

UNIVERSITY OF BOLTON
INSTITUTE OF MANAGEMENT
BA(HONS) ACCOUNTANCY
SEMESTER 1 EXAMINATIONS 2021/2022
FINANCIAL ACCOUNTING FUNDAMENTALS
MODULE NO: ACC4013

Date: Wednesday 12th January 2022

Time: 10:00 – 13:00

INSTRUCTIONS TO CANDIDATES:

There are **TWO** sections on this paper. You must answer **FOUR** questions **ONLY** as follows:

Section One - Answer **ALL THREE**

Section Two – answer **ONE** question **ONLY**

Silent calculators may be used.
This is a closed book examination.

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SECTION ONE: Answer all questions in this section

Question 1

The following trial balance was taken from the books of Mr Rooney's Shop, a local retailer, on 31 December 2021.

	Dr (£)	Cr (£)
Purchases	51,423	
Sales		156,261
Inventory (1 Jan 2019)	12,382	
Returns	392	1013
Discounts	620	1,764
Drawings	56,715	
Buildings at cost	163,350	
Provision for depreciation: Buildings		16,335
Fixtures and Fittings	39,204	
Provision for depreciation: Fixtures and Fittings		4,901
Wages and Salaries	30,416	
Advertising	3,692	
Rates	13,460	
Sundry Expenses	12,071	
Bank	6,567	
Cash	196	
Trade Receivables	8,168	
Bad Debts	164	
Provision for doubtful debts		850
Trade Payables		6,109
VAT		5,292
Capital		132,787
Long term loan		73,508
	398,820	398,820

Question 1 continues over the page...

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Question 1 continued...

You are required to process the following transactions:

1. Inventory was valued at £9,899 on 31 December 2021
2. Depreciate buildings at 10% using reducing balance method
3. Depreciate fixtures and fittings at 5% per annum using straight line method
4. Provision for doubtful debts is to be 5% of trade receivables
5. Wages accrued are £817
6. Advertising prepaid is £571

Required:

(a) Prepare the Statement of Profit and Loss for the year ended 31 December 2021.

(12 Marks)

(b) Prepare a Statement of Financial Position as at 31 December 2021.

(13 Marks)

(c) Define and explain the role of a suspense account in a trial balance.

(5 Marks)

(Total 30 Marks)

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Question 2

Robin and Doreen are the owners of a garden centre, selling garden equipment and various plants to the local public in the Bolton area. They set up in partnership on 1st January 2021. Robin invested £30,000 as his capital, and Doreen invested £20,000 as her capital. As the business has only started trading both partners are being cautious on the drawings that they take from the business. Interest would be charged on any drawings made.

The partnership agreement is as follows:

Charges:

- Interest on drawings 2% on a pro-rata monthly basis.

Entitlements:

- Profits/losses to be shared in the ratio of the initial capital provided by each partner.
- Robin and Doreen are entitled to an annual salary of £2,000 each.
- Interest on capital at 4% per year on each partners opening balance on their capital.
- Interest on any loans made by the partners to be 2% on a pro-rata monthly basis.

The partners were to keep separate capital and current accounts.

Net profit for the year to 31 December 2021 amounted to £27,268.

During the year the partners had made drawings as below:

Robin - £1,500 on 1 July 2021, and £250 on 31 December 2021

Doreen - £700 at the end of June 2021 and £600 on 30 September 2021.

On 1 Aug 2021, the business required some extra funds in order to expand, and Robin made a loan to the partnership of £1,800.

Required:

- (a) Prepare the partnership appropriation account for the year ended 31 December 2021.

(12 Marks)

Question 2 continues over the page...

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Question 2 continued...

(b) Prepare the partner's capital and current accounts using "T" accounts.
(11 Marks)

(c) Explain the partnership agreement act 1890.
(2 Marks)

(Total 25 marks)

Question 3

The following is the cash book for Roger Whittaker for the month of May 2021.
 Roger has identified a possible error in the cash book which may need correcting.

Roger Whittaker Cash Book					
		£			£
21-May	Balance b/d	1287.00	22-May	T Potney	297.00
22-May	Sales	693.00	24-May	H Bottle	295.16
24-May	C Song	371.25	25-May	M Prawn	181.17
26-May	O Paddy	417.63	26-May	G Dwane	95.04

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Question 3 continued...

Roger Whittaker received the following bank statement at the end of May 2021:

Bank Statement : Portman Bank				
Account Holder: R Whittaker				
Date	Detail	Debit	Credit	Balance
		£	£	£
21-May	BALANCE			1287.00
22-May	T Potney	297.00		990.00
22-May	Sundries		693.00	1683.00
24-May	H Bottle	259.16		1423.84
24-May	DD Re: RCC	198.00		1225.84
24-May	C Song		371.25	1597.09
25-May	SO Re: A/C 127	66.00		1531.09
27-May	Bank Charges	33.00		1498.09
DD= Direct Debit SO = Standing Order				

Required:

(a) Rewrite and balance the cashbook as at 31 May 2021 making any necessary adjustments and bring down any relevant balances.

(10 Marks)

(b) Prepare a Bank Reconciliation Statement as at 31 May 2021.

(8 Marks)

(c) Discuss the advantages of compiling a bank reconciliation.

(7 Marks)**(Total 25 Marks)****END OF SECTION ONE****PLEASE TURN THE PAGE...**

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SECTION TWO: Answer ONE question ONLY from this section

Question 4

Circle the correct accounting entries required to record the following transactions:

- 1 Jeremy started business by investing £10,000 into the business bank account

A Dr Capital £10,000, Cr Drawings £10,000

B Dr Bank £10,000, Cr Capital £10,000

C Dr Drawings £10,000, Cr Capital £10,000

D Dr Capital £10,000, Cr Bank £10,000

(2 Marks)

- 2 He then bought inventory for £2,500 which he paid for using the businesses debit card

A Dr Inventory £2500, Cr Bank £2,500

B Dr Bank £2500, Cr Purchases £2,500

C Dr Bank £2,500, Cr Inventory £2,500

D Dr Purchases £2,500, Cr Bank £2,500

(2 Marks)

- 3 He then purchased a delivery van from Vanzoolo for £2,000 on credit

A Dr Van £2,000, Cr Vanzoolo £2,000

B Dr Purchase £2,000, Cr Van £2000

C Dr Vanzoolo £2,000, Cr Purchase

D Dr Vanzoolo £2,000, Cr Van £2,000

(2 Marks)

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Question 4 continued...

- 4 He then sold inventory on cash for £3,700
- A Dr Inventory £3,700, Cr Cash £3,700
- B Dr Sales £3,700, Cr Cash £3,700
- C Dr Cash £3,700, Cr Sales £3,700
- D Dr Cash £3,700, Cr Inventory £3,700 **(2 Marks)**
- 5 He then purchased more inventory on credit from Colin Supplies for £1,500
- A Dr Inventory £1,500, Cr Purchase £1,500
- B Dr Purchase £1,500, Cr Colin Supplies £1,500
- C Dr Colin Supplies £1,500, Cr Purchase £1,500
- D Dr Colin Supplies £1,500, Dr Inventory £1,500 **(2 Marks)**
- 6 He then sold goods on credit to Hampshire Ltd for £8,000
- A Dr Hampshire Ltd £8,000, Cr Sales £8,000
- B Dr Sales £8,000, Cr Hampshire Ltd £8,000
- C Dr Inventory £8,000, Cr Sales £8,000
- D Dr Sales £8,000, Cr Inventory £8,000 **(2 Marks)**

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Question 4 continued...

7 Hampshire Ltd returned damaged goods back to Jeremy for the amount of £1,000

A Dr Goods outwards £1,000, Cr Hampshire Ltd £1,000

B Dr Hampshire Ltd £1,000, Cr Sales £1,000

C Dr Goods inwards £1,000, Cr Hampshire Ltd £1,000

D Dr Hampshire Ltd £1,000, Cr Goods outwards £1,000 **(2 Marks)**

8 Jeremy returned goods to Colin supplies for £200

A Dr Goods Inwards £200, Cr Colin Supplies £200

B Dr Colin Supplies £200, Cr Goods Outwards £200

C Dr Colin Supplies £200, Cr Goods Outwards £200

D Dr Colin Supplies £200, Cr Goods Inwards £200 **(2 Marks)**

9 Jeremy purchased a computer system for £1600 paying via bank

A Dr Bank £1600, Cr Computer £1600

B Dr Computer £1600, Cr Bank £1600

C Dr Purchase £1600, Cr Bank £1600

D Dr Purchase £1600, Cr Computer £1600 **(2 Marks)**

**Question 4 continues over the page...
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Question 4 continued...

10 Jeremy took £500 from the business bank account for his own personal use

A Dr Drawings £500, Cr Bank £500

B Dr Bank £500, Cr Drawings £500

C Dr Drawings £500, Cr Capital £500

D Dr Capital £500, Cr Drawings £500

(2 Marks)

(Total 20 Marks)

PAST EXAMINATION PAPER

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Question 5

- (a) Roger reported his net receivables as £12,000 in the statement of financial position as at 31 December 20X0. During 20X1 he made sales on credit of £125,000 and received cash from trade receivables of £115,500. At 31 December 20X1, Roger decided to write off debts of £7,100 and increase the specific allowance for receivables by £950 to £2,100.

Required:

Calculate the net receivables figure reported in the statement of financial position as at 31st December 20X1 (show all workings).

(10 Marks)

- (b) IAS 16 Property Plant and Equipment defines depreciation as “the systematic allocation of the depreciable amount of an asset over its useful life” (IAS 16 para 6).

The following information relates to Delta Obstruction Lighting, a Aircraft Warning Lights manufacturer:

	Machine 1	Machine 2
Cost	£72,000	£48,000
Purchase Date	1 July 20X1	1 September 20X2
Depreciation Method	20% straight line pro rata	10% reducing balance pro rata

Required:

Calculate the total depreciation charge for the years ended 31 December 20X1 and 20X2.

(10 Marks)

(Total 20 Marks)

END OF SECTION TWO

END OF PAPER