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			555,000
Discount received			89,000
			644,000
Less			
Discount allowed		25,000	
Salaries (120 + 18)		138,000	
General expenses		45,000	
Bad debts		25,000	
Interest on loan		6,000	
Rent & Rates (100 + 17)		117,000	
Provision for doubtful debts		9,250	
Depreciation: Building	8,500		
Motor Vehicle	25,000		
Office Equipment	16,000	49,500	
			414,750
Net profit			229,250
Interest on drawings			
Joseph		8,500	
Victor		4,000	12,500
			241,750
Less Interest on capital:			
Joseph		12,000	
Victor		8,000	20,000
			221,750
Profit for distribution			
Profit shared:			
Joseph		133,050	
Victor		88,700	
			221,750

Current Account

	Joseph	Victor		Joseph	Victor
Drawings	170,000	80,000	Balance b/d	45,000	30,000
Interest on Drawings	8,500	4,000	Interest Capital	12,000	8,000
Balance c/f	11,550	42,700	Profit & Loss account	133,050	88,700
	190,050	126,700		190,000	126,700
			Balance b/d	11,500	42,700

Joseph & Victor Partnership

Balance Sheet as at 31/12/2007

	Cost	Depreciation	Net
Fixed Assets:	¢	¢	¢
Buildings	170,000	48,500	121,500
Motor Vehicles	100,000	50,000	50,000
Office Equipment	80,000	26,000	54,000
	350,000	124,500	225,500
Current Assets:			
Debtors (185,000 – 25,000)		160,000	
Less Provision		9,250	
		150,750	
Bank		87,000	
Cash		50,000	
		287,750	
Current Liabilities:			
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		
Joseph	120,000	
Victor	80,000	200,000
Current Account		
Joseph	11,550	
Victor	42,700	54,250
		254,250

QUESTION 2

APOYOWAH LTD

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

	¢	¢
Balance b/d		127,000
Profit for the year (196 + 26)		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		116,000
Balance to B/S (30/6/2008)		235,000

APOYOWAH LTD

Balance sheet as at 30/09/2007

	Cost	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	15,000	65,000
	580,000	155,000	425,000
Investments			
			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	203,000	60,000
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
			530,000

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.

(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

	¢		¢
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
	185,600		188,600
		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

	¢	¢
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	Minutes needed for 10800 items
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 x 12
= 10800 items

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 per employee	No of 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		451

(b)

AZANGBIOG LTD
COMPUTATION OF WEEKLY OPERATIONAL COST

Operation	Grade of employee	Minutes required	Hours required	Wage Rate per hour GH¢	Labour cost GH¢
1	A	162,000 mins	2,700 hrs	0.65	1,755.00
2	B	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
COMPUTATION OF LABOUR COST PER WEEK

OPERATION	GH¢
A	1,755
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

	NAK	ZULI		NAK	ZULI
	GH¢	GH¢		GH¢	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 certified c/d	13,875	1,875
Overheads	9,375	1,875			
Plant purchased	5,625	-	Cost of work certified c/d	26,970	49,250
Accrued expenses	3,750	3,500			
	48,750	53,750		48,750	53,750
Cost of work certified	26,970	49,250			
Profit & Loss account	9,510	17,100	Turnover	36,480	66,350
	36,480	66,350		36,480	66,350

(b)

Ogborogbor Contracts Ltd

Computation of Profit or Loss and Turnover

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