

CORK INSTITUTE OF TECHNOLOGY
INSTITIUID TEICNEOLAIOCHTA CHORCAI

Semester 1 Examinations 2008/09

Module Title: Accounting And Computer Applications 1

Module Code: ACCT 6001

School: BUSINESS

Programme Title: Bachelor Of Business In Accounting - Year 1

Programme Code: BACCT_8_Y1

External Examiner(s): MS. M. DUGGAN

Internal Examiner(s): MR. G. FORDE

Instructions: Answer **all** questions.

Duration: 2 Hours

Sitting: Winter 2008

Note to Candidates: Please check the Programme Title and the Module Title to ensure that you are attempting the correct examination paper.

If in doubt please contact an Invigilator.

Question 1

Please indicate in your *examination answer book* the correct answer to each of the following multiple choice questions.

Each correct answer receives 1.5 marks

1. A prepaid expense of €14,000 was overlooked when calculating the profit for the year. The effect of this error is that:
 - a) Net profit is not affected but liabilities are understated
 - b) Net profit as well as assets are overstated
 - c) Net profit as well as assets are understated
 - d) Net profit is overstated and assets understated

2. Which of the following is an asset?
 - a) Purchases
 - b) Accounts payable
 - c) Inventory
 - d) Rent

3. The double entry for repayment of a bank loan by cheque is:
 - a) Debit Capital account, credit Bank account
 - b) Debit Bank account, credit Bank Loan account
 - c) Debit Cash account, credit Bank account
 - d) Debit Bank Loan account, Credit Bank account

4. Which of the following is not an expense of a retailer?
 - a) Advertising
 - b) Discount received from a supplier
 - c) Rent for business premises
 - d) Bank interest paid

5. You, as the cashier, check the accuracy of your Cash account by ascertaining whether the cash in hand matches the amount stated as the balance in the Cash account. Identify the amount by which the cash physically in your hand will differ from the Cash account balance if the only mistake is that €150 paid for advertising is recorded on the payments side of the Cash account as €350.
- a) €200 more
 - b) €500 more
 - c) €200 less
 - d) €500 less
6. Which of the following is a liability?
- a) Accounts receivable
 - b) Bank overdraft
 - c) Inventory
 - d) Land
7. The owner of a business introduced additional capital of €80,000 by cheque.
As a result of this:
- a) The assets and capital will increase.
 - b) The assets will increase and the capital will decrease
 - c) The assets will decrease and the capital will increase
 - d) The liabilities and capital will increase
8. Which of the following transactions would cause an increase in both total assets and total liabilities of a business?
- a) Purchase of a new van for €20,000 on credit
 - b) Repayment of €20,000 bank overdraft
 - c) Payment of rent of €20,000
 - d) Receipt of €20,000 from an account receivable

9. If a prepayment at the year-end for €1,500 was treated as an accrual, the net profit for the year would be:
- a) Understated by €1,500
 - b) Overstated by €1,500
 - c) Overstated by €3,000
 - d) Understated by €3,000
10. If the net assets of a business totalled €280,000 and its total assets on that date amounted to €410,000, then the liabilities of the business would amount to:
- a) €130,000
 - b) €410,000
 - c) €280,000
 - d) €690,000
11. Joe commenced business by introducing into the business a van worth €40,000, inventory valued at €8,000 and €4,000 in cash along with a bank loan of €20,000. The balance on Joe's Capital account at the commencement of business is:
- a) €52,000
 - b) €48,000
 - c) €32,000
 - d) €28,000
12. A trader reports opening inventory at €40,000, purchases for the year at €480,000 and closing inventory at €45,000. During the year goods costing €20,000 were stolen. What is the figure for cost of sales for the year?
- a) €480,000
 - b) €475,000
 - c) €495,000
 - d) €455,000

13. A retailer paid rent of €60,000 and treated the whole amount as an expense for the year, overlooking the fact that the amount was for a four year period commencing from the beginning of that year. The effect of this error would be:
- a) Net profit and current liabilities are understated by €60,000
 - b) Net profit and current assets are understated by €60,000
 - c) Net profit and current assets are understated by €45,000
 - d) Net profit and current assets are overstated by €45,000
14. What do you understand by the net book value of a non-current asset?
- a) The original cost of the asset
 - b) The cost of the asset less accumulated depreciation up to the date of the balance sheet
 - c) The replacement cost of the asset
 - d) The market value of the asset
15. A business owns two machines – the first was acquired on 1 January 2006 for €200,000 and the second on 1 July 2007 for €220,000. The business expects to use each machine for ten years and then realize €10,000 each for scrap. Using the straight-line method, calculate the depreciation for the year ended 31 December 2007
- a) €40,000
 - b) €20,000
 - c) €29,500
 - d) €42,000
16. A balance sheet would show accruals as part of :
- a) Current liabilities
 - b) Current assets
 - c) Non-current assets
 - d) A deduction from the capital

17. The Sales Day Book, with a separate VAT column, shows a total of €300,000 in the sales column. If the VAT rate is 21% what is the amount transferred to the sales account?
- a) €300,000 as a debit
 - b) €300,000 as a credit
 - c) €363,000 as a debit
 - d) €363,000 as a credit
18. Which of the following is the correct book of first entry to record the writing off of a bad debt?
- a) The Sales Day Book
 - b) The Journal
 - c) The Returns Inwards Day Book
 - d) The Cash Book
19. The list price for goods was €60,000. A trade discount of 10% is available. The VAT rate is 20%. If the goods are sold on credit what is the amount to be entered in the account receivables account?
- a) €72,000
 - b) €64,800
 - c) €60,000
 - d) €68,400
20. A business has systematically cultivated good customer relationships, and considers that the goodwill built up is worth €100,000. Which of the following accounting concepts prevents the business from reporting goodwill as an asset in the balance sheet?
- a) Going concern
 - b) Accruals
 - c) Money measurement
 - d) Materiality
- (Total = 30 Marks)

- Q2.** You are presented with the following transactions for Deelon Ltd.
The VAT rate is 20%.

Batch Customer Invoices

<i>Date</i> 2008	<i>Customer name</i>	<i>Sales (before VAT)</i> €	<i>Invoice No.</i>
09-Oct	Ceff Ltd	400	201
09-Oct	Deff Ltd	600	202
09-Oct	Reff Ltd	800	203
14-Nov	Ceff Ltd	1000	204
14-Nov	Deff Ltd	1200	205
14-Nov	Reff Ltd	1400	206
16-Dec	Ceff Ltd	1600	207
16-Dec	Deff Ltd	1800	208
16-Dec	Reff Ltd	2000	209

Batch Customer Credits

<i>Date</i> 2008	<i>Customer name</i>	<i>Returns (before VAT)</i> €	<i>Allocate to Invoice No.</i>
22-Oct	Ceff Ltd	100	201
22-Oct	Deff Ltd	100	202
22-Oct	Reff Ltd	100	203

Customer Receipts

<i>Date</i> 2008	<i>Customer name</i>	<i>Amount</i> €
26-Dec	Ceff Ltd	300
26-Dec	Deff Ltd	500
26-Dec	Reff Ltd	900

Required: Assuming the above transactions had been recorded using the computerised accounting system Sage Line 50, you are required to prepare the following as at **31 December 2008**, using the appropriate heading where given.

- (1) The Trial Balance from the Nominal Module after recording the above transactions. (5 Marks)
- (2) The *Day Books: Customers Invoices (Summary)* report from the Customers Module.
Trans No Item Type Date A/C Ref Inv Ref Details Net Tax Gross (5 Marks)
- (3) The *Day Books: Customer Receipts (Summary)* report from the Bank Module.
No Tp Date Account Ref Details Net Tax Gross (5 Marks)
- (4) Ceff Ltd's account (Customer Activity - Summary) from the Customers Module.
No Item Tp Date Refn Details Value O/S Debit Credit (5 Marks)
- (5) The Aged Debtors Analysis (Summary) report from the Customers Module.
A/C Name Crđ Limit Turnover Balance Future Current Period 1 Period 2 Period 3 Older (5 Marks)
 (Total = 25 Marks)

- Q3.** Black and White are in partnership sharing profits and losses in the ratio 3:2.
The following trial balance was extracted as at 31 December 2007

Trial Balance as at 31 December 2007		
	Dr	Cr
	€	€
Premises	350,000	
Motor vehicles	80,000	
Inventory at 1 January 2007	65,000	
Purchases	650,000	
Sales		1,170,000
Returns outwards		8,000
Accounts receivable	90,000	
Accounts payable		75,000
Allowance for doubtful debts		4,000
Carriage inwards	15,000	
Rates	8,000	
Advertising	10,000	
Wages	180,000	
Bank	87,000	
Bad debts	6,000	
Capitals: Black		200,000
White		120,000
Current account : Black		12,000
White		11,000
Drawings: Black	27,000	
White	32,000	
	<u>1,600,000</u>	<u>1,600,000</u>

Additional information as at 31 December 2007:

- Inventory was valued at €72,000
- Rates prepaid €2,000
- Advertising due €4000
- Increase the allowance for doubtful debts to 5% of accounts receivable balances.
- Provide for depreciation on Premises at the rate of 10% per annum
- Provide for depreciation on Motor vehicles at the rate of 20% per annum
- Provide for a salary for Black €25,000
- Interest on drawings: Black €800, White €1,200
- Interest on capital account balances is at 5% per annum.

Required:

- Prepare the partnership's Income Statement and the profit and loss appropriation account for the year ending 31 December 2007, together with a Balance Sheet as at that date. (27 Marks)
 - Explain briefly the regulatory framework of accounting (6 Marks)
 - Explain the matching concept and the historical cost concept (6 Marks)
 - Describe the role of spreadsheets in accounting (6 Marks)
- (Total = 45 Marks)