



**CHRISTIAN SERVICE UNIVERSITY COLLEGE**  
**KUMASI**  
**DEPARTMENT OF ACCOUNTING AND FINANCE**  
**BACHELOR OF BUSINESS ADMINISTRATION**  
**End of Second Semester Examination, 2018/2019 Academic Year**

**Level 200**

**CSBA 258: PRINCIPLES OF ACCOUNTING 2**

**10TH MAY 2019**

**TIME: 3 HOURS**

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**SECTION A & B [90 MARKS]**

**INSTRUCTIONS TO CANDIDATES:**

- This Paper is in **Two (2)** Sections; Section A & B
- Attempt **Four (4)** Questions in All
- Answer Section A, **Compulsory** and Any **THREE (3)** Questions from The **FOUR(4)** Questions in Section B
- *Write your index number on all the leaflets on the question paper.*

## SECTION "A"

**This Section is Compulsory**  
**There Are Three Questions in All**  
**(All the questions are to be answered)**  
**(Total 30Marks)**

1. (a) Briefly explain why public limited liability companies are required to publicise their financial statement yearly. **(2Marks)**

(b) What is the practical relevance and implication of the following accounting concepts/principles to preparation of financial statements?

- i. Prudence/conservatism concept
- ii. Going concern concept
- iii. Business entity concept **(9Marks)**

2 .Mr Daboug intends to invest in a Shea butter Company by name **Bolga Solutions Limited** in the Upper East Region. His friend, Mr. Yin-womya has advised him to do a critical financial statement analysis of the Company before committing his resources into the company. Mr Daboug approaches you, a business consultant, and asks

- i. What does financial statement analysis (FSA) involve?
  - ii. Why must a potential investor carry out financial statement analysis (FSA)?
  - iii. How is financial statement analysis (FSA) done?
- How would you respond to Mr. Daboug regarding his questions? **(9 Marks)**

3. (a) As the accountant of Christian Service University College, a non trading organisation providing social services specifically, tuition to its clients (students), briefly list and justify **four (4)** financial statements you would prepare for presentation to management annually **(4Marks)**

(b) In preparation of manufacturing accounts, accountants occasionally transfer cost of goods produced to the marketing department plus a profit margin to the marketing department. State and explain briefly **two (2)** reasons that account for it **(2Marks)**

(c) State and explain briefly **two (2)** factors that account for the dominance of incomplete records and single records keeping system among hawkers and petty traders, and suggest possible measures to the challenge.

**(4Marks)**

**Total 30Marks**



**SECTION B**

**There Are Four (4) Questions In This Section With Equal Marks.  
You Are To Answer Only Three (3) Questions**

**QUESTION ONE (1)**

Happy Days Ahead Enterprise is a small scale guinea fowl enterprise owned and controlled by the Daboug's Family in the **Talensi District of Upper East Region**. The organisation has not kept proper books of accounting for its operations. However, the head of the family, Wambenzy has managed to provide you with the following information to assist the enterprise to file for its tax returns.

The summary of the Enterprise's Cash Account for 2018

	GH¢	Balance at bank 1/1/18	GH¢
Cash in hand 1/1/18	60	Cash purchases	3,120
Cash sales	31,620	Cash payment to creditors	21,900
Cash received from Debtors	108,260	Rent and rates	69,140
		Wages	2,150
		Light and heating	16,220
		Drawings	2,160
		Sundry expenses	8,100
		Cash in hand 31/12/18	6,610
		Cash at bank	100
			<u>10,440</u>
	<u>139,940</u>		<u>139,940</u>

The following balances are also available:

Stock	<u>1 January 2018</u>	<u>31<sup>st</sup> December 2018</u>
	GH¢	GH¢
	24,920	25,100
Trade debtors	22,160	25,960
Trade creditors	16,250	17,520
Rate in advance	220	350
Rent in arrears	200	200
Fixtures and fittings (cost GH¢9,600)	8,000	8,000
Motor vehicle (GH¢25,200)	18,000	18,000

The following additional information is also relevant

1. The proprietor had withdrawn goods from stock for private use to the value of 125 every month.  
Discount received from trade creditors during the year were estimated at GH¢2,150
2. Discount allowed to trade debtors at 2,800
3. Make provision for bad and doubtful debts of GH¢1,200.
4. Depreciate fixtures by 10% and vehicles by 20% per annum

You are required to

- a) Prepare Income Statement for the year ending 31<sup>st</sup> December 2018 and
- b) a statement of financial position as at that date

**(20 Marks)**

### QUESTION TWO (2)

**LIVERPOOL FUN CLUB** is a Soccer fund club in Tongo owned and controlled by the henchman of the club. The Club intends to present its financial statements to the members, and has managed to provide you with the following information for preparation of its annual report.

Receipts and Payments as at 31<sup>st</sup> December, 2018

	GH¢		GH¢
Balance (1 <sup>st</sup> Jan. 2018)	93,000	Office rent	40,000
Members subscription	265,000	Affiliation fees	20,000
Sales of dinner tickets	225,000	Office expenses	179,000
Bar sales	1,220,000	Travelling expenses.	150,000
		Bar stock supplies	802,500
		Dinner expenses	105,000
		Stationery	63,000
		Bar expenses	42,000
		Secretary's Allowance	11,500
		Office equipment	160,000
		Bal c/d (31/12/18)	<u>230,000</u>
	<u>1,803,000</u>		<u>1,803,000</u>

#### Additional Information

	1 <sup>st</sup> Jan, 2018	31 <sup>st</sup> Dec, 2018
	GH¢	GH¢
Motor van	120,000	-
Office equipment	140,000	-
Bar stock	68,000	98,000
Owing Bar stock supplies	60,000	77,500
Subscription in arrears	40,000	52,000
Subscription in advance	8,000	10,000

1. Depreciation: office equipment & furniture is 10% per annum
2. Subscription recorded (GH¢265,000) included GH¢29,000 for 2017.
3. Subscription in arrears for more than one year is to be written off as irrecoverable.

Required:

- a) Accumulated Fund of the Fun Club as at 1<sup>st</sup> Jan 2018.
- b) Bar Income Statement for the year Ended 31/12/18
- c) Subscription Account
- d) Income and Expenditure Account
- e) Statement of Financial Position.

**(20 Marks)**

### QUESTION THREE (3)

The following is two (2) years financial statements of Yinsog-ya Limited, a tomatoes factory in Navrango in the Upper East Region for the years ended 31<sup>st</sup> December for 2017 and 2018

#### Statement of Financial Position

	2018 GH¢' million	2017 GH¢' million
Turnover	9,130	8,400
Cost of Sales	<u>(5,900)</u>	<u>(5,540)</u>
Gross Profit	3,230	2,860
Administrative, selling & General Expenses	<u>(2,190)</u>	<u>(1,860)</u>
Operating Profit	1,040	1,000
Debenture Interest Expenses	<u>(290)</u>	<u>(60)</u>
Investment Income	<u>100</u>	<u>90</u>
Profit before Tax	850	1,030
Corporate Tax	<u>(250)</u>	<u>(300)</u>
Profit after Tax	<u>600</u>	<u>730</u>

#### Income Surplus Account For The Year Ended 31<sup>st</sup> December:

	2018 GH¢' million	2017 GH¢' million
Balance brought forward	2,990	2,790
Net Profit	<u>600</u>	<u>730</u>
	3,590	3,520
Dividend: Preference shares	<u>(200)</u>	<u>(180)</u>
Ordinary shares	<u>(240)</u>	<u>(350)</u>
	<u>3,150</u>	<u>2,990</u>

#### Statement of Financial Position As At 31<sup>st</sup> December:

Assets:	2018 GH¢' million	2017 GH¢' million
Goodwill	200	100
Tangible fixed assets	2,120	2,640
Stocks	2,940	2,370
Debtors	1,600	480
Cash and Bank balances	<u>520</u>	<u>570</u>
Total assets	<u>7,380</u>	<u>6,160</u>
Liabilities:		
Trade Creditors	750	530
Sundry Creditors	510	400
Debentures	1,170	740
Stated Capital:		
Preference Shares	800	500
Ordinary Shares	1,000	1,000
Income Surplus	<u>3,150</u>	<u>2,990</u>
	<u>7,380</u>	<u>6,160</u>



The Number of Shares Issued and Market Price were As Follows:

Number of Ordinary shares issued	400,000	400,000
Number of Preference shares issued	180,000	100,000
Market price per Ordinary share	GH¢ 6,000	GH¢ 4,000

You are required to perform

- (a) Horizontal analysis of Yinsong-ya Limited
- (b) Common- Size Statements (Vertical Analysis) using the **turnover** and **total assets** respectively as basis for the **income statement** and the **statement of financial position**

(20 Marks)

#### QUESTION FOUR (4)

YIN –NTETI LIMITED is a meat factory in Pwalugu in Bolgatanga.

The following figures were extracted from the records of the company on 30 June, 2018.

	GH¢	GH¢
Sales	-	155,000
Drawings	3,000	
Cash at Bank	35,900	
General expenses	750	
Capital		40,000
Debtors and Creditors	40,000	5,000
Motor van	1,250	
Plant and Machinery	20,000	
Loose tools	800	
Rates and Insurance	1,250	
Repairs to machinery	1,375	
Manufacturing wages	37,750	
Indirect wages	7,000	
Motor van expenses	375	
Carriage outwards	3,000	
Salesmen salaries	3,625	
Raw materials purchased	34,175	
Administration Salaries	2,250	
Repairs to Building	2,500	
Lighting and Heating	5,000	
	<u>200,000</u>	<u>200,000</u>

The following additional information is also given:-

		GH¢
	Stock -Raw materials	1,675
	Finished goods, at cost plus 20%	25,000
	Work in progress	6,875
	Loose tools	500
i.	Manufactured goods were transferred to the income statement section at cost plus 20%	
ii.	Depreciation motor vans at 10% and plant and machinery at 15% on cost.	
iii.	Expenses are to be apportioned as follows:-	
	Expenses	Administrator                      Factory
	Light and Heating	4/5                                      1/5
	Repairs and building	3/5                                      2/5
	Rates and insurance	2/5                                      3/5

You are required to:

1. Draw up the manufacturing, income statement for the year ended 30 June, 2018, and
2. A Statement of Financial Position as at that date