



**CHRISTIAN SERVICE UNIVERSITY COLLEGE  
KUMASI  
CSUC SCHOOL OF BUSINESS  
DEPARTMENT OF ACCOUNTING & FINANCE  
BACHELOR OF BUSINESS ADMINISTRATION  
End of Second Semester Examination, 2019/2020 Academic Year  
Level 200  
CSBA 258: PRINCIPLES OF ACCOUNTING TWO (2)**

**JUNE, 2020**

**[70 marks]**

---

**INSTRUCTIONS TO CANDIDATES:**

- **Answer Two(2) Questions (for 35 marks each)**
- **Write your answer on the answer sheets provided**
- **Your answer for EACH QUESTION should be FOUR (4) pages minimum.**
- ***Please present your answer in ESSAY form as much as possible unless otherwise stated.***
- **Write your index number clearly at the top of every page of the answer sheets used.**

---

**Note: Marks will be awarded for:**

- Introduction
- Content
- Conclusion
- Evidence of Further Reading
- Originality and Independence (Cheating would be penalized and integrity rewarded)
- Correct grammar, clarity of expression and logical presentation of facts.
- Answers to questions must be well referenced.

### QUESTION ONE (a)

.YIN-NTETI Ltd, a drug manufacturing firm depreciates its motor vehicles on straight line basis at 12.5% per annum. In 2019 it became clear that the reducing balance method at 20% per annum would have been more appropriate. Moreover an error had been made in estimating zero scrape values for the vehicle..

The following are particulars pertaining to the vehicles in the company's fleet.

Registration number	Year of purchase	Invoice price	Cost of Registration & Licensing	Cost of Initial Insurance.
AK 1245	2015	GH¢ 8,000	GH¢ 1,600	GH¢ 800
AM 1640	2016	18,000	3,600	1,800
AM 1961	2016	21,600	4,320	2,160
ARA 480	2017	34,000	6,800	3,400
TRA 123	2018	36,600	7,320	3,660

At the beginning of 2018 vehicles AK 1245 was trades in for AR 957 for GH¢11,500 and AM 1640 had sold GH¢14,000.

Prepare a statement showing by how much the company's profit before tax for each of the year 2015 to 2018 should be adjusted as a results of the change in depreciation policy. Assuming no change in the estimated of useful life. Calculate the estimated scrape value of the vehicles remaining in the fleet

### QUESTION ONE (b)

Yinsongya and Yintomya (Yins) are Marketing and Human Resource Management practitioners respectively. They intend to accomplish their childhood dreams of owning the largest Shopping Mall in Africa to be located in Bolgatanga, and by name The-Yins Mall (TYM). In one of their businesses meetings at Tindanas Guest House, the following is the excerpt of their conversation.

Yinsongya: My concern is about getting a competent person to handle the records keeping.

Yintomya: You are right, you remind me of our struggle with accounting lessons during their Bachelor studies particularly, with the provisions for doubtful debts and depreciations.

Yisongya: Provisions for doubtful debts and depreciations as we were made to believe are mere estimate and assumptions, which may or may not occur, and even if those events occur, they may be more or less or more than expectation. I did not understand why they are mostly additional information.

Yintomya: I also remember, most of the time, specifically, the final accounts questions is mostly in two parts, the trial balance and the additional information part, which includes provisions for doubtful debts and depreciations among other events and occurrences. I wonder if that explains why the final account mostly, also has two sections, the income statement and the statement of financial positions.

Yinsongya: Do you realize that, almost all the areas we covered in our accounting course had a link to the final account.

Yintomya: Have you forgotten of the balance sheet or the statement of the financial position or whatever it is called, also has a lot of sub headings and classification in it, and some figures always have to be equal just the trial balance.

Yinsongya Have you forgotten, our lecturer always told us that, what we were being taught was simply final accounts of sole proprietorship businesses.

Yintomya; I wonder, if we specialized in accounting. Anyway, am told the most difficult and important part of accounting is the principles of accounting, and the kept saying it. I think we are still confused. We are actually need someone to take charge of these and other things.

As accounting trainee, having listened to the Yins conversation, and if you had an opportunity how would you systemically in concisely mediate this discussion.

### QUESTION TWO (a)

The records of Yinimi Enterprises are in a complete mess. The owner of the business, Mr. Daboug Yinimi, has asked you to write up his books and prepare accounts for the calendar year 2019. From pieces of information gathered from note books, receipts, books and invoices, and in discussions with Mr. Yinimi and his sales girl, you ascertain the following facts.

1. That the firm started operations on 1<sup>st</sup> January, 2019, Mr. Yinimi opened a bank account for the firm and put into it GH¢60,000 from his past savings to start the business. A further GH¢20,000 cash was kept by Mr. Yinimi to meet immediate expenditure.
2. Mr. Yinimi had a kiosk constructed at Tongo Market from which he operated his business. The total cost of the kiosk was GH¢30,000 for which he drew a cheque for GH¢24,000 in favour of the supplier/contractor on 1<sup>st</sup> January, 2019. Furniture worth GH¢14,000 was bought in cash on the same day.
3. On 1<sup>st</sup> January, 2019, Mr. Yinimi engaged a sales girl whom he paid GH¢25 for each working day of a six-day working week. The salesgirl was paid for 50 weeks during the year ended 31<sup>st</sup> December 2019 from cash takings before banking on the last day of each month.
4. During the year assorted goods worth GH¢120,000 were purchased for sale
5. An analysis of the cheque stubs revealed the following payments: A rough note book kept by Mr. Yinimi also reveals that certain bills were outstanding whilst some payments had been made from daily cash sales before banking. The disclosures are as follows:

Purchases	110,000
Electricity and water	1,700
Rent and Rates (1/1/19 – 31/3/ 20)	900
Standard Assessment – Income Tax	1,000
Transport Charges	5,000
Kiosk Doctor – Kiosk	6,000
Entertainment ...	80
Decoration	160

Travelling and Transport	420
Drawings	24500
Printing and Stationery	1.050
Postages, Telephones and Telegrams	610
Donation – BolgaChildren’s Home	500
	1,780

	Payments from Cash	Outstanding Bills
	GH¢	GH¢
Entertainment	40	-
Travelling and Transport	80	-
Drawings (Mr. Yinimi)	500	-
Electricity and Water	120	720
Postages, Telephones and Telegrams	-	60
Salary advance to salesgirl	1,000	-
Printing and Stationery	-	250

**8** .It is ascertained from the correspondence file that Mr.Yinimi has written to the Electricity Company for the refund of GH¢70 being another customer’s bill wrongly addressed to him and which he had inadvertently paid.

The same file also discloses that 1<sup>st</sup> July, 2019, GH¢100,000 in cash was given to Mr. Yinimi by his mother-in-law for the business as at interest rate of 5% per annum repayable at the end of 2021. The amount was used to purchase a used Nissan Pick-up motor vehicle for the business. No interest was paid on the loan for the year ending 31<sup>st</sup> December; 2019.

**9.** It is the policy of the business to bank daily sales the following morning after necessary expenses have been met there from. For the year total banking amounted to GH¢182,500 including credit sales paid for. The firm gives no discounts and received none. The bank statement revealed that bank charges for the year amounted to GH¢600. Cash on hand at 31<sup>st</sup> December, 2019 was GH¢5,410

**10.** Although the firm insisted on cash sales it allowed a few credit sales to well-known customers. Total credit sales for the year amounted to GH¢25,000 of which GH¢7,000 were outstanding at 31<sup>st</sup> December 2019. An alien credit customer, Peaceman was shot dead by armed robbers who took away all his belongings. He does not have any relatives around on whom Mr. Yinimi could call for the GH¢200 he owed. A provision of 5% should be made for other doubtful debts.

**11.** It is agreed between you and Mr. Yinimi that all the assets of the business are to be depreciated over a period of 5years using the straight-line method. According to Mr. Yinimi, stock balances (at cost) at 31<sup>st</sup> December, 2019 were as follows:

Goods for sales  
Stationery

GH¢  
10,000  
400

You are required, from the information available to you, to prepare:

- (a) Income Statement of Yinimi Enterprises
- (b) Statement of financial position as at that date.

### QUESTION TWO (b)

With specific reference to principles of accounting in accounting, identify and demonstrate any **five (5)** practical relevance of its studies to any business organization.

### QUESTION THREE (c)

More often than not, micro enterprises and infant religious bodies such as churches in the various business districts in Ghana do not adhere proper book keeping practices. In this regard, they are unable to prepare and present meaningful financial statements to assist in any meaningful decisions. These organizations mostly rely on public accountants for services anytime the need arises for such organizations to present meaningful financial statement. Without proper records keeping, one has a tussle to organize information to assist in forming an opinion to prepare those statements. You have just been employed in an audit firm/ public accounting firm, and assigned to situations. Demonstrate systematically, how you would execute such task.

### QUESTION THREE (a)

Mr. Wambenzy manufactures sandcrete blocks in Accra for a number of building contractors. His business name is WAMBENZY BLOCK WORKS. For so many years, Mr. Wambenzy has failed to keep proper books in respect of business operations. He is now under pressure from officials of the Ghana Revenue Authority to produce financial statements for tax assessment.

As at December 31, 2019 you gathered the following information from Mr. Wambenzy:-

His business assets consisted of :	GH¢
Leasehold land and Buildings	480,000
Factory machines	785,000
Motor vehicles	650,000
Furniture	224,000

All the assets were purchased on July 1, 2015 when the business commenced.. You also ascertained that stocks were made up of:

	GH¢
Indirect materials – fuel lubricants, Parts, etc.	13,200
Sand	10,500
Cement	180,000
Stationery	16,955

Records produced by Mr. Wambenzy indicated that

1. an amount of GH¢96,000 was due from customers while pre-paid insurance in respect of factory machines and motor vehicles amounted to GH¢4,800 and GH¢16,400 respectively.
2. Water bills also pre-paid amounted to GH¢12,400. Statements from cement suppliers indicated that a total of GH¢130,400 was owe. A bill found in Mr. Wambenzy's office drawer indicated that GH¢7,500 was due to Electricity Company.
3. The bank statements indicated a credit balance of GH¢345,400 in favour of Wambenzy Block Works.
4. The proprietor maintained a cash float of GH¢20,000 in the office safe through major expenses were occasionally paid out of cash collections before bankings.
5. Mr. Wambenzy decided that with effect from January 1, 2019 all noncurrent assets should be depreciated and the relevant depreciation should take effect from the day the asset was acquired.
6. The depreciation rate has been agreed as follows:-
 

Land and buildings	10% per annum on cost
Machines	25% per annum on cost
Motor vehicles	20% per annum on cost
Furniture	15% per annum on cost.

The analysis of the cheque stubs for the year ended December 31. 2019 indicated that the following payments had been made:

	GH¢
Medical expenses	84,350
Office Staff salaries	840,000
Factory wages	965,200
Electricity	57,430
Telephone bills	28,400
Indirect materials	92,450
Training expenses	68,910
Cement suppliers	1,045,600
School fees – proprietor’s son	48,200
Sand	68,450
Vehicle running expenses	360,500
Water	58,450
Entertainment	24,825
Accountancy fee	66,000
Stationery	42,440
Insurance – Factory machines	88,260
Motor vehicles	42,450
Rates	240,460

A check of a note book belonging to Mr. Wambenzy revealed that the following items had been paid

Out of cash collections:-	GH¢
Drawings -	230,200
Stationery -	10,400
Advertising -	24,250
Water -	2,400
Wages -	14,450

- i. Mr. Wambenzy informed you that information reaching him revealed that the customers owing the business a total sum of GH¢168,400 had died during the year. Mr. Wambenzy decided that the amount should be considered as bad debt and written off.
- ii. Mr. Wambenzy further informed you that he gave a total cash discount of GH¢85,600 to customers and returned a quantity of caked cement amounting to GH¢364,550 to various cement suppliers during the year.
- iii. A check of completed receipt books revealed that a total cash collection from customers amounted to GH¢4,405,305.

Mr. Wambenzy was able to provide the following information as at December 31<sup>st</sup>, 2019

	GH¢
Stock of cement	96,400
Completed cement block	84,250
Indirect materials	16,200
Insurance prepaid – machines	68,400
Insurance prepaid – Motor vehicles	28,450
Stationery	12,480
Customers owed	74,200

- i. Electricity due for payment amounted to GH¢18,400 while statement from cement suppliers indicated that GH¢84,250 was due for payments.
- ii. Factory workers social security contributed deductions awaiting payment amounted to GH¢28,400.
- iii. You noted that the balance per the bank statement as at December 31, 2019 did not agree with the cash book balance.
- iv. On examining the bank statement, you noted that a customer had paid in an amount of GH¢24,600 in settlement of his debt while bank charges of GH¢18,000 had also been shown in the statement.
- v. Mr. Wambenzy informed you that expenditure in respect of water, electricity and rates is apportioned in the ratio: Factory 80%, office 20%

**REQUIRED:**

- a) To prepare manufacturing and income statement for the year ended December 31, 2019
- b) a statement of financial position as on that date; and
- c) To write the cash book for the year ended December 31, 2019

**QUESTION THREE (b)**

Automation of organization is indispensable element in modern organization, due to its speed, processing capacity in terms of volume, accuracy among other countless advantages and benefits. It is against this back drop that, there is an erroneous impression among a section of society that, it has taken over accounting professionals' services, and as such rendered them less useful to business.

Required

As an accounting trainee and resource person in a workshop, how would you address this in your speech?



### QUESTION FOUR (a)

The following is the summary of the cash book of the St. John's Church. The Treasurer has approached you to assist him in the preparation of his account for the year.

Receipts	GH¢	Payments	GH¢
Balance 1/1/19	625,280	Repairs and maintenance	20,000
Pledges	10,000	Levy paid to head office	430,000
Thanks offering	77,500	Levy paid to District	108,912
Offertory	846,900	Fun fair expenses	73,000
Harvest cash sales and envelopes	724,585	Competition prizes from Easter games	25,000
Cash received from debtors(harvest)	250,000	Harvest Expenses	88,700
Tithes	306,342	Miscellaneous Expenses	21,440
Half year interest (16% GGS)	66,000	Furniture and fittings	45,000
Competition fees	60,000	Bank Charges	7,080
Fun fair	185,000	Medical Expenses	96,790
Donation	119,790	Printing stationery	51,385
Sundry Income	18,685	Entertainment	185,000
		Light, water and Con	20,075
		Travelling and transport	42,700
		Motor vehicle running expenses	200,000
		Transfer to petty cash	75,000
		Motor vehicle(less proceeds of sale of old vehicle )	80,000
		Building materials	720,000
		Balance 31/12/19	<u>1,000,000</u>
	<u>3,290,082</u>		<u>3,290,082</u>

You also obtain the following information:-

- Half year interest on Ghana Government stocks, due 30<sup>th</sup> June and 31<sup>st</sup> December respectively, are paid on the next working day in the week. Maturity date for the investment is 2029.
- The treasurer informs you that the following payment were made from the offertory income before payment to bank:

	GH¢
Miscellaneous Expenses	2,500
Harvest Expenses	11,300
Travelling and Transport	6,850
petty cash	9,350
Repairs and Maintenance	24,115
Medical Expenses	2,600
Printing and Stationery	2500
Light, water and Conservancy	8,600
Church Building	40,000

The petty cash book had not been written up, the analysis of the vouchers showed on the above.

3. At the beginning of the year, the Elders of the church decided that all assets of the church since its inception three years ago should be brought into books. The Treasurer was asked to calculate the necessary adjustments to be made in respect of provision for depreciation using the following rates on cost.

Assets purchased on that date were:

	GH¢
Motor vehicle	250,000
Pews	650,000
Musical Instruments	373,000
Hymn Books	10,000

4. Stock of building materials on the church project at the end of the year was GH¢154,000.  
The project which commenced during the year is expected to take five years to complete.
5. Additional information:

	1/1/19	31/12/19
	GH¢	GH¢
Tithes in Arrears	25,000	36,642
Pledges in Advance	12,000	19,500
Stock of competition prizes	2,000	7,000
Unpaid Light & Water Bills	5,000	3,500
Debtors	15,000	18,400
Levy owed to Head Office	25,000	42,000
Levy owed to District	7,500	12,700

6. Offertory on the watch-night service held on 31/12/19 which amounted to GH¢18,500 was paid into the bank account the following year.

#### **REQUIRED**

- Income and Expenditure account for the year ended December 31, 12/19, including the net income from the competition, harvest and fun fair.
- Statement of financial position as on that date.

#### **QUESTION FOUR (b)**

Accountant in preparation and presenting financial statement, adopt and apply certain principle, concepts and standards as guides. As an accounting teaching assistant, how would you in reference to specific selected instances, justify the relevance of their constant application?