



**CHRISTIAN SERVICE UNIVERSITY COLLEGE
KUMASI, GHANA**

CSUC SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

END OF FIRST SEMESTER EXAMINATIONS – 2018/19 ACADEMIC YEAR

LEVEL 300

CSBA 322: FINANCIAL ACCOUNTING II

MAY, 2019

70 MARKS

TIME ALLOWED: 3 HOURS

GENERAL INSTRUCTIONS TO CANDIDATES:

- Answer *ALL* questions.
- Write your index number on top of the question paper and every page of the answer booklet used.

Examiner: Abraham Osei-Wusu (CA)

QUESTION 1

Rhule, Judith and Linda were in partnership, sharing profits one-half, one-third, one-sixth respectively. On 1st January 2018, they admitted Fausty into the partnership business on the following terms.

Gyedu to have one-sixth share, which she purchased entirely from Rhule, paying him GH¢4,000 for that share of goodwill. Of the amount, Rhule retained GH¢3,000 and put the balance into the firm as additional capital. Gyedu also brought GH¢2,500 capitals into the firm.

It was agreed that the investments should be reduced to their market value of GH¢1,800 and the plant should be reduced to GH¢2,900 as on 31st December, 2017.

The statement of financial position of the old firm at 31st December 2017 was as follows:

Non-current assets	GH¢	GH¢
Plant		3,500
Furniture		1,000
Investment		<u>3,000</u>
		7,500
Current assets		
Inventory	5,000	
Receivables	6,000	
Cash at bank	<u>4,000</u>	
	15,000	
Current liabilities		
Payables	(10,500)	<u>4,500</u>
		<u>12,000</u>
Capital accounts		
Rhule		6,000
Judith		4,000
Deborah		<u>2,000</u>
		<u>12,000</u>

You are required to prepare:

- The capital accounts of the partners of the new firm as at 1st January, 2018.
- The opening statement of financial position of the new firm as at 1st January 2018.

(20 marks)

QUESTION 2

- a) i) Outline three methods of calculation hire purchase interest.

(3marks)

- ii) Briefly explain the difference between hire purchase sales and credit sales.

(2 marks)

- b) Koo Baah Enterprise started business on 1 January 2018 mainly to sell TV sets of a standard type to civil servants on hire purchase terms. The total amount, including interest payable for each set is GH¢3000. Customers are expected to pay an initial deposit of GH¢600 followed by twenty four monthly installments of GH¢100 each. Koo Baah Enterprise purchases its inventories from Christy Asokore Electronics at a unit cost of GH¢2,000. Prices remained unchanged throughout the first financial period. The following trial balance was extracted from the books of Koo Baah Enterprise on 31 December 2018.

	DR	CR
	GH¢000	GH¢000
Capital		2000
Non-current assets	200	
Drawings	80	
Bank Overdraft		192
Creditors		532
Purchases	3,600	
Cash collected from customers		1,530
Bank interest	8	
Wages and salaries	256	
General operating expenses	110	
	<u>4254</u>	<u>4254</u>

Additional information

For the first year of operation, (year ended 31 December 2018), 1,700 sets were sold. It is the policy of Koo Baah Enterprise to take credit for profits (including interest) in proportion to the cash collected from customers. Non-current assets are depreciated at the rate of 10% on cost.

Required

Using the Unrealized Profit Method, prepare the Hire purchase income statement for the year ended 31 December 2018 and a statement of financial position as at 31 December 2018. (15 Marks)

(Total 20 marks)

QUESTION 3

Santasi Trading Firm has a branch at Kwadaso. All purchases are made in Santasi and the goods sent to Kwadaso are invoiced at selling price which is 20% above cost. All sales are on credit terms. Branch expenses are paid by head office and all cash received by branch is remitted to head office. All branch transactions are recorded in the head office books.

The following balances are in the Head Office ledgers at 1st January, 2018:

	GH¢
Branch inventory account	3,600
Branch inventory adjustment account	600
Branch receivables	2,575
Transactions during the year 2018:	
Goods sent to branch	32,460
Returns from branch to HO	642
Branch sales	33,780
Returns from customers to branch	354
Cash received from branch receivables	32,848
Discount allowed to branch receivables	1,415
Branch expenses paid	4,027

The branch inventory at 31/12/2018 at invoice price to the branch	1,962
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There were no expenses outstanding at 31/12/18 and none had been paid in advance.

Required

Show the accounts relating to the branch in the ledger of the Head Office for the year ended 31st December, 2018.

(15 marks)

QUESTION 4

- Identify the major stakeholders of value added statement. *(2 marks)*
- Outline any three (3) limitations in the use of value added statement as a measure of performance. *(3 marks)*

The following balances were included in the Corporate Report of Joe Apok Ltd, a company incorporated in Ghana on 1 January 2012;

	31 DEC. 2012
	GH¢'000
Non-current asset (net)	3,750
Accountreceivable	870
Account payable	530
10% Debenture	1,200
Ordinary shares:	
(issued at GH¢ 1.00 each)	3,200
Sales	5,124
Materials consumed	2,934
Wages	607
Depreciation for the year	115
Fuel consumed	290
Hire of plant & Equipment	41
Salaries	203
Auditor's remuneration	10
Corporate tax	402
Dividend per share	GH¢ 0.09
Number of employees	40,000

Required:

Prepare a value added statement to be included in the Corporate Report of Joe Apok Ltd for the year.

(10 marks)

(Total 15 marks)