

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



**MAY 2011 EXAMINATIONS  
(PROFESSIONAL)**

**PART 1**

**FINANCIAL ACCOUNTING FUNDAMENTALS  
(Paper 1.1)**

**Attempt ALL Questions**

**TIME ALLOWED:**

<b>Reading &amp; Planning</b>	<b>-</b>	<b>15 Minutes</b>
<b>Workings</b>	<b>-</b>	<b>3 Hours</b>

## QUESTION 1

- (a) All financial information produced by businesses should have some key qualitative characteristics. Identify any **four (4)** of these key characteristics and briefly explain them.

(8 marks)

- (b) Financial information have different groups of users. Mention any **six (6)** groups of financial information users and briefly outline their information needs.

(12 marks)

(Total: 20 marks)

## QUESTION 2

The following balances appear in the accounting records of Troky, a limited liability company at 31 December 2009.

	GHS
Land & buildings:	
Cost	25,000
Accumulated depreciation 1/1/2009	9,000
Fixtures & equipment:	
Cost	15,000
Accrued depreciation 1/1/2009	8,000
Trade receivables	9,000
Cash at bank	3,000
Trade payables	6,250
Accrued expenses	1,250
Stated capital	12,500
Capital surplus	5,500
Income surplus	11,500
8% Debentures	2,500

The following additional information was provided:

- 1) Inventory at 31/12/2009 was valued at GHS11,750.
- 2) The company's land and buildings were revalued at 1/1/2009. The revaluation has not yet been reflected in the balances given above.

	Cost	Accrued depreciation	Net book value	Revalued amount
Land	10,000	-	10,000	12,500
Buildings	15,000	9,000	6,000	10,000

- 3) The draft income statement for the year recorded a profit of GHS7,250. However the following further adjustments are required:
- Trade receivables totalling GHS700 are to be written-off.
  - Provision is to be made for bonuses to the directors totalling GHS625.
  - Depreciation charges for the year on revalued amounts:

	GHS
Building	500
Plant & equipment	3,000

**Required:**

- Prepare a statement of adjusted profit for the year ended 31 December 2009.
- Prepare the Company's statement of financial position as at 31 December 2009.

**20 marks**

**QUESTION 3**

The Summarised Financial Statements of Susubribi Ltd are as follows:

Statement of Financial Position as at 31<sup>st</sup> December:

	2008 GHS	2009 GHS
Assets		
Property, plant & machinery	40,406	47,759
Inventory	27,200	30,918
Trade receivables	15,132	18,363
Bank	<u>4,016</u>	<u>2,124</u>
	<u>86,754</u>	<u>99,164</u>

Financed By:

Stated capital	48,000	60,000
Income surplus	13,533	16,748
Debenture stocks	10,000	-
Creditors	3,621	10,416
Taxation	5,200	6,000
Dividend payable	<u>6,400</u>	<u>6,000</u>
	<u>86,754</u>	<u>99,164</u>

(B) Income Surplus for the year ended 31<sup>st</sup> December 2009.

	GHS
Trading profit after charging depreciation of GHS2,363 and interest of GHS900	17,215
Taxation	<u>(6,000)</u>
	11,215
Dividend	<u>(8,000)</u>
Retained profit	3,215
Balance b/f	<u>13,533</u>
Balance c/d	<u>16,748</u>

An item of plant with a carrying value of GHS1,195 was sold for GHS1,614. The profit on this disposal is dealt with in arriving at the trading profit of the year.

**Required:**

Prepare a statement of cash flows in accordance with IAS7. (*Notes not required*)

**20 marks**

**QUESTION 4**

The following relates to the accounts of Sammy's Enterprise for the period 1<sup>st</sup> July 2010 to 25<sup>th</sup> August 2010. There was fire outbreak at the premise on 25 August 2010.

- (i) Balances as at 1 July 2010:
- |           | <u>GHS</u> |
|-----------|------------|
| Inventory | 400,000    |
| Debtors   | 60,000     |
| Bank      | 110,000    |
| Creditors | 180,000    |
- (ii) The bank statement for the 8 weeks to 25 August 2010 shows payment by debtors of GHS1,250,000 and cheque payment to creditors of GHS763,000. Discount allowed and received within the period amounted to GHS2,000 and GHS3,500 respectively. Bad debts of GHS900 was written off within the period.
- (iii) Sammy informed you that during 8 weeks before the fire occurred, the following expenses had been paid by cheque.

	<u>GHS</u>
Cash purchases	131,500
Wages	45,000
Petty cash	18,000
Rent	18,000



On 25 August 2010, the balances of sales ledger and creditors ledger recorded GHS60,000 and GHS90,000 respectively.

- (iv) Inventory left undamaged and salvaged were GHS90,000 and GHS50,000 respectively.
- (v) Sammy told you that he operates on a profit mark-up (on cost) of 25%

**Required:**

Prepare the following accounts and financial statements for the 8 weeks period ended 25<sup>th</sup> August 2010

- (a) Debtors and Creditors Ledger Control Accounts
- (b) Statement of Insurance Claim
- (c) Bank Account
- (d) Income Statement

**20 marks**

**QUESTION 5**

- (a) Agyakoo Motors is a secondhand spare parts shop, with a Branch at Nkwakwa. The following information relates to Nkwakwa Branch during the month of July 2009.

	GHS
Opening balances:	
Branch stock – at cost to Head Office	60,500
Branch debtors	15,250
Branch bank balance	20,000

Transactions at Nkwakwa Branch during the month of July 2009:

	GHS
Goods transferred from Accra (Head office) to branch	120,500
Goods returned from branch to Head Office	2,500
Cash sales paid into bank	45,000
Credit sales	150,000
Goods returned to branch by credit customers	500
Discounts allowed to credit customers	1,000
Cash transferred from branch bank to head office bank account	105,000
Cheques received from credit customers	125,000
Rent and rates	2,000
Wages	1,200
General expenses	1,000

Bad debts written off  
Branch stock balance as at 31/7/09

600  
40,500

***Required:***

Open, post and balance the following Accounts in the Head Office (Accra) Ledger, on the basis that all goods supplied to the branch are at cost.

- (i) Nkwakwa branch stock
- (ii) Goods sent to Nkwakwa branch
- (iii) Nkwakwa branch debtors
- (iv) Nkwakwa branch bank account.

***(16 marks)***

- (b) List any **four (4)** differences between Ordinary Shareholders and Preference Shareholders.

***(4 marks)***

**(Total: 20 marks)**