition of General Journal: The general journal is a prime book of account that is used in recording business transactions into accounting systems. In other words, it is a chronological record of a company's financial transactions, acting as the primary book of original entry where debits and credits are first logged. A general journal captures the date, affected accounts, corresponding monetary amounts and a brief explanation for each item contained therein.

(b) Uses of the general journal:

(i) It is used to record unusual and non-frequent business transactions.

(ii) It is used to record transactions on purchase of a business.

(iii) It is used to correct entries for errors in the books of account.

(iv) It is used to record opening entries of transactions.

(v) It is used to record adjustments and closing entries of transactions.

(vi) It indicates how accounting entries will appear in various ledger accounts.

QUESTION 2

(a) Items found on the credit side of the Sales Ledger Control Account:

Discount allowed

Returns inwards

Bad debts

Cash received from debtors

(b) Errors that the Trial Balance will not reveal:

(i) Error of commission

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(ii) Error of omission

(iii) Error of transposition

(iv) Error of compensation

(v) Error of original entry

(vi) Error of principle

(vii) Error of complete reversal of entry

QUESTION 3

(a) Distinguishing features between private and public companies:

	Private companies	**Public companies**
(i)	The minimum number of members is two.	The minimum number of members is seven.
(ii)	The Articles of Association restrict the transfers of shares.	There is no restriction of shares.
(iii)	They are not listed on the Stock Exchange Market.	They are listed on the Stock Exchange Market.

(b) Rights of an ordinary shareholder:

(i) The right to receive dividends.

(ii) The right to receive parts of the bank in the case of its liquidation.

(iii) The right to vote at the Annual General Meetings.

QUESTION 4

(a) Meaning of depreciation of an asset: Depreciation of an asset refers to the reduction in the historical cost of a depreciable asset over the expected useful life of same.

(b) Causes of depreciation:

(i) Passage of time

(ii) Wear and tear of assets

(iii) Obsolescence (no longer in use)

(c) Explanation of methods of depreciation:

(i) Straight line method: This is a depreciation method that spreads the historical cost less the scrap value of a depreciable asset over the economic useful life. Consequently, the monthly depreciation is calculated as the historical cost while the scrap value considers the number of useful years.

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(ii) Reducing balance method (diminishing balance method): This method charges a higher depreciation rate in the earlier years of an asset. It ascertains an annual depreciation rate which is applied to the net book value of the asset.

(iii) Revaluation method: This method ascertains the value of an asset at the end of the financial period. The difference between the real value of an asset at the beginning and the close of the financial year is charged out as depreciation for the period.

SECTION B

QUESTION 5: MOMOH ENTERPRISE

Revised Cash Book

Debit	**Le**	**Credit**	**Le**
Balance b/f	4,500	Subscription	350
Dividend	320	Bank charges	500
Opening balance undercast	180	Electric bill	70
		Insurance	100
		Medical bill	120
		Balance c/d	3,860
	5,000		5,000
Balance b/d	3,860		

Bank reconciliation statement as at December 31, 2014

	Le
Balance as per cash book	3,860
Add: Unpresented cheque	4,800
	8,660
Less: Uncredited cheque	(1,990)
Balance as per bank statement	6,670

QUESTION 6: KAYODE SOCIAL CLUB

Statement of affairs as at 31st December, 2013

Accumulated fund 9,500

Assets	
Fixed assets: Equipment	3,250
Furniture	1,550
	4,800
Current assets: Subscription owed	1,200
Bank	3,000

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Cash	500
	9,500

Subscription account for the year ended 31st December 2014

Debit		**Credit**	
Balance b/f	1,200	Subscription received	7,500
Income & Exp	6,100	Balance c/d	2,100
Balance c/d	2,300		
	9,600		9,600

Income and expenditure account for the year ended 31st December 2014

Expenditure		**Income**	
Repairs (1500 + 250)	1,750	Subscription	6,100
Salaries (1700 + 300)	2,000	Donations	2,000
Insurance	1,000	End of year show	15,000
Show expenses	3,200		
Transport expenses (500 + 100)	600		
Secretarial expenses	300		
Depreciation: Equipment	505		
Depreciation: Furniture	55		
Surplus	13,690		
	23,100		23,100

QUESTION 7: OGBA ENTERPRISES

Trading, profit & loss account for the year ended 31st December, 2014

Sales		484,700
Returns inwards		(24,500)
		460,200
Cost of sales		
Opening stock	27,680	
Purchases	259,800	
Returns outwards	(16,000)	
Carriage inwards	17,410	
	261,210	
Cost of goods available for sale	288,890	
Closing stock	(29,400)	(259,490)

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Gross profit		200,710
Discount received		22,800
		223,510
Expenses		
Salaries & wages	56,700	
Provision for doubtful debt (8% × 76,800)	6,144	
Discount allowed	11,450	
Electricity	29,229	
General expenses (37,060 + 12,860)	49,920	
Rent (43,000 – 19,500)	23,500	
Depreciation: Premises (12.5% × 215,000)	26,875	
Depreciation: Equipment (10% × 198,000)	19,800	(223,618)
Net loss		(108)

Balance sheet as at 31st December, 2014

Fixed assets	**Cost**	**Depreciation**	**NBV**
Premises	215,000	(26,875)	188,125
Equipment	198,000	(19,800)	178,200
	413,000	(46,675)	366,325

Current assets		
Stock		29,400
Debtors	76,800	
Provision for doubtful debts	(19,144)	57,656
Cash in hand		13,400
Rent prepaid		19,500
		119,956
		486,281

Financed by		
Capital		315,200
Net loss		(108)
Drawings		(70,000)
		245,092
9% Debenture		100,000
Current liabilities		
Trade creditors	64,820	
Bank overdraft	63,509	
General expenses owed	12,860	141,189
		486,281

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QUESTION 8: ADOM LTD

(a) Gross profit percentage = Gross profit/Sales × 100

= 96,000/240,000 × 100 = 40%

(b) Net profit percentage = Net profit/Sales × 100

= 8,000/240,000 × 100 = 3%

(c) Return on capital employed = Net profit/Capital employed × 100

= 8,000/142,000 × 100 = 6%

(d) Current ratio = Current assets/Current liabilities

= 82,000/40,000 = 2.05:1

(e) Liquid (acid test) ratio = (Current assets − stock)/Current liabilities

= 46,000/40,000 = 1.15:1

(f) Rate of stock turnover = Cost of sales/Average stock

= 140,000/[(20,000 + 36,000)/2] = 5:1

(g) Working capital = Current assets − Current liabilities

= 82,000 − 40,000 = 42,000

(h) Shareholders' fund = Capital + Reserves

= 100,000 + 10,000 + 24,000 + 8,000 = 142,000

(i) Liquid assets = Current assets − stock

= 82,000 − 36,000 = 46,000

QUESTION 9: DAUDA MANUFACTURING COMPANY

Manufacturing, Trading and Profit and Loss Account for the year ended 31st December, 2012

	D	D
Opening stock (raw materials)		8,000
Purchases of raw materials	40,000	
Carriage inwards	1,000	41,000
Cost of raw materials available for production		49,000
Closing stock (raw materials)		(6,000)
Cost of raw materials consumed		43,000
Manufacturing wages		100,000
Royalties		1,500
Prime cost		144,500
Factory overheads		
Rent (5/8 × 50,000)	31,250	
Factory expenses (60,000 – 5,000)	55,000	

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Depreciation of machinery	**7,500**	**93,750**
		238,250
Opening stock (WIP)		2,000
		240,250
Closing stock (WIP)		(1,500)
Production cost		238,750
Sales		390,000
Cost of sales		
Opening stock (finished goods)	28,000	
Production cost	238,750	
Closing stock (finished goods)	(26,000)	(240,750)
Trading gross profit		149,250
Expenses		
Rent (3/8 × 50,000)	18,750	
Selling expenses (3,000 + 2,500)	5,500	
Depreciation of delivery van	1,280	
Discount allowed	1,500	(27,030)
Net profit		122,220

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WASSCE JUNE 2017
FINANCIAL ACCOUNTING 2 (ESSAY) PAPER 2 THEORY

SECTION A

1.(a) What is a source document?

(b) List six types of source documents.

(c) State three uses of subsidiary books.

2.(a) What is a Bank Reconciliation Statement?

(b) State three reasons for preparing a bank reconciliation statement.

(c) Explain the following terms:

(i) unpresented cheques;

(ii) standing order;

(iii) credit transfer.

3.(a) Explain the following terms used in not-for-profit making organizations:

(i) Accumulated fund;

(ii) Subscription in arrears;

(iii) Receipts and Payment Accounts;

(iv) Income and Expenditure Accounts;

(v) Entrance fees.

(b) Distinguish between shares and debentures.

4.(a) List the four main groups of accounting ratios.

(b) Identify the accounting ratio which relates to each of the following statements:

(i) a return of GH¢10 net profit for every GH¢100 invested;

(ii) goods are held on the average for a period of one month before they are sold;

(iii) trade debtors on the average take a period of 33 days to settle their debts;

(iv) trade creditors on the average are paid within 44 days for credit purchases;

(v) gross profit of GH¢40 is made on every GH¢100 of net sales;

(vi) current assets is three times that of current liabilities;

(vii) liquid assets is twice that of current liabilities;

(viii) for every GH¢100 net turnover, GH¢17 is made after deducting

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operational expenses;

(ix) profit covers interest payments 9 times.

SECTION B

5. The trial balance of Deba Duwe Enterprise failed to agree. The difference was entered in the suspense account.

The following errors were later detected:

(i) A sum of $1000 received from Salako has not been posted to his account.

(ii) The sales day books was undercast by $560.

(iii) Return outwards books was overcast by $140.

(iv) Discount received, $140 from Damilola had been correctly entered in the cash book but not posted to Damilola's account.

(v) Goods worth $750 returned to a supplier was recorded in his personal account as $570.

(vi) Discount allowed was overcast by $310.

(vii) Discount received column in the cash book has been overcast by $400.

You are required to prepare:

(a) Journal entries to correct the errors;

(b) Suspense Account.

6. Idayah Limited is a manufacturing company. The following balances were extracted from its records on 31st December, 2014.

	Le
STOCK ON 01/01/2014	
Raw materials	56,000
Work-in-progress	60,000
Finished goods	80,000
Purchases of raw materials	150,000
Carriage of raw materials	7,500
Manufacturing wages paid	16,500
Factory wages accrued	4,000
Direct factory expenses	11,400
Fuel for factory equipment	15,000
Depreciation of factory equipment	12,000
Sales of finished goods	500,000
Carriage outwards	7,600

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General office expenses	3,800
Office salaries	19,200
STOCK 31/12/2014	
Raw materials	40,000
Work-in-progress	64,000
Finished goods	72,000

Additional information:

Goods manufactured were transferred to sales department at cost plus 10%. You are required to prepare the Manufacturing, Trading and Profit and Loss Account for the year ended 31st December, 2014.

7. Dauda, a retailer, does not keep proper books of account.

The following were balances in his books on January 1, 2013.

	D
Premises	70,000
Equipment	8,200
Vehicles	5,100
Inventory	9,500
Accounts receivable	150
Bank	1,400

The summary of his bank statement for the twelve months period from 1st January, 2013 to 31st December, 2013 is as follows:

	D
Money paid to the bank:	
Shop takings	96,500
Received from debtors	1,400
Additional capital	8,000
Payments made by cheque:	
Inventory purchased	70,500
Delivery van	6,200
Maintenance of vehicle	1,020
Electricity and water	910
Store boys' wages	5,260
Miscellaneous expenses	962

Additional information:

(i) Dauda paid all shop takings for the year into the bank apart from monthly drawings of D500 and miscellaneous expenses D408.

(ii) He was owing D7,600 to suppliers for inventory bought.

(iii) The accounts receivable is to be treated as bad debts.

(iv) Inventory was valued at D13,620.

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(v) Depreciation for the year was calculated as D720 for equipment and D1,000 for vehicles.

You are required to prepare:

(a) Statement of Affairs as at 01/01/2013;

(b) Income Statement for the year ended 31st December, 2013; and

(c) Bank Account.

8. Govu, Tuga and Kano are partners engaged in retail business, sharing profits and losses in the ratio 2:1:2 respectively.

The following are the details of the extracts from their books as at 31st January, 2013.

	Govu (GH¢)	Tuga (GH¢)	Kano (GH¢)
Capital	50,000	45,000	60,000
Current Account	20,800	(5,000)	8,500

Additional information:

(i) The firm's sundry assets were valued at GH¢431,000.

(ii) The firm was cash strapped and on 01/07/2013, Tuga advanced a loan of GH¢100,000 to the partnership at the rate of 5% per annum. Interest was payable six monthly and was to be credited to his account.

(iii) Govu and Kano were to receive salaries GH¢25,000 per annum each.

(iv) The profit for the partnership before charging loan interest was GH¢158,000 for the year ended 31st December, 2013. The loan was not repayable until after the year 2016.

You are required to prepare:

(a) Profit and loss and Appropriation Account for the year ended 31st December, 2013;

(b) Partners' Current Accounts in a columnar form.

9. The following balances were extracted from the books of Emeka Company Limited for the year ended 31 December, 2016.

Department	Amount (N)
Sales: Cloth	68,000
Dress	54,000
Shoes	41,000
Purchases: Cloth	44,800
Dress	37,060
Shoes	29,060
Electricity and water	3,570

Sales expenses	1,956
Commission paid	3,260
Printing and stationery	750
Wages and salaries	27,000
Miscellaneous expenses	6,900
Inventory 01:01:16: Cloth	12,410
Dress	9,550
Shoes	7,750
Inventory 31:12:16: Cloth	10,540
Dress	7,350
Shoes	8,280

Additional information:

Expenses are to be apportioned between departments as follows:

(i) Sales expenses and commission in proportion to sales;

(ii) Printing and stationery, wages and salaries in the proportion 6:4:5 respectively;

(iii) Other expenses equally.

You are required to prepare a Departmental Trading and Profit and Loss Account for the year ended 31 December, 2016.

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ANSWERS/SOLUTIONS TO WASSCE JUNE 2017
FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A

QUESTION 1

(a) Definition of source document: A source document is the original record containing the details to authenticate a transaction entered in an accounting system.

(b) Types of source documents:

Receipts

Vouchers

Cheques

Pay slip

Invoice

Purchase order

(c) Uses of subsidiary books:

Subsidiary books are used to record purchase and sale of assets.

They are used to record purchase and sale of goods.

They are used to correct errors in the books of account.

They are used to record all cash and bank receipts and payments.

They are used to record all items returned by customers.

They can be used to record unique or residual events like asset sales on credit or error corrections.

QUESTION 2

(a) Definition of a bank reconciliation statement: This is a periodic statement prepared to bring out the discrepancies or differences between the cash book and the bank statement balances for a specified period of time.

(b) Reasons for preparing the bank reconciliation statement:

To detect bank errors.

To detect errors from the cash book.

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To identify the differences and balances between the cash book and bank statement.

To detect transactions that are missing from the cash book.

(c)(i) Unpresented cheques: These refer to cheques issued by a current account holder to his creditor or a given beneficiary but which were not presented for payment before the bank statement issued by the bank to him/her. This implies that these transactions will be recorded on the credit side of the cash book of the account holder but there would be no corresponding debit entry in the bank statement.

(ii) Standing order: This is an instruction given by the account holder to the banker to pay a certain amount on his behalf to a specific beneficiary. This form of transaction is usually stated on the debit side of the bank statement without a corresponding credit entry in the cash book, where the account holder may not remember to capture such transaction.

(iii) Credit transfer: Credit transfer is the money received by the bank on behalf of the account holder. In this case, the account holder may not be aware of the inflow before the bank statement is issued. Such transactions are found on the credit side of the bank statement without a corresponding debit entry in the cash book.

QUESTION 3

(a)(i) Accumulated fund in non-profit making firms: Accumulated fund refers to the capital fund of a non-profit making firm. The opening accumulated fund is ascertained or viewed as the excess of total assets over total liabilities. Hence, the surplus or deficit made by the non-profit firm within a specified period increases or decreases the initial accumulated fund.

(ii) Subscription in arrears: This refers to the sum of money due from members of a non-profit organisation for a given year but are yet to be received as at the end of the year. It should be noted that such membership subscriptions are grouped as current assets in the books of the organisation.

(iii) Receipts and Payments Accounts: These resemble the cash book of a trading business because it records all the inflows and outflows of the non-profit making organisation. In the receipts and payments accounts, entries such as sale proceeds on tickets, expenses, sale of assets, donations, subscription received etc. are made.

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(iv) Income and Expenditure Accounts: This is a nominal account record which resembles the Profit and Loss Account record in a trading firm. It is prepared to record the revenue receipts and expenditures of the non-profit making organisation so as to ascertain the surplus or deficit for the period.

(v) Entrance fees: These refer to ticket fees received from members in respect of various or special events organised by the non-profit making firm. In fact, entrance fee is one of the major sources of income to the organisation.

(b) Differences between shares and debentures:

	Shares	**Debentures**
i	Shares are owned by shareholders.	Debentures are owned by debenture holders; interest as returns.
ii	They are not backed up with security.	Debentures have security.
iii	Shares are units of ownership of a company or firm.	Debentures are the indebtedness of a company or firm.

QUESTION 4

(a) Main groups of accounting ratios:

(i) Investment ratios, such as Return on Investment.

(ii) Profitability ratios, which include Gross Margin Ratio and Profit Margin Ratio.

(iii) Activity ratios, which include Accounts Receivable Turnover, Working Capital Ratio as well as Asset Turnover Ratio.

(iv) Liquidity ratios, such as Current Ratio and Acid Test Ratio.

(b) Accounting ratios relating to:

(i) A return of GH¢10 net profit for every GH¢100 invested = Return on Investment ratio

(ii) Goods are held on the average for a period of one month before sales = Debtors Turnover Ratio

(iii) Trade debtors on the average take a period of 33 days before settlement = Debt Collection ratio

(iv) Trade creditors on the average are paid within 44 days for credit purchases = Creditors Turnover ratio

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(v) Gross profit of GH¢40 is made on every GH¢100 of net sales = Gross Profit Margin ratio

(vi) Current asset is three times that of current liabilities = Current ratio

(vii) Liquid asset is twice that of current liability = Liquidity ratio (Acid Test ratio)

(viii) For every GH¢100 net turnover, GH¢17 is made after deducting operational expenses = Net Profit ratio

(ix) Profit covers interest payment nine times = Interest Cover ratio

SECTION B

QUESTION 5

Journal entries

Account	Dr ($)	Cr ($)
Suspense Account	1,000	
Debtors (Salako) Account		1,000
Being error of omission from Salako's account		
Debtors Account	560	
Suspense Account		560
Being an error of undercast of sales day book		
Suspense Account	140	
Returns Outwards Account		140
Being correction of error of overcast of returns outwards		
Debtors (Damilola) Account	410	
Suspense Account		410
Being an error of partial entry		
Creditor Account	180	
Suspense Account		180
Being an error of partial entry		
Suspense Account	310	
Discount Allowed Account		310
Being an error of overcast		
Suspense Account	400	
Cash Account		400
Being an error of overcast		

Suspense Account

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Debit	$	Credit	$
Opening balance (trial balance difference)	100	Debtors	560
Debtors (Salako)	1,000	Creditor (Damilola)	410
Returns outward	140	Creditors	180
Discount allowed	310	Discount received	400
	1,550		1,550

QUESTION 6: IDAYAH LIMITED

Manufacturing, Trading and Profit and Loss Account for the year ended 31st December, 2014

	Le	Le
Opening stock of raw materials		56,000
Purchases of raw materials	150,000	
Carriage on raw materials	7,500	157,500
Cost of materials available for production		213,500
Closing stock of raw materials		(40,000)
Cost of materials used for production		173,500
Direct cost		
Manufacturing wages	16,500	
Direct factory expenses	11,400	27,900
Prime cost		201,400
Factory overheads		
Factory wages	4,000	
Fuel for factory equipment	15,000	
Depreciation of factory equipment	12,000	31,000
		232,400
Opening stock of work-in-progress		60,000
		292,400
Closing stock of work-in-progress		(64,000)
Production cost		228,400
Manufacturing gross profit (at 10%)		22,840
Market value of goods transferred to sales		251,240
Sales		500,000
Cost of sales		
Opening stock of finished goods	80,000	
Market value of goods transferred	251,240	
	331,240	

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Closing stock of finished goods	(72,000)	(259,240)
Trading gross profit		240,760
Manufacturing gross profit		22,840
Expenses		
Carriage outwards	7,600	
General office expenses	3,800	
Office salaries	19,200	(30,600)
Net profit		233,000

QUESTION 7: DAUDA

(a) Statement of Affairs as at 01/01/13

	D	D
Fixed assets		
Premises	70,000	
Equipment	8,200	
Vehicles	5,100	83,300
Current assets		
Inventory	9,500	
Accounts receivable	150	
Bank	1,400	11,050
		94,350
Accumulated fund		94,350

(b) Income Statement for the year ended 31 December, 2013

	D	D
Shop takings (96,500 + 6,000 + 408)		102,908
Cost of sales		
Opening inventory	9,500	
Purchases	70,500	
	80,000	
Closing inventory	(13,620)	(66,380)
Gross profit		36,528
Expenses		
Maintenance of vehicle	1,020	
Electricity and water	940	
Store boy wages	5,260	
Receivable written off	150	
Depreciation: Equipment	720	
Depreciation: Vehicles	1,000	(10,460)
Net profit		26,068

(c) Bank Account

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Debit	D	Credit	D
Balance b/f	1,400	Inventory	70,500
Shop takings	102,908	Delivery van	6,200
Debtors	1,400	Maintenance of vehicle	1,020
Additional capital	8,000	Electricity and water	940
		Store boy wages	5,260
		Miscellaneous expenses	1,370
		Drawings	6,000
		Balance c/d	22,418
	113,708		113,708

QUESTION 8: GOVU, TUGA & KANO

(a) Profit and Loss and Appropriation Account for the year ended

31st December, 2013

	GH¢	GH¢
Net profit		158,000
Salaries		
Govu	25,000	
Kano	25,000	
Interest on loan		
Tuga (5% × 100,000 × 6/12)	2,500	
Share of profit		
Govu (2/5 × 105,500)	42,200	
Tuga (1/5 × 105,500)	21,100	
Kano (2/5 × 105,500)	42,200	
	158,000	158,000

(b) Partners' Current Accounts

Debit	Govu	Tuga	Kano
Balance b/d	20,800	–	8,500
Balance c/d	46,400	28,600	58,700
	67,200	28,600	67,200
Credit	Govu	Tuga	Kano
Balance b/d	–	5,000	–
Salaries	25,000	–	25,000
Interest on loan	–	2,500	–
Share of profit	42,200	21,100	42,200
	67,200	28,600	67,200
Balance b/d	46,400	28,600	58,700

QUESTION 9: DEPARTMENTAL ACCOUNTS

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Departmental Trading and Profit and Loss Account for the year ended 31 December, 2016

	Cloth (N)	Dress (N)	Shoes (N)
Sales	68,000	54,000	41,000
Cost of sales			
Opening inventory	12,410	9,550	7,750
Purchases	44,800	37,060	29,060
	57,210	46,610	36,810
Closing inventory	(10,540)	(7,350)	(8,280)
	(46,670)	(39,260)	(28,530)
Gross profit	21,330	14,740	12,470
Expenses			
Electricity and water	1,190	1,190	1,190
Sales expenses	816	648	492
Commission	1,360	1,080	820
Printing and stationery	300	200	250
Wages and salaries	10,800	7,200	9,000
Miscellaneous	2,300	2,300	2,300
	(16,766)	(12,618)	(14,052)
Net profit/(loss)	4,564	2,122	(1,582)

Note: basis of apportioning expenses

Expense	Basis
Electricity and water	Equally
Miscellaneous expenses	Equally
Sales expenses	Sales
Commission	Sales
Printing and stationery	Ratio 6:4:5
Wages and salaries	Ratio 6:4:6

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WASSCE JUNE 2018

FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A

1.(a) Mention three disadvantages to a business that does not keep proper accounting records.

(b) Explain the following characteristics of accounting information:

I. Relevance

II. Comparability

III. Consistency

IV. Reliability

(c) State two limitations in the use of accounting information for business decision making.

2.(a) Explain with examples, the following components of cost in a Manufacturing Account:

i. Direct material cost

ii. Direct Labour cost

iii. Factory overhead

(b) Describe the three types of stocks in a manufacturing concern.

3.(a) Which business organisation have the need to prepare departmental accounts?

(b) State two reasons for preparing departmental accounts.

(c) State how the following incomes and expenses are apportioned in departmental accounts:

i. discount allowed

ii. discount received

iii. rent and rates

iv. staff related costs

v. depreciation

vi. canteen expenses

vii. electricity

viii. advertising

ix. bad debts

4.(a) List SIX users of accounting information.

(b) State the formula and the use of each of the following accounting

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ratios:

(i) Quick ratio

(ii) Net profit margin

(iii) Total assets turnover

(iv) Creditors payment period (in days)

SECTION B: FINANCIAL ACCOUNTING PRACTICE

5. Baako Ltd purchased motor vehicle as follows:

Date	Quantity	GHc
01/01/12	1	500,000
01/07/13	1	400,000
01/04/15	1	600,000

The company adopts a straight line method of depreciation at the rate of 10% per annum from the date of purchase. A separate account is prepared for provision for depreciation. On 30th June, 2014, the motor vehicle which was purchased on 1st July, 2013 was sold for GHc240,000.

You are required to prepare:

(a) Motor Vehicle Account for the year, 2013, 2014 and 2015.

(b) Provision for Depreciation on Motor Vehicle Account for the year 2013, 2014 and 2015.

(c) Motor Vehicle Disposal Account.

6. On 31st December, 2016, the bank column of cash book of Aminata Enterprise, showed a debit balance of D48,500. However, the bank statement showed a credit balance of D54,900 as on the same date.

A detailed comparison of entries revealed the following:

i. Customers' cheques amounting to D8,450 had not been credited by the banks as at 31/12/2016.

ii. Cheques amounting to D8,850 had not been presented for payment as at 31/12/2016.

iii. Bank charges of D1,000 and interest on investments of D2,500 collected by the banker appeared only in the bank statement.

iv. On the 30/12/2016, there was a wrong credit of D3,500 in the bank statement.

v. Kesse Enterprise, a customer, had paid, into the bank directly a sum of D3,000 on 29th December, 2016. This had not been recorded in the cash book.

vi. A cheque for D2,000 received from Jallo Enterprise, a customer,

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which was deposited had been returned unpaid. This had not been entered in the cash book.

You are required to:

(a) Write up the adjusted cash book.

(b) Prepare a bank reconciliation statement as at 31/12/2016.

7. Olu, a sole trader has the following financial detail for the year ended 31st December, 2016.

Cash Book (Summary)

Receipts	**₦**	**Payments**	**₦**
Balance b/d	6,000	Creditors	12,000
Sales	10,000	Salaries	5,000
Debtors	20,000	Rent and rates	4,000
		Insurance	1,000
		Balance c/d	14,000
Total	36,000	Total	36,000

Additional information:

Item	**1st January, 2016 (₦)**	**31st December, 2016 (₦)**
Stock	4,000	2,000
Land and building	15,000	15,000
Motor Vehicle	6,000	4,000
Debtors	2,000	3,000
Creditors	1,000	500
Insurance owing	2,000	6,000

You are required to prepare:

(a) Statement of affairs as at 1st January, 2016

(b) Trading and Profit and Loss Account for the year ended 31st December, 2016.

(c) Balance sheet as at 31st December, 2016.

8. Boyson Social Club presented following statements for the year ended 31st December, 2016.

Boyson Social Club

Receipts and Payment Account

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Receipts	Le	Payments	Le
Balance b/f	5,700	Maintenance of building	12,600
Subscriptions	45,500	Maintenance of grounds	6,400
Bar Sales	13,040	Prizes for fun fair	8,400
Fun fair proceeds	4,300	Bar purchases	8,000
Donations	2,000	Bar expenses	2,000
Life membership dues	5,400	Funeral expenses	10,200
Sale of magazine	12,560	Staff salaries	30,000
		General expenses	3,600
		Donations to hospital	12,500
		Printing of magazines	5,300
		Balance c/d	11,000
Total	96,500	Total	97,500

Additional Information:

Item	01/01/16 (Le)	31/12/16 (Le)
Subscription-in-arrears	3,900	7,400
Subscription-in-advance	8,400	6,300
Bar debtors	2,630	3,930
Bar stock	1,500	2,200
Bar expenses owing	540	370

Five new member had not paid membership dues of Le300 each for the year.

You are required to prepare for Boyson Social Club for the year ended 31/12/16:

(a) Subscriptions Account

(b) Bar Trading Account

(c) Income and Expenditure Account for the year ended 31st December, 2016.

9. The trial balance of Obinah for year ended 31st December, 2016 was provided as follows:

Account	Dr (₦)	Cr (₦)
Capital		630,000
Drawings	69,000	
Opening stock	300,000	
Purchases	1,050,000	
Sales		1,200,000

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Returns inwards	**15,000**	
Returns outwards		18,600
Debtors	29,400	
Creditors		21,000
Provision for doubtful debts		2,400
Salaries	90,000	
Rates	18,000	
Insurance	93,000	
Telephone	3,000	
Furniture at cost	120,000	
Machinery at cost	90,000	
Provision for depreciation: Furniture		30,000
Provision for depreciation: Machinery		15,000
Bad debts	600	
Bank balance	39,000	
Total	1,917,000	1,917,000

Additional information:

i. Closing stock 31/12/16: ₦360,000

ii. Rates prepaid: ₦1,500

iii. Telephone outstanding: ₦660

iv. Accrued salaries: ₦15,000

v. Provision for doubtful debts is to be increased to 10% of debtors

vi. Depreciation on furniture at 10% on book value.

vii. Depreciation on machinery at 20% on cost.

You are required to prepare for Obinah the Trading, Profit and Loss Account for the year ended 31st December, 2016 and a Balance Sheet as at that date.

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ANSWERS

SECTION A

1.(a) Disadvantages to a business for not keeping proper accounting records:

(i) There would be several challenges to obtain reliable information for periodic comparative analysis of the organisation's assets.

(ii) The firm would not be able to access loan facilities from bank or other credit facility agent which will demand financial statement of the organisation.

(iii) It will be difficult to measure the firm's performance.

(iv) It will be difficult to make forecasts or projections for an organisation that has incomplete accounting records.

(b) Characteristics of Accounting Information:

(i) Consistency: An accounting information should be consistent in respect of the methods and policies used in the preparation of the financial statements.

(ii) Reliability: A good accounting information should be reliable, verifiable, factual for it to be used in decision making.

(iii) Relevance: An accounting information must be relevant and helpful for validity to enable the user make a difference in arriving at meaningful decisions for the growth of the organisations.

(iv) Comparability: An accounting information should enable the user obtain vital data that can be used to compare performance with related entities in same line of business.

(c) Limitations of Accounting Information for business decision making:

(i) Accounting information do not provide qualitative and quantitative insights on a firm's performance because it focuses on monetary aspects alone.

(ii) Accounting information uses estimates for projections in its computation and so cannot be neutral.

2.(a) Components of Cost in a Manufacturing Account:

(i) Direct Material Cost: This component consists of raw materials that are directly related to the production of a given product or item. Typical example is the cost of raw materials and consumables for a product.

(ii) Direct Labour Cost: This component considers the cost of production personnel who are directly involved in the manufacture

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of products. For instance, the employee cost is identified with a specific machine or product. Hence, manufacturing wages is an example of direct labour cost.

(iii) Factory Overheads: These refer to the indirect manufacturing cost, which are expenses involved in operating a manufacturing facility. They are not directly related to a specific product or equipment. Examples are factory utility expenses, factory rent, factory wages, depreciation of plants and machinery.

(b) Types of Stock in Manufacturing Firm:

(i) Stock of raw materials: This refers to the stock concerning the primary input into a manufacturing chain in achieving a finished product.

(ii) Stock of work-in-progress: This considers the material at reformation stage; it is neither raw material nor finished goods. But, it represents the goods that are not yet complete and ready for sale.

(iii) Stock of finished goods: This form of stock comprises the stock that have completed the production cycle, passed the quality assurance test and are ready for sale to the customers.

3.

(a) Business organisations that require departmental accounts:

(i) Chain stores

(ii) Manufacturing organisations that produce more than one product.

(b) Reasons for preparing departmental accounts:

(i) To identify the shared cost among the various departments.

(ii) To ascertain the performance of each department or product line.

(iii) To allocate accordingly the shared cost among the various departments.

(c) Criteria for apportioning incomes and expenses in departmental accounts:

Item	Basis of apportionment
Transaction	As basis of apportionment
Discount allowed	In respect of sales per department
Discount received	With respect to purchases per department
Rent & rates	In respect of the floor/space occupied
Staff related cost	Considers the number of workers

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Depreciation	With respect to plant value per department
Canteen expenses	Also considers the number of workers (members of staff)
Electricity	As regards the horse power of machine in each department
Advertising	In respect of sales per department

(iii) Total assets turnover	Net Sales ÷ Average total Assets
(iv) Creditors payment period (in days)	(Average Creditor ÷ Current liabilities) × 365

4.

(a) Users of Accounting Information:

(i) The management of firms

(ii) The government agencies

(iii) The creditors and lenders

(iv) The customers

(v) The employees and their union

(vi) The shareholders

(vii) The prospective investors

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(b) Formulas for calculating:

Ratio	Formula
(i) Quick ratio	(Current Assets − Inventory − Prepaid expenses) ÷ Current liabilities
(ii) Net profit margin	(Net Profit ÷ Total Sales) × 100

SECTION B

5. BAAKO LTD

Motor Vehicle Account (GHc)

Date	Particulars	GHc	Date	Particulars	GHc
1/1/13	Purchases	800,000	31/12/13	Balance c/d	1,200,000
1/7/13	Purchases	400,000			
	Total	1,200,000		Total	1,200,000
1/1/14	Balance b/f	1,200,000	30/6/14	Disposal	400,000
			31/12/14	Balance c/d	800,000
	Total	1,200,000		Total	1,200,000
1/1/15	Balance b/f	800,000	31/12/15	Balance c/d	1,400,000
1/4/15	Purchases	600,000			
	Total	1,400,000		Total	1,400,000
1/1/16	Balance b/d	1,400,000			

Provision for Depreciation on Motor Vehicle Account (GHc)

Date	Particulars	GHc	Date	Particulars	GHc
31/12/13	Balance c/d	100,000	31/12/13	Profit & Loss	100,000
	Total	100,000		Total	100,000

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30/6/14	Disposal	40,000	1/1/14	Balance b/f	100,000
31/12/14	Balance c/d	160,000	31/12/14	Profit & Loss	100,000
	Total	200,000		Total	200,000
31/12/15	Balance c/d	300,000	1/1/15	Balance b/f	160,000
			31/12/15	Profit & Loss	140,000
	Total	300,000		Total	300,000

Motor Vehicle Disposal Account (GHc)

Particulars	**GHc**	**Particulars**	**GHc**
Motor Vehicle	400,000	Provision for Motor Vehicle	40,000
		Bank	240,000
		Profit & Loss (loss on disposal)	120,000
Total	400,000	Total	400,000

6. AMINATA ENTERPRISES

Adjusted Cash Book (D)

Particulars	**D**	**Particulars**	**D**
Balance b/f	48,500	Bank charges	1,000
Investment interest	2,500	Returned cheque	2,000
Direct lodgement	3,000	Balance c/d	51,000
Total	54,000	Total	54,000
Balance b/d	51,000		

Bank Reconciliation Statement as at 31/12/2016

Particulars	**D**	**D**
Balance as per adjusted cash book		51,000
Less: Uncredited cheques		(8,450)
		42,550

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Add: Unpresented cheques		8,850
		51,400
Add: Error by the bank		3,500
Balance as per bank statement		54,900

7. OLU

Statement of Affairs as at 1st January, 2016

Particulars	**₦**	**₦**
Fixed Assets		
Land & building	15,000	
Motor vehicles	6,000	21,000
Current Assets		
Stock	4,000	
Debtors	2,000	
Cash	6,000	
	12,000	
Less: Current Liabilities		
Creditors	1,000	
Insurance owing	2,000	
	(3,000)	
Net current assets		9,000
Accumulated fund		30,000

Trading, Profit & Loss Account for the year ended 31st December, 2016

Particulars	**₦**	**₦**
Sales (21,000 + 10,000)		31,000
Cost of sales		
Opening stock	4,000	
Purchases	11,500	
Goods available for sale	15,500	
Less: Closing stock	(2,000)	
Cost of sales		(13,500)
Gross profit		17,500
Expenses		
Salaries	5,000	
Rent and rates	4,000	
Insurance	5,000	
Depreciation of motor vehicles	2,000	

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Total expenses		(16,000)
Net profit		1,500

Debtors Account (₦)

Particulars	**₦**	**Particulars**	**₦**
Balance b/f	2,000	Cash from debtors	20,000
Credit sales	21,000	Balance c/d	3,000
Total	23,000	Total	23,000
Balance b/d	3,000		

Creditors Account (₦)

Particulars	**₦**	**Particulars**	**₦**
Cash paid to creditors	12,000	Balance b/f	1,000
Balance c/d	500	Credit purchases	11,500
Total	12,500	Total	12,500
		Balance b/d	500

Balance Sheet as at 31st December, 2016

Particulars	**₦**	**₦**
Fixed Assets		
Land & building	15,000	
Motor vehicles	4,000	19,000
Current Assets		
Stock	2,000	
Debtors	3,000	
Cash	14,000	
	19,000	
Less: Current Liabilities		
Creditors	500	
Insurance owing	6,000	
	(6,500)	
Net current assets		12,500
		31,500
Financed by:		
Opening capital		30,000
Net profit		1,500
		31,500

8. BOYSON SOCIAL CLUB

(a) Subscription Account (Le)

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Particulars	Le	Particulars	Le
Balance b/f (arrears)	3,900	Balance b/f (in advance)	8,400
Income & Expenditure	60,100	Cash	54,500
Balance c/d (in advance)	6,300	Balance c/d (arrears)	7,400
Total	70,300	Total	70,300
Balance b/d (arrears)	7,400	Balance b/d (in advance)	6,300

(b) Bar Debtors Account (Le)

Particulars	Le	Particulars	Le
Balance b/f	2,630	Cash sales	13,040
Credit sales	14,340	Balance c/d	3,930
Total	16,970	Total	16,970
Balance b/d	3,930		

Bar Expenses Account (Le)

Particulars	Le	Particulars	Le
Payment on expenses	2,000	Balance b/f	540
Balance c/d	370	Income & Expenditure	1,830
Total	2,370	Total	2,370
Balance b/d	370		

Bar Trading Account (Le)

Particulars	Le	Le
Sales		14,340
Opening stock	1,500	
Purchases	8,000	
Cost of goods available for sale	9,500	
Less: Closing stock	(2,200)	
Cost of sales		(7,300)
Gross profit		7,040
Less: Bar expenses		(1,830)
Net profit to Income & Expenditure		5,210

(c) Income & Expenditure Account for the year ended 31st December, 2016 (Le)

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Expenditure	Le	Income	Le
Maintenance of building	12,600	Subscription	60,100
Maintenance of grounds	6,400	Fun fair proceeds	4,300
Prizes for fun fair	8,400	Donations	2,000
Funeral expenses	10,200	Life membership dues (2,000 + 1,500)	3,500
Staff salaries	30,000	Sale of magazines	12,560
General expenses	3,600	Net gains from Bar	5,210
Donations to hospital	12,500	Deficit of income over expenditure	1,330
Printing of magazines	5,300		
Total	89,000	Total	89,000

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WASSCE JUNE 2019 FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A

1. Explain the following items and outline how they are treated in the financial accounts.

(a) Increase in provision for doubtful debts;

(b) Decrease in provision for doubtful debts;

(c) Provision for discount on debtors;

(d) Provision for discount on creditors;

(e) Provision for depreciation;

2. (a) What are closing entries?

(b) Distinguish between a branch and a department.

(c) State four reasons for the preparation of branch accounts.

3. (a) State three effects of drawings on the business of a sole proprietor.

(b) Explain how the following items are treated in the balance sheet:

(i) accrued expenses;

(ii) prepaid expenses;

(iii) Accrued income.

4. (a) Outline three reasons for which a cheque would be dishonoured.

(b) Explain the following terms:

(i) Petty cash float;

(ii) Contra entries;

(iii) Imprest system.

(c) State three advantages of keeping petty cash book using imprest system.

SECTION B

5. The following transactions were extracted from the books of Adamu a sole trader for the month of March 2016.

March 4: Sold 80 bags of maize on credit to Papuk at GH₵255 per bag subject to a trade discount of 5%

March 10: Sold goods on credit to Abass for GH₵1,170.

March 15: Received a cheque from Papku for the amount due less a discount of 10%

March 20: Received cash of GH₵900 from Abass.

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You are required to prepare:

(a) Sales Journal;

(b) Customers' Accounts in the sales Ledger;

(c) Sales Ledger Control Account.

6. Ubochi and Hassanah started a partnership business on 1st January 2015. They contributed D 300,000 and D 250,000 respectively as capital. Their partnership deed stated that:

(i) Interest of 8% should be paid on capital per annum;

(ii) Hassanah would be paid D 10,000 monthly as salary;

(iii) Interest on drawings is 5%

(iv) The profits are to be shared in the ratio 3:2 respectively.

At the end of the year, the profit made was D 300,000. During the period, Ubochi and Hassanah made drawings of D 20,000 and 15,000 respectively.

You are required to prepare:

(a) Profit and loss Appropriation Account for the year

(b) Partners' Current Accounts.

7. On 30th September, 2017 Adedeji's cash book showed a debit balance of GH₵ 7,600. How bank statement showed an overdrawn balance of GH₵ 1,880. On investigation, the following were discovered:

(i) A standing order of GH₵ 160 had not been entered in the cash book;

(ii) Bank charges of GH₵ 40 did not appear in the cash book;

(iii) Cash paid into the bank for GH₵ 400 had been entered in the cash book as GH₵ 360

(iv) A cheque of GH₵ 200 received from a customer was dishonoured;

(v) The bank received a credit transfer of GH₵ 400 from a customer;

(vi) A cheque of GH₵ 1,360 paid to Dexteri Ltd had been entered in the cash book as G

(vii) A receipt of GH₵ 40 shown on the bank statement had not been entered in the cash

(viii) A cheque drawn amounting to GH₵ 160 paid is still with the supplier;

(ix) Receipts of GH₵ 3,600 paid into the bank on 30th September, 2017 did not appear in the bank statement until October 2017;

(x) A cheque of GH₵ 1,080 paid into the bank had been wrongly credited by bank as G

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(xi) A cheque of GH₵ 6,000 to bank had not been recorded in the cash book.

You are required to prepare:

(a) Adjusted Cash Book;

(b) Bank Reconciliation Statement as at 30th September, 2017

8. The following trial balance was extracted from the books of Dushimar Ventures on 31st December, 2015.

Trial Balance

	DR (Le)	CR (Le)
Fixed Assets	72,000	
Stock	13,800	
Debtors	6,300	
Creditors		2,456
Bank over draft		528
Provision for depreciation		10,200
Sales		102,320
Capital		106,440
Purchase	72,308	
Drawings	29,960	
Sundry expenses	26,616	
Provision for doubtful debts		360
Suspense Account	1,120	
	222,304	222,304

The following errors were discovered:

i. The total sales day book for document 2015 had been overstated by Le 480,

ii. In January 2015, new office furniture was purchased for Le 14,400 this was debited to purchases account

iii. A cheque payment of Le 864 to supplier was entered in the book as Le 1,044;

iv. A credit note of Le 148 sent to a customer for returns was overlooked;

v. Payment of sundry expenses of Le 640 had been omitted from the trial balance

You are required to prepare the:

a. Journal entries to correct the errors

b. Suspense Account

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ABUDADHI & SONS LTD (Question 9)

9. The following information was extracted from the books of Abudadhi & Sons Ltd.

(A) Trading profit and loss Account for the year ended 31st December, 2014

	₦	₦
Sales		360,000
Opening stock	30,000	
Add: purchases	210,000	
	240,000	
Less: Closing stock	40,000	
		(200,000)
		160,000
Salaries	92,500	
Directors' fees	5,000	
Insurance	1,600	
Travelling expenses	3,400	
Utilities	4,000	
General expenses	1,000	
Depreciation	12,500	
		(120,000)
		40,000
Taxation		(10,000)
		30,000
Dividends		(15,600)
Retained profit for the year		15,000
Retain profit brought forward		35,000
Retain profit carried forward		50,000

All sales and purchases were on credit

(B) Balance sheet as at 31st December 2014

	₦	₦	₦
400,000 Ordinary shares @ N0.25 each			100,000
Retained profits			50,000
Shareholders' funds			150,000
Represented by:			
Land and building			90,000

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Motor vehicle			**15,000**
			105,000
Current Assets:			
Stock		40,000	
Debtors		30,000	
Bank		17,000	
Cash		3,000	
		90,000	
Less current liabilities:			
Creditors	20,000		
Dividend payable	15,000		
Taxation	10,000	(45,000)	
Net Assets			45,000
			150,000

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You are require to calculate:

(a) Stock turnover ratio;

(b) Gross profit margin;

(c) Net profit margin;

(d) Current ratio;

(e) Acid test ratio

ANSWERS/SOLUTIONS TO WASSCE JUNE 2019 FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A

1(a) Increase in provision for doubtful debts

(i) This is experienced when the current year's provision for doubtful debts is more than the previous year's provision.

(ii) Treatment: In the final accounts, the increase in provision for doubtful debts is debited to the profit and loss account. In the balance sheet, the increase is added to any previous provision and the total is subtracted from the debtors' balance.

(b) Decrease in provision for doubtful debts

(i) This occurs when the current year's provision for doubtful debts is less than the previous year's provision.

(ii) Treatment: In the final accounts, the decrease in provision for doubtful debts is credited to the profit and loss account. In the balance sheet, it is deducted from the previous provision and the balance is subtracted from the debtors' total.

(c) Provision for discount on debtors

(i) This refers to a percentage calculated on the total debts after the deduction of provision for doubtful debt.

(ii) Treatment: Provision for discount on debtors is debited to the profit and loss account. In the balance sheet, the amount provided is deducted from the debtors' balance.

(d) Provision for discount on creditors

(i) This refers to a percentage calculated on the total amount of creditors.

(ii) Treatment: In the final accounts, provision for discount on creditors is credited to the profit and loss account. In the balance sheet, the amount is deducted from the creditors' total.

(e) Provision for depreciation

(i) This is the provision made for the reduction in the economic value of a fixed tangible non-current asset as a result of wear and tear, usage or passage of time.

(ii) Treatment: In the final accounts, provision for depreciation is debited to the profit and loss account. In the balance sheet, it is deducted from the cost of the fixed tangible asset.

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2(a) Definition of closing entries

Closing entries are journal entries made at the end of an accounting period which are later transferred to the income statement.

(b) Difference between a branch and a department

Branch	Department
(i) This is a unit or segment of a business located outside the head office.	A department is a unit of an organisation under the same building.
(ii) A branch can replicate or carry out all the activities of the head office.	A department operates only a single line of production or service of the organisation which is different from those of other units.

(c) Reasons for preparing branch accounts

(i) It helps management control the firm's activities.

(ii) It assesses and determines which of the branches is not viable.

(iii) It can be used as a basis for reward of workers (employees).

(iv) It serves as a basis for management's decision making.

(v) It gives management an insight into the branches that are making profits or losses.

(vi) It can be used to compare the results of performance of various branches.

3(a) Effects of drawings on the business of a sole proprietor

(i) It slows down the growth of the business.

(ii) It leads to a reduction in cash flow rate.

(iii) It leads to a decrease in the stock of goods available.

(iv) It leads to capital reduction of the business.

(b) Treatment in the balance sheet

(i) Accrued expenses: These are treated as accruals under the current liabilities in the balance sheet.

(ii) Prepaid expenses: These are treated as current assets in the balance sheet.

(iii) Accrued income: Accrued income is treated as a current asset in the balance sheet.

4(a) Reasons for dishonouring a cheque

(i) Insufficient funds in the drawer's account.

(ii) If the cheque is stale.

(iii) Omission of date on the cheque.

(iv) Irregular signature of the drawer.

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(v) When the amount in figures differs from the amount in words.

(vi) If there is any alteration that is not endorsed.

(b) Meanings of:

(i) Petty cash float: This is the maximum amount a petty cashier is allowed to hold at any point for the payment of minor expenses.

(ii) Contra entries: These refer to entries which are recorded on the opposite sides of an earlier entry to reverse or offset their effects on the account balances.

(iii) Imprest system: This is a system whereby a fixed amount of money is given to a petty cashier for the payment of minor expenses and he/she is reimbursed with the same amount disbursed over a period of time.

(c) Merits of keeping petty cash book using imprest system

(i) It helps to classify petty expenses for easy identification.

(ii) It provides support for internal check and detection of errors.

(iii) It saves the main cashier's time so as to concentrate on larger disbursements.

(iv) It reduces the burden on the main cashier.

(v) It provides a training ground or opportunity for young and inexperienced cashiers that enables them to take up higher cash responsibilities.

SECTION B

5(a) ADAMU: Sales Journal

Date	Particulars	Detail (GH₵)	Total (GH₵)
March 4	Papuk: 80 bags @ GH₵255 per bag	20,400	
	Less: 5% discount	1,020	19,380
March 10	Abass: Goods		1,170
	Transferred to Sales Account		20,550

(b) SALES LEDGER

Papuk Account

Dr	GH₵	Cr	GH₵
2016 March 4: Sales	19,380	2016 March 15: Bank	17,442
		Discount allowed	1,938

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	19,380		19,380

Abass Account

Dr	GH₵	Cr	GH₵
2016 March 10: Sales	1,170	2016 March 20: Cash	900
		March 31: Balance c/d	270
	1,170		1,170

April 1: Balance b/d 270

(c) Sales Ledger Control Account

Dr	GH₵	Cr	GH₵
2016 March 31: Sales	20,550	2016 March 31: Bank	17,442
		Cash	900
		Discount allowed	1,938
		Balance c/d	270
	20,550		20,550

April 1: Balance b/d 270

6. UBOCHI AND HASSANAH

(a) Profit and Loss Appropriation Account for the year ended 31st December 2015

	D	D	D
Profit for the year			300,000
Add interest on drawings: Ubochi	1,000		
Hassanah	750		1,750
			301,750
Less: Partner's salary (Hassanah)		120,000	
Interest on capital: Ubochi	24,000		
Hassanah	20,000	44,000	(164,000)
			137,750
Appropriation of profit: Ubochi		82,650	
Hassanah		55,100	137,750

(b) Partners' Current Accounts as at 31st December 2015

Dr	Ubochi (D)	Hassanah (D)
Interest on drawings	1,000	750
Drawings	20,000	15,000
Balance c/d	85,650	179,350
	106,650	195,100

Cr	Ubochi (D)	Hassanah (D)

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Salary		120,000
Interest on capital	24,000	20,000
Profit appropriation	82,650	55,100
	106,650	195,100
Balance b/d	85,650	179,350

Workings:

Note 1: Hassanah's salary = 10,000 × 12 = 120,000

Note 2: Interest on drawings: Ubochi = 5% × 20,000 = 1,000;

Hassanah = 5% × 15,000 = 750; Total = 1,750

Note 3: Interest on capital: Ubochi = 8% × 300,000 = 24,000;

Hassanah = 8% × 250,000 = 20,000; Total = 44,000

Note 4: Appropriation of profit: Ubochi = 3/5 × 137,750 = 82,650;

Hassanah = 2/5 × 137,750 = 55,100; Total = 137,750

7. ADEDEJI

(a) Adjusted Cash Book, 30th September 2017

Dr	GH₵	Cr	GH₵
Balance b/f	7,600	Standing order	160
Understate receipt	40	Bank charges	40
Credit transfer	400	Dishonoured cheque	200
Payment overstated	360	Amount not recorded	6,000
Receipt omitted	40	Balance c/d	2,040
	8,440		8,440
1st Oct balance b/d	2,040		

(b) Bank Reconciliation Statement as at 30th September 2017

	GH₵
Balance as per adjusted cash book	2,040
Add: Unpresented cheque	160
	2,200
Less: Uncredited cheque	3,600
Bank error	480
	(4,080)
Overdraft as per bank statement 30/09/2017	(1,880)

8. DUSHIMAR VENTURES

(a) General Journal / Journal Proper

Particulars	Debit (Le)	Credit (Le)
Sales Account	480	

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Suspense Account		480
Being correction of sales overcast		
Office Furniture Account	14,400	
Purchases Account		14,400
Being office furniture purchased debited to purchase account now corrected		
Bank Account	180	
Creditors/Suppliers Account		180
Being payment of cheque to a supplier overstated now corrected		
Return Inwards Account	148	
Debtors/Customers Account		148
Being returns inwards omitted now corrected		
Sundry Expenses Account	640	
Suspense Account		640
Being sundry expenses omitted from the trial balance now corrected		

(b) Suspense Account

Dr	Le	Cr	Le
Difference in trial balance	1,120	Sales	480
		Sundry expenses	640
	1,120		1,120

9. ABUDABHI & SONS LTD

(a) Stock turnover ratio = Cost of goods sold ÷ Average stock

= N200,000 ÷ [(N40,000 + N30,000) ÷ 2]

= 5.71 times

(b) Gross profit margin = (Gross profit ÷ Sales) × 100

= (N160,000 ÷ N360,000) × 100

= 44.44%

(c) Net profit margin = (Net profit ÷ Sales) × 100

= (N40,000 ÷ N360,000) × 100

= 11.11%

(d) Current ratio = Current assets ÷ Current liabilities

= N90,000 : N45,000

= 2 : 1

(e) Acid test ratio = (Current assets − Stock) ÷ Current liabilities

= N90,000 − N40,000 = N50,000 (the page cuts off here; the full ratio is N50,000 : N45,000)

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WEST AFRICAN SENIOR SCHOOL CERTIFICATE EXAMINATION (WASSCE)

FINANCIAL ACCOUNTING – YEAR 2020

PAPER 2 — ESSAY PAST QUESTIONS

YEAR 2021 — PAPER 2

ESSAY

*This paper consists of **two** Sections, A and B. Answer **two** questions from Section A and **three** questions from Section B. You are reminded of the importance of clarity of expression and orderly presentation of relevant material. Calculators may be used but **all workings must be shown**.*

SECTION A

THEORY OF FINANCIAL ACCOUNTING

*Answer **two** questions only from this section.*

1.

(a) Outline **two** differences between bookkeeping and accounting.

[4 marks]

(b) List **one** source document used for each of the following transactions:

(i) sales;

(ii) purchases;

(iii) cash deposit;

(iv) salary;

(v) returns outwards.

[5 marks]

(c) State **three** purposes of source documents.

[6 marks]

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2.(a) What is a *not-for-profit making organization*?

[3 marks]

(b) Outline **two** differences between a *for-profit organization* and a *not-for-profit making organization*.

[4 marks]

(c) Explain the following sources of funding in a not-for-profit making organization:

(i) subscription;

(ii) life membership fee;

(iii) entrance fee;

(iv) donation.

[8 marks]

3.(a) Explain the term *fixed capital account*.

[3 marks]

(b) State **three** conditions that would result to a change in profit and loss sharing ratio of a partnership.

[6 marks]

(c) Outline **three** circumstances that would give rise to the creation of goodwill in a partnership.

[6 marks]

4.

(a) List:

(i) **three** books of accounts used in public sector accounting;

[3 marks]

(ii) **four** users of public sector accounting information.

[4 marks]

(b) State **four** differences between the *private sector accounting* and the *public sector accounting*.

[8 marks]

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SECTION B

FINANCIAL ACCOUNTING PRACTICE

*Answer **three** questions only from this section.*

---

5. The following transactions were extracted from the books of *Odis Enterprises* for the year ended 31st December 2018:

(i) cash received from trade debtors GH₵100,000;

(ii) cash paid to suppliers GH₵72,000;

(iii) expenses paid during the year were: rent GH₵2,500, general expenses GH₵1,800;

(iv) cash of GH₵5,200 was withdrawn by the proprietor for personal use;

(v) fixed assets valued at GH₵8,000 on 31st December 2017 were to be depreciated at 10% per annum.

Additional information

	31st December 2017 (GH₵)	**31st December 2018 (GH₵)**
Trade debtors	11,000	13,200
Trade creditors	4,000	6,500
Rent owing	–	500
Cash	12,100	30,600
Stock	15,900	17,000

You are required to prepare:

(a) Statement of Affairs as at 1st January 2018;

(b) Cash Book;

(c) Trading, Profit and Loss Account for the year ended 31st December 2018.

[15 marks]

---

6. The books of *Omiye Social Club* showed the following information for the year ended 31st December 2015.

RECEIPTS AND PAYMENTS ACCOUNT

Receipts	**₦**	**Payments**	**₦**
Balance 01/01/2015	3,000	Salaries	10,600
Subscriptions	130,000	Maintenance	13,000

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Proceeds from concert	9,000	Stationery	1,200
Interest on deposit	2,400	Postage	600
Income from dance	7,200	Dance expenses	4,000
		General expenses	5,400
		Balance c/d	116,800
Total	**151,600**	**Total**	**151,600**

Balances as of 1st January 2015 were as follows:

	₦
Accumulated fund	266,000
Bank deposit	80,000
Club house	160,000
Furniture and fittings	24,000

Additional information

(i) Outstanding as at 31st December 2015:

- stationery ₦400;
- general expenses ₦1,200.

(ii) Salaries of ₦10,600 paid, including ₦1,000 owed since 2014.

(iii) Depreciate the clubhouse by 10% and furniture and fittings by 15%.

You are required to prepare:

(a) Income and Expenditure Account for the year ended 31st December 2015;

(b) Balance Sheet as at that date.

[15 marks]

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7. [Owner name appears to be cut off in the source image — visible as "...Ltd"] has two departments. The following balances were extracted from its books as at 31st December [year partially cut off — appears to be 2017]:

	Le
Purchases – Department A	720,000
Purchases – Department B	520,000
Rent and rates	50,000
Commission	55,000
Insurance	5,000
Sales – Department A	1,500,000
Sales – Department B	1,250,000
Discount received	124,000
Advertising	20,000
Salaries and wages	250,000
Depreciation	35,000
Administration and general expenses	50,000
Opening stock – Department A	150,000
Opening stock – Department B	100,000
Closing stock – Department A	175,000
Closing stock – Department B	142,000

Additional information — expenses are to be apportioned to the departments as follows:

- commission: based on sales;
- salaries and wages: 3:2 for Department A and B respectively;
- discount received: 10% of purchases;
- Other expenses are to be apportioned equally.

You are required to prepare a Departmental Trading, Profit, and Loss Account for the year ended 31st December [year — see note above]. [15 marks]

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8. The following balances were extracted from the books of *Abobaku Local Government* for the year ended 31st December 2019.

	¢
Construction of an office block	3,850,000
Renovation of classroom blocks	1,065,000
Court fines	90,000
Building permits	650,000
Rehabilitation of street lights	470,500
Wages and salaries	7,880,450
Medical services	1,334,650
Provision of pipe borne water	2,500,000
Interest on investments	250,000
Lorry Park levies	380,000
Market tolls	560,000
Property rates	1,200,000
General administration	630,700
Motor vehicle procured	6,653,000
Extension of office building	950,000
Grant from donour agencies	2,000,000
Royalties	4,500,000
Subvention from Central/Federal Government	20,000,000
Donations to charity homes	250,000
Entertainment permits	70,000
Staff training	550,000
Entertainment expenses	200,000
Marriage registration fees	80,000
Allowances to community leaders	370,800
Birth certificate fees	160,000
Maintenance of motor vehicles	650,000

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You are required to prepare for the year ended 31st December 2019:

(a) Statement of Recurrent Expenditure;

(b) Statement of Capital Expenditure;

(c) Statement of Revenue.

[15 marks]

---

9. The following information was extracted from the books of *Okere Manufacturing Company* for the year ended 31st December 2016.

	¢
Stock (01/01/16) — raw materials	1,450
Stock (01/01/16) — finished goods	1,650
Stock (01/01/16) — work-in-progress	140
Wages	11,150
Carriage inwards of raw materials	650
Purchase of raw materials	7,560
Royalities *(Royalties)*	1,040
Plant and machinery (Cost $50,000)	*[value cut off — see note]*
Factory expenses	1,430
Factory power	1,050
Rent	1,400
Insurance	1,000
Discount allowed	1,430
Carriage outwards	610
Sales	21,400
Salesmen salaries	1,200
Office stationery	1,700

Additional information

(i) Closing stock as at 31/12/16:

- raw materials — 30,420
- finished goods — 7,200
- work-in-progress — 1,680

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(ii) Rent paid in advance — 550

(iii) Insurance outstanding — 600

(iv) Office stationery accrued — 700

(v) Depreciation on plant and machinery at 10% per annum on cost.

You are required to prepare a Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2016.

[15 marks]

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MARKING SCHEME

WASSCE 2020 FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A — THEORY OF FINANCIAL ACCOUNTING

Question 1 (a) Differences between Bookkeeping and Accounting

Bookkeeping	Accounting
i. It is the process of recording financial transactions of an organisation.	i. It is the process of recording, classifying, summarising and communicating financial transactions of an organisation.
ii. The records are used for day-to-day financial decision-making.	ii. The records are used mainly for medium- and long-term financial decision-making.
iii. The objective is to ensure that the financial records are kept in chronological order.	iii. The objective is to measure the financial performance of an organisation.
iv. The records are used as inputs for the preparation of financial statements.	iv. The records are analysed for decision-making.
v. It may be performed by staff with less skills in accounting.	v. It is performed by staff with special skills in accounting.
vi. The records are kept for internal use.	vi. The records are kept for both internal and external use.

(Any 2 correct pairs × 2 marks each = 4 marks)

(Note: Where only one side is correct, award 1 mark)

(b) Source documents used for the following transactions

i. Sales — Sales invoice; Sales order; Bank statement; Goods dispatched note; Receipt.

ii. Purchases — Purchase invoice; Deposit slip; Purchase order; Goods received note; Receipt.

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iii. Cash deposit — Pay-in-slip/teller; Deposit slip; Receipt.

iv. Salary — Bank statement; Pay slip; Cheque; Payroll register; Time sheet; Job sheet.

v. Returns outwards — Debit note; Goods dispatched note; Credit note.

(5 × 1 mark each = 5 marks)

(c) Purposes of source documents

(i) They provide detailed information used in the preparation of books of accounts.

(ii) They serve as evidence/proof of financial transactions.

(iii) They help to minimize the input of wrong figures into account.

(iv) They help to minimize fraudulent activities in an organization.

(v) They serve as evidence in legal matters.

(vi) They serve as sources of verification for auditing purposes.

(vii) They help in the location of errors.

(viii) They may be used as basis for correcting errors.

(Any 3 × 2 marks each = 6 marks)

[Total (4+5+6) = 15 marks]

Question 2

(a) A not-for-profit making organization:

It is a type of organization that is established to cater for the welfare of the members. (2 marks)

The primary objective is not for profit making. (1 mark)

(3 marks)

(b) Differences between for-profit organisation and Not-for-profit making organization

For-profit organization	**Not-for-profit making organization**
i. The primary objective is profit making.	i. The main objective is to cater for the welfare of its members.
ii. The main sources of income are from sales of goods and rendering of services.	ii. Their main sources of income are from donation, subscription, membership fee and grants.
iii. Tax is paid on taxable profit.	iii. Basically they are tax exempt, except from commercial activities undertaken by them.

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iv. They are usually in the form of sole proprietorships, partnerships and companies.	iv. They are usually in the form of clubs, benevolent associations, trusts, societies, schools, hospitals, etc.
v. Management is vested in the owner for sole proprietorships, partners in partnerships or directors in the case of companies.	v. Management is vested in the board of trustees, committees or governing bodies.
vi. The components of their financial statements are: Income statement, Cash book, Balance Sheet and Statement of Cash flow.	vi. The components of their financial statements are: Receipts and Payments Account, Income and Expenditure Account, Statement of Affairs and Balance Sheet.
vii. They employ experts to run the business.	vii. They rely more on member's voluntary services to run the organization.

(Any 2 correct pairs × 2 marks each = 4 marks)

(Note: Where only one side is correct, award 1 mark)

(c) Sources of funding for a Not-for-profit making organization

(i) Subscription: It is a regular contribution made by a member of the organization (1 mark). It constitutes the main source of funding to the organization (1 mark).

(ii) Life membership fee: This is an amount paid once by a member of the organization (1 mark) in order to enjoy the facilities throughout the period of membership (1 mark).

(iii) Entrance fee: This is an amount paid once (1 mark) at the point of admission into membership of an organization (1 mark).

(iv) Donation: This is cash or any item received (1 mark) by the organization as gift (1 mark).

(2 marks for each correct explanation × 4 = 8 marks)

[Total (3+4+8) = 15 marks]

Question 3

(a) A fixed capital account:

This is a type of capital account in a partnership. (1 mark)

It is credited with the initial capital contribution of the partners and any addition to the capital. (1 mark)

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It is debited with any capital withdrawals by partners. (1 mark)

(3 marks)

(b) Conditions that would result to a change in profit and loss sharing ratio of a partnership:

(i) On the admission of a new partner.

(ii) On the retirement of a partner.

(iii) When there is a change in capital contribution.

(iv) On the death of a partner.

(v) On the resignation of a partner.

(vi) When there is a change in status of a partner, e.g. from dormant partner to an active partner.

(vii) On the amalgamation of partnerships.

(viii) When there is takeover of a partnership.

(ix) Where profit and loss sharing ratio is based on capital contributions, additions or withdrawals of capital.

(Any 3 × 2 marks each = 6 marks)

(c) Circumstances that would give rise to the creation of goodwill in partnerships are:

(i) On the admission of a new partner.

(ii) Change in the profit and loss sharing ratio.

(iii) On the retirement of a partner.

(iv) On amalgamation of partnerships.

(v) On dissolution of a partnership.

(vi) On the death of a partner.

(vii) Takeover or purchase of a partnership by another business.

(viii) On the resignation of a partner.

(Any 3 × 2 marks each = 6 marks)

[Total (3+6+6) = 15 marks]

Question 4

(a)(i) Books of accounts used in public sector accounting - These include:

Cash book

Imprest cash book

Register of vouchers

Vote book

Expenditure ledger/Vote service ledger

Salary abstract

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Payment voucher

Receipt voucher

Adjustment voucher

Stores issue voucher

Stores receipt voucher

Stock register for value books

Revenue collectors' cash book

Revenue and Expenditure Accounts

(Any 3 × 1 mark each = 3 marks)

(ii) Users of public sector accounting information - These include:

Students/researchers/teachers

Legislators/Parliament/national assembly

Central/Federal Government agencies — e.g. Tax authorities, Statistical services, Ministry of finance, Central bank, etc.

Accountants

Investors

Trade unions

Financial analysts

Financial institutions

Auditors

Suppliers

Foreign lenders

General public/employees

Non-governmental organizations

Civil society organizations

Foreign governments

International organizations — e.g. World bank, IMF, IFC, etc.

Local Government/District Assemblies

(Any 4 × 1 mark each = 4 marks)

(b) Differences between Public Sector Accounting and Private Sector Accounting

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SN	Public Sector Accounting	Private Sector Accounting
i.	Objective is to ascertain the efficiency of the collection and use of public funds.	Objective is to ascertain profitability or otherwise of the business.
ii.	Does not adopt matching concept. Here, expenditure is compared with the fund voted for that activity or sector.	Adopts the matching concept of accounting where expenses are compared with the associated income.
iii.	Accounts mainly prepared are the Revenue and Expenditure Accounts and the Statement of Assets and Liabilities (i.e. Statement of Financial Position).	Accounts prepared are the Statement of Comprehensive Income (Profit and Loss Account) and the Statement of Financial Position (Balance sheet).
iv.	Cost of fixed asset is written off immediately after purchase.	Cost of fixed assets is spread over the useful life of the asset.
v.	Accounts are mainly prepared on cash basis of accounting.	Accounts are prepared on accrual basis of accounting.
vi.	Uses the fund and vote system of accounting.	Uses entity or proprietorship system of accounting.
vii.	Tangible fixed assets are not recorded separately and shown in the Balance Sheet.	Tangible fixed assets must be shown in the Balance Sheet together with the aggregate depreciation and net book value to date.
viii.	Accounts are prepared for the general public, shareholders.	Accounts are prepared for owners and other stakeholders.
ix.	The preparation and presentation of accounts is regulated by the constitution of the country as well as the relevant Financial Administration Acts and Regulations of that country.	The preparation of accounts is regulated by Company's code, other Acts related to that specific business and International Accounting Standards.
x.	There is no distinction between capital and revenue expenditure and income.	There is clear distinction between capital and revenue expenditure and income.

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(Any 4 correct pairs × 2 marks = 8 marks)

(Note: Where only one side is correct, award 1 mark)

[Total (3+4+8) = 15 marks]

SECTION B — FINANCIAL ACCOUNTING PRACTICE

Question 5

(a) ODIS ENTERPRISES — Statement of Affairs as at 1st January 2018

	GH¢		GH¢
Capital	43,000	Fixed Assets	8,000
Creditors	4,000	Stock	15,900
		Debtors	11,000
		Cash	12,100
			39,000
Total	47,000	Total	47,000

(b) Cash Book

	GH¢		GH¢
Balance b/f	12,100	Suppliers	72,000

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Receipts: debtors	100,000	Rent	2,500
		General expenses	1,800
		Drawings	5,200
		Balance c/d	30,600
Total	112,100	Total	112,100
Balance b/d	30,600		

Workings:

Total Debtors Account

	GH¢		GH¢
Bal b/d	11,000	Cash	100,000
Sales	102,200	Bal c/d	13,200
Total	113,200	Total	113,200
Bal b/d	13,200		

Total Creditors Account

	GH¢		GH¢
Cash	72,000	Bal b/d	4,000
Bal c/d	6,500	Purchases	74,500
Total	78,500	Total	78,500
		Bal b/d	6,500

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(c) Trading, Profit and Loss Account for the year ended 31st December 2018

	GH¢	GH¢
Sales (100,000 + 13,200 – 11,000)		102,200
Less: Cost of Goods Sold		
Opening Stock	5,900	
Add: Purchases (74,500 + 4,000 – 6,500)	74,500	
Cost of goods available for sale	90,400	
Less: Closing stock	17,000	
Cost of goods sold		73,400
Gross profit c/d		28,800
Rent (2,500 + 500)	1,800	
General expenses	3,000	
Dep. of fixed assets (10% of 8,000)	800	
Net profit		23,200

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(Alternative version — Note: candidates presenting the Statement of Affairs as 1st Jan 2018 opening figures differently should still be credited if workings are correct)

(45 ticks × ⅓ mark = 15 marks)

Question 6 — Alternative to Q6

(a) OMIYE SOCIAL CLUB — Income & Expenditure Account for the Year Ended 31st December 2015

Expenditure	N		Income	N
Maintenance	10,600		Subscriptions	130,000
Salaries 1,000; Less: owing 5,400	9,600		Proceeds from concert	9,000
General expenses 1,200; Add: outstanding	6,600		Interest on deposit	2,400
Postage	600		Income from dance	7,200
Stationery 1,200; Add outstanding 400	1,600			
Dance expenses	4,000			
Depreciation: Clubhouse (10% × 160,000)	16,000			
Furniture & fittings (15% × 24,000)	3,600	19,600		
Total Expenditure		55,000		
Surplus		93,600		
		148,600	Total Income	148,600

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(b) Balance Sheet as at 31st December 2015

Fixed/Non-current assets	N	N
Club house	160,000	
Less: Depreciation	16,000	144,000
Furniture & fittings	24,000	
Less: Depreciation	3,600	20,400

		164,400
Current Assets		
Bank deposit	80,000	
Cash	116,800	
		196,800
Less: Current Liabilities		
Accruals: Stationery 400; General expenses 1,200	1,600	
Working Capital		195,200
Capital Employed		359,600

Financed by:	N
Accumulated fund	266,000
Add: Surplus	93,600
Total	359,600

(45 ticks × ⅓ mark = 15 marks)

Question 7 (Alternative version)

ABOBAKU LOCAL GOVERNMENT

(a) Statement of Recurrent Expenditure for the year ended 31st December 2019

	D
Rehabilitation of streetlights	470,500

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Wages and salaries	7,880,450
Medical services	1,334,650
General administration	630,700
Donations to charity homes	250,000
Staff training	550,000
Entertainment expenses	200,000
Allowances to community leaders	370,800
Maintenance of motor vehicles	650,000
Total	12,337,100

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(b) Statement of Capital Expenditure for the year ended 31st December 2019

	D
Renovation of clinics/media	(amount partially illegible)
Construction of office block	(amount partially illegible)
Provision of pipe borne water	(amount partially illegible)
Motor vehicles procured	(amount partially illegible)
Extension of office building	(amount partially illegible)
Total	15,018,000

(c) Statement of Revenue for the year ended 31st December 2019

	D
Court fines	(amount partially illegible)
Trading permits	(amount partially illegible)
Interest on investments	(amount partially illegible)
Levy/Poll levy tax	(amount partially illegible)
Market tolls	(amount partially illegible)
Property rates	(amount partially illegible)
Grants from donor agencies	(amount partially illegible)
Royalties	(amount partially illegible)
Subvention from Central/Federal Government	70,000
Entertainment permits	80,000
Marriage registration fees	160,000
Birth certificate fees	
Total	29,940,000

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Note: If candidate lists the same items on all the statements, award no mark.

(30 ticks × ½ mark = 15 marks)

Question 8 (Alternative to Q8)

YALLAWA STORES LTD — Departmental Trading, Profit and Loss Account for the year ended 31st December 2017

	Dept A (Le)	Dept B (Le)	Total (Le)
Sales	1,500,000	1,250,000	2,750,000
Less: Cost of Goods Sold			
Opening Stock	150,000	100,000	250,000
Add: Purchases	720,000	520,000	1,240,000
	870,000	620,000	1,490,000
Less: Closing stock	175,000	142,000	317,000
	695,000	478,000	1,173,000
Gross Profit	805,000	772,000	1,577,000
Add: Discount received	72,000	52,000	124,000
	877,000	824,000	1,701,000
Less Expenses:			
Rent and rates	25,000	25,000	50,000
Commission	30,000	25,000	55,000
Insurance	2,500	2,500	5,000
Advertising	10,000	10,000	20,000
Salaries and wages	150,000	100,000	250,000
Depreciation	17,500	17,500	35,000
Admin & general expenses	25,000	25,000	50,000

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Net Profit	617,000	617,000/619,000	1,236,000

(60 ticks × ¼ = 15 marks)

Question 9 (Alternative to Q9)

OKERE MANUFACTURING COMPANY — Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2016

	$	$
Opening stock of raw materials		61,450
Add: Purchase of raw materials	42,360	
Carriage inwards of raw materials	650	43,010
		104,460
Less: Closing stock of raw materials		30,420
Cost of raw materials used		74,040
Add: Wages		14,150
Royalties		1,040
Prime cost of production		89,230
Add: Factory overhead		
Factory expenses	11,430	
Factory power	6,050	
Dep. of plant & machinery (50,000×10%)	5,000	22,480
		111,710

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Add: Opening stock of WIP		3,140
		114,850
Less: Closing stock of WIP		1,680
Production Cost of Goods Manufactured c/d		113,170
Sales		292,400
Less: Cost of goods sold		
Opening stock of finished goods	84,650	
Add: Production cost of goods manufactured b/d	113,170	
Cost of goods available for sale	197,820	
Less: Closing stock	7,200	
		190,620
Gross profit c/d		101,780
Less: Other Expenses		
Rent (2,400 – 550)	1,850	
Discount allowed	1,430	
Insurance (3,000 + 600)	3,600	
Office stationery (4,300 + 700)	5,000	
Carriage outwards	610	
Salesmen salaries	41,200	
Net Profit		48,090

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(45 ticks × ⅓ mark = 15 marks)

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WAEC FINANCIAL ACCOUNTING

(PAPER 2 – ESSAY) 2021

Instructions: *This paper consists of two sections, A and B. Answer two questions from Section A and three questions from Section B. Candidates are reminded of the importance of clarity of expression and orderly presentation of relevant materials. Calculators may be used, but all workings must be shown.*

SECTION A — THEORY OF FINANCIAL ACCOUNTING

Answer two questions only from this section.

Question 1

(a) What is *Accounting concept*? **[3 marks]**

(b) Explain the following accounting concepts:

- (i) business entity;
- (ii) accrual;
- (iii) going concern;
- (iv) consistency;
- (v) periodicity;
- (vi) historical cost. **[12 marks]**

Question 2

(a) Explain the operation of petty cash book using imprest system. **[3 marks]**

(b) Outline two disadvantages of the imprest system of keeping petty cash book. **[4 marks]**

(c) State four uses of a petty cash voucher. **[8 marks]**

Question 3

(a) Explain the following terms as used in accounts of not-for-profit making organizations:

- (i) entrance fees;
- (ii) subscriptions. **[2 marks] / [3 marks]**

(b) State five features of Income and Expenditure Account. **[10 marks]**

Question 4

(a) What is a *Bank Reconciliation Statement*? **[3 marks]**

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(b) Explain the following terms:

- (i) bank charges;
- (ii) standing order;
- (iii) credit transfer;
- (iv) dishonoured cheques;
- (v) unpresented cheques;
- (vi) uncredited cheques. **[12 marks]**

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SECTION B — FINANCIAL ACCOUNTING PRACTICE

Answer three questions only from this section.

Question 5

Oluchi is a trader who does not keep a complete set of accounting records but is able to provide the following information about her business.

	1st January 2019 (₦)	31st December 2019 (₦)
Debtors	190,000	230,000
Creditors	120,000	90,000
Bank	68,000	124,000
Fittings	150,000	135,000
Stock	124,000	140,000
Expenses accrued	22,000	18,000
Rent prepaid	200,000	100,000

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Cash sales were deposited to the bank after payment for expenses of ₦66,000 and drawings of ₦30,000.

Her bank account showed the following:

Bank Account as at 31st December 2019

Dr (₦)		Cr (₦)	
Balance b/f (1/1/19)	68,000	Payment to supplier	320,000
Receipts from customers	236,000	Expenses	58,000
Cash deposits from sales	198,000	Balance c/d	124,000
Total	**502,000**	**Total**	**502,000**

You are required to prepare:

- (a) Total Debtors Account;
- (b) Sales Account;
- (c) Total Creditors Account;
- (d) Trading, Profit and Loss Account for the year ended 31st December 2019.

[15 marks]

Question 6

Sesay operates a shop with two Departments, A and B. The following balances were extracted from his books as at 31st December 2019.

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	Dr (GH¢)	Cr (GH¢)
Sales: Department A		30,000
Sales: Department B		20,000
Stock: Department A (01/01/19)	500	
Stock: Department B (01/01/19)	400	
Purchase: Department A	23,600	
Purchase: Department B	16,400	
Wages of Sales Assistants: Department A	2,000	
Wages of Sales Assistants: Department B	1,500	
Delivery Expenses (Department A)	300	

Common expenses:

	GH¢
General office salaries	1,500
Rates	260
Fire insurance	100
Electricity	240
Repairs to premises	500

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Telephone	500
Cleaning	600
Auditing charges	2,400
Stationery	1,200

Additional information:

- (i) Stock as at 31st December 2019 were valued at Department A GH¢600, Department B GH¢300.
- (ii) General office salaries, telephone, audit charges and stationery are to be apportioned on the basis of sales.
- (iii) All other common expenses are to be apportioned as follows:
- Department A — one-fifth
- Department B — four-fifths

You are required to prepare: Sesay's Departmental, Trading, Profit, and Loss Account for the year ended 31st December 2019.

[15 marks]

Question 7

(Not included in the supplied images — page not provided.)

Question 8

Loly and Willy were in partnership sharing profits and losses in the ratio of 3:2 respectively. The Balance Sheet as at 31/12/2019 is as follows:

Balance Sheet as at 31st December 2019

Capital:	**Le**		**Fixed Assets:**	**Le**	**Le**
Loly	200,000		Plant & machinery		240,000
Willy	150,000	350,000	Furniture & fittings		80,000
Loan		100,000	Motor vehicles		30,000
Current Liabilities:			**Current Assets:**		
Creditors		90,000	Stock		50,000
			Debtors	60,000	
			Less: provision for doubtful debts	(5,000)	55,000
			Cash		85,000
Total		**540,000**	**Total**		**540,000**

Additional information:

Joe was admitted into the business on the following terms:

- (i) Plant and machinery was revalued at Le 300,000;
- (ii) Furniture and fittings was revalued at Le 60,000;
- (iii) Stock was reduced by Le 10,000;
- (iv) Provision for doubtful debts was increased to Le 7,000;

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- (v) Loly took over one of the motor vehicles for Le 10,000;
- (vi) Joe contributed Le 100,000 as capital and paid Le 75,000 for goodwill, which was shared among the old partners.

You are required to prepare:

- (a) Revaluation Account;
- (b) Capital Account;
- (c) Balance Sheet after the admission of Joe.

[15 marks]

Question 9

The authorised capital of *Babs Company Limited* is 200,000 ordinary shares. The company decided to issue 180,000 of the shares at $2 on the following terms:

- $0.40 on application;
- $0.70 on allotment;
- $0.90 on first and final call.

Applications were received for 200,000 shares on June 20, 2019, and allotments made on June 30, 2019, on which date excess application monies were returned to unsuccessful applicants.

First and final call was made on July 26, 2019. All instalments were received on due dates.

You are required to prepare:

- (a) Bank Account;
- (b) Ordinary Share Application Account;
- (c) Allotment Account;
- (d) First and Final Call Account;
- (e) Ordinary Share Capital Account.

[15 marks]

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MARKING SCHEME

WASSCE 2021 FINANCIAL ACCOUNTING 2 (ESSAY)

QUESTION 1

(a) Accounting Concepts

Accounting concepts are the assumptions/principles/practices/rules/guidelines (1 mark) that form the basis (1 mark) for the preparation and disclosure of items in the financial statements (1 mark). (3 marks)

(b)

i. Business Entity Concept: This concept means that the affairs of a business are to be treated as being separate (1 mark) from the personal affairs of its owner (1 mark).

ii. Accrual Concept: This concept means that revenues and expenses are recognised and included in the financial statement as they occur (1 mark) and not as they are paid or received (1 mark).

iii. Going Concern Concept: This concept means that the business will continue to operate for the foreseeable future (1 mark) unless there is evidence to the contrary (1 mark).

iv. Consistency Concept: This concept means that once an accounting method or procedure has been chosen, it should not be changed (1 mark) unless it is deemed necessary (1 mark).

v. Periodicity Concept: This concept means that financial statements should be prepared at regular intervals (1 mark) (usually one year) to measure the entity's performance (1 mark).

vi. Historical Cost Concept: This means that the value of assets of a business should be shown at the cost of acquisition (1 mark) and not at the values which are expected to be earned or the current market value (1 mark).

(6 × 2 marks each = 12 marks) — Total (3+12) = 15 marks

Question 2

(a) Explanation of the Operation of Petty Cash Book Using the Imprest System

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The imprest system of keeping the petty cash book is a method where the petty cashier is given a fixed sum of money called cash float by the main cashier or the accountant periodically;

The cash float is used to pay for small/minor expenses;

The petty cashier is reimbursed at the end of the estimated period with the amount spent over the period to restore the amount to its original position;

The petty cashier then commences the new period with the same amount as it was at the beginning of the previous period.

(Any 3 points × 1 mark = 3 marks)

(b) Disadvantages of the Imprest System of Keeping Petty Cash Book

(i) The operation of the system is time-consuming;

(ii) It is tedious to record repetitive small expenses over a period of time;

(iii) The cash float may not always meet the total expenses for the period;

(iv) It creates additional administrative cost to the business;

(v) The system can be easily abused.

(Any 2 points × 2 marks = 4 marks)

(c) Uses of Petty Cash Voucher

It is used:

(i) as authority to disburse money;

(ii) by the main cashier as basis for reimbursement;

(iii) as a reference point for investigation;

(iv) as a means of ensuring accountability of the petty cashier/evidence of payment;

(v) for classifying expenses;

(vi) as a basis for cost control;

(vii) as a basis for entering up the payments column in the petty cash book/source document;

(viii) by auditors to verify petty cash transactions.

(Any 4 points × 2 marks = 8 marks) — Total (3+4+8) = 15 marks

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Question 3

(a)i. Entrance fees:

These are amounts prospective members of a not-for-profit-making organisation must pay before being admitted as members;

It is a one-time payment. (2 marks)

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ii. Subscriptions:

These are periodic contributions/dues made by members of a not-for-profit-making organization;

They are the main source of funds/income to the club. (3 marks)

(b) Features of Income and Expenditure Account

(i) This account operates like a profit and loss account of a trading organization;

(ii) All expenses are debited and income credited to the account;

(iii) It is classified as a nominal account;

(iv) It discloses a closing balance which is either a surplus or a deficit;

(v) It is prepared at the end of a period;

(vi) It records only revenue expenditures and revenue receipts;

(vii) All revenue receipts and expenditure items in a period are included in the account whether they are actually paid or not (OR: the accrual concept underlies its preparation);

(viii) Profits or losses from significant commercial activities are disclosed in the account;

(ix) The balance is transferred to accumulated fund.

(Any 5 points × 2 marks = 10 marks) — Total (2+3+10) = 15 marks

Question 4

(a) Bank Reconciliation Statement

A bank reconciliation statement is a statement prepared by an account holder (1 mark);

It is prepared to bring the cash book balance (bank column) into agreement with the bank statement balance on a given date (2 marks). (3 marks)

(b)

(i) Bank charges: These are amounts charged and debited to the customer's bank account; they are for services rendered by the bank to its customers. (2 marks)

(ii) Standing order: It is a written instruction to a bank by an account holder; it authorises the bank to make specific payments to named persons on specified dates. (2 marks)

(iii) Credit transfer: It is an agreement between a firm and its customer; the customer arranges with his bank to transfer an amount directly into the firm's bank account. (2 marks)

(iv) Dishonoured cheques: These are cheques received from debtors

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and paid into the bank account; these cheques were returned unpaid by the bank for various reasons. (2 marks)

(v) Unpresented cheques: These are cheques issued by a firm to its creditors; these cheques have not been presented to the bank for payment at the time the bank statement was prepared. (2 marks)

(vi) Uncredited cheques: These are cheques received from customers and paid into the business bank account; these cheques had not been credited by the bank at the time the bank statement is prepared. (2 marks)

(2 marks each × 6 = 12 marks) — Total (3+12) = 15 marks

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SECTION B — FINANCIAL ACCOUNTING PRACTICE

Question 5 — OLUCHI

(a) Total Debtors Account

Dr	₦	Cr	₦
1/1/19 Balance b/f	190,000	31/12/19 Bank	236,000
31/12/19 Credit sales	276,000	31/12/19 Balance c/d	230,000
	466,000		466,000
1/1/20 Balance b/d	230,000		

(b) Sales Account

Dr	₦	Cr	₦
31/12/19 Trading Account	570,000	31/12/19 Credit sales	276,000
		Cash deposit	198,000
		Cash expenses	66,000
		Cash drawings	30,000
	570,000		570,000

(c) Total Creditors Account

Dr	₦	Cr	₦
31/12/19 Bank	320,000	1/1/19 Balance b/f	120,000

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31/12/19 Balance c/d	90,000	31/12/19 Purchases	290,000
	410,000		410,000
		1/1/20 Balance b/d	90,000

(d) Trading, Profit and Loss Account for the year ended 31st December 2019

	₦		₦
Opening Stock	124,000	Sales	570,000
Add: Purchases	290,000		
Cost of goods available for sale	414,000		
Less: Closing stock	140,000		
Cost of goods sold	274,000		
Gross profit c/d	296,000		
	570,000		570,000
Rent (200,000 – 100,000)	100,000	Gross profit b/d	296,000
Expenses (58,000+66,000+18,000+22,000)	120,000		
Depreciation of fittings (150,000–135,000)	15,000		
Net profit	61,000		
	296,000		296,000

(45 ticks × 1/3 mark = 15 marks)

Alternative — Question 5(d)

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	₦	₦
Sales		570,000
Less: Cost of sales		
Opening stock	124,000	
Purchases	290,000	
	414,000	
Less: Closing stock	140,000	
Cost of goods sold		274,000
Gross profit		296,000
Less: Operating expenses		
Rent (200,000−100,000)	100,000	
Expenses (58,000+66,000+18,000+22,000)	120,000	
Depreciation of fittings (150,000−135,000)	15,000	235,000
Net profit		61,000

(45 ticks × 1/3 mark = 15 marks)

Question 6 — SESAY

Departmental Trading, Profit and Loss Account for the year ended 31st December, 2019

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	Dept A (GH₵)	Dept B (GH₵)	Total (GH₵)		Dept A (GH₵)	Dept B (GH₵)	Total (GH₵)
Opening Stock	500	400	900	Sales	30,000	20,000	50,000
Add: Purchases	23,600	16,400	40,000				
Goods available for sale	24,100	16,800	40,900				
Less: Closing stock	600	300	900				
Cost of goods sold	23,500	16,500	40,000				
Gross profit c/d	6,500	3,500	10,000				
	30,000	20,000	50,000		30,000	20,000	50,000
Less Expenses:				Gross profit b/d	6,500	3,500	10,000
Wages of sales assistants	2,000	1,500	3,500	Net loss	–	1,600	1,600
Delivery expenses	300	–	300				
General office salaries	900	600	1,500				
Rates	52	208	260				
Fire insurance	20	80	100				
Electricity	48	192	240				
Repairs to premises	100	400	500				
Telephone	300	200	500				
Cleaning	120	480	600				
Auditing charges	1,440	960	2,400				
Stationery	720	480	1,200				

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Net profit	500	–	500				
	6,500	5,100	11,600		6,500	5,100	11,600

(60 ticks × 1/4 mark = 15 marks)

Alternative to Question 6

	Dept A (GH₵)	**Dept B (GH₵)**	**Total (GH₵)**
Sales	30,000	20,000	50,000
Less Cost of sales:			
Opening Stock	500	400	900
Add: Purchases	23,600	16,400	40,000
	24,100	16,800	40,900
Less: Closing stock	600	300	900
Gross profit c/d	6,500	3,500	10,000
Less: Operating expenses:			
Wages of sales assistants	2,000	1,500	3,500
Delivery expenses	300	–	300
General office salaries	900	600	1,500
Rates	52	208	260
Fire insurance	20	80	100
Electricity	48	192	240

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Repairs to premises	100	400	500
Telephone	300	200	500
Cleaning	120	480	600
Auditing charges	1,440	960	2,400
Stationery	720	480	1,200
Net profit/(Loss)	6,000	(500)	11,100

(60 ticks × 1/4 mark = 15 marks)

Question 7 — OLOGUN TRADING ENTERPRISES

(a) Goods Sent to Branch Account

Dr	**₦**	**Cr**	**₦**
31/12/19 Branch stock (return) (320 – ¼(320))	240	1/12/19 Branch stock	24,000
31/12/19 Trading Account	23,760		
	24,000		24,000

(b) Branch Stock Account

Dr	**₦**	**Cr**	**₦**
01/12/19 Goods sent to branch	24,000	31/12/19 Sales	20,000
31/12/19 Branch adjustment (24,000 × 1/3)	8,000	31/12/19 Goods sent to branch (320 – ¼(320))	240

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		31/12/19 Branch adjustment	80
		31/12/19 Stock deficiency	160
		31/12/19 Balance c/d / Closing stock	11,520
	32,000		32,000
1/1/20 Balance b/d	11,520		

(c) Branch Adjustment Account

Dr	**₦**	**Cr**	**₦**
31/12/19 Branch stock (return) (¼ × 320)	80	1/12/19 Branch stock (24,000 × 1/3)	8,000
31/12/19 Stock deficiency	160		
31/12/19 Gross profit	4,880		
31/12/19 Balance c/d / Closing stock (11,520 × ¼)	2,880		
	8,000		8,000
		1/1/20 Balance b/d / Closing stock	2,880

Note: Accept "Branch Stock Adjustment Account" as an alternative title.

(30 ticks × ½ mark = 15 marks)

Question 8 — LOLY AND WILLY PARTNERSHIP

(a) Revaluation Account

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Dr	Le	Cr	Le
Furniture and fittings	20,000	Plant and Machinery	60,000
Stock	10,000		
Provision for doubtful debts	2,000		
Profit on revaluation: Loly (3/5 × 28,000)	16,880		
Profit on revaluation: Willy (2/5 × 28,000)	11,000		
	28,000		
	60,000		60,000

(b) Partners' Account

	Loly (Le)	Willy (Le)	Joe (Le)		Loly (Le)	Willy (Le)	Joe (Le)
Motor vehicle	10,000	–	–	Balance b/f	200,000	150,000	–
Balance c/d	251,800	191,200	100,000	Revaluation profit	16,800	11,200	–
				Cash	–	–	100,000
				Cash/Bank	45,000	30,000	–
	261,800	191,200	100,000		261,800	191,200	100,000
				Balance b/d	251,800	191,200	100,000

Alternate to Question 8 — Loly, Willy and Joe Partnership Balance Sheet

Fixed Assets	Cost (Le)	Depreciation (Le)	Net Book Value (Le)
Plant and Machinery	300,000	–	300,000

Furniture and Fittings	60,000	–	60,000
Motor vehicle	20,000	–	20,000
Total	380,000	–	380,000

Current Assets:

Stock: 40,000

Debtors 60,000, less Provision (7,000): 53,000

Cash (85,000 + 100,000 + 75,000): 260,000

Total Current Assets: 353,000

Less Current Liabilities:

Creditors: 90,000

Working Capital: 263,000

Capital Employed: 543,000

Capital:

Loly: 251,800

Willy: 191,200

Joe: 100,000

Total: 543,000

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(Full horizontal balance sheet version also shown, listing Loan 100,000 and Creditors 90,000 as liabilities against Fixed + Current Assets totalling 733,000 on both sides.)

(45 ticks × 1/3 mark = 15 marks)

Question 9 — BABS COMPANY LTD

(a) Bank Account

Dr	$	Cr	$
2019 June 20 Application	80,000	2019 June 20 Application	8,000
June 30 Allotment	126,000	July 31 Balance c/d	360,000
July 26 First and final call	162,000		
	368,000		368,000
August 1 Balance b/d	360,000		

(b) Ordinary Share Application Account

Dr	$	Cr	$
2019 June 20 Bank	8,000	2019 June 20 Bank	80,000
June 20 Ordinary Share capital	72,000		
	80,000		80,000

(c) Allotment Account

Dr	$	Cr	$
2019 June 30 Ordinary share capital	126,000	2019 July 31 Bank	126,000

(d) First and Final Call Account

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Dr	$	Cr	$
2019 June 20 Ordinary Share capital	162,000	2019 July 20 Bank	162,000

(e) Ordinary Share Capital Account

Dr	$	Cr	$
Balance c/d	360,000	2019 June 20 Application account	72,000
		June 30 Allotment	126,000
		July 20 First and final call	162,000
	360,000		360,000

Workings:

i. Application monies received: (20,000 × 0.40) = $80,000

ii. Application monies refunded: (20,000 – 180,000 × 0.40) = $8,000

iii. Allotment monies: (180,000 × 0.70) = $126,000

iv. First and Final Call monies: (180,000 × 0.90) = $162,000

(30 ticks × ½ mark = 15 marks)

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WAEC FINANCIAL ACCOUNTING

(PAPER 2 – ESSAY) 2022

Instructions: *This paper consists of two Sections, A and B. Answer two questions from Section A and three questions from Section B. You are reminded of the importance of clarity of expression and orderly presentation of relevant material. Calculators may be used, but all workings must be shown.*

SECTION A — THEORY OF FINANCIAL ACCOUNTING

Answer two questions only from this section.

Question 1

(a) Identify three books of account from which entries are made into control accounts. **[3 marks]**

(b) State two uses of control accounts. **[4 marks]**

(c) List four items each which would be recorded on the debit side of:

- (i) Purchases Ledger Control Account;
- (ii) Sales Ledger Control Account. **[8 marks]**

Question 2

(a) What is *goodwill*? **[2 marks]**

(b) List four items of recurrent expenditure for local government. **[4 marks]**

(c) Explain the three types of inventories in manufacturing account. **[9 marks]**

Question 3

(a) Explain the following terms:

- (i) Accumulated Fund;
- (ii) Statement of Affairs. **[4 marks]**

(b) List five sources of income for a not-for-profit-making organization. **[5 marks]**

(c) State three differences between Receipts and Payments Account and Income and Expenditure Account. **[6 marks]**

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Question 4

(a) List three accounts prepared by the head office for the branch. **[3 marks]**

(b) Explain two methods of accounting for goods sent to branch. **[4 marks]**

(c) State four reasons for preparing departmental accounts. **[8 marks]**

SECTION B — FINANCIAL ACCOUNTING PRACTICE

Answer three questions only from this section.

Question 5

Omuga District Council made the following payments for 2020.

Heads	Particulars	Amount (₦)
20011	Construction of market stalls	100,000
20021	Maintenance of roads	30,000
20031	Construction of health centre	120,000
20041	Repair of vehicle	10,000
20051	Sinking of borehole	80,000
20061	Lubricants	20,000
20071	Purchase of ambulance	60,000
20081	Electricity bills	15,000
20091	Office equipment and machines	20,000
20101	Yellow fever vaccine	12,000
20111	Construction of laboratory	130,000
20121	Servicing of generator	5,000
20141	Traveling expenses	10,000
20161	Stationery	5,000
20131	Purchase of hospital equipment	90,000
20151	Purchase of generator	40,000
20171	Purchase of water treatment plant	110,000
20181	Drugs for health centre	30,000
20191	Purchase of office furniture	80,000
20201	Environmental sanitation	40,000
20221	Staff benefit	20,000
20211	Construction of day care centre	110,000

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20231	**Construction of toilets**	**60,000**
20241	Telephone expenses	12,000
20251	Provision of streetlights	90,000
20261	Refuse disposal	30,000
20281	Salaries	100,000
20301	Hospitability expenses	30,000

You are required to prepare for the year ended 31st December 2020:

- (a) Statement of Capital Expenditure;
- (b) Statement of Revenue Expenditure.

[15 marks]

Question 6

The summary of the Receipts and Payments of the *Adamfo Social Club* for the year ended 31st December 2019 is as follows:

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Receipts ($)

Item	Amount
Subscriptions	4,000
Sale of competition tickets	800
Donations	300
Refund of rent	1,000

Payments ($)

Item	Amount
Rent	3,000
Honorarium to speaker	2,200
Secretarial expenses	200
Donations to charity	60
Competition prizes	600
Stationery and printing	320

Additional information:

	01/01/19 ($)	31/12/19 ($)
Equipment at valuation	1,950	1,500
Subscriptions: Arrears	120	170
Subscriptions: Advance	30	60
Owing to suppliers of competition prizes	90	120
Stock of competition prizes	70	80

You are required to prepare for the club and for the year ended 31st December 2019:

- (a) Subscription Account;
- (b) Competition Prizes Suppliers Account;
- (c) Competition Trading Account;
- (d) Income and Expenditure Account.

[15 marks]

Question 7

The authorised and issued share capital of *Ozideli Limited* comprised 400,000 ordinary shares of Le 1 each and 100,000 8% preference shares of Le 1 each.

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The trial balance at the end of the year was as follows:

Trial Balance as at 31st December 2018

	Dr (Le)	Cr (Le)
Sales		1,500,000
Purchases	1,000,000	
General expenses	280,000	
Debenture interest	8,400	
7% Debentures		120,000
Ordinary share capital		400,000
8% Preference share capital		100,000
Plant and machinery at cost	160,000	
Motor vehicle at cost	70,000	
Profit and loss account (31/12/17)		8,600
Creditors		172,400
Debtors	500,000	
General reserve		10,000
Provision for depreciation: Plant and Machinery		20,000
Provision for depreciation: Motor vehicle		10,000
Bank	22,600	
Stock (31/12/17)	300,000	
Total	2,341,000	2,341,000

Additional information:

- (i) Stock on hand at 31/12/2018 was Le 400,000;
- (ii) The directors were to receive remuneration of Le 70,000;
- (iii) Depreciation is to be calculated on plant and machinery at Le 32,000 and motor vehicle at Le 14,000;
- (iv) The directors decided to transfer Le 12,000 to the general reserve;
- (v) Preference dividend for 2018 will be paid on 10/01/2019.

You are required to prepare:

- (a) Trading, Profit and Loss and Appropriation Account for the year ended 31st December 2018;
- (b) Balance Sheet as at that date.

[15 marks]

Question 8

The cash book of *Dupe Enterprises* showed an overdrawn balance of ₦216,126, and her bank statement also showed an overdrawn

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balance of ₦905,625. On 31/12/2016, a detailed examination of the records showed the following differences:

- (i) A cheque drawn for ₦697,550 had been entered in the cash book as ₦365,050.
- (ii) A standing order of ₦420,000 and bank charges of ₦8,750 entered in the bank statement had not been recorded in the cash book.
- (iii) Bank lodgment of ₦1,922,375 on 27th December 2016 has not been credited by the bank.
- (iv) Dividend received of ₦315,000 had been recorded in the bank but not entered in the cash book.
- (v) Cheques paid to suppliers totaling ₦1,165,500 has not been presented for payment.
- (vi) A cheque for ₦700,000 received from Tunde was dishonoured by the bank but no entry had been made in the cash book.
- (vii) A cheque of ₦256,813 received from a customer was entered as payment in the cash book.
- (viii) A cheque for ₦350,000 recorded in Dupe Enterprises' cash book had been credited by the bank to Dudu Enterprises' account.
- (ix) An amount of ₦1,050,000 received from a customer was paid directly to Dupe Enterprises' account but no entry was made in the cash book.

You are required to prepare:

- (a) Dupe Enterprises' Adjusted Cash Book;
- (b) Bank Reconciliation Statement as at 31st December 2016.

Question 9

Ade, a trader, had the following balances in the creditor's ledger on October 31, 2020.

	GH¢
Kristy	4,200
Erica	8,700

The following transactions took place in November 2020:

November		**GH¢**

4	**Goods bought from Kofi**	**17,400**

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4	Returned goods to Erica	1,500
10	Goods returned to Kofi	900
16	Goods bought from Mary	10,500
21	Goods bought from Kofi	14,100
24	Payment to Kristy after deducting discount of GH¢300	3,900
27	Payment to Erica after deducting discount of GH¢600	6,600

All purchases were on credit while all payments were made through the bank.

You are required to prepare:

- (a) The individual creditors account;
- (b) The total creditors control account.

[15 marks]

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MARKING SCHEME

WASSCE 2022 FINANCIAL ACCOUNTING 2 (ESSAY)

Question 1

(a) Book of account from which entries are made into control accounts:

(i) Sales Day Book or Sales Journal or Sales Book

(ii) Purchases Day Book or Purchases Journal or Purchases Book

(iii) Returns Inwards Book or Sales Returns Journal

(iv) Returns Outwards Book or Purchases Returns Journal

(v) Cash book

(vi) Petty cash book

(vii) General Journal or Journal Proper

(viii) Bills Payable Book

(ix) Bills Receivable Book

(x) General Ledger

(Any 3 x 1 mark = 3 marks)

(b) Uses of Control Accounts. They are used to:

(i) locate errors easily

(ii) check the work performed by the accounts clerks

(iii) show the arithmetical accuracy of the individual accounts in the ledgers

(iv) prepare interim accounts

(v) group homogenous accounts

(vi) detect missing figures

(vii) ascertain total debtors balances

(viii) ascertain total creditors balances

(ix) provide a means for preventing fraudulent practices

(x) aid in the preparation of final accounts

(xi) enhance internal control

(xii) set off account (contra entry)

(xiii) ascertain total credit sale

(xiv) ascertain total credit purchases

(Any 2 x 2 marks = 4 marks)

(c)(i) Items recorded on the debit side of Purchases Ledger Control Account:

Balance b/f or Opening debit balance

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Set offs or transfers to sales ledger

Bills payable

Discount received

Cash paid to suppliers

Cheque paid to suppliers

Credit transfer to suppliers or credit notes received

Returns outwards

Balance c/d (CLOSING balance)

(Any 4 x 1 mark = 4 marks)

(ii) Items recorded on the debit side of Sales Ledger Control Account:

Balance b/f or Opening of debtors balance

Bad debts recovered

Credit sales

Interest charged on overdue accounts

Dishonoured cheques

Refund to customers

Balance c/d

Debit notes issued

Discount disallowed

Bills receivable dishonoured

Noting charges

(Any 4 x 1 mark = 4 marks)

(Total (3 + 4 + 8) = 15 marks)

Question 2

(a) Goodwill: It is the reputation, connection or other advantages possessed by a business which enables it to earn greater profits than normal.

OR

Goodwill: It is the excess of the purchase consideration or price over the net assets of an entity.

(b) Items of recurrent expenditure for a local government:

(i) Stationery

(ii) Salaries and wages

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(iii) Training expenses

(iv) Meeting expenses

(v) Fuel for vehicles

(vi) Bank charges

(vii) Purchase of drugs

(viii) Sanitation expenses

(ix) Payments for utilities

(x) Payments for scholarship schemes

(xi) Payments for administrative or office expenses

(xii) Travelling and transportation

(xiii) Maintenance of vehicles

(xiv) Postal charges

(xv) Rent and rates

(xvi) Honorarium

(xvii) Interest on loan and overdraft

(xviii) Medical expenses

(Any 4 x 1 mark each = 4 marks)

(c) (continuing — reasons list)

(iii) ensure overall effective supervision

(iv) apportion a share of common expenses to the various departments

(v) ascertain the profit or loss of each department

(vi) guide management in the formulating and taking of strategic decision

(vii) put in place constructive actions to help a failing department

(viii) determine which department to close down or expand

(ix) provide a means of controlling department sales and costs

(x) stimulate healthy competition among various departments thereby leading to efficiency

(xi) provide basis for rewarding a department

(xi) monitor the progress of each department

(xii) assist in regulating policies

(Any 4 x 2 = 8 marks)

(Total (3 + 4 + 8) = 15 marks)

(b) Explanation of the three types of investment in manufacturing account:

(i) Stock of raw materials: These are materials acquired for processing into completed goods for sales.

OR

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These are unprocessed materials that constitute the initial inputs in the manufacturing process.

(ii) Stock of work-in-progress: These are partially completed materials that are awaiting further processing before completion.

OR

These refer to raw materials which have been processed but not yet completed.

(iii) Stock of finished goods: These are fully completed products that are being held for sale.

(iv) Stock of goods purchased for resale: These are completed goods or stock purchases from other businesses and brought in for sale.

(1 mark for identification and 2 marks for explanation x 3 = 9 marks)

[Total (2 + 4 + 9) = 15 marks]

Question 2 (as printed — second instance)

3(a) Explanation of terms:

(i) Accumulated fund: It is the equivalent of capital for a not-for-profit making organization.

OR

It is the difference between an organization's total assets and total liabilities.

(ii) Statement of Affairs: It is a statement drawn from incomplete records depicting assets, liabilities and capital at a point in time.

OR

It is the statement prepared at a point in time to determine the accumulated fund or capital of an organization.

(2 marks x 2 = 4 marks)

3(b) Sources of income for a not-for-profit making organization:

(i) Subscriptions or Dues

(ii) Donations

(iii) Interest on bank deposits or investments

(iv) Fine on members

(v) Entrance fees

(vi) Life membership fees

(vii) Proceeds from sales of items - fixed assets, e.t.c.

(viii) Locker fees

(ix) Proceeds from income generating activities - bar operations, funfair, e.t.c.

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(x) Grants or subvention

(xi) Gifts

(Any 5 x 1 mark = 5 marks)

Question 3

3(c) Differences between Receipts and Payments Account and Income and Expenditure Account:

	Receipt and Payments Account	**Income and Expenditure Account**
1.	It is a real account.	It is a normal account.
2.	It is prepared on cash basis.	It is prepared on accrual basis.
3.	The balance on the account represents cash or an overdraft.	The balance on the account represents surplus or deficit.
4.	It is equivalent to the cash book.	It is equivalent to the profit and loss account.
5.	It records both capital and revenue items.	It records only revenue items.
6.	Receipts are debited and payments credited.	Income are credited while expenditure are debited subject to adjustments.
7.	It is usually prepared on daily basis.	It is usually prepared periodically.
8.	The balance on the account is carried to the next period.	The balance on the account is transferred to the accumulated fund at the end of the period.

(2 marks each for correct pairs x 3 = 6 marks)

[Total (4 + 5 + 6) = 15 marks]

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Question 4

4(a) Accounts prepared by the Head Office for the Branch:

(i) Goods Sent to Branch Account

(ii) Branch Stock Account

(iii) Branch Debtors Account

(iv) Branch Expenses Account

(v) Branch Stock Adjustment Account/Branch Adjustment Account

(vi) Branch Profit and Loss Account

(vii) Branch Current Account

(Any 3 x 1 mark = 3 marks)

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4(b) Explanation of methods of accounting for goods sent to branch:

(i) When a branch keeps its own record (Independent Branch): The branch prepares the account of the whole activities at the branch and only remits the balances and statement of account to the head office for consolidation.

(ii) Where the head office keeps account and sends goods to the branch (Dependent Branch): Under this arrangement, the accounts of the branch are kept by the head office as well as its own accounts.

(2 marks x 2 = 4 marks)

4(c) Reasons for preparing departmental accounts. They are prepared in order to:

(i) compare results of various departments

(ii) provide basis for rewarding a department

(continued into Question 2's list above — see (iii)–(xii))

Question 5

(a) Dupe Enterprises — Adjusted Cash Book

31/12/16		₦		31/12/16		₦
Dividend		315,000		Balance b/d		216,126
Direct credit		1,050,000		Cheque understated		332,500
Wrong entry		513,626		Standing order		420,000
				Bank charges		8,750
				Dishonoured cheque		700,000
				Balance c/d		201,250
		1,878,626				1,878,626
1/1/17 Balance b/d		201,250				

(b) Bank Reconciliation Statement as at 31st December, 2016

	₦		₦
Balance as per adjusted cash book			201,250
Add: Unpresented cheque			1,165,500

			1,366,750
Less: Uncredited cheque	1,922,375		
Bank error	350,000		(2,273,375)
Balance as per bank statement			905,625

Alternative to Question 5(b)

Bank Reconciliation Statement as at 31st December, 2016

	₦		₦
Balance as per bank statement			905,625 OD
Add: Uncredited cheques	1,922,375		
Error entry	350,000		2,273,375
			1,366,750
Less: Unpresented cheques			1,165,500
Balance as per adjusted cash book			201,250

(30 ticks x ½ mark = 15 marks)

QUESTION 6

(a) ADAMO SOCIAL CLUB — Subscription Account

1/1/19		$				$
Balance b/d		120		31/12/19 Balance b/d		30
Income and expenditure		4,020		Receipts and payment		4,000
Balance c/d		60		Balance c/d		170
		4,200				4,200
1/1/20 Balance b/d		170		1/1/20 Balance b/d		60

Competition Prizes Suppliers Account

31/12/19		$				$
Receipts and payments		600		31/12/19 Balance b/d		90
Balance c/d		120		Purchases		630
		720				720
				1/1/20 Balance b/d		120

Competition Trading Account for the year ended 31st December 2019

	$		$
Sales			800
Less: Cost of sales:			
Opening stock	70		
Add: Purchases	630		
	700		

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Less: Closing stock	80	620	
Profit on competition prizes		180	

Alternative to Question 6(c)

Subscription Account

	$		$
Opening stock	70	Sales	800
Add: Purchases	630		
	700		
Less: Closing stock	80		
Profit on competition prize	180		
	800		800

(d) Income and Expenditure Account for the year ended 31st December 2019

Income		$		
Subscriptions		4,020		
Profit from competition prizes		180		
Donations		300		
		4,500		
Less: Expenses				
Rent (3,000 – 1,000)			2,000	

Honorarium to speaker	2,200	
Secretarial expense	200	
Stationery and printing	320	
Donations to charity	60	
Depreciation of equipment (1,950 – 1,500)	450	5,230
Excess of expenditure over income		730

Alternative to Question 6(d)

Income and Expenditure Account for the year ended 31st December 2019

Expenditure	**$**	**Income**	**$**
Rent (3,000 - 1,000)	2,000	Subscriptions	4,020
Honorarium to speaker	2,200	Donations	300
Secretarial expenses	200	Profit from competition	180
Stationery and printing	320	Excess of expenditure over income	730
Donations to charity	60		
Depreciation of equipment (1,950 – 1,500)	450		
	5,230		5,230

Note

(i) Where candidates add refund of rent ($1,000) to income and rent of $3,000 to payments, the candidate should be awarded a tick (✓) each.

(ii) The totals for income would then be $5,500 while the total for expense would then be $6,230.

(iii) In the alternative solution, the two totals would then be $6,230.

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(45 ticks x 1/3 mark = 15 marks)

Question 7

(b) OZIDELI LIMITED — Trading, Profit and Loss and Appropriation Account for the year ended 31st December 2018

	Le		Le
Stock at 31/12/17	300,000	Sales	1,500,000
Add: Purchases	1,000,000		
	1,300,000		
Less: Closing stock	400,000		
	900,000		
Gross profit c/d	600,000		
	1,500,000		1,500,000
General expenses	280,000	Gross profit b/d	600,000
Debenture interest	8,400		
Directors remuneration	70,000		
Depreciation: Plant and machinery	32,000		
Motor vehicle	14,000		
Net profit c/d	195,600		
	600,000		600,000

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Preference dividend	8,000	Net profit b/d	195,600
General reserve	12,000	Balance b/f	8,600
Balance c/d	184,200		
	204,200		204,200

Alternative to Question 7(a)

OZIDELI LIMITED — Trading, Profit and Loss and Appropriation Account for the year ended 31st December 2018

	Le	**Le**	**Le**
Sales			1,500,000
Less: Cost of goods sold:			
Opening stock	300,000		
Add: Purchases	1,000,000		
	1,300,000		
Less: Closing stock	400,000	900,000	
Gross profit			600,000
Less: Operating expenses:			
General expenses	280,000		
Debenture interest (7% x 120,000)	8,400		
Directors remuneration	70,000		
Depreciation: Plant and Machinery	32,000		
Motor vehicle	14,000	46,000	(404,400)

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Net Profit			195,600
Add: Net profit b/f			8,600
			204,200
Less: Proposed dividend: Preference		8,000	
Transfer to general reserve		12,000	20,000
Retained/Undistributed profit			184,200

(b) Balance Sheet as at 31st December 2018

Authorized and Issued Share Capital:	**Le**	**Le**		**Fixed Assets:**		**Le**
400,000 Ordinary shares of Le 1	400,000			Plant and machinery	160,000	
100,000 8% Preference shares of Le 1	100,000	500,000		Less: Depreciation	52,000	108,000
				Motor vehicle	70,000	
General reserve	22,000			Less: Depreciation	24,000	46,000
Profit and loss account	184,200	206,200				154,000NM
7% Debenture		120,000		Current Assets:		
		826,200NM		Stock		400,000
Current Liabilities:				Debtors		500,000
Preference dividend	8,000			Bank		22,600
Creditors	172,400					922,600
Directors remuneration	70,000	250,400				
		1,076,600NM				1,076,600NM

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Alternative to Question 7(b)

Balance Sheet as at 31st December 2018

Fixed Assets:	Cost (Le)	Accumulated Depreciation (Le)	Net book value (Le)
Plant and machinery	160,000	52,000	108,000
Motor vehicle	70,000	24,000	46,000
	230,000	76,000	154,000 NM
Current Assets:			
Stock	400,000		
Debtors	500,000		
Cash at bank	22,600		
	922,600		

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Less: Current Liabilities:		
Creditors	172,400	
Dividend preference shares	8,000	
Directors' remuneration	70,000	
Working capital		250,400
Net Assets		672,200
		826,200 NM

Financed By:		
Authorized and Issued Share Capital		
400,000 Ordinary shares at Le 1 each	400,000	
100,000 8% Preference shares at Le1 each	100,000	500,000
Retained/undistributed profit	184,200	
General reserve	22,000	206,200 NM
Long term liability		
7% Debenture		120,000
Capital employed		826,200 NM

(45 ticks x 1/3 mark = 15 marks)

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Question 8

OMUGA DISTRICT COUNCIL — Statement of Capital Expenditure for the year ended 31st December 2020

Heads	Particulars	₦
20011	Construction of market stalls	100,000
20031	Construction of Health centre	120,000
20051	Sinking of borehole	80,000
20071	Purchase of ambulance	60,000
20091	Office equipment and machines	20,000

20111	Construction of laboratory	130,000
20131	Purchase of hospital equipment	90,000
20151	Purchase of generator	40,000
20171	Purchase of water treatment plant	110,000
20191	Purchase of office furniture	80,000
20211	Construction of day care centre	110,000
20231	Construction of toilets	60,000
20251	Provision of street lights	90,000
		1,090,000 NM

Statement of Revenue Expenditure for the year ended 31st December 2020

Head	**Particulars**	**₦**
20021	Maintenance of roads	30,000
20041	Repair of vehicles	10,000
20061	Lubricants	20,000
20081	Electricity bills	15,000
20101	Yellow fever vaccines	12,000
20121	Servicing of generator	5,000
20141	Travelling expenses	10,000
20161	Stationery	5,000
20181	Drugs for health centre	30,000

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20201	Environmental sanitation	40,000
20221	Staff benefit	20,000
20241	Telephone expenses	12,000
20261	Refuse disposal	30,000
20281	Salaries	100,000
20301	Hospitality expenses	30,000
		369,000 NM

(30 ticks x ½ mark = 15 marks)

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Question 9

ADE NM — Kofi Account

November		**GHC**				**GHC**
10	Purchases returns	900		4	Purchases	17,400
30	Balance c/d	30,600		21	Purchases	14,100
		31,500				31,500
				December 1 Balance b/d		30,600

Mary Account

November		**GHC**				**GHC**

30	Balance c/d	10,500		16	Purchases	10,500
				December 1 Balance b/d		10,500

Kristy Account

November		**GHC**		**November**		**GHC**
24	Bank	3,900		1	Balance b/d	4,200
24	Discount received	300				
		4,200				4,200

Erica Account

November		**GHC**		**November**		**GHC**
4	Purchases returns	1,500		1	Balance b/d	8,700
27	Bank	6,600				
27	Discount received	600				
		8,700				8,700

(b) Total Creditors Control Account

November		**GHC**		**November**		**GHC**
30	Purchases returns (1,500 + 900)	2,400		1	Balance b/d (4,200 + 8,700)	12,900
	Bank (3,900 + 6,600)	10,500		30	Purchases (17,400 + 10,500 + 14,100)	42,000
	Discount received (600 + 300)	900				
	Balance c/d	41,100				

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		54,900				54,900
				December 1 Balance b/d		41,100 NM

(45 ticks x 1/3 mark = 15 marks)

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WAEC FINANCIAL ACCOUNTING

(PAPER 2 – ESSAY) 2023

Instructions: *This paper consists of two Sections, A and B. Answer two questions from A and three questions from Section B. You are reminded of the importance of clarity of expression and orderly presentation of relevant materials. Calculators may be used but all workings must be shown.*

SECTION A — THEORY OF FINANCIAL ACCOUNTING

Answer two questions only from this section.

Question 1

(a) What are *incomplete records*? **[3 marks]**

(b) Outline three limitations of keeping incomplete records. **[6 marks]**

(c) State three reasons a business keeps incomplete records. **[6 marks]**

Question 2

Identify the errors in the following transactions and state if they would affect the agreement of the trial balance totals.

(a) Purchase of consumables posted to purchases account;

(b) An invoice amount incorrectly posted to purchases day book;

(c) Returns outwards posted to the personal account only;

(d) The totals sales of ₦120,000 was recorded as ₦102,000;

(e) Payment of cheque to Ige's account credited to Ige's account, but not entered on the receipt side of the cash book and credited to Ige's account.

[15 marks]

Question 3

List five uses of accounting information and state their respective interest in the accounting information.

[15 marks]

Question 4

(a) Explain accounting ratio giving one example of liquidity ratio. **[3 marks]**

(b) State three users of accounting ratios. **[6 marks]**

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(c) Outline three limitations to the use of accounting ratios. **[6 marks]**

SECTION B — FINANCIAL ACCOUNTING PRACTICE

Answer three questions only from this section.

Question 5

The following is the trial balance of *Abete Trading Company* as at 31st December 2020:

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Trial Balance as at 31st December 2020

	Le	Le
Depreciation of fixed assets	9,260	
Stock as 1st January 2020	3,600	
Purchases and sales	100,000	174,000
General expenses	17,000	
Fixed assets	42,600	
Returns	2,400	4,800
Discounts	400	2,000
Salaries and wages	21,000	
Suspense account	3,060	
Total	**190,060**	**190,060**

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Additional information:

Investigation revealed the following errors which necessitated the opening of suspense account:

- (i) Stock in hand on 31st December 2020 was Le 4,000.
- (ii) Drawings of Le 1,000 was posted to salaries and wages account;
- (iii) Furniture bought at Le 1,560 was wrongly debited to fixed asset account;

- (iv) Purchases day book was undercast by Le 2,000;
- (v) Discount allowed of Le 200 to a customer had not been posted to the customer's account.

(iii) (note: Depreciation of fixed assets is 10% per annum.)

You are required to:

- (a) Correct the errors through journal entries (no narration is required);
- (b) Prepare Trading, Profit and Loss Account for the year ended 31st December 2020.

[15 marks]

Question 6

The following were extracted from the books of *Eclam Republic* for the year ended 31/12/2021.

Receipts	**$**
Receipts from oil and gas	522,500,000
Import duties	250,000,000
Export duties	180,500,000
Receipts from agriculture	60,000,000
Permit and licence fees	92,000,000
Personal and other income taxes	230,500,000
Miscellaneous income	100,500,000

Additional information:

(i) The country is structured into six (6) Regions/States/A, B, C, D, E, F.

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(ii) The population of each of the Regions/States are:

- A: 400,000; B: 350,000; C: 250,000;
- D: 100,000; E: 300,000; F: 200,000.

(iii) Revenue is shared 30% to the Regions/States on the basis of population, and 70% to the Federal/Central government, 10% to education trust fund 60% to be shared by the Regions/States collectively and individually for year 2021.

You are required to compute:

- (a) The total revenue for the country for the year 2021;
- (b) Revenue for the Federal/Central government for year 2021;
- (c) Revenue for the Regions/States collectively and individually for year 2021.

[15 marks]

Question 7

Taiwo, Kehinde and Alaba had been in partnership sharing profits and losses in the ratio 3:5:2 respectively. Their balance sheet as at 31st October 2020 on which date they decided to dissolve the partnership was as follows:

Taiwo, Kehinde and Alaba — Balance Sheet as at 31st October 2020

Capital Accounts:	**₦**		**Fixed Assets:**	**Cost (₦)**	**Accumulated Depreciation (₦)**	**Net Book Value (₦)**
Taiwo	5,512,500		Buildings	11,287,500	3,780,000	7,507,500
Kehinde	9,712,500		Motor vehicles	15,750,000	6,300,000	9,450,000
Alaba	4,987,500		Furniture	5,250,000	1,575,000	3,675,000

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Total Capital	**20,212,500**		**Total Fixed Assets**	**32,287,500**	**11,655,000**	**20,632,500**
Current Accounts:			**Current Assets:**			
Taiwo	551,250		Stock			3,150,000
Kehinde	656,250		Debtors			2,490,000
Alaba	918,750	2,126,250				
Current Liabilities:						
Trade creditors		2,103,750				
Bank overdrafts		4,593,750				
Total		**22,338,750**	**Total**			**22,338,750** (incl. 6,300,000 current assets)

(Note: figures transcribed as printed; some totals in the source image are partially obscured — please verify against the original answer booklet before publishing.)

Dissolution conditions were as follows:

- (i) Debtors paid ₦1,895,250 in full settlement of their debts;
- (ii) Trade discounts received was 3% and the dissolution expenses was agreed to be ₦656,250;
- (iii) Taiwo took over a motor vehicle with a book value of ₦2,835,000 for ₦2,625,000. The remaining motor vehicles were sold for ₦7,408,800;

- (iv) Other assets realized:
- Buildings — ₦11,812,500
- Furniture — ₦4,200,000
- Stock — ₦2,625,000

You are required to prepare the firms:

- (a) Realization Account;
- (b) Partners' Capital Accounts in column form.

[15 marks]

Question 8

Easyway Limited produces disposable products for the health sector. Information available for the year ended 31st December 2021 is as follows:

	GH¢
Sales	342,000
Raw materials purchased	140,500
Direct labour	74,300
Depreciation of plant and machinery	24,400
Delivery expenses	10,000
Discounts allowed	5,000

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Direct expenses	10,000
Rent	12,000
Electricity	13,000
Depreciation of vehicles	5,600

Stocks:

	01/01/2021 (GH¢)	**31/12/2021 (GH¢)**
Raw materials	60,400	52,600
Work-in-progress	45,000	40,200
Finished goods	39,200	20,900

Additional information:

Apportion rent, electricity and depreciation of vehicles to factory and office in the ratio 3:2 respectively.

You are required to prepare Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2021.

[15 marks]

Question 9

On 1st June 2024, *Iroko Plc* issued 300,000 ordinary shares of D 10 at par payable as follows:

- D 6 on Application;
- D 3 on Allotment;
- D 1 on First and Final call.

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450,000 applicants were received with application monies. The directors decided to:

- (i) reject 50,000 applicants and return the monies received;
- (ii) issue the shares to the remaining applicants based on three (3) shares for every four (4) shares applied;
- (iii) credit the excess application monies received to Allotment.

All the calls were made and monies received accordingly.

You are required to prepare the following Ledger Accounts:

- (a) Share Application Account;
- (b) Allotment Account;
- (c) First and Final Call Account;
- (d) Bank Account;
- (e) Ordinary Share Capital Account.

[15 marks]

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MARKING SCHEME

WASSCE 2023 — FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A: THEORY OF FINANCIAL ACCOUNTING

Question 1

(a) Incomplete records

This refers to a situation in which a business does not keep a full set of double entry records.

(b) This is a system where only one side of a business transaction is recorded in an account, disregarding the double entry principle.

(Any point = 3 marks)

(b) Limitations of keeping Incomplete Records:

(i) The business cannot extract a trial balance to check the arithmetical accuracy of ledger entries;

(ii) The accuracy of any accounts cannot be verified;

(iii) The business cannot make good business decisions;

(iv) Cost control will be difficult;

(v) It can lead to the collapse of the business;

(vi) Fraud may easily be committed since there can be no check or proof of transaction;

(vii) Financial statement prepared from incomplete records will not be accepted for tax purpose;

(viii) It makes it difficult to ascertain profit or loss;

(ix) It hinders access to credit facilities;

(x) It makes it difficult to claim insurance when the need arises.

(Any 3 x 2 marks = 6 marks)

(c) Reasons for keeping Incomplete Records:

(i) Lack of resources to operate double entry records;

(ii) Lack of qualified personnel to operate the system;

(iii) The size of the business may not necessitate the implementation of a full set of accounting records;

(iv) The lack of awareness of the need to operate a double entry system;

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(v) The destruction of some or all financial records as a result of natural disaster;

(vi) Deliberate attempt on the part of accounting personnel to conceal accounting records in order to avoid detection of malpractices;

(vii) Loss of vital documents as a result of burglary and stealing;

(viii) When there is no legal obligation on the part of the business to maintain proper accounting records;

(ix) Deliberate attempt on the part of management of a business to evade tax;

(x) When the business just began operations;

(xi) It is less cumbersome or more convenient to maintain this system;

(xii) Inability to employ qualified accounting staff;

(xiii) It is less expensive to keep as compared to maintaining double entry system;

(xiv) Where the owner fears embezzlement on the part of accounting staff and therefore keeps few records.

(Any 3 x 2 marks = 6 marks)

[Total (3+6+6) = 15 marks]

Question 2

(a) Error of principle: It will not affect the agreement of the trial balance totals.

(b) Error of original entry: It will not affect the agreement of the trial balance totals.

(c) Error of single entry or partial omission: It will affect the agreement of the trial balance totals.

(d) Undercasting error: It will affect the agreement of the trial balance totals.

(e) Error of complete reversal: It will not affect the agreement of the trial balance totals.

(2 marks for identification and 1 mark for narration = 3 marks)

Note: Where the error identified is wrong, explanation should be marked wrong.

[Total (3+3+3+3+3) = 15 marks]

Question 3

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Users of Accounting Information and their respective interest

(i) Management/Managers — Their interests are to know:

how the business is progressing;

the financial position of the business;

whether set targets are being achieved.

(ii) Owners/Shareholders — Their interests are to know:

whether the business is profitable or not;

about the security of their investments;

whether the business can pay dividend;

whether to hold or sell their shares.

(iii) Bankers/Financial institution — They will need accounting information to:

assess the credit worthiness of the business;

evaluate the ability of the business to pay back when the facility is due.

(iv) Tax authorities — They need the information to:

assess the tax payable;

ensure that all relevant information has been captured in the financial statement.

(v) Potential investors — They need accounting information to assess the viability of the business.

(vi) Competitors — Their interest is to assess the strength and weaknesses of other similar businesses to improve their operations.

(vii) Employees — Their interest are to:

evaluate the security of their jobs or long-term prospect of the business;

assess the ability of the business to continue paying their remuneration as and when due;

know their efficiency as workers;

have a basis for collective bargaining.

(viii) Regulatory bodies — Their interest is to ensure compliance with regulatory requirements and standards.

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(ix) Trade unions — Their interest is to have basis for negotiating for improved conditions of services.

(x) Customers/Debtors — Their interest are to:

determine the ability of the business to regularly meet their orders;

assess the ability of the business to offer them credit facilities.

(xi) Suppliers/Creditors — Their interest are to determine:

the ability of the business to pay its debt;

how long the business would take to pay its debt.

(xii) Financial analysts/Researchers — They need financial information for advisory and academic purposes.

(xiii) General public — They need financial information to appraise the efficiency and social responsibility of the business.

(1 mark for listing, 2 marks for explanation x 5 = 15 marks)
[Total = 15 marks]

Question 4

(a) Accounting Ratio: is the quantitative relationship (1 mark) between two or more accounting values in the financial statement (1 mark).

OR Is the quantitative relationship (1 mark) between two or more figures from financial statements (1 mark).

OR They are mathematical measures of the relationship (1 mark) between two or more figures extracted from financial statements (1 mark).

OR They are comparisons of figures (1 mark) derived from financial statements (1 mark) for decision making purposes.

Examples of Liquidity Ratio:
(i) Current ratio or working capital ratio;
(ii) Quick ratio or acid test ratio.
(2 marks for one explanation, 1 mark for one example = 3 marks)

(b) Uses of Accounting Ratios:
Accounting ratios are used:
(i) to shows trends of business activities over a period of time;
(ii) in forecasting;
(iii) in inter-company comparisons;

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(iv) in intra-company comparisons;

(v) for interpreting the financial statements;

(vi) to measure the ability of the business to meet its financial obligations;

(vii) to determine the profitability of the business;

(viii) to ascertain the liquidity position of an entity;

(ix) to assess the value or worth of a business;

(x) to measure the gearing of a firm;

(xi) to determine the credit worthiness of a business;

(xii) to determine slow and fast moving inventories;

(xiii) to identify the problem areas of a firm's finances;

(xiv) to assess the efficiency of management;

(xv) to provide information for planning the activities of an entity;

(xvi) to provide information for control purposes;

(xvii) to provide information about the solvency of a firm;

(xviii) to provide information for control purposes.

(Any 3 points x 2 marks = 6 marks)

(c) Limitations of Accounting Ratios:

(i) Accounting ratios deals in quantitative information only.

(ii) Accounting ratios can be easily manipulated.

(iii) It is not a good indicator for future planning because ratios are computed based on past data.

(iv) The use of different accounting policies and methods by firms makes comparison difficult.

(v) Some firms window-dress their financial statements resulting in misleading information to users.

(vi) The use of different definitions to certain terms makes it difficult to use ratios to take decisions.

(vii) Using ratios as a basis of comparison between firms becomes unfair as firms operate under different conditions.

(viii) Inflation renders accounting ratios ineffective because of the frequent price level changes.

(ix) Financial statements may be prepared several months before their use, by which time values therein might have changed.

(x) The summarised nature of accounting information may lead to omissions of vital information, rendering the use of the ratios derived from such deficiencies misleading.

(xi) Changes in accounting standards bring about distortions in financial reporting, making comparison difficult.

(Any 3 points x 2 marks = 6 marks)

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[Total (3+6+6) = 15 marks]

SECTION B: FINANCIAL ACCOUNTING PRACTICE

Question 5

Abete Trading Company

(a) General Journal

	Dr Le	Cr Le
Drawings Account	1,000	
Salaries and Wages Account		1,000
Furniture Account	1,260	
Suspense Account		1,260
Purchases Account	2,000	
Suspense Account		2,000
Suspense Account	200	
Debtors Account		200

(b) Trading, Profit and Loss Account for the year ended 31st December 2020

	Le	Le		Le	Le
Opening Stock		3,600	Sales		174,000

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Purchases (100,000 + 2,000)	102,000		Less: Returns inwards	2,400	171,600
Less: Returns outwards	4,800	97,200			
Cost of goods available for sale		100,800			
Less: Closing stock		4,000			
Cost of goods sold		96,800			
Gross profit c/d		74,800			
		171,600			171,600
Salaries and wages (21,000-1,000)		20,000	Gross profit b/d		74,800
Discount allowed		400	Discount received		2,000
General expenses		17,000			
Depreciation of fixed asset {10% (42,600 + 1,260)}		4,386			
Net profit		35,014			
		76,800 NM			76,800 NM

Question 5(b) Alternative

Trading, Profit and Loss Account for the year ended 31st December 2020

	Le	**Le**	**Le**
Sales			174,000
Less: Returns inwards			2,400
			171,600

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Less: Cost of goods sold:			
Opening stock		3,600	
Add: Purchases (100,000 + 2,000)	102,000		
Less: Returns outwards	4,800	97,200	
Cost of goods available for sale		100,800	
Less: Closing stock		4,000	
Cost of goods sold			(96,800)
Gross profit			74,800
Add: Discount received			2,000
			76,800
Less: Operating expenses			
Salaries and wages (21,000 - 1,000)	20,000		
Discount allowed	400		
General expenses	17,000		
Depreciation of fixed assets {10% (42,600 + 1,260)}	4,386	41,786	
Net Profit			35,014

(45 ticks x 1/3 mark = 15 marks)

Question 6

Edum Republic

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(a) Total Revenue for the country for the year 2021

	$
Receipts from oil and gas	522,500,000
Import duties	250,000,000
Export duties	180,500,000
Receipts from agriculture	60,000,000
Permit and license fees	92,000,000
Personal and other income tax	230,500,000
Miscellaneous income	100,500,000
Total	1,436,000,000

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(b) Revenue for the Federal/Central Government for the year 2021

	$
National share (30% x 1,436,000,000)	430,800,000
Education Trust Fund (10% x 1,436,000,000)	143,600,000
Total	574,400,000

(c) Revenue for the Regions/States for year 2021

(i) Collectively:

60% x $1,436,000,000 = $861,600,000

(ii) Individually:

Region/State	Total population
A	400,000
B	350,000
C	250,000
D	100,000
E	300,000
F	200,000
Total	1,600,000

Revenue allocation for the Regions/States Individually

A = (400,000/1,600,000) × $861,600,000/1 = $215,400,000

B = (350,000/1,600,000) × $861,600,000/1 = $188,475,000

C = (250,000/1,600,000) × $861,600,000/1 = $134,625,000

D = (100,000/1,600,000) × $861,600,000/1 = $53,850,000

E = (300,000/1,600,000) × $861,600,000/1 = $161,550,000

F = (200,000/1,600,000) × $861,600,000/1 = $107,700,000

Total = $861,600,000

(45 ticks x 1/3 mark = 15 marks)

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Question 7

Taiwo, Kehinde and Alaba

(a) Realization Account

	₦		₦
Buildings	7,507,500	Buildings	11,812,500
Motor vehicles	9,450,000	Motor vehicle	7,408,800
Furniture	3,675,000	Furniture	4,200,000
Stock	3,150,000	Stock	2,625,000
Debtors	3,150,000	Taiwo's capital account	2,625,000
Dissolution expenses	656,250	Trade creditors (3% x 2,490,000)	74,700
Capital Account:		Debtors	1,895,250
Taiwo (3/10 x 3,052,500)	915,750		
Kehinde (5/10 x 3,052,500)	1,526,250		
Alaba (2/10 x 3,052,500)	610,500		
	3,052,500		
Total	30,641,250	Total	30,641,250

(b) Partners' Capital Accounts

	Taiwo	**Kehinde**	**Alaba**		**Taiwo**	**Kehinde**	**Alaba**
Realization account	2,625,000	—	6,516,750	Bal b/d	5,512,500	9,712,500	4,987,500

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Bank	4,354,500	11,895,000	—	Current account	551,250	656,250	918,750
				Realization	915,750	1,526,250	610,500
Total	6,979,500	11,895,000	6,516,750	Total	6,979,500	11,895,000	6,516,750

(45 ticks x 1/3 mark = 15 marks)

Question 8

Easy Way Limited

Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2021

	GH¢	GH¢		GH¢
Opening raw materials		60,400	Production cost of goods sold c/d	276,160
Add: Purchases		140,500		
Raw materials available		200,900		
Less: Closing raw materials		52,600		
Cost of raw materials consumed		148,300		
Add: Direct labour		70,300		
Direct Expenses		10,000		
Prime Cost		228,600		
Add: Factory overheads:				

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Depreciation of plant and machinery	24,400			
Depreciation of vehicles (3/5 x 5,600)	3,360			
Electricity (3/5 x 13,000)	7,800			
Rent (3/5 x 12,000)	7,200	42,760		
Gross Production Cost		271,360		
Add: Opening work-in-progress		45,000		
		316,360		
Less: Closing work-in-progress		40,200		
Production cost		276,160		276,160
Opening stock of finished goods		39,200	Sales	342,000
Add: Production cost b/d		276,160		
Cost of goods available for sale		315,360		
Less: Closing stock of finished goods		20,900		
Cost of goods sold		294,460		
Gross profit c/d		47,540		
		342,000		342,000
Less: Expenses			Gross profit b/d	47,540
Rent (2/5 x 12,000)	4,800			
Electricity (2/5 x 13,000)	5,200			
Depreciation of vehicles (2/5 x 5,600)	2,240			

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Discounts allowed	5,000			
Delivery expenses	10,000	27,240		
Net profit		20,300		
		47,540 NM		47,540 NM

Question 8 Alternative

Easyway Limited

Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2021

	GH¢	**GH¢**
Raw materials		
Opening stock		60,400
Add: Purchases		140,500
		200,900
Less: Closing stock		52,600
Cost of raw materials consumed		148,300
Direct labour		70,300
Direct expenses		10,000
Prime cost		228,600
Factory Overheads		
Depreciation of plant and machinery	24,400	

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Rent (3/5 x 12,000)	7,200	
Electricity (3/5 x 13,000)	7,800	
Depreciation of vehicles (3/5 x 5,600)	3,360	42,760
Gross production cost		271,360
Add: Opening work-in-progress		45,000
		316,360
Less: Closing work-in-progress		40,200
Net production cost		276,160
Finished Goods		
Sales		342,000
Less: Cost of sales		
Opening stock		392,200 (figure as recorded in source — see note below)
Add: Production cost	276,160	
Cost of goods available for sale	315,360	
Less: Closing stock	20,900	
Cost of goods sold		(294,460)
Gross profit		47,540
Less: Expenses		
Delivery expenses	10,000	
Discounts allowed	5,000	

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Rent (2/5 x 12,000)	4,800	
Electricity (2/5 x 13,000)	5,200	
Depreciation of vehicles (2/5 x 5,600)	2,240	27,240
Net profit		20,300

(45 ticks x 1/3 mark = 15 marks)

Note: The "Opening stock" figure of 392,200 under "Cost of sales" in this alternative layout looks like a transcription artifact from the original scan — it doesn't fit the arithmetic (which otherwise works out correctly to Cost of goods sold = 294,460). Worth checking the original page against this figure before publishing.

Question 9

In the books of Iroko PLC

(a) Share Application Account

	₦		₦
Bank account	300,000	Bank account	2,700,000
Allotment account	600,000		
Ordinary share capital account	1,800,000		
Total	2,700,000	Total	2,700,000

(b) Allotment Account

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	₦		₦
Ordinary share capital account	900,000	Application account	600,000
		Bank account	300,000
Total	900,000	Total	900,000

(c) First and Final Call Account

	₦		₦
Ordinary share capital account	300,000	Bank account	300,000
Total	300,000	Total	300,000

(d) Bank Account

	₦		₦
Application	2,700,000	Application (refund)	300,000
Allotment	300,000	Balance c/d	3,000,000
First and final account	300,000		
Total	3,300,000	Total	3,300,000
Balance b/d	3,000,000		

(e) Ordinary Share Capital Account

	₦		₦

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Balance c/d	3,000,000	Application account	1,800,000
		Allotment account	900,000
		First and final call account	300,000
Total	3,000,000	Total	3,000,000
		Balance b/d	3,000,000

(30 ticks x ½ mark = 15 marks)

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WASSCE JUNE 2024: FINANCIAL ACCOUNTING 2 (ESSAY)

SECTION A

1.(a) Identify the book of original entry in which each of the following transactions will be recorded:

(i) Purchase of office equipment on credit;

(ii) Credit purchases;

(iii) Bank charges;

(iv) Goods returned by a customer.

(b) State one source from which each of the following items could be transferred into the purchases ledger control account:

(i) Purchases;

(ii) Cash payments;

(iii) Returns outwards;

(iv) Discount received;

(v) Petty cash payments.

(c) Explain the following types of ledgers:

(i) Sales ledger;

(ii) Purchases ledger;

(iii) General ledger.

2.

(a) List six adjustments that are shown in the final accounts.

(b) State three differences between capital expenditure and revenue expenditure.

3. Ose, a sole proprietor, does not keep proper books of account.

(a) Identify and explain the system of bookkeeping Ose operates.

(b) State three advantages and three disadvantages of the bookkeeping system Ose operates.

4.

(a) State three differences between equity shareholders and debenture shareholders.

(b) Explain the following types of preference shares:

(i) Cumulative preference shares;

(ii) Redeemable preference shares;

(iii) Participating preference shares.

SECTION B

5. The trial balance of Ahoofe Trading Enterprises as at 31st December 2020 was as follows:

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Item	Dr (GH¢)	Cr (GH¢)
Fixtures and Fittings	120,400	
Motor vehicle	44,000	
Debtors and creditors	9,400	7,600
Purchases	60,300	
Sales		184,900
Discounts	2,900	2,500
Electricity	3,100	
Stock (1/1/2020)	16,300	
Cash	54,600	
Carriage inwards	4,000	
Distribution expenses	2,200	
Returns	4,500	3,000
Rent	24,000	
Interest expenses	3,500	
Loan		30,000
Capital		121,200
Total	**349,200**	**349,200**

Additional information:

(i) Depreciation for all fixed assets is at 15% per annum on cost;

(ii) Electricity prepaid was GH¢640 and rent in arrears was GH¢12,000;

(iii) Closing stock was valued at GH¢24,200.

You are required to prepare:

(a) Trading, Profit and Loss Account for the year ended 31st December 2020;

(b) Balance Sheet as at 31st December 2020.

6. Red Top Manufacturing Enterprise produces plastic bowls. The information relating to its operations for the year ended 31st December 2021 is as follows:

Stocks	01/01/2021 (#)	31/12/2021 (#)
Raw materials	140,000	220,000

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Work-in-progress	260,000	340,000
Finished goods	550,000	–

Item	**#**
Sales	4,550,000
Purchase of raw materials	1,489,000
Direct wages	850,000
Royalties	77,000
Discounts allowed	92,000
Factory fuel	660,000
Administrative expenses	44,000
Electricity	64,000
Maintenance	48,000
Selling and distribution expense	33,000

Additional information:

(i) 75% of electricity and maintenance costs are apportioned to the factory;

(ii) 60,000 units were produced and transferred to the trading account at a market value of #55 per unit.

You are required to prepare the Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2021.

7. Wale started business on 1st January 2022 with D100,000 as capital and kept few records.

His assets and liabilities were as follows on 31st December 2022:

Item	**D**
Premises	280,000
Loan	150,000
Stock	62,000
Debtors	4,800
Creditors	13,200
Bank	12,400

Wale withdrew D17,300 cash for his personal use and deposited an additional cash of D8,000 into the business account.

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You are required to:

(a) Calculate the Closing Capital;

(b) Prepare Statement of Net Profit for the year ended 31st December 2022;

(c) Prepare the Balance Sheet as at that date.

8. The Receipts and Payments Account of Queens Social Club for the year ended 31st December 2021 is as follows:

Receipts and Payments Account for the year ended 31st December 2021

Receipts	**$**	**Payments**	**$**
Balance b/d	20,000	Expenses on dinner	105,000
Subscriptions	280,000	Donations to hospital	190,000
Bar sales	223,400	Affiliation fees	6,000
Donations	50,000	Bar supplies	140,000
End of year dinner	170,000	General expenses	183,000
		Club equipment	24,000
		Bar expenses	71,000
		Balance c/d	24,400
	743,400		**743,400**
Balance b/d	24,400		

Additional information:

Item	**1/1/2021 ($)**	**31/12/2021 ($)**
Club equipment (cost $50,000)	45,000	–
Bar stocks	6,000	8,000
Subscriptions in arrears	30,000	40,000
Subscriptions in advance	50,000	20,000
Creditors for bar supplies	15,000	18,000
Furniture and fittings	28,000	25,200

Provide depreciation of 10% on cost of the club's equipment.

You are required to prepare:

(a) Statement of Affairs as at 1/1/2021;

(b) Bar Trading Account for the year ended 31/12/2021;

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(c) Subscriptions Account for the year;

(d) Income and Expenditure Account for the year ended 31/12/2021.

9. The following financial statements relate to Peter Associates for the year ended 31st December 2021.

Trading, Profit and Loss Account for the year ended 31st December 2021

	Le	Le
Sales		1,040,000
Opening stock	110,500	
Add: Purchases	545,250	
	655,750	
Add: Carriage inwards	184,250	
	840,000	
Less: Closing stock	140,000	
	700,000	
Gross profit c/d	340,000	
	1,040,000	1,040,000
Gross profit b/d		340,000
General expenses	50,000	
Bad debt	50,000	
Salaries	100,000	
Net profit c/d	140,000	
	340,000	340,000

Balance Sheet as at 31st December 2021

Financed by:	**Le**	**Le**
Ordinary share capital	200,000	
General reserves	20,000	
Profit	140,000	
Current Liabilities:		
Bank overdraft	30,000	

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Trade creditors	**20,000**	**50,000**
		410,000

You are required to calculate:

(a) Returns on shareholders' fund;

(b) Acid test ratio;

(c) Net profit margin;

(d) Working capital ratio;

(e) Stock turnover ratio.

Assets	**Le**	**Le**
Fixed asset		190,000
Current Assets:		
Stock	140,000	
Debtors	50,000	
Bank	30,000	220,000
		410,000

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ANSWERS/SOLUTIONS TO WASSCE JUNE 2024 FINANCIAL ACCOUNTING 2 ESSAY

SECTION A

1(a) Identification of the books of original entry:

(i) Purchase of office equipment on credit = General Journal

(ii) Credit purchases = Purchases Day Book

(iii) Bank charges = Cash Book

(iv) Goods returned by a customer = Returns Inward Book

(b) Sources of:

(i) Purchases Journal = Total/sum of all credit purchases is transferred from the Purchases Journal.

(ii) Cash payments = Summary/details of payments made to suppliers are recorded in the Cash Book.

(iii) Returns Outwards = The journal that records goods returned to suppliers.

(iv) Discount received = All discounts received from suppliers are recorded in the Cash Book along with payment details.

(v) Petty Cash payments = Small payments made through petty cash are recorded in the Petty Cash Book.

(c) Types of ledgers:

(i) Sales ledger: This type of ledger contains individual accounts for each customer. Hence, it tracks all sales made on credit, payments received from customers and any returns or allowances granted. Consequently, the sales ledger helps to monitor outstanding receivables and also manage customer accounts.

(ii) Purchases ledger: The purchases ledger records all credit purchases from suppliers, payments made to suppliers and returns outwards. The purchases ledger includes individual accounts for each supplier and can be used to manage outstanding payables.

(iii) General ledger: This is the central repository of all financial transactions in a business. Hence, it contains all the accounts vital and required to prepare financial statements such as assets, liabilities, equity, revenue and expenses. Each transaction recorded in the books of original entry is posted to the relevant accounts in the

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general ledger. The general ledger provides a comprehensive overview of an organisation's financial position and performance.

2(a) Adjustments shown in the final accounts:

Inventory adjustments

Prepayments

Depreciation

Accruals

Amortization

Impairment of assets

Foreign exchange adjustments

Provisions such as bad debts

(b) Differences between capital expenditure and revenue expenditure:

Capital Expenditure Revenue Expenditure

(i) It is often financed via long-term sources like loans or equity. It is usually financed through operating cash flows or short-term borrowing.

(ii) Capital expenditure is recorded as an asset on the balance sheet. Revenue expenditure is recorded as an expense on the income statement.

(iii) It deals with the acquisition of long-term assets. It deals with the day-to-day operations of a business.

(iv) Capital expenditure is meant for assets with a useful life of more than one year. Revenue expenditure is for items with a useful life of less than one year.

(v) It can be used for tax deduction via depreciation or amortization. It is only deductible as a business expense.

3(a) Ose, a sole proprietor who does not keep proper books of accounts, may likely operate a Single Entry System of book-keeping.

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This system is usually adopted by small businesses like the sole trader. In this system, only one side of each transaction is recorded; there is no provision for the double entry system, which may consider banking transactions of the proprietor as well.

(b) Merits of the bookkeeping system Ose operates:

(i) The system is flexible and does not follow strict accounting rules and procedures.

(ii) The system is easy to understand and adopt because it does not require expertise knowledge of accounting principles.

(iii) It involves fewer records and less complex procedures.

(iv) It requires minimal paperwork and fewer records by the business owner.

(v) It is not very expensive to operate and does not require advanced accounting software or professional accountants.

(vi) It takes less time to manage, unlike the double-entry system.

Demerits of the bookkeeping system Ose operates:

(i) This system makes it very difficult for Ose to obtain financial supports like loans.

(ii) This system does not encourage or attract investors.

(iii) It can lead to inaccurate financial records which are not reliable.

(iv) This system is more susceptible/prone to fraud and errors due to lack of provisions for checks and balances.

(v) It may be difficult for the proprietors to make informed decisions due to limited financial information available.

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4(a) Differences between equity shareholders and debenture shareholders:

	Equity Shareholders	Debenture Shareholders
(i)	Equity shareholders have control and voting right.	Debenture shareholders do not have control or voting right.
(ii)	They own part or a portion of the company's ownership.	They are just creditors with a fixed interest rate.

(iii) They bear higher risk because their returns are tied to company performance. Debenture shareholders have a fixed return and lower risk.

(b) Types of preference shares:

(i) Cumulative preference shares: Holders of this type of shares receive a fixed dividend. If the organisation misses a payment, the dividend accumulates and must be paid before any dividend is paid to equity shareholders.

(ii) Redeemable preference shares: In this type, the organisation can redeem the shares at a specified price and time. Hence, they can provide an exit option for shareholders.

(iii) Participating preference shares: In this type, holders receive a fixed dividend and also participate in additional profits such as the company's profits beyond a specific level or stage.

SECTION B

5. Trading, Profit and Loss Account for the year ended 31st December 2020.

Trading Account (for the year ended 31st December 2020)

Debit	**GH¢**	**GH¢**	**Credit**	**GH¢**	**GH¢**
Opening stock		16,300	Sales	184,900	
Add: Purchases	60,300		Less: Return inwards	(4,500)	180,400
Carriage inwards	4,000				
	64,300				
Less: Returns	(3,000)	61,300			

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Cost of goods available		77,600			
Less: Closing stock		(24,200)			
Cost of goods sold		53,400			
Gross profit c/d		127,000			
Total		**180,400**	**Total**		**180,400**

Profit and Loss Account

Debit	**GH¢**	**GH¢**	**Credit**	**GH¢**
Electricity (3,100 – 640)		2,460	Gross profit b/d	127,000
Distribution expenses		2,200	Discount received	2,500
Rent (24,000 + 12,000)		36,000		
Interest expenses		3,500		
Discount allowed		2,900		
Depreciation: Fixtures & fittings (15% × 120,400)	18,060			
Depreciation: Motor vehicles (15% × 44,000)	6,600	24,660		
Total expenses		71,720		
Net profit c/d		57,780		
Total		**129,500**	**Total**	**129,500**

Balance Sheet as at 31st December 2020

Assets

Fixed assets	**Cost (GH¢)**	**Depreciation (GH¢)**	**NBV (GH¢)**
Fixtures & fittings	120,400	(18,060)	102,340
Motor vehicles	44,000	(6,600)	37,400

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Total fixed assets			**139,740**

Current assets	**GH¢**
Stock	24,200
Debtors	9,400
Electricity prepaid	640
Cash	54,600
Total current assets	**88,840**
Total assets	**228,580**

Capital and liabilities

Item	**GH¢**	**GH¢**
Capital	121,200	
Add: Net profit	57,780	
Total capital		**178,980**
Current liabilities: Creditors	7,600	
Loan	30,000	
Rent in arrears	12,000	49,600
Total capital and liabilities		**228,580**

6. Red Top Manufacturing, Trading, Profit and Loss Account for the year ended 31st December 2021.

Manufacturing Account (#)

MANUFACTURING, TRADING AND PROFIT & LOSS ACCOUNTS

	#	**#**
Opening stock RM		140,000
Purchases RM		1,489,000
Cost of RM available		1,629,000
Less closing stock RM		(220,000)
Cost of RM consumed		1,409,000
Direct wages		800,000
Royalties		77,000

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PRIME COST		**2,336,000**
Add overheads:		
Factory electricity	48,000	
Factory maintenance	36,000	
Factory fuel	660,000	744,000
		3,080,000
Add opening stock NIP		260,000
		3,340,000
Less closing stock NIP		(340,000)
Cost of production		3,000,000
Gross profit on manufacture		300,000
Transfer cost		**3,300,000**

Trading Account (#)

Dr	**#**	**#**	**Cr**	**#**
Opening stock FG		550,000	Sales	4,550,000
Add transfer cost		3,300,000		
C.O.G.A.S		3,850,000		
Less closing stock FG		(3,850,000)		
C.O.G.S		3,850,000		
Gross profit c/d		700,000		
		4,550,000		**4,550,000**

Profit and Loss Account (#)

Dr	**#**	**#**	**Cr**	**#**
Electricity		16,000	Gross profit b/d	700,000
Maintenance		12,000		
Discount allowed		92,000		
Administrative expenses		44,000		
Selling and distribution expenses		33,000		

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Net profit c/d		503,000		
		700,000		**700,000**

7(a) WALE — Statement of Affairs as at 31st December 2022

	D	D		D
Capital		196,000	Fixed Assets:	
			Premises	280,000
Current Liabilities:			Current Assets:	
Creditors	13,200		Stock	62,000
Loan	150,000	163,200	Debtors	4,800
			Bank	12,400
		359,200		79,200
				359,200

7(b) WALE — Statement of Profit for the year ended 31st December 2022

	D	D
Closing capital		196,000
Add drawings		17,300
		213,300
Less opening capital	100,000	
Additional capital	8,000	(108,000)
NET PROFIT		**105,300**

7(c) WALE — Balance Sheet as at 31st December 2022

	D	D		D	D
Capital (100,000+8,000)	108,000		Fixed Asset:		
Add net profit	105,300		Premises		280,000

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	213,300				
Less drawing	(17,300)	196,000	Current Assets:		
			Stock	62,000	
Current liabilities:			Debtors	4,800	
Creditors	13,200		Bank	12,400	79,200
Loan	150,000	163,200			
		359,200			**359,200**

	Le	**Le**		**Le**	**Le**
Accumulated fund		64,000	Fixed Assets:		
			Club equipment	45,000	
			Furniture & fittings	28,000	
Current liabilities:			Current Assets:		
Creditors for bar supply	15,000		Bar stock	6,000	
Subscription in advance	50,000	65,000	Cash	20,000	
			Subscription arrears	30,000	56,000
		129,000			**129,000**

8. QUEEN'S SOCIAL CLUB

(a) Statement of Affairs as at 31st January 2021

(as written in the photo; the question says 1/1/2021)

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(Note: the photo shows fixed assets as 45,000 and 28,000, and current assets as 56,000, which add up to 129,000 as written.)

(b) Bar Trading Account for the year ended 31st December 2021

	#	#		#
Opening stock		6,000	Sales	223,000
Add purchases		143,000		
		149,000		
Less closing stock		(8,000)		
		141,000		
Gross profit c/d		82,000		
		223,000		**223,000**
Expenses:			Gross profit b/d	82,000
Bar expenses	71,000			
Net profit c/d	11,000			
		82,000		**82,000**

Total Debtors Control Account

Dr	#	Cr	#
Sales	223,000	Cash received	223,000
	223,000		**223,000**

Total Creditors Control Account

Dr	#	Cr	#
Cash paid for supplies	140,000	Bal b/f	15,000
Bal c/d	18,000	Purchases	143,000
	158,000		**158,000**

(c) Subscription Account for the year 2021

Dr	#	Cr	#
Bal b/f	30,000	Cash	280,000
Bal c/d	20,000	Cash (2021)	50,000
Income and expenditure	320,000	Bal c/d	40,000

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	370,000		**370,000**

(d) Income and Expenditure Account for the year ended 31st Dec. 2021

Dr: Expenditure	**#**	**Cr: Income**	**#**
Expenses on dinner	105,000	Subscription	320,000
Donations to hospital	190,000	Donations	50,000
Affiliation fees	6,000	End of year dinner	170,000
General expenses	183,000	Bar profit	11,000
Provision for depreciation:			
Club equipment (10%×50,000+24,000)	7,400		
Furniture & fittings (28,000−25,200)	2,800		
Surplus of income over expenditure			
	351,000		**351,000**

9. Financial Ratios

Ratio	**Formula**	**Calculation**	**Result**
(a) Return on Shareholders' Fund	(Net profit/Capital employed)×100	Capital employed = 410,000−50,000 = 360,000; (140,000/360,000)×100	38.8 %
(b) Acid test ratio	(Current assets−Stock)/Current liabilities	(220,000−140,000)/50,000 = 80,000/50,000	1.6 : 1
(c) Net profit margin	(Net profit/Sales)×100	(140,000/1,040,000)×100	13.5 %

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(d) Working capital ratio	Current assets/Current liabilities	220,000/50,000	4.4 : 1
(e) Stock turnover ratio	Cost of goods sold/Average stock	Average stock=(110,500+140,000)/2 =125,250; 700,000/125,250	5.6 times

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