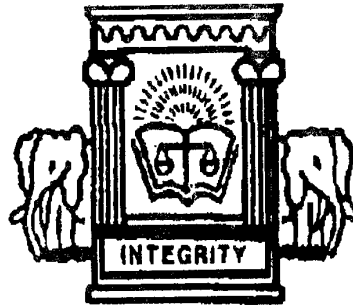


**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS (GHANA)**



**NOVEMBER 2008 EXAMINATIONS  
(PROFESSIONAL)**

**PART 1**

**ACCOUNTING FOUNDATIONS  
(Paper 1.1)**

**Attempt ALL Questions**

**TIME ALLOWED: 3 HOURS**

NOVEMBER 2008 EXAMINATIONS  
(PROFESSIONAL)

**ACCOUNTING FOUNDATIONS**  
**(Paper 1.1)**

**SECTION A**

**QUESTION 1**

Joseph and Noah are Partners sharing profits and losses in the ratio of 3:2. The following trial balance was extracted from their books on 31<sup>st</sup> December 2007.

	DR	CR
	GH¢	GH¢
Capital account:		120,000
Joseph		80,000
Victor		
Drawings account:		
Joseph	170,000	
Victor	80,000	
Rent rates	100,000	
Discount allowed	25,000	
Discount received		89,000
Salaries	120,000	
General expenses	45,000	
Buildings (Cost & Depreciation)	170,000	40,000
Motor vehicle (Cost & Depreciation)	100,000	25,000
Office equipments (Cost & Depreciation)	80,000	10,000
Partners' current accounts:		
Joseph		45,000
Victor		30,000
Bank	87,000	
Cash	50,000	
Debtors/Creditors	185,000	98,000

Gross profit a/c		555,000
5% loan a/c - Azingo Bank Ltd		<u>120,000</u>
	<u>1,212,000</u>	<u>1,212,000</u>

You have been given the following additional information:

- (i) Bad debts at 31<sup>st</sup> December 2007 was GH¢25,000.
- (ii) Rent accrued amounts to GH¢17,000 and a demand notice has been received from the local authority in respect of rates for 2008 accounting period amounting to GH¢20,000.
- (iii) Depreciation is to be provided on the cost of the assets as follows:

Buildings	5%
Motor vehicles	25%
Office equipment	20%

- (iv) The partners are to be credited with interest at the rate of 10% per annum on their capital account balances. Drawings during the year are kept separate from current accounts. These drawings attract a fixed interest of 5%. Salaries outstanding at the end of the accounting period amounted to GH¢18,000.
- (v) GH¢9,250 is to be provided on debtors in respect of doubtful debts.

***You are required to prepare:***

- (a) Profit and Loss and Profit and Loss appropriation account for the year ended 31/12/2007.
- (b) Balance sheet as at 31/12/2007.

**20 marks**

## **QUESTION 2**

Apayowa Ltd carried on a business with an authorized capital of 450,000 shares, divided into 300,000 ordinary shares of no par value and 150,000 preference shares of no par value, at a fixed dividend of Gh¢0.16 per share.

On 30<sup>th</sup> June 2008, the following balances appeared in the books of the company.

	GH¢
Stated capital:	
200,000 ordinary shares issued at 50p per share	100,000
100,000 preference shares issued at 50p per share	50,000
Retained profit for the year	196,000
Capital surplus	145,000
Plant and machinery (cost GH¢400,000)	280,000
Furniture and fittings (cost GH¢100,000)	80,000
Motor vehicles (cost GH¢80,000)	65,000
Trade receivables	70,000
Trade payables	55,000
Inventories	120,000
10% Debentures	80,000
Bank	45,000
Cash	28,000
Income surplus: 1 July 2007	127,000
Debenture interest accrued	8,000
Investments	125,000
Accruals	18,000
Amount owed to the Internal Revenue Service	34,000

The retained profit figure was arrived at after paying interim dividend of GH¢20,000 and GH¢8,000 to ordinary shareholders and preference shareholders respectively. A final dividend of GH¢0.40 per share was proposed for the ordinary shareholders.

***You are required to prepare:***

- (i) The income surplus account for the year ended 30<sup>th</sup> June 2008.
- (ii) Balance sheet as at 30<sup>th</sup> June 2008.

**20 marks**

### QUESTION 3

- a) What is a Bank reconciliation statement? *(1 mark)*
- b) State **three (3)** causes of disagreement between the bank statement and the bank account column of a business cash book. *(3 marks)*

- c) On 31<sup>st</sup> December 2007, the balance sheet and profit and loss accounts of Ojobita Enterprise Ltd showed the following two items:

	GH¢
Bank balance	45,000 (overdraft)
Profit for the year	250,000

The balance as stated in the bank statement did not agree with the one shown in the cash book. However, upon investigations, the following differences and additional information became evident:

- I. A payment of GH¢3,700 made by a customer was wrongly posted in the cash book as GH¢4,800.
- II. Bad debt written off of GH¢2,500 was not accounted for in the Profit and Loss account.
- III. The following entries appeared in the bank statement only:
- Bank charges                      GH¢2,000
  - Standing orders:
    - Loan repayment    GH¢120,000
    - Subscriptions      GH¢15,000
    - Dividend received from GCB of GH¢3,000 on behalf of Ojobita enterprise Ltd.
- IV. Unpresented cheques amounted to GH¢240,000
- V. Cheque remittances of GH¢3,000 and GH¢2,500 received from customers were dishonoured for lack of funds
- V. The loan repayment included GH¢20,000 interest charges
- VII. Uncredited cheques amounted to GH¢11,000.

***You are required to prepare:***

- (i) The adjusted cash book
- (ii) The bank reconciliation statement

(iii) The revised profit and loss account.

(16 marks)

**Total: 20 marks**

## SECTION B

### QUESTION 4

Azangbiog Ltd produces an item called “the battle” which passes through four (4) successive hand operations in sequence as follows:

Operation	Minutes taken per item	Grade of employee	Wages rate per hour GH¢
1	15	A	0.65
2	25	B	0.70
3	37.5	C	0.75
4	12.5	D	1.00

Each employee works 30 hours in a week and a production target of 900 dozen items have been set to be achieved.

***You are required to:***

- Estimate the number of workers required to achieve the production target.
- Compute the weekly cost of each operation.
- Compute the total labour cost per week.

**20 marks**

## QUESTION 5

Ogborogbor Contractors Ltd was working on two contracts as at the end of the financial year 30<sup>th</sup> June, 2008.

The information below relates to the two contracts.

Contract name	“NAK” GH¢	“ZULI” GH¢
Contract price	66,250	75,000
Cost of completed but not certified	13,875	1,875
Plant b/d – 1/7/2007	-	35,000
Work-in-progress – 1/7/2007	-	6,250
Stock of materials 1/7/2007	3,750	-
Materials purchased	15,000	3,375
Labour cost	11,250	3,750
Overheads	9,375	1,875
New plant purchased	5,625	-
Plant c/d – 30/06/2008	4,500	1,500
Stock of materials at 30/06/2008	1,530	375
Materials returned to store	1,875	-
Scrap sales	-	750
Accrued expenses (30/06/2008)	3,750	3,500

Contract “NAK” is 60% complete while contract “ZULI” is 90% complete. Additional estimated cost to completion including cost of work not certified are GH¢23,430 and GH¢6,750 for “NAK” and “ZULI” respectively.

***You are required to:***

- a) Prepare Contract Accounts in **columnar** form for the two contracts.

***(10 marks)***

- b) Show computations of profits or losses to be taken on the two contracts and determine the contract turnover.

***(6 marks)***

- c) Briefly explain the following types of contracts

- (i) Fixed Price Contract
- (ii) Cost Plus Contract

*(4 marks)*

**Total: 20 marks**