

Index Number.....

Signature.....Date.....



**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA**

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

BACHELOR OF BUSINESS ADMINISTRATION

**END OF FIRST SEMESTER EXAMINATIONS – 2019/20 ACADEMIC YEAR
(JANUARY ADMISSION)**

LEVEL 200

CSBG 245: PRINCIPLES OF ACCOUNTING 1

June, 2020

Submission: 19th June 2020 @ 6pm

GENERAL INSTRUCTION TO CANDIDATES:

SECTION A & B (70 MARKS)

- This Paper have four (4) questions
- Attempt **Two (2)** questions in **ALL**
- Answer **Question One (1) Compulsory**, and any other **One (1) Question**

Question 1 (Compulsory)

- (A) After several months of planning, Katherine started a business called Krispy Kreme. The following events occurred during its first month:
- On July 1, Katherine invested Gh3,000 cash and Gh¢15,000 of equipment in Krispy Kreme.
 - On July 2, paid Gh600 cash for furniture for the shop.
 - On July 3, paid Gh500 to rent space for the month of July.
 - On July 4, Katherine purchased Gh1,200 of equipment on credit for the shop (using a long-term note payable).
 - On July 5, Krispy Kreme opened for business; cash received from services provided in the first week and a half of business (ending July 15) is Gh¢825
 - On July 15, Katherine provided Gh¢100 of consultancy services on account
 - On July 17, Katherine received a cheque of Gh¢100 for services previously rendered on account
 - On July 17, Katherine paid a cash of Gh¢125 to an assistant for working during the grand opening.
 - Cash received from services provided during the second half of July is Gh¢930
 - On July 31, paid a Gh¢400 installment toward principal on the note payable entered into on July 4.
 - On July 31, Katherine made a cash withdrawal of Gh¢900 for personal use

You are required to arrange the following assets, liability and equity titles in a table form: Cash; Accounts Receivable; Furniture; Equipment; Note Payable; Katherine Capital; Katherine Withdrawal; Revenues and Expenses. Show the effects of each transaction using the accounting equation.

(20 marks)

(B)

- One of the major limitations of the trial balance is that, it is unable to disclose certain errors. This suggests that the agreement of a debit and credit of the trial balance does not always indicate the arithmetic accuracy of the ledger postings and balancing. State and briefly explain five (5) errors that the trial balance fails to disclose.

(10 Marks)

- The characteristics of the service provided is determined by the extent to which the needs of the various user groups have been met. For accounting to be useful it must have certain qualities or characteristics; explain five (5) characteristics of useful accounting information.

(10 marks)

Question 2

- (A) Briefly explain the following Accounting Concepts, bring out their significance and drawbacks

- Accrual Concept
- Going Concern/Continuity
- Business Entity
- Money Measurement
- Historical Cost Concept

(10 Marks)

- (B) The following information relates to Lady Hill Enterprise, on 1st January, 2018 balances brought forward in respect of fixed assets were;

Index Number..... Signature..... Date.....

	GH¢
Plant and Machinery	900,000
Motor Vehicle at cost	780,000
Provision for Depreciation:	
Plant and Machinery	50,000
Motor Vehicle	30,000

During the six months period ending 30th June, 2018, the following additional fixed assets were acquired by cheque;

- i. On 31st March 2018, two trucks at GH¢20,000 each and a plant for GH¢50,000.
- ii. On 1st April 2018, one saloon car at GH¢25,000 and four machines at GH¢10,000 each.

On 30th June 2018, two machines purchased on 1st January, 2015 at GH¢9,000 each were sold for GH¢4,500 and GH¢5,500. On the same date, one saloon car purchased on 1st July 2015 for Gh15,000 was auctioned for GH¢11,000. The enterprise depreciates Motor Vehicles and Plant & Machinery at 10% and 5% per annum respectively on the basis of one month ownership, one month depreciation on the straight line method.

You are required to write up the following accounts as at 30th June 2018;

- a. Motor Vehicle and Plant & Machinery account
- b. Provision for depreciation of Motor Vehicle and Plant & Machinery
- c. Disposal Account on Motor Vehicle and Plant & Machinery

(20 Marks)

Question 3

(A) The bank issue bank statement to its customers to prove the accuracy of its cash records and this is done using a bank reconciliation statement. Mention five (5) purpose of bank reconciliation statement

(5 Marks)

(B) Banks are service providing commercial institutions. Some of their products include the various types of accounts they provide to their customers. The major products of the banks are Fixed Deposit Account, Current Account and Savings. Explain five (5) banking documents

(5 Marks)

(C) OheneNi Maame operates a current account with Ecobank Ghana in Accra. All payments and receipts passed through this account. The Account Officer prepared the following bank reconciliation statement as at December 31st, 2010.

	GH¢
Balance per bank statement	21,000
Add Uncredited cheques	<u>4,620</u>
	25,620
Less Unpresented cheques	<u>6,000</u>
Balance per Cash Book	<u>19,620</u>

The bank transactions for January 2011 are;

	Per Bank	Per Cashbook
	GH¢	GH¢
Balance Jan 31, 2010	25,650	27,750
Cheque Deposits	15,000	17,730
Withdrawal	12,300	9,600
Credit Transfer	3,700	
Standing Order (Insurance)	1,000	
Reversal of cheques	750	
Commission on turnover	45	

You are required to prepare;

- The adjusted cash book for January 2011
- The bank reconciliation statement as at January 31, 2011

(20 Marks)

Question 4

(A) Briefly explain the meaning of Balance Sheet (Statement of Financial Position)

(5 Marks)

(B) Though a statement of financial position is prepared by every organisation to disclose its financial position, however, it is not free from limitations. Mention five (5) of its limitations.

(5 Marks)

(C) The following trial balance was extracted from the records of Amma Effah Enterprise, a firm that manufactures and sells cooking utensils

Trial Balance as at 31 December 2008

	DR	CR
	GH¢	GH¢
Inventory at 1 January	175,000	
Purchases	920,000	
Sales		1,180,000
Electricity	27,500	
Wages and Salaries	105,000	
Telephone Cost	6,000	
Account receivable	215,000	
Capital 1 January		450,000
Discount received		45,000
Drawings	20,000	
Account payable		122,500
Bank overdraft		18,000
Cash in hand	11,000	
Plant and Machinery	336,000	
	Q 1,815,500	1,815,500

The following additional information is also available at the end of the year.

- Electricity paid in advance was GH¢7,500
- Wages and salaries accrued amounted to GH¢27,000 and a telephone bill of Mary's residence amounting to GH¢2,000 had been charged to the business.
- Mary had taken goods costing GH¢20,000 for the funeral of his mother-in-law. This has not been recorded in the books.
- A third of the wages and salaries is direct wages.
- Inventory at 31 December 2008 was valued at GH¢75,000.

You are required to:

- Prepare an Income Statement for the year ending 31 December 2008
- Statement of Financial Position as at that date.

(20 Marks)