

**NOVEMBER 2024 PROFESSIONAL EXAMINATIONS**  
**FINANCIAL ACCOUNTING (PAPER 1.1)**  
**CHIEF EXAMINER'S REPORT, QUESTIONS AND MARKING SCHEME**

**EXAMINER'S GENERAL COMMENTS**

The performance of candidates was below average. Only a handful of candidates were able to approach all questions and displayed good knowledge in the subject area to obtain above average marks while few candidates were also able to obtain the required pass mark. This sitting (November 2024) recorded a pass rate of 31% compared to a pass rate of 30% achieved in July 2024 sitting showing a marginal improvement in performance of 1%. High performers were seen in few centres. Some candidates exhibited a sense of preparedness while majority of the candidates were not well prepared and hence their poor performance.

**NOTABLE STRENGTHS & WEAKNESS OF CANDIDATES**

The strength of most candidates was demonstrated in questions 2, 3 and 5. The most evident reasons for some candidates' low performance were not so different from reasons identified in previous sittings, i.e. studying only few selected topics, not reading the questions carefully enough, or a lack of structure in the approach to answering questions. There were improper labeling of answers and presentation of answers for some candidates. The overall standard of understanding demonstrated by candidates were unsatisfactory. Candidates displayed poor understanding of basic accounting principles, the underlying characteristics of financial information, and deducing certain figures from a given information. Others failed to approach the required number of questions thus, making it difficult to achieve the required pass mark. Other weaknesses identified with presentation are as follows:

- Poor and untidy handwriting
  - Use of pencil instead of blue or black pen
  - No workings presented for some questions
  - Some candidates making calculation errors within workings and thus presenting an incorrect figure in the solution.
  - Some candidates either did not number their answers or mis-numbered them. This was the case on the cover page too.
  - Some few candidates presented two solutions for a particular question without canceling one.
- Not giving proper headings to answers as well as indicating the currency signs and units. For example, the company name, the type of account being prepared, the currency sign, units as in thousands ('000') etc, showing totals of accounts on both debit and credit side and properly disclosing balance carried down (c/d) and brought down (b/d) etc.

## QUESTION ONE

- a) Atsu, Baba and Chawe are in partnership, providing management services, sharing profits in the ratio 5:3:2 after charging annual salaries of GH¢18,000 each. Current accounts are **not** maintained. On 30 June 2024 Atsu retired.

Dua was admitted on 1 July 2024 to the partnership and is entitled to 30% of the profits of the current partnership with the balance being shared equally between Baba and Chawe.

The previous partnership trial balance as at 30 June 2024 was as follows.

|                            | GH¢            | GH¢            |
|----------------------------|----------------|----------------|
| Capital accounts – Atsu    |                | 12,519         |
| – Baba                     | 65,844         |                |
| – Chawe                    | 33,618         |                |
| Trade receivables          | 138,615        |                |
| Inventories at 1 July 2023 | 6,000          |                |
| Operating expenses         | 419,166        |                |
| Investment                 | 300            |                |
| Bank overdraft             |                | 33,510         |
| Trade payables             |                | 52,218         |
| Revenue                    |                | 565,296        |
|                            | <u>663,543</u> | <u>663,543</u> |

The following information is to be taken into account:

- 1) For the purposes of the accounts, inventory is to remain at GH¢6,000.
- 2) Full provision is required at 30 June 2024 against an irrecoverable debt of GH¢3,450.
- 3) It was agreed between the partners that the following adjustments are to be made:
  - The investment is to be included in the books of the current partnership at a valuation of GH¢4,500.
  - Goodwill, which is to be kept in the books of the current partnership, is to be valued at GH¢72,000.
- 4) On 1 July 2024, GH¢30,000 of the amount due to Atsu from the previous partnership was transferred to Dua. The balance due to Atsu is to be repaid over three years, commencing on 1 July 2024.
- 5) On 1 July 2024, Dua introduced cash of GH¢22,500 to the partnership.

### Required:

- i) Prepare the statement of profit or loss and appropriation account of the *previous partnership* for the year ended 30 June 2024 and a statement of financial position at that date. **(9 marks)**
  - ii) Prepare the statement of financial position for the *current partnership* as at 1 July 2024. **(6 marks)**
- b) The IASB Conceptual Framework describes the fundamental qualitative characteristics of useful financial information as *relevance* and *faithful representation*.

### Required:

Explain the fundamental qualitative characteristics of useful financial information.

**(5 marks)**

**(Total: 20 marks)**

## QUESTION TWO

- a) At the close of business on 31 July 2023, the following balances were extracted from the books of Akrowa, a limited liability company:

|                                    | <b>GH¢</b> |
|------------------------------------|------------|
| Receivables ledger control account | 95,200     |
| Payables ledger control account    | 74,800     |

During the month of August 2023, the following transactions occurred:

|  | <b>GH¢</b> |
|--|------------|
| 1) Cash received from customers  | 63,600     |
| 2) Cash paid to suppliers  | 65,000     |
| 3) Sales on credit   | 96,400     |
| 4) Purchases on credit   | 73,000     |
| 5) Sales returns   | 3,800      |
| 6) Purchase returns  | 1,400      |
| 7) Discounts received from suppliers                                     | 800        |
| 8) Settlement discount claimed by customer who was not expected to do so | 600        |
| 9) Irrecoverable debts written off                                       | 5,400      |
| 10) Customer and supplier accounts settled by contra (Setting-off)       | 4,200      |

### **Required:**

- i) Prepare the receivables ledger control account and payables ledger control account for the month of August 2023 and hence determine the balances at 31 August 2023. **(10 marks)**
  - ii) For each of the items marked (1) to (10) above, occurring during the month of August, identify clearly the book of prime entry from which the transaction originated. **(5 marks)**
- b) At 1 August 2023, the balance on the allowance for receivables account was GH¢12,600. At 31 August 2023, the company's management decided that the revised balance should be 10% of the month end accounts receivable.

### **Required:**

Prepare the allowance for receivables and irrecoverable debt expense accounts showing the necessary entries in respect of the financial period to 31 August 2023. **(5 marks)**

**(Total: 20 marks)**

### QUESTION THREE

- a) The trial balance drawn up for the year ended 31 December 2022 for Aboadze LTD failed to agree with a difference of GH¢3,600 which was credited to the suspense account pending investigations. The draft account for Aboadze LTD for the year ended 31 December 2022 showed a net profit of GH¢435,000.

During the year 2023 the following errors were identified:

- 1) GH¢30,000 received from sale of an old machinery has been entered in the sales account.
- 2) Purchase day book has been overstated by GH¢48,000.
- 3) A private purchase by the Director amounting to GH¢36,000 has been included in the purchases of the company.
- 4) Bank charges of GH¢14,400 in the cash book have not been posted to the bank charges account.
- 5) Sale of goods to Kofi amounting to GH¢207,000 was correctly entered in the sales day book but entered in the personal account as GH¢270,000.
- 6) Discount received of GH¢13,500 have been posted to the debit side of discount allowed account.
- 7) Wages of GH¢120,000 paid have not been posted from the cash book.

**Required:**

- i) Show the journal entries to correct the errors. **(4 marks)**
- ii) Write up the suspense account to eliminate the errors. **(3 marks)**
- iii) Prepare a statement to show the revised profit. **(3 marks)**

- b) The cash book of Lawra LTD as at 31 December 2023 discloses a balance of GH¢36,900 which did not agree with the bank statement balance of GH¢41,100. Investigation revealed the following:

- 1) Cheques received of GH¢104,000, GH¢10,000 and GH¢24,900 were still in the business drawer.
- 2) GH¢2,400 and GH¢3,600 standing orders for the payment of electricity charges and Insurance respectively were paid by the bank but this has not been recorded in the cash book of Lawra LTD.
- 3) The bank charged GH¢300 for a cheque book issued to Lawra LTD.
- 4) The bank has wrongly debited a cheque of GH¢9,910 into Lawra LTD account which should have been placed in another customers account.
- 5) A credit transfer of GH¢10,000 had been made in favour of Lawra LTD. The transfer has not been recorded in the cash book.
- 6) A cheque of GH¢140,000 drawn by Lawra LTD was correctly entered in the cash book but debited to the bank statement as GH¢14,000.
- 7) The following cheques which were paid in November 2023 had not been presented:

|         | <b>GH¢</b> |
|---------|------------|
| 0000111 | 4,000      |
| 0000117 | 10,000     |
| 0000120 | 9,310      |

**Required:**

Prepare

- i) The adjusted cash book (4 marks)  
 ii) A statement to reconcile the balance in (i) above to the bank statement balance (6 marks)

**(Total: 20 marks)****QUESTION FOUR**

The following list of assets, liabilities and equity as at 30 June 2023 was extracted from the books of Akuorkor, a sole trader:

|   | <b>GH¢</b> |
|---|------------|
| Plant and equipment – cost                            | 100,000    |
| – accumulated depreciation                            | 36,000     |
| Office fixtures                                       | 25,000     |
| – cost  | 25,000     |
| – accumulated depreciation                            | 2,500      |
| Inventory   | 15,250     |
| Trade receivables and prepayments – <i>Note (4)</i>   | 17,500     |
| Trade payables and accrued expenses – <i>Note (4)</i> | 8,800      |
| Bank overdraft  | 4,425      |
| Loan (10% interest per annum)                         | 47,500     |
| Capital   | 58,525     |

The following summary of receipts and payments for the year to 30 June 2024 has been extracted from the books:

|                                   | <b>GH¢</b>     |
|-----------------------------------|----------------|
| <b>Receipts</b>                   |                |
| Capital introduced                | 11,000         |
| Cash from customers               | <u>213,750</u> |
|                                   | <u>224,750</u> |
| <b>Payments</b>                   |                |
| Cash drawings – <i>Note (5)</i>   | 11,225         |
| Loan repayments – <i>Note (7)</i> | 10,000         |
| Payment to suppliers              | 87,800         |
| Rent                              | 11,000         |
| Wages                             | 45,000         |
| Office expenses                   | <u>6,250</u>   |
|                                   | <u>171,275</u> |

In preparing the statement of profit or loss and statement of financial position at 30 June 2024 the following further information is relevant:

- (1) Inventory at 30 June 2024 was GH¢13,925.
- (2) Depreciation is to be provided as follows:

|                     |                                       |
|---------------------|---------------------------------------|
| Plant and equipment | 20% per annum, reducing balance basis |
| Office equipment    | 10% per annum on cost                 |
- (3) During the year Akuorkor introduced fixtures and fittings valued at GH¢2,500 into the business. It is to be depreciated over 4 years on the straight-line basis with a full year's depreciation charge in the year of acquisition.
- (4) Prepayments and accrued expenses at 30 June 2023 were:

|                      |            |
|----------------------|------------|
|                      | <b>GH¢</b> |
| Rent paid in advance | 1,250      |
| Accrued wages        | 2,150      |
- (5) Cash drawings during the year included GH¢3,375 for wages, GH¢2,100 for cash payments to suppliers and GH¢1,300 for advertising leaflets (of which half are still to be distributed). The remainder was Akuorkor's personal expenditure.
- (6) The bank balance per the bank statement at 30 June 2024 after adjusting for unpresented cheques was GH¢53,350. Any difference is assumed to be cash takings (i.e. in respect of cash sales).
- (7) Loan repayments include interest amounting to GH¢4,750.
- (8) At 30 June 2024 the following assets and liabilities existed:

|                            |            |
|----------------------------|------------|
|                            | <b>GH¢</b> |
| Rent paid in advance       | 1,350      |
| Accrued wages              | 2,625      |
| Amounts due to suppliers   | 6,100      |
| Amounts due from customers | 11,150     |
- (9) On 3 July 2024 Akuorkor's major customer, Salia, went into liquidation owing GH¢8,000. A statement from the customer's liquidator indicates that Akuorkor should expect to recover GH¢0.2 for every GH¢1 owing.

**Required:**

Prepare Akuorkor's statement of profit or loss for the year ended 30 June 2024 and a statement of financial position as at that date. Ignore taxation. **(20 marks)**

## QUESTION FIVE

- a) Mawulolo Enterprise is a retail business which prepares its accounts on 31 March. The business makes a standard gross profit of 30% on sales. The information below was extracted from the books as at 31 March 2024.

|   | <b>GH¢</b> |
|---|------------|
| Inventory on 1 April 2023                   | 254,000    |
| Operation Expenses                          | 378,000    |
| Finance Cost                                | 58,000     |
| Purchases                                   | 1,306,000  |
| Sales                                       | 1,900,000  |
| Inventory in good standing at 31 March 2024 | 192,000    |

On 31 March 2024, there was fire outbreak at the warehouse which destroyed some of the inventory as well as the inventory records.

The tax charge for the year is estimated to be GH¢30,000.

**Required:**

Calculate the amount of inventory lost and prepare the statement of profit or loss. **(10 marks)**

- b) At 31 March 2023, Kahuro Football Club had membership subscription in arrears amounting to GH¢144,000 and had received GH¢36,000 subscriptions in advance.

During the year to 31 March 2024, the Club received GH¢1,872,000 including 26 memberships for the year to 31 March 2025 at GH¢1,200 per annum.

At 31 March 2024, 16 members owed subscription of GH¢1,200 each.

**Required:**

Prepare the subscription account for Kahuro Football Club for the year to 31 March 2024.

**(5 marks)**

- c) Accounting ratios cover a wide array of ratios that are used by accountants and act as different indicators that measure profitability, liquidity, and potential financial distress in a company's financials.

**Required:**

Differentiate between *profitability ratios* and *liquidity ratios* and give **TWO** examples each.

**(5 marks)**

**(Total: 20 marks)**

## SOLUTION

### NOVEMBER 2024 EXAMINATIONS SUGGESTED SOLUTION: FINANCIAL ACCOUNTING

#### QUESTION ONE

ai)

##### Atsu, Baba and Chawe

##### Statement of profit or loss for the year ended 30 June 2024

|                                      | GH¢            | GH¢            |
|--------------------------------------|----------------|----------------|
| Revenue                              |                | 565,296        |
| Less Opening inventory               | 6,000          |                |
| Operating expenses (419,166 + 3,450) | 422,616        |                |
|                                      | <u>428,616</u> |                |
| Closing inventory                    | 6,000          |                |
|                                      | <u>422,616</u> | <u>422,616</u> |
| Profit for the year                  |                | <b>142,680</b> |
| Appropriation                        |                |                |
| Salaries – A                         | 18,000         |                |
| – B                                  | 18,000         |                |
| – C                                  | 18,000         |                |
|                                      | <u>54,000</u>  | 54,000         |
| Profit share – Atsu (50%)            | 44,340         |                |
| – Baba (30%)                         | 26,604         |                |
| – Chawe (20%)                        | 17,736         |                |
|                                      | <u>88,680</u>  | 88,680         |
|                                      |                | <b>142,680</b> |

##### Atsu, Baba and Chawe

##### Statement of financial position as at 30 June 2024

|                                     | GH¢            | GH¢            |
|-------------------------------------|----------------|----------------|
| Non-current assets                  |                |                |
| Investment                          |                | 300            |
| Current assets                      |                |                |
| Inventory                           | 6,000          |                |
| Trade receivables (138,615 – 3,450) | 135,165        |                |
|                                     | <u>141,165</u> | 141,165        |
| Total assets                        |                | <u>141,465</u> |



|                                   |        |             |
|-----------------------------------|--------|-------------|
| Capital accounts                  |        |             |
| Atsu (12,519 + 18,000 + 44,340)   |        | 74,859      |
| Baba (-65,844 + 18,000 + 26,604)  |        | (21,240)    |
| Chawe (-33,618 + 18,000 + 17,736) |        | 2,118       |
|                                   |        | <hr/>       |
|                                   |        | 55,737      |
| Current liabilities               |        |             |
| Bank overdraft                    | 33,510 |             |
| Trade payables                    | 52,218 |             |
|                                   | <hr/>  | 85,728      |
| Capital and liabilities           |        | <hr/> <hr/> |
|                                   |        | 141,465     |

(9 marks)

iii) **Baba, Chawe and Dua**  
**Statement of financial position as at 1 July 2024**

|                             | GH¢     | GH¢            |
|-----------------------------|---------|----------------|
| Non-current assets          |         |                |
| Tangible – investment       |         | 4,500          |
| Intangible – goodwill       |         | 72,000         |
|                             |         | <hr/>          |
|                             |         | 76,500         |
| Current assets              |         |                |
| Inventory                   | 6,000   |                |
| Trade receivables           | 135,165 |                |
|                             | <hr/>   | 141,165        |
| Total assets                |         | <hr/> <hr/>    |
|                             |         | <b>217,665</b> |
| Capital accounts (W)        |         |                |
| Baba                        |         | 1,620          |
| Chawe                       |         | 17,358         |
| Dua                         |         | 52,500         |
|                             |         | <hr/>          |
|                             |         | 71,478         |
| Non-current liabilities     |         |                |
| Loan account – Atsu         |         | 82,959         |
| Current liabilities         |         |                |
| Overdraft (33,510 – 22,500) | 11,010  |                |
| Trade payables              | 52,218  |                |
|                             | <hr/>   | 63,228         |
|                             |         | <hr/> <hr/>    |
|                             |         | <b>217,665</b> |

(6 marks)

## WORKINGS

| Capital accounts |         |        |         |        |            |         |        |        |        |
|------------------|---------|--------|---------|--------|------------|---------|--------|--------|--------|
|                  | A       | B      | C       | D      |            | A       | B      | C      | D      |
|                  | GH¢     | GH¢    | GH¢     | GH¢    |            | GH¢     | GH¢    | GH¢    | GH¢    |
| Bal b/fwd        |         | 21,240 |         |        | Bal b/fwd  | 74,859  |        | 2,118  |        |
| D                | 30,000  |        |         |        | Goodwill   | 36,000  | 21,600 | 14,400 |        |
| Loan a/c         | 82,959  |        |         |        | Investment | 2,100   | 1,260  | 840    |        |
| Bal c/fwd        |         | 1,620  | 17,358  | 52,500 | Cash       |         |        |        | 22,500 |
|                  |         |        |         |        | A          |         |        |        | 30,000 |
|                  | 112,959 | 7,620  | 527,358 | 52,500 |            | 112,959 | 22,860 | 17,358 | 52,500 |

b)

### Relevance

Information must be relevant to the decision-making needs of users. Information is relevant if it can be used for predictive and/or confirmatory purposes.

It has **predictive value** if it helps users to predict what might happen in the future.

It has **confirmatory value** if it helps users to confirm the assessments and predictions they have made in the past.

Only information that is material can be relevant.

### Faithful representation

To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena that it purports to represent in both words and numbers.

A perfectly faithful representation would have three characteristics. It would be complete, neutral and free from error.

(5 marks)

(Total: 20 marks)

## EXAMINER'S COMMENTS

Most of the candidates did not consider the notional salaries of the partners hence affected the share of profit. Also, candidates poorly answered questions 1a(i) and 1a(ii) where they were required to prepare the statement of financial position for the previous and current partners. Most candidates could not differentiate between the information pertaining to the old partners and the current partners, especially for the goodwill and investment valuation.

In the part (b), candidates were asked to explain the fundamental qualitative characteristics of useful financial information given the preamble of relevance and faithful representation. Most candidates poorly answered the question as they did not consider the preamble and went ahead to state the general qualitative characteristics.

## QUESTION TWO

ai)

### Akrowa Ltd

#### Receivables ledger control a/c

|                     | <b>GH¢</b>     |                                       | <b>GH¢</b>     |
|---------------------|----------------|---------------------------------------|----------------|
| 31.07. 2023 Bal b/f | 95,200         | Cash received                         | 63,600         |
| Sales on credit     | 96,400         | Sales returns                         | 3,800          |
|                     |                | Revenue adjustment for discount taken | 600            |
|                     |                | Irrecoverable debts written off       | 5,400          |
|                     |                | Contra with suppliers                 | 4,200          |
|                     |                | 31.08.23 Bal c/f                      | 114,000        |
|                     | <u>191,600</u> |                                       | <u>191,600</u> |

#### Payables ledger control a/c

|                       | <b>GH¢</b>     |                  | <b>GH¢</b>     |
|-----------------------|----------------|------------------|----------------|
| Cash paid             | 65,000         | 31.07.23 Bal b/f | 74,800         |
| Purchase returns      | 1,400          | Purchases        | 73,000         |
| Discounts received    | 800            |                  |                |
| Contra with customers | 4,200          |                  |                |
| 31.08.X9 Bal c/f      | 76,400         |                  |                |
|                       | <u>147,800</u> |                  | <u>147,800</u> |

(10 marks evenly spread using ticks)

aii) **Books of prime entry**

- 1) Cash book (receipts)
- 2) Cash book
- 3) Sales day book/Sales Journal
- 4) Purchase day book/Purchase Journal
- 5) Sales returns day book
- 6) Purchase returns day book
- 7) Cash book / General Journal
- 8) Cash book /General Journal
- 9) General Journal
- 10) General Journal

(5 marks)

b)

**Allowance for receivables a/c**

|                  | <b>GH¢</b>    |                 | <b>GH¢</b>    |
|------------------|---------------|-----------------|---------------|
| Write-back       | 1,200         | 1.08.23 Bal b/f | 12,600        |
| 31.08.23 Bal c/f | 11,400        |                 |               |
|                  | <u>12,600</u> |                 | <u>12,600</u> |

**Irrecoverable debt expense a/c**

|                                 | <b>GH¢</b>   |                     | <b>GH¢</b>   |
|---------------------------------|--------------|---------------------|--------------|
| Irrecoverable debts written off | 5,400        | Write-back          | 1,200        |
|                                 |              | Charge for the year | 4,200        |
|                                 | <u>5,400</u> |                     | <u>5,400</u> |

**(5 marks)**

**(Total: 20 marks)**

**EXAMINER'S COMMENTS**

In question 2a(i), candidates were asked to prepare accounts receivables and payables control accounts given a list of transactions. This was the strength for most candidates and for that matter scored full marks. The same was for the 2a(ii), where candidates were asked to identify the books of prime entry where the listed transactions for 2a (i) originated from. The weakness of most candidates were for the book of prime entry for irrecoverable debt and customer and supplier settlement by contra.

In the part (b) of the question, candidates were required to prepare accounts for allowance for receivables and irrecoverable debt expense. The weakness of most candidates was not being able to compute the provision allowable for the year.

### QUESTION THREE

ai) Aboadze LTD  
Journal entries

|   | DESCRIPTION       | DR      | CR      |
|---|-------------------|---------|---------|
|   |                   | GH¢     | GH¢     |
| 1 | Sales             | 30,000  |         |
|   | Asset Disposal    |         | 30,000  |
| 2 | Drawings          | 36,000  |         |
|   | Purchases         |         | 36,000  |
| 3 | Bank Charges      | 14,400  |         |
|   | Suspense account  |         | 14,400  |
| 4 | Suspense account  | 48,000  |         |
|   | Purchases         |         | 48,000  |
| 5 | Suspense          | 27,000  |         |
|   | Discount received |         | 13,500  |
|   | Discount allowed  |         | 13,500  |
| 6 | Suspense          | 63,000  |         |
|   | Kofi              |         | 63,000  |
| 7 | Wages             | 120,000 |         |
|   | Suspense          |         | 120,000 |

(4 marks)

aii)

#### Suspense Account

|                   | DR                    | CR                    |
|-------------------|-----------------------|-----------------------|
|                   | GH¢                   | GH¢                   |
| Balance b/f       |                       | 3,600                 |
| Purchase          | 48,000                |                       |
| Discount allowed  | 13,500                |                       |
| Discount received | 13,500                |                       |
| Kofi              | 63,000                |                       |
| Bank Charges      |                       | 14,400                |
| Wages             |                       | 120,000               |
| <b>Total</b>      | <b><u>138,000</u></b> | <b><u>138,000</u></b> |

(3 marks)

aiii) Aboadze LTD

Statement of Revised Profit for the year ended 31<sup>st</sup> December,2023

|                       | <b>DR</b>  | <b>CR</b>      |
|-----------------------|------------|----------------|
|                       | <b>GH¢</b> | <b>GH¢</b>     |
| Balance b/f           |            | 435,000        |
| Sales                 | 30,000     |                |
| Bank charges          | 14,400     |                |
| Wages                 | 120,000    |                |
| Purchases             |            | 36,000         |
| Purchases             |            | 48,000         |
| Discount Allowed      |            | 13,500         |
| Discount received     |            | 13,500         |
| <b>Revised Profit</b> |            | <b>381,600</b> |

bi) Lawra LTD

Adjusted cash book as at 31<sup>st</sup> December,2023

| Description         | Dr<br>GH¢     | Cr<br>GH¢     |
|---------------------|---------------|---------------|
| Balance b/f         | 36,900        |               |
| Credit transfer     | 10,000        |               |
| Electricity charges |               | 2,400         |
| Bank charges        |               | 300           |
| Insurance           |               | 3,600         |
| balance c/f         |               | 40,600        |
|                     | <b>46,900</b> | <b>46,900</b> |

(4 marks)

bii) Lawra LTD

Bank Reconciliation Statement as at 31<sup>st</sup> December,2023

|                                       |              |                |
|---------------------------------------|--------------|----------------|
| <b>Balance per Adjusted Cash Book</b> |              | <b>40,600</b>  |
| Add unpresented cheques               |              |                |
| 0000111                               | 4,000        |                |
| 0000117                               | 10,000       |                |
| 0000120                               | <u>9,310</u> | 23,310         |
| Add cheque understated                |              | <u>126,000</u> |
|                                       |              | 189,910        |
| Less wrong credit                     |              | (9,910)        |

|                                   |  |               |                  |
|-----------------------------------|--|---------------|------------------|
| less uncredited cheques           |  |               |                  |
|                                   |  | 104,000       |                  |
|                                   |  | 10,000        |                  |
|                                   |  | <u>24,900</u> | <u>(138,900)</u> |
| <b>Balance per bank statement</b> |  |               | <b>41,100</b>    |

### Alternative Solution

#### Bank Reconciliation Statement as at 31<sup>st</sup> December,2023

|                                   |              |                |               |
|-----------------------------------|--------------|----------------|---------------|
| <b>Balance per Bank Statement</b> |              |                | <b>41,100</b> |
| Add uncredited cheques            |              |                |               |
|                                   |              | 104,000        |               |
|                                   |              | 10,000         |               |
|                                   |              | 24,900         |               |
| Wrong Debit                       | <u>9,910</u> |                | 148,810       |
| Less unrepresented cheques        |              |                |               |
|                                   | 0000111      | 4,000          |               |
|                                   | 0000117      | 10,000         |               |
|                                   | 0000120      | 9,310          |               |
| Error- understated Debit          | <u>9,310</u> | <u>149,310</u> | <u>( 500)</u> |
| Balance per Adjusted Cash Book    |              |                | <b>40,600</b> |

### EXAMINER'S COMMENTS

In question 3a(i), candidates were tested on correction of errors using journal. Most candidates used the journal entries to correct the errors. Few candidates were found to open ledgers instead and some of the candidates who used journals were found to enter the credit entry first before the debit entry which did not conform to the conventional way of preparing a journal. Also, few candidates lacked knowledge in the type of error committed and therefore could not correct it appropriately.

In question 3a(ii) and (iii), Candidates who demonstrated knowledge in the type of errors and corrected them appropriately were able to prepare the suspense account and statement of revised profit. Few candidates could not work out the revised profit since they lacked knowledge in how the affected accounts relate to profit in the income statement.

With regards to 3b(i) & (ii), most candidates were able to prepare the adjusted cash book and bank reconciliation statement. It was one of the popular questions that candidates scored high marks.

## QUESTION FOUR

### Akuorkor Enterprise

#### a) Statement of Profit or Loss for The Year Ended 30 June 2024

|  | GH¢      | GH¢           |
|--|----------|---------------|
| Sales (W1)                                   |          | 212,950       |
| Opening inventory                            | 15,250   |               |
| Purchases (W3)                               | 89,350   |               |
|  | <hr/>    |               |
|  | 104,600  |               |
| Closing inventory                            | (13,925) |               |
|  | <hr/>    |               |
|  |          | 90,675        |
| Gross profit                                 |          | <hr/>         |
|  |          | 122,275       |
| Less Expenditure:                            |          |               |
| Wages (3375 + 45,000 – 2,150 + 2,625)        | 48,850   |               |
| Advertising expenses (1,300/2)               | 650      |               |
| Loan interest                                | 4,750    |               |
| Rent (11,000 + 1,250 – 1,350):               | 10,900   |               |
| Office expenses                              | 6,250    |               |
| Irrecoverable debt written off (80% × 8,000) | 6,400    |               |
| Depreciation                                 |          |               |
| P&E (20% × (100,000 – 36,000))               | 12,800   |               |
| Fixtures n Fittings (25% × 2,500)            | 625      |               |
| Office equipment (10% × 25,000)              | 2,500    |               |
|  | <hr/>    |               |
|  |          | 93,725        |
|  |          | <hr/>         |
| Net profit                                   |          | <u>28,550</u> |

#### b) Akuorkor Enterprise

##### Statement of financial position as at 30 June 2024

|                                     | Cost    | Dep    | NBV    |
|-------------------------------------|---------|--------|--------|
|                                     | GH¢     | GH¢    | GH¢    |
| <b>Non-current assets</b>           |         |        |        |
| Plant and equipment (Dep: 36+ 12.8) | 100,000 | 48,800 | 51,200 |
| Office fixtures (Dep'n 2.5 + 2.5)   | 25,000  | 5,000  | 20,000 |
| Fixtures & Fittings                 | 2,500   | 625    | 1,875  |
|                                     | <hr/>   | <hr/>  | <hr/>  |
|                                     | 127,500 | 54,425 | 73,075 |
|                                     | <hr/>   | <hr/>  |        |
|                                     |         | GH¢    | GH¢    |



|   |  |        |                      |
|---|--|--------|----------------------|
| <b>Current assets</b>                             |  |        |                      |
| Inventory   |  | 13,925 |                      |
| Trade receivables (11,150 – 6,400)                |  | 4,750  |                      |
| Prepayments (1,350 + 650)                         |  | 2,000  |                      |
| Bank  |  | 53,350 |                      |
|   |  | <hr/>  | 74,025               |
| <b>Total assets</b>                               |  |        | <hr/> <b>147,100</b> |
|   |  |        |                      |
|   |  | GH¢    | GH¢                  |
| <b>Capital</b>                                    |  |        |                      |
| Capital at 1 July 2023                            |  |        | 58,525               |
| Add: Capital introduced (11,000 + 2,500)          |  |        | 13,500               |
| Add: Profit                                       |  |        | 28,550               |
| Less: Drawings (11,225 – (3,375 + 2,100 + 1,300)) |  |        | (4,450)              |
|   |  |        | <hr/> 96,125         |
| <b>Non-current liabilities</b>                    |  |        |                      |
| 10% loan (47,500 – (10,000 – 4,750))              |  |        | 42,250               |
| <b>Current liabilities</b>                        |  |        |                      |
| Trade payables                                    |  | 6,100  |                      |
| Accrued expenses                                  |  | 2,625  |                      |
|   |  | <hr/>  | 8,725                |
| <b>Total capital and liabilities</b>              |  |        | <hr/> <b>147,100</b> |

### *Workings*

(1) **Total sales**

**Trade receivables (total) a/c**

|                            | <b>GH¢</b>    |                                  | <b>GH¢</b>    |
|----------------------------|---------------|----------------------------------|---------------|
| Bal b/fwd (17,500 – 1,250) | 16,250        | Cash received (credit customers) | 213,750       |
| Sales (Bal)                | 212,950       | Cash takings (W2)                | 4,300         |
|                            |               | Bal c/fwd                        | 11,150        |
|                            | <hr/> 229,200 |                                  | <hr/> 229,200 |

(2) **Cash takings**

**Cash book (a/c)**

|                                | <b>GH¢</b>     |           | <b>GH¢</b>     |
|--------------------------------|----------------|-----------|----------------|
| Receipts<br>(11,000 + 213,750) | 224,750        | Bal b/fwd | 4,425          |
| Cash sales (balance)           | 4,300          | Payments  | 171,275        |
|                                |                | Bal c/fwd | 53,350         |
|                                | <u>229,050</u> |           | <u>229,050</u> |

(3) **Total purchases**

**Trade payables (total) a/c**

|                 | <b>GH¢</b>    |                           | <b>GH¢</b>    |
|-----------------|---------------|---------------------------|---------------|
| Payments (bank) | 87,800        | Bal b/fwd (8,800 – 2,150) | 6,650         |
| Cash payments   | 2,100         | Purchases (Bal)           | 89,350        |
| Bal c/fwd       | 6,100         |                           |               |
|                 | <u>96,000</u> |                           | <u>96,000</u> |

*(20 marks)*

**EXAMINER'S COMMENTS**

In this question, candidates were to prepare Statement of Profit or Loss and Statement of Financial Position. Candidates' knowledge in adjustment came to bear in this question. Generally, candidates have good knowledge in preparation of Statement of Profit or Loss and the Statement of Financial Position but their knowledge in treating adjustment was very poor hence the poor performance demonstrated for this question. The overall performance was poor.

## QUESTION FIVE

ai)

### **Mawulolo Enterprise**

#### Computation of Inventory lost in fire

|                                | <b>GH¢</b>                  |
|--------------------------------|-----------------------------|
| Inventory at 1 April 2023      | 254,000                     |
| Purchases                      | <u>1,306,000</u>            |
|                                | 1,560,000                   |
| Closing inventory              | <u>(192,000)</u>            |
| Cost of sales + lost inventory | 1,368,000                   |
| Cost of sales (1,900,000*70%)  | <u>(1,330,000)</u>          |
| <b>Inventory lost in fire</b>  | <b><u><u>38,000</u></u></b> |

*(5 marks evenly spread using ticks)*

### aii) Mawulolo Enterprise

#### **Statement of Profit or Loss for the year ended 31 March 2024**

|                     | <b>GH¢</b>      | <b>GH¢</b>            |
|---------------------|-----------------|-----------------------|
| Sales               |                 | 1,900,000             |
| Opening Inventory   | 254,000         |                       |
| Purchases           | 1,306,000       |                       |
| Closing Inventory   | (192,000)       |                       |
| Destroyed Inventory | <u>(38,000)</u> | <u>(1,330,000)</u>    |
| Gross Profit        |                 | 570,000               |
| Operating Expenses  |                 | <u>(378,000)</u>      |
| Operating Profit    |                 | 192,000               |
| Finance Cost        |                 | <u>(58,000)</u>       |
| Profit Before Tax   |                 | 134,000               |
| Tax                 |                 | <u>(30,000)</u>       |
| Profit for the year |                 | <u><u>104,000</u></u> |

*(5 marks evenly spread using ticks)*

b)

**Kahuro Football Club  
Subscription Account**

|  | GH¢              |  | GH¢              |
|--|------------------|--|------------------|
| Balance b/d Members in arrears         | 144,000          | Balance b/d Advance payments             | 36,000           |
| Membership fees for the year           | 1,752,000        | Cash                                     | 1,872,000        |
| Balance c/d Advance payments (26*1200) | 31,200           | Balance c/d Members in arrears (16*1200) | 19,200           |
|  | <u>1,927,200</u> |  | <u>1,927,200</u> |
| Balance b/d Members in arrears         | 19,200           | Balance b/d Advance payments             | 31,200           |

*(5 marks)*

**c) Differentiate between profitability ratios and liquidity ratios**

Profitability ratios are ratios used to assess an entity's ability to generate earnings relative to its revenue, operating costs, assets or shareholders' equity (e.g. ROCE and net profit margin)

Liquidity ratios are a class of financial metrics used to determine an entity's ability to pay off debt obligations without raising external capital (e.g. current ratio and quick ratio).

*(5 marks)*

*(Total: 20 marks)*

**EXAMINER'S COMMENTS**

Question 5a(i), most candidates were able to compute the amount of inventory loss and their presentation were quite different from the recommended solution which was very impressive demonstration of knowledge.

In 5a(ii), most candidates lost marks because of their presentation. They went ahead to deduct the cost of sales without showing opening inventory plus purchases less closing inventory. Also, they failed to show operating profit, profit before tax and profit after tax.

In respect of part 'b' of the question, candidates were asked to prepare subscription account and this was also well answered by most candidates.

A handful of the candidates were able to answer the question very well and for that matter scored the full marks.

For sub-question (c), candidates were able to satisfactorily differentiate between profitability ratios and liquidity ratios while citing appropriate examples

**CONCLUSION**

Candidates and lecturers should review past question papers as a guide to future question papers, however candidates need to be aware that future papers, although still following the current specification, may differ in approach and format from the current