BUSINESS, ACCOUNTING AND FINANCIAL STUDIES PAPER 2A

Accounting Module

QUESTION 1 **Marks**

(a) Cash at Bank

Marks		$		$	Marks
		$		$	
½	Balance b/d	8,680	Trade Receivables	750	1
1	Dividend Income	4,370	Electricity	2,340	1
			Trade Receivables	4,310	1
			Trade Payable	4,600	1
			Balance c/d	1,050	½
		13,050		13,050	

(6)

(b) **Bank reconciliation statement as at 30 April 2018**

	$	$	
Balance as per bank statement		5,830	½
Add: Uncredited cheque		3,900	½
		9,730	
Less: Unpresented cheque	7,180		½
Bank Error: Credit transfer wrongly made by bank	1,500	8.680	1
Balance as per updated bank account		1,050	½

(4)

10 marks

QUESTION 2	Marks
Predetermined manufacturing overhead absorption rate:	
135,000/27,000	1
= $5 per direct labour hour	1
Manufacturing overhead absorbed:	
420*5	1
= $2,100	1
	(4)
Manufacturing Cost per unit:	
(67,200+71,400)/420+5 = $335	1
Per unit selling price:	
335*1.3= $435.5	1
	(2)
	6 marks

QUESTION 3 **Marks**

(i)Cash book	½
(ii)Sales Journal	½
(iii)Purchase Journal	½
(iv)Returns Inwards Journal	½
(v)Returns Outwards Journal	½
(vi)General Journal	½
(vii) General Journal	½
(viii) General Journal	½
(ix)Cash Book	½
(x)Returns Outwards Journal	½
(xi)Cash Book	½
(xii)Cash Book	½
	6 marks

QUESTION 4 **Marks**

(a)The weighted average cost of product per unit:

(500*35+1500*50+200*60+300*40)/(500+1500+200+300) 1

= $46.6 per unit 1

(2)

(b) The inventory value as at 31 December 2019:

(2500-50-130)*46.6+130*23 2

= $111,102 1

(3)

5 marks

QUESTION 5

	Marks
(a)(i) Contribution margin ratio:	
(3,000,000-576,000-624,000-150,000)/3,000,000*100%	1
= 55%	1
(a)(ii) Breakeven sales for 2024:	
(456,000+644,000)/55%	1
= $2,000,000	1
(a)(iii) The margin of safety (as a percentage up to one decimal place) for 2024:	
(3,000,000-2,000,000)/3,000,000*100%	1
= 33.3%	1
	(6)
(b)(880,000+456,000+644,000)/ 55%	1
= $3,600,000	1
	(2)
(c)Incremental Revenue: 2,000*48 =$96,000	1
Incremental Cost: 2,000*19+160,000 =$198,000	1
If the company accepts the order, it will suffer loss of $102,000. The company should not accept the special order.	1
	(3)
	11 marks

QUESTION 6 **Marks**

(a)

Capital

Marks		Ray	Happy	Marcus		Ray	Happy	Marcus	Marks
		$	$	$		$	$	$	
1	Goodwill (3:2:1)	72,000	48,000	24,000	Balance b/d	225,000	147,600	-	½
½	Balance c/d (W2)	406,320	268,480	224,933	Revaluation (W1)	166,920	111,280	-	2
					Goodwill (3:2)	86,400	57,600	-	1
					Cash at Bank	-	-	248,933	1
		478,320	316,480	248,933		478,320	316,480	248,933	

(6)

Working 1(W1):

Profit on revaluation= 210,000+(440,000-370,000) +1,200-3,000 = $278,200

Working 2(W2):

(406,320+268,480)/0.75*0.25 =$224,933

(b)

Current

Marks		Ray	Happy	Marcus		Ray	Happy	Marcus	Marks
		$	$	$		$	$	$	
½	Balance b/d	-	30,000	-	Balance b/d	100,000	-	-	½
1	Drawings	180,000	72,000	-	<u>Appropriation</u>				
	<u>Appropriation</u>				- Share on Net Profit (W3)	929,957	619,972	309,986	1½
1	- Interest on drawings	4,800	1,440	-	- Interest on Capital	20,316	13,424	11,247	1
½	Balance c/d	865,473	529,956	321,223					
		1,050,273	633,396	321,223		1,050,273	633,396	321,223	

(6)

Working 3(W3):

2,468,050-64,375-550,000+4,800+1,440 = $1,859,915

QUESTION 7

Journal

		Dr.	Cr.	**Marks**
		$	$	
(i)	Sales	6,400		½
	Machine		6,400	½
(ii)	Rental expenses	22,000		½
	Suspense	22,000		½
	Rental deposit ($22,000 × 2)		44,000	½
(iii)	Sales	8,100		½
	Deposit received from customers		8,100	½
(iv)	Suspense	300,000		½
	Cash at Bank		300,100	½
	Interest Receivables	4,500		
	Deposit Interests		4,500	
(v)	No debit entry	-		½
	Suspense ($5,100 × 2)		10,200	½
(vi)	Purcahses	2,360		½
	Trade receivables ($1,180 × 2)		2,360	½
(vii)	Trade Payables	350		½
	Purchases		350	½
	Cash at Bank	483		½
	Discounts Received		133	½
	Trade Payables		350	½
				(9)

QUESTION 7

(a)

Tommy

Income statement for the year ended 31 December 2024

	$	$	Marks
Sales ((182,000-1,760+89,800)/2*7.8)		1,053,156	1½
Less: Cost of goods sold			
Opening inventory	55,000		½
Add: Purchases ((65,200+51,000)/2*12/2.5+2,100)	280,980		1½
	335,980		
Less: Returns outwards	2,100		½
Closing inventory	61,000		½
		272,880	1
Gross profit		780,276	
Less: Expenses			
Administrative expenses (43,300-72,000*0.2*5/12+51,000*0.2*5/12+3,000)	44,550		2
Selling expenses (8,000 +4,000)	12,000		½
Loss on disposal [72,000 – (72,000 × 20% ×52/12) – 6,000]	3,600		1
Bank Loan Interest (330,000*0.05*3/12)	4,125	64,275	1
Net profit		716,001	
			(10)

(b)

Tommy

Statement of financial position as at 31 December 2024

	$	$	
Non-current assets			
Office equipment, net (551,000-72,000+51,000+6,000-4,250)		531,750	2
Current assets			
Inventory	61,000		½
Trade receivables (182,000-1,760)	180,240		1
Bank	600,000	841,240	½
Total assets		1,372,990	
Capital			
Balance, 1 January 2024 (bal. fig.)		208,664	1
Add: Net profit		716,001	½
		924,665	
Current liabilities			
Trade payables	65,200		½
5% Bank Loan	330,000		½
Other Payables (51,000-6,000)	45,000		½
Accrued Interest	4,125		½
Accrued selling expenses	4,000	448,325	½
Total capital and liabilities		1,372,990	(8)

(c) Realisation principle. Revenue should be recognized in the period when goods are sold or when services are rendered. The company should not record the sales of goods until 15 January 2025. (2)

20 marks

QUESTION 8

(a) **Bear Limited**

Income statement for the year ended 31 December 2024

		$	$	
Sales (1,649,000-40,500)			1,608,500	1
Less:	Cost of goods sold			
	Opening inventory	171,000		½
	Add: Purchases	869,000		½
		1,040,000		
	Less: Closing inventory {380,000 – [25,400-(16,600 -2,300)]+ 40,500/1.35}	398,900	641,100	2
Gross profit			967,400	
Add:	Decrease in allowance for doubtful debts [$54,000 – (900,000 – 40,500) × 6%]		2,430	1
			969,830	
Less:	Selling and distribution expenses (234,800-3,000)	231,800		1
	Administrative expenses (W1)	542,400		3
	Debenture interest (216,000*0.05*4/12)	3,600	853,800	1
Net profit			82,450	
				(10)

Working 1 (W1):

Depreciation expense for the sold equipment in 2024:

[300,000 - (300,000*0.2*4/12 + (300,000-20,000) *0.2)] *0.2 = $22,400

Loss on disposal:

300,000 – 20,000 – 56,000 – 22,400 – 5,500 = $196,100

Depreciation expenses for the remaining equipment in 2024:

[(1,200,000-300,000) – (375,000-76,000)] *0.2 = $120,200

Administrative expenses for the year 2024:

199,500 + 4,200 + 22,400 + 196,100 + 120,200 = $538,200

(b)

Belly Limited

Statement of financial position as at 31 December 2024

	$	$	
Non-current assets			
Office equipment, net [1,200,000-300,000-(375,000-76,000+ 120,200)]		480,800	1
Current assets			
Inventory	398,900		½
Trade receivables, net (846,000-40,500+2,430)	807,930		1½
Prepaid Expenses	3,000		½
Other Receivables	5,500		½
Cash at bank	625,020		½
Total assets		2,321,150	
Equity			
Ordinary shares of $1.5 each, fully paid		1,000,000	½
Ordinary shares of $2 each, fully paid		200,000	1
General reserve		115,000	½
Retained profits (336,000+82,450-15,000)		403,450	1
		1,718,450	
Non-current liabilities			
5% debentures		200,000	½
Current liabilities			
Trade payables	334,900		½

Accrued Expenses	4,200		½
Accrued debenture interest	3,600		½
Share Subscription Refundable	60,000	402,700	½
Total equity and liabilities		2,321,150	
			(10)