

P1042 & 1 Nov.
WASSCE 2011
FINANCIAL
ACCOUNTING 2 & 1

2 & 1

3 $\frac{1}{2}$ hours

Name:

Index Number:

THE WEST AFRICAN EXAMINATIONS COUNCIL

West African Senior School Certificate Examination

November 2011

FINANCIAL ACCOUNTING 2 & 1

3 $\frac{1}{2}$ hours

Do not open this booklet until you are told to do so. While you are waiting, read the following instructions carefully.

Write your name and index number in the spaces provided at the top right-hand corner of this booklet.

*This booklet consists of two papers. Answer **Paper 2** which comes first, in your answer booklet and **Paper 1** in your Objective Test answer sheet. **Paper 2** will last for 2 $\frac{1}{2}$ hours after which the answer booklet will be collected. Do not start **Paper 1** until you are told to do so. **Paper 1** will last for 1 hour.*

PAPER 2

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 materials. 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) State **five** features of an income and expenditure account. [10 marks]
 (b) Distinguish between subscription in advance and subscription in arrears. [5 marks]
2. (a) Explain the terms:
 (i) *liquidity ratios*;
 (ii) *profitability ratios*. [5 marks]
 (b) List **two** examples **each** of *liquidity* and *profitability ratios*. [4 marks]
 (c) State **three** uses of accounting ratio. [6 marks]
3. (a) Explain *capital reserve*. [3 marks]
 (b) List **six** examples of *capital reserves*. [6 marks]
 (c) State the accounting treatment of *reserves* in the final accounts. [6 marks]
4. (a) Explain **one** use of the following subsidiary books:
 (i) sales day book;
 (ii) purchases day book;
 (iii) returns inwards book;
 (iv) returns outwards book;
 (v) general journal. [10 marks]

(b) List the subsidiary books in which the following documents are entered:

- (i) invoices received from suppliers;
- (ii) invoices issued to customers;
- (iii) credit notes issued to customers;
- (iv) credit notes received from suppliers;
- (v) debit notes issued to customers to correct an undercharge.

[5 marks]

SECTION B

FINANCIAL ACCOUNTING PRACTICE

Answer three questions only from this section.

5. Peter, James and Ben are in partnership sharing profits and losses in the ratio 3:2:1 respectively. Interest is charged on partners' drawings at 5 per cent (%) and on capital at 7 per cent (%) per annum.

The net profit for the year ended 31st December, 2008 was Le65,000. Ben is the accountant and is paid a salary of Le4,000 per annum.

The partners' drawings at 30/06/08 were:

Peter	Le6,000
James	Le4,000
Ben	Le2,000

The partners' credit balances at 01/01/08 were as follows:

	<i>Capital Account</i>	<i>Current Account</i>
	<i>Le</i>	<i>Le</i>
Peter	12,000	2,000
James	10,000	1,200
Ben	9,000	800

You are required to prepare:

- (a) Profit and Loss Appropriation Account for the year ended 31st December, 2008;
- (b) Partners' Current Account.

[15 marks]

6. Bala Enterprises has its head office in Lagos and a branch office in Abuja: Goods are sent to the branch at cost plus 25%. All books are kept at the head office. The following details relate to the branch for the year ended 31st December, 2008.

	₦
Stock — 1st January, 2008 at selling price	56,000
Goods sent to branch	250,000
Damages in transit at selling price	20,000
Sales by branch	235,000
Branch selling expenses	2,500
Stock — 31st December, 2008 as per stock taking	42,000

You are required to prepare:

- (a) Goods sent to Branch Account;
- (b) Branch Stock Account;
- (c) Branch Profit and Loss Account.

[15 marks]

7. The Trial Balance of Blacksmith Enterprises drawn up at 31st December, 2008 failed to agree and the difference of ₦1,200 was placed at the debit side of a Suspense Account. A Trading, Profit and Loss Account was prepared with a Net Profit of ₦10,000. The following errors were later discovered:

- (i) The owner had taken goods worth ₦2,400 for his personal use but no record was made.
- (ii) Goods worth ₦200 returned by Shehu was correctly recorded in Returns Inward book but not posted to the debtors ledger.
- (iii) Returns Outward book was undercast by ₦400.
- (iv) A credit sale of ₦3,104 to Okoro was recorded correctly in the Sales Day book but as ₦1,304 in his personal account.
- (v) Office stationery expenses of ₦2,000 were debited to Office Equipment Account.

You are required to prepare:

- (a) Journal entries to correct the errors;
- (b) Suspense Account;
- (c) A Statement to show the corrected Net Profit.

[15 marks]

8. The following is the Trial Balance of Akafo Departmental Stores as at 31st December, 2009.

	Dr.	Cr.
	D	D
Capital		72,000
Sales:		
Textiles		1,380,000
Carpets		1,176,000
Purchases:		
Textiles	523,800	
Carpets	446,200	
Carriage outwards	15,500	
Rent and rates	14,000	
Discounts allowed	3,800	
Discounts received		3,000
Cooling and power	2,000	
Wages and salaries	80,000	
Motor vehicles	558,000	
Furniture and fittings	350,000	
Selling expenses	5,000	
Insurance	8,000	
Debtors	258,000	
Creditors	28,000	
Cash at bank	279,000	
Cash in hand	4,000	
Drawings	20,700	
Stock 1st January, 2009:		
Textiles	19,950	
Carpets	15,050	
	2,631,000	2,631,000

Additional information:

- (a) Closing Stock

Textiles	D15,000
Carpets	D11,400

- (b) The expenses are shared between the two departments as follows:

- Rent and rates, and insurance in the ratio 3:2.
- Wages and salaries in the ratio 3:1.
- All other expenses to be shared equally.
- Depreciation of 10% to be provided on motor vehicles and 5% on furniture and fittings.

You are required to prepare a Trading, Profit and Loss Account for the year ended 31st December, 2009 for each department, and the business in a columnar form.

[15 marks]

Turn over

9. Tamuno and Sons run a fleet of vehicles for its fish marketing business. The following information were extracted from its records:

Vehicle Number	Date of Purchase	Cost ₦	Estimated Useful Life	Scrap value ₦	Date of Disposal	Disposal Value ₦
OY 11 BB	1/1/04	60,000	5 years	10,000	30/6/08	18,000
KG 12 YY	1/7/06	80,000	4 years	20,000	—	—
LA 13 ZZ	1/1/08	100,000	5 years	25,000	—	—

The business prepares its accounts to 31st December each year and provides for depreciation on straight line basis.

You are required to prepare:

- Provision for Depreciation Account for 2004, 2005, 2006, 2007 and 2008; and
- Disposal of Motor Vehicle Account.

[15 marks]

**DO NOT TURN OVER THIS PAGE UNTIL
YOU ARE TOLD TO DO SO.**

**YOU WILL BE PENALIZED SEVERELY IF YOU ARE
FOUND LOOKING AT THE NEXT PAGE BEFORE
YOU ARE TOLD TO DO SO.**

**WHILE YOU ARE WAITING, READ THE FOLLOWING
INSTRUCTIONS CAREFULLY.**

Paper 1

OBJECTIVE TEST

1 hour

1. Use **HB pencil** throughout.
2. If you have got a blank answer sheet, complete its top section as follows.
 - (a) In the space marked *Name*, write in capital letters your **surname** followed by your **other names**.
 - (b) In the spaces marked *Examination*, *Year*, *Subject* and *Paper*, write 'WASSCE', '2011 NOV.', 'FINANCIAL ACCOUNTING' and '1' respectively.
 - (c) In the box marked *Index Number*, write your **index number** vertically in the spaces on the left-hand side. There are numbered spaces in line with each digit. Shade carefully the space with the same number as each digit.
 - (d) In the box marked *Paper Code*, write the digits **104112** in the spaces on the left-hand side. Shade the corresponding numbered spaces in the same way as for your index number.
 - (e) In the box marked *Sex*, shade the space marked **M** if you are **male**, or **F** if you are **female**.
3. If you have got a pre-printed answer sheet, check that the details are correctly printed, as described in 2 above. In the boxes marked *Index Number*, *Paper Code* and *Sex*, **reshade** each of the shaded spaces.
4. An example is given below. This is for a **male** candidate, whose **name** is **Chukwuma Adekunle CIROMA**, whose **index number** is **5251102068** and who is offering **Financial Accounting 1**.

THE WEST AFRICAN EXAMINATIONS COUNCIL

PRINT IN BLOCK LETTERS

Name: CIROMA CHUKWUMA ADEKUNLE Examination: WASSCE Year: 2011 NOV.
Surname Other Names
Subject: FINANCIAL ACCOUNTING Paper: 1

INDEX NUMBER	
5	0 1 2 3 4 5 6 7 8 9
2	0 1 2 3 4 5 6 7 8 9
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1	0 1 2 3 4 5 6 7 8 9
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For Supervisors only.

If candidate is absent shade this space: ☐

PAPER CODE	
1	0 1 2 3 4 5 6 7 8 9
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4	0 1 2 3 4 5 6 7 8 9
1	0 1 2 3 4 5 6 7 8 9
1	0 1 2 3 4 5 6 7 8 9
2	0 1 2 3 4 5 6 7 8 9

SEX
Indicate your sex by shading the space marked M (for Male) or F (for Female) in this box: <input type="checkbox"/> M <input type="checkbox"/> F

INSTRUCTIONS TO CANDIDATES

1. Use grade **HB pencil** throughout.
2. Answer each question by choosing one letter and shading it like this: [A] [B] [C] ☒
3. Erase completely any answers you wish to change.
4. Leave extra spaces blank if the answer spaces provided are more than you need.
5. Do not make any markings across the heavy black marks at the right-hand edge of your answer sheet.

Answer all the questions.

Each question is followed by **four** options lettered A to D. Find out the correct option for each question and **shade in pencil** on your answer sheet, the answer space which bears the same letter as the option you have chosen. Give only **one** answer to each question. An example is given below.

Which of the following documents is used to deposit money into a current account?

- A. Pass book
- B. Paying-in slip
- C. Cheque book
- D. Credit card

The correct answer is Paying-in slip, which is lettered B, therefore answer space B would be shaded.

[A]

[B]

[C]

[D]

Think carefully before you shade the answer spaces; erase completely any answer(s) you wish to change.

Do all rough work on this question paper.

Now answer the following questions.

1. The process of transferring entries from journal to ledger account is
 - A. journalising.
 - B. posting.
 - C. summarising.
 - D. single accounting.
2. Creditors' accounts are kept in the
 - A. sales ledger.
 - B. general ledger.
 - C. private ledger.
 - D. purchases ledger.
3. Recording of transactions in accounting is known as
 - A. data processing.
 - B. balancing of accounts.
 - C. book keeping.
 - D. reconciliation.
4. Which of the following is **not** a type of computer?
 - A. Analogue
 - B. Microsoft
 - C. Digital
 - D. Hybrid

5. In single entry accounting, sales are calculated through
- statement of affairs.
 - creditors control account.
 - debtors control account.
 - balance sheet.

6. The net profit of a sole trader is
- debited to capital account.
 - credited to cash account.
 - debited to cash account.
 - credited to capital account.

Use the following information to answer questions 7 to 9.

Provision for bad debt 1/1/09	₦4,000
Debtors	₦8,000
Provision for bad debt 3%	

7. The provision for bad and doubtful debt as at 31/12/09 is
- ₦6,400.
 - ₦4,000.
 - ₦2,400.
 - ₦1,600.
8. The net debtors figure as at 31/12/09 is
- ₦78,400.
 - ₦77,600.
 - ₦76,000.
 - ₦73,600.
9. The provision for bad debt recorded in the profit and loss account is
- ₦6,400.
 - ₦4,000.
 - ₦2,400.
 - ₦1,600.
10. Which of the following is **not** recorded in the trading account?
- Opening stock
 - Purchases
 - Carriage inwards
 - Carriage outwards

Turn over

11. A statement which proves the arithmetical accuracy of double entry in the ledger is
 - A. Balance Sheet.
 - B. Trial Balance.
 - C. Statement of Affairs.
 - D. Profit and Loss Account.
12. Examples of intangible assets are
 - A. land and patents.
 - B. stock and debtors.
 - C. cash and bank.
 - D. patents and trade mark.
13. The working capital of a business is
 - A. total assets less total liabilities.
 - B. current assets less current liabilities.
 - C. fixed assets less current liabilities.
 - D. fixed assets less long-term liabilities.
14. Another name for authorized share capital is
 - A. called up capital.
 - B. uncalled up capital.
 - C. registered capital.
 - D. issued capital.
15. Which of the following is **not** a cause of disagreement between Cash Book and Bank Statement balance?
 - A. Cash lodgement
 - B. Dishonoured cheques
 - C. Uncredited cheques
 - D. Standing order
16. A limited company has
 - A. no separate identity from its shareholders.
 - B. no separate identity from its directors.
 - C. separate capital from its shareholders.
 - D. separate legal identity from its shareholders.
17. When the total purchase price is less than the new valuation of the assets taken over, the difference is treated as
 - A. revenue reserve.
 - B. profit.
 - C. capital reserve.
 - D. goodwill.

18. If opening debtors is Le15,000; credit sales is Le60,000 and receipts from debtors is Le58,000; the closing debtors figure is
- Le45,000.
 - Le43,000.
 - Le17,000.
 - Le13,000.
19. The purchases ledger contains
- trade creditors account.
 - the purchases account.
 - creditors control account.
 - trade debtors account.

Use the following information to answer questions 20 to 22.

Repairs of market stalls	Le400,000
Licences	Le900,000
Purchases of furniture	Le300,000
Property rates	Le200,000

20. Total revenue is
- Le2,000,000.
 - Le1,100,000.
 - Le900,000.
 - Le500,000.
21. Total expenditure is
- Le2,000,000.
 - Le1,100,000.
 - Le900,000.
 - Le700,000.
22. The surplus is
- Le700,000.
 - Le600,000.
 - Le400,000.
 - Le300,000.
23. Which of the following is **not** a book of original entry?
- General Journal
 - Cash Book
 - Sales Ledger
 - Purchases Day Book

24. Entries in the sales journal are posted to individual accounts in the
- A. purchases account.
 - B. debtors ledger.
 - C. sales account.
 - D. creditors ledger.
25. Ojo owed P.P. Ltd. ₦5,000. He issued a cheque for ₦5,500. What document should Ojo receive from P.P. Ltd. for the overpayment?
- A. Debit note
 - B. Sales invoice
 - C. Credit note
 - D. Payment voucher
26. Which of the following is a real account?
- A. Salaries Account
 - B. Fixtures Account
 - C. Mumuni's Account
 - D. Sales Account
27. In the profit and loss account, carriage outwards is
- A. revenue.
 - B. expense.
 - C. profit.
 - D. loss.
28. A cashier has an imprest of ₦190,000 and spent ₦178,000. The amount to be reimbursed is
- A. ₦368,000.
 - B. ₦190,000.
 - C. ₦178,000.
 - D. ₦12,000.
29. In control accounts, transfers between debtors accounts and creditors accounts is
- A. discount.
 - B. set-offs.
 - C. bad debt.
 - D. reconciliation.
30. Which of the following describes the steps in electronic data processing?
- A. Input → Processing → Output
 - B. Input → Output → Processing
 - C. Output → Processing → Input
 - D. Output → Input → Processing

Use the following information to answer questions 31 to 33.

D

Stock of raw materials:	
Opening	30,000
Closing	14,000
Raw material purchased	168,000
Carriage inwards	6,000
Returns outwards	18,000

31. Net purchases of raw material is
 - A. D180,000.
 - B. D174,000.
 - C. D168,000.
 - D. D156,000.
32. Raw materials available for production is
 - A. D186,000.
 - B. D174,000.
 - C. D172,000.
 - D. D168,000.
33. Raw materials consumed is
 - A. D186,000.
 - B. D174,000.
 - C. D172,000.
 - D. D168,000.
34. Which of the following is **not** an item in Partners' Current Account?
 - A. Partners' salary
 - B. Interest on drawings
 - C. Interest on capital
 - D. Partners' goodwill
35. In a Departmental Account, profit or loss is calculated for
 - A. each department.
 - B. only one department.
 - C. each product.
 - D. each supplier.
36. A sale of goods for GH¢1,050 entered in the Sales Day Book as GH¢105 is an error of
 - A. principle.
 - B. original entry.
 - C. commission.
 - D. omission.
37. The accounting concept which seeks to prevent profits from being overstated is
 - A. matching.
 - B. money measurement.
 - C. prudence.
 - D. going concern.

38. Subscription owing is treated in the balance sheet as a
- current asset.
 - current liability.
 - fixed asset.
 - revenue expenditure.
39. Which of the following results in a difference between the Cash Book and Bank Statement balances?
- Unpresented cheque
 - Discounts allowed
 - Prepaid expenses
 - Provision for bad debts

Use the following information to answer questions 40 and 41.

Obi Plc commences business after fixing the total capital of Le4,000,000 made up of 20,000,000 ordinary shares.

40. The authorized capital is
- Le24,000,000.
 - Le20,000,000.
 - Le16,000,000.
 - Le4,000,000.
41. The nominal value per share is
- Le5.00.
 - Le0.50.
 - Le0.20.
 - Le0.10.
42. Which of the following is **not** a purpose for preparing trial balance?
- To prove arithmetical accuracy of entries
 - To facilitate easy location of errors
 - To give a good description of the transactions
 - To offer a proof that the principle of double entry has been observed
43. When errors cancel out each other, it is a/an
- error of omission.
 - compensating error.
 - error of commission.
 - error of principle.
44. The concept that recognises revenues and expenses as they are earned or incurred is
- cost.
 - realization.
 - accrual.
 - matching.

45. Which of the following appears both in the Trading Account and Profit and Loss Account?
- Cost of sales
 - Gross profit
 - Net profit
 - Sales
46. The salvage value of an asset is the same as its
- cost price.
 - net book value.
 - prime cost.
 - scrap value.

Use the following information to answer questions 47 and 48.

	GH¢
Balance as per cash book	5,625
Cheques not yet presented	264
Cheques not yet credited by the bank	456
Bank charges	50

47. The balance as per adjusted cash book is
- GH¢5,675.
 - GH¢5,625.
 - GH¢5,575.
 - GH¢5,383.
48. The bank balance is
- GH¢6,345.
 - GH¢5,817.
 - GH¢5,433.
 - GH¢5,383.
49. When provision for depreciation account is maintained, the annual charge for depreciation is debited to
- Provision for Depreciation Account and credited to Profit and Loss Account.
 - Asset Account and credited to Profit and Loss Account.
 - Profit and Loss Account and credited to Provision for Depreciation Account.
 - Provision for Depreciation Account and credited to Asset Account.
50. A 10% debenture of ₦20,000 is classified in the balance sheet as
- current liabilities.
 - current asset.
 - long-term liabilities.
 - short-term liabilities.