SOLUTION ACCOUNTING FOUNDATION NOV 2008

QUESTION 1

Joseph and Victor Partnership Profit and Loss and Appropriation Account for the Year Ended 31st December 2007

Gross profit b/d Discount receive			¢	¢	¢ 555,000 <u>89,000</u> 644,000
Less Discount all Salaries (12 General exp Bad debts Interest on loan Rent & Rates (1	20 + 18) benses 00 + 17)			25,000 138,000 45,000 25,000 6,000 117,000)))))
		ent	8,500 25,000 <u>16,000</u>	9,250 49,500	<u>)</u>
Net profit Interest on draw Joseph Victor	rings			8,500 <u>4,000</u>	12,500
Less Interest on Joseph Victor	1			12,000 <u>8,000</u>	
Profit fo Profit shared Joseph Victor	or distribution l:			133,050 <u>88,700</u>	
		Current	Account		
Drawings Interest on Drawings Balance c/f	Joseph 170,000 8,500 11,550 190,050	Victor 80,000 4,000 42,700 126,700	Balance b/d Interest Capital Profit & Loss acco	ount	Joseph Victor 45,000 30,000 12,000 8,000 133,050 88,700 190,000 126,700 11,500 42,700

Joseph & Victor Partnership Balance Sheet as at 31/12/2007

Fixed Assets: Buildings 170,000 48,500 121,500 Motor Vehicles 100,000 50,000 124,500 160,000 150,750 Bank 87,000 Cash 87,000 287,750 Current Liabilities: Creditors 100,000 287,750 Current Liabilities: Creditors 100,000 139,000 148,750 374,250 Less 5% loan 120,000 254,250 Current Account Joseph 11,550 Victor 11,550 Victor 11,550 1254,250		Cost	Depreciation	Net
Motor Vehicles 100,000 50,000 50,000 Office Equipment 80,000 26,000 54,000 350,000 124,500 225,500 Current Assets: 160,000 160,000 Less Provision 9,250 150,750 Bank 87,000 287,750 Cash 50,000 287,750 Current Liabilities: Creditors 98,000 Interest on Loan 6,000 139,000 Assembly and the street of Loan 120,000 Less 5% loan 120,000 Capital Account Joseph 120,000 Victor 80,000 200,000 Current Account Joseph Victor 42,700 54,250	Fixed Assets:	¢	¢	¢
Office Equipment 80,000 26,000 54,000 225,500 Current Assets: I60,000 160,000 150,750 150,750 150,750 150,750 150,750 150,750 150,750 150,750 150,000 150,0	Buildings	170,000	48,500	121,500
Current Assets: Debtors (185,000 – 25,000) 160,000 Less Provision 9,250 Bank 87,000 Cash 50,000 Current Liabilities: 287,750 Current Loan 6,000 139,000 Interest on Loan 35,000 Less 5% loan 120,000 254,250 Capital Account 120,000 Victor 80,000 200,000 Current Account 50,000 200,000 Current Account 50,000 200,000 Current Account 50,000 200,000 Current Account 50,000 54,250	Motor Vehicles	100,000	50,000	50,000
Current Assets: 160,000 Less Provision 9,250 Bank 87,000 Cash 50,000 Current Liabilities: 287,750 Current Liabilities: 78,000 Creditors 98,000 Interest on Loan 6,000 139,000 Less 5% loan 120,000 254,250 Capital Account 120,000 200,000 Victor 80,000 200,000 Current Account 11,550 54,250 Victor 42,700 54,250	Office Equipment	80,000	26,000	54,000
Debtors (185,000 – 25,000) 160,000 Less Provision 9,250 150,750 150,750 Bank 87,000 Cash 50,000 287,750 287,750 Current Liabilities: 7000 Creditors 98,000 Interest on Loan 6,000 139,000 35,000 148,750 374,250 Less 5% loan 120,000 254,250 Capital Account 120,000 200,000 Victor 80,000 200,000 Current Account 11,550 54,250 Victor 42,700 54,250		<u>350,000</u>	124,500	225,500
Less Provision 9,250 150,750 Bank 87,000 Cash 50,000 287,750 Current Liabilities: Creditors Creditors 98,000 Interest on Loan 6,000 139,000 374,250 374,250 Less 5% loan 120,000 254,250 Capital Account 30,000 200,000 Victor 80,000 200,000 Current Account 11,550 54,250 Victor 42,700 54,250	Current Assets:			
Bank Cash Cash S7,000 Current Liabilities: Creditors P8,000 Interest on Loan S50,000 287,750 Self-aria Account Joseph Victor Joseph Victor 11,550 Victor S10,000 287,750 139,000 139,000 139,000 139,000 139,000 139,000 139,000 139,000 139,000 139,000 139,000 139,000 139,000 148,750 254,250 148,750 287,750 139,000 139,000 139,000 139,000 148,750 254,250 148,750 254,250 148,750 274,250 274,250 287,750 2	Debtors (185,000 – 25,000)		160,000	
Bank 87,000 Cash 50,000 287,750 287,750 Current Liabilities: Creditors 98,000 Interest on Loan 6,000 139,000 35,000 Less 5% loan 120,000 254,250 Capital Account Joseph Victor South 120,000 200,000 Current Account Joseph Victor 11,550 Victor 54,250 South 55,000 South 56,000 South 57,000	Less Provision		<u>9,250</u>	
Cash 50,000 287,750 Current Liabilities: 98,000 Interest on Loan 6,000 139,000 35,000 148,750 374,250 Less 5% loan 120,000 254,250 Capital Account Joseph 120,000 Victor 80,000 200,000 Current Account Joseph 11,550 Victor 11,550 42,250			150,750	
Current Liabilities: Creditors 98,000 Interest on Loan 6,000 35,000 Less 5% loan Capital Account Joseph Victor 120,000 Victor 80,000 Current Account Joseph Victor 42,700 54,250 Capital Account Joseph Victor 54,250	Bank		87,000	
Current Liabilities: 98,000 Interest on Loan 6,000 139,000 35,000 374,250 Less 5% loan 120,000 254,250 Capital Account 120,000 Victor 80,000 200,000 Current Account 11,550 Victor 42,700 54,250	Cash		50,000	
Creditors 98,000 Interest on Loan 6,000 139,000 35,000 374,250 Less 5% loan 120,000 254,250 Capital Account Joseph 120,000 Victor 80,000 200,000 Current Account Joseph 11,550 Victor 42,700 54,250			287,750	
Interest on Loan 6,000 139,000 35,000 Less 5% loan 120,000 254,250 Capital Account Joseph 120,000 Victor 80,000 200,000 Current Account Joseph 11,550 Victor 42,700 54,250	Current Liabilities:			
35,000 148,750 374,250 374,250 120,000 254,250	Creditors	98,000		
Less 5% loan	Interest on Loan	6,000	<u>139,000</u>	
Capital Account 120,000 254,250		<u>35,000</u>		
Less 5% loan 120,000 254,250 Capital Account 120,000 Joseph 120,000 Victor 80,000 200,000 Current Account 11,550 Joseph 11,550 Victor 42,700 54,250				148,750
Capital Account Joseph Victor 120,000 Victor 80,000 Current Account Joseph 11,550 Victor 42,700 54,250				374,250
Capital Account 120,000 Joseph 120,000 Victor 80,000 200,000 Current Account 11,550 Joseph 11,550 Victor 42,700 54,250	Less 5% loan			120,000
Joseph 120,000 Victor 80,000 200,000 Current Account Joseph 11,550 Victor 42,700 54,250				<u>254,250</u>
Joseph 120,000 Victor 80,000 200,000 Current Account Joseph 11,550 Victor 42,700 54,250				
Joseph 120,000 Victor 80,000 200,000 Current Account Joseph 11,550 Victor 42,700 54,250	Canital Account			
Victor 80,000 200,000 Current Account 11,550 Victor 42,700 54,250	-	120,000		
Current Account Joseph Victor 11,550 42,700 54,250	•		200.000	1
Joseph 11,550 Victor <u>42,700</u> <u>54,250</u>	VICTOI	80,000	200,000	J
Joseph 11,550 Victor <u>42,700</u> <u>54,250</u>	Current Account			
Victor <u>42,700</u> <u>54,250</u>		11.550		
	•		54.250)
254,250	, 		254,250	

QUESTION 2

APOYOWAH LTD Income Surplus Account for the year ended 30/09/2008

Balance b/d Profit for the year (196 + 26)	¢	¢ 127,000 224,000 351,000
Less:		
Interim Dividend:		
Ordinary shares	20,000	
Preference shares	8,000	
Final dividend		
Ordinary shares	80,000	
Preference shares	8,000	
Transfer to fixed assets replacement fund		<u>116,000</u>
Balance to B/S (30/6/2008)		<u>235,000</u>

APOYOWAH LTD Balance sheet as at 30/09/2007

	<u>Cost</u>	Depreciation	Net
Non-current assets:	¢	¢	¢
Plant & machinery	400,000	120,000	280,000
Furniture & fittings	100,000	20,000	80,000
Motor vehicles	80,000	<u>15,000</u>	<u>65,000</u>
Investments	580,000	155,000	425,000
mivestments			125,000
			550,000

Current Assets:

Stocks		120,000	
Debtors		70,000	
Bank		45,000	
Cash		28,000	
		263,000	
Current Liabilities:			
Creditors	55,000		
Accruals	18,000		
Deb Int.	8,000		
I. R. S.	34,000		
Proposed Div.	88,000	<u>203,000</u>	<u>60,000</u>
Net Assets			610,000
10% Debenture			80,000
			530,000
Financed by:			
Stated Capital:			
Ordinary Shares			100,000
Preference Shares			50,000
Capital Surplus			145,000
Income Surplus			235,000
			=2 0.000

QUESTION 3

(a) The bank reconciliation statement is a report that shows the causes of the differences arising between the bank statement and the bank column of the cash book of a business enterprise.

The bank reconciliation statement therefore explains the reason why the bank account balance as at a particular period is different from that obtained in the bank statement from the bank.

530,000

- (b) (1) Cash book debt items omitted from the bank statement
 - (2) Cash book credit items omitted from the bank statement
 - (3) Bank statement credit items like standing orders, dividend etc. not in the cash book
 - (4) Bank statements debit items like commission not in the cash book
 - (5) Where the bank makes entries in error
 - (6) Where there exist errors in the cash book and are not detected (before the receipt of the bank statement).

Ojobita Enterprise Ltd Adjusted Cash Book

	1 105000	Cusii 2 0 0 11	
	¢		¢
Dividend received	3,000	Balance b/d	45,000
Balance c/d	185,600	Error –Customer	1,100
		Commission	2,000
		Loan repayment	100,000
		Interest on loan	20,000
		Subscriptions	15,000
		Dishonoured cheques (300 + 250)	5,500
	<u>185,600</u>		<u>188,600</u>
		Balance b/d	185,600
		Balance b/d	185,600

Ojobita Enterprise Ltd

Bank reconciliation statement as at 31/12/2007

Overdraft as per cash book 185,600

Add uncredited cheques 11,000

Less unpresented cheques 196,600

Balance as per bank statement 240,000

43,400

Ojobita Enterprise Ltd

Revised Profit & Loss Account for the year ended 31 December 2007

	$oldsymbol{arphi}$	\boldsymbol{arphi}
Net profit per account		250,000
Add dividend received		3,000
		253,000
Less:		
Bank charges	2,000	
Interest on loan	20,000	
Subscriptions	15,000	
Bad debts	2,500	
		39,500
Revised Net Profit		213,500

QUESTION 4

(a)

Operation	Minutes taken per item	Minutes needed for
	<u>Minutes</u>	<u>10800 items</u>
1	15	162,000 mins
2	25	270,000 mins
3	37.5	405,000 mins
4	12.5	135,000 mins

Note: 900 dozen items = 900×12

= <u>10800 items</u>

36 hours = 30 x 60 mins

= 1800 items

Each employee has a maximum of 1800 minnutes at each operation level. Thus employees needed to achieve desired output.

AZANGBIOG LTD ESTIMATION OF WORKERS REQUIRED

Operation	Minutes needed	Maximum minutes	No of
		per employee	employees
1	162,000 mins	2,160 mins	75
2	270,000 mins	2,160 mins	125
3	405,000 mins	2,160 mins	188
4	135,000 mins	2,160 mins	63
	Total employees	needed	<u>451</u>

(b) AZANGBIOG LTD COMPLITATION OF WEEKLY OPERATIONAL COST

	COMPUTA	ATION OF WEEK	LI OPERATIO	UNAL COST	
Operation	Grade of	Minutes	Hours	Wage Rate per	Labour cost
	employee	required	required	hour GH¢	$GH \phi$
1	A	162,000 mins	2,700 hrs	0.65	1,755.00
2	В	270,000 mins	4,500 hrs	0.70	3,150.00
3	C	405,000 mins	6,750 hrs	0.75	5,062.25
4	D	135,000 mins	2,250 hrs	1.00	2,250.00
					12,217.25

(c) AZANGBIOG LTD

<u>COMPUTATION OF LABOUR COST PER WEEK</u>

OPERATION GH¢

A 1,755

B 3 150

B 3,150 C 5,062.25 D 2,250

QUESTION 5

(a) Ogborogbor Contracts Ltd Contract Accounts for the year ended 30/6/2008

	<u>NAK</u> GH¢	<u>ZULI</u> GH¢		<u>NAK</u> GH¢	<u>ZULI</u> GH¢
Plant c/d	-	35,000	Plant c/d	4,500	1,500
Work-in-progres		6,250	Materials c/d	1,530	375
Stock of materials c/d	3,750		Materials returns	1,875	-
Materials purchases	15,000	3,375	Scrap sales	-	750
Labour cost	11,250	3,750	Work not		
Overheads	9,375	1,875	certified c/d	13,875	1,875
Plant purchased	5,625	-	Cost of work		
Accrued expenses	3,750	3,500	certified c/d	26,970	49,250
	<u>48,750</u>	53,750		48,750	<u>53,750</u>
Cost of work certified	26,970	49,250			
Profit & Loss account	9,510	<u>17,100</u>	Turnover	<u>36,480</u>	66,350
	<u>36,480</u>	<u>66,350</u>		<u>36,480</u>	<u>66,350</u>

Contract prize Cost to date Additional cost to completion Notional profit	NAK GH¢ 66,250 (26,970) (23,430 15,850	ZULI GH¢ 75,000 (49,250) (6,750) 19,000
Profit take	60% of 15,850 = <u>9,510</u>	90% of 19,000 = <u>17,100</u>
Contract cost of sales Contract profit Contract turnover	26,970 <u>9,510</u> <u>36,480</u>	49,250 17,100 66,350

- (c) i. Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price or a fixed rate or unit of output which in some cases is subject to cost escalation clauses.
 - ii. Cost plus contract is a construction contract in which the contractor is re-inbursed for allowable cost plus a percentage of these costs or a fixed fee.