

FINANCIAL ACCOUNTING

FORMATION 2 EXAMINATION – JULY 2019

NOTES:

Section A- You are required to answer **Question 1**.

Section B- You are required to answer any **three** out of Questions 2 to 5.

Should you provide answers to all of Questions 2 to 5, you must draw a clearly distinguishable line through the answer not to be marked. Otherwise, only the first three answers to hand for Questions 2 to 5 will be marked.

TIME ALLOWED:

3 hours plus **10 minutes** to read the paper

INSTRUCTIONS:

During the reading time you may write on the examination paper, but you may not commence writing in your answer book. **Please read each Question carefully.**

Marks for each question are shown. The pass mark required is 50% in total over the whole paper.

Start your answer to each question on a new page.

You are reminded to pay particular attention to your communication skills, and care must be taken regarding the format and literacy of your solutions. The marking system will take into account the content of your answers and the extent to which answers are supported with relevant legislation, case law or examples, where appropriate.

List of the cover of each answer booklet, in the space provided, the number of each question attempted.

SECTION A- Question 1 -COMPULSORY

1.

- a) Explain briefly the role of an Accountant in an Organization. **(5 marks)**
- b) Who are the users of accounting information and what are their information needs. **(5 marks)**
- c) The following trial balance has been extracted by the book-keeper of Harrison Travis, who owns a small manufacturing business, as at 30th June 2018.

	Dr (€)	Cr (€)
Capital		36,175
Drawings	19,050	
Purchases and Sales	105,240	168,432
Stocks at 1 July 2017	9,427	
Debtors and Creditors	3,840	5,294
VAT		1,492
Returns	975	1,237
Discounts	127	643
Wages and Salaries	30,841	
Motor Vehicle expenses	1,021	
Rent and Rates	8,796	
Heating and Lighting	1,840	
Telephone	355	
General Expenses	1,752	
Bad debts written off	85	
Motor vehicle at cost	8,000	
Shop Fittings at Cost	6,000	
Provision for depreciation on shop fittings		2,000
Provision for depreciation on Motor Vehicles		3,500
Provision for bad debts		150
Cash	155	
Bank	21,419	
Total	218,923	218,923

Notes as at 30th June 2018:

1. Stock was valued at €11,517.
2. Motor vehicles expenses owing €55.
3. Rent prepaid €275.
4. Depreciate shop Fixtures and Fittings at 10% using the straight line method and motor vehicles at 25% employing the reducing balance method.
5. The provision for bad debts is to be equal to 2.5% of debtors

REQUIREMENT

(a) The Trading Profit & Loss Account for the year ended 30th June 2018

(b) The Balance Sheet as at 30th June 2018

(30 marks)

Total: 40 Marks

Section B - You are required to answer any THREE out of Questions 2 to 5.

2.

a) From the following particulars, find out the errors in cash book and bank statement and prepare Bank Reconciliation Statement as on 31/05/2018 for Amber Trading Limited.

i) Balance as per bank statement overdraft of € 2,118.

ii) The debit side of the cash book had been under cast by €300.

iii) A check for €182 drawn for the payment of telephone bill had been entered in the cash book as €281 but was shown correctly in the bank statement.

iv) A check for € 210 by the customer having been deposited into bank was dishonored by the bank

v) A check was credited twice in Cash Book for worth €3,000.

vi) A Dividend of worth €90 had been collected by the bank but not recorded in the cash book.

vii) Checks €3,000 drawn in December but only 1,200 presented for payment.

viii) Interest amounting 228 had been debited by the bank but not entered in the cash book.

ix) A check for €2,077 was issued by the company for purchase of merchandise and was paid by the bank but not recorded in company's book.

x) A check for €10,500 issued to Rober & Co. for purchase of Equipment was not encashed.

(14 Marks)

b) Discuss Four benefits of preparing bank reconciliation statements

(4 Marks)

c) Why is it important to prepare bank reconciliation each month for each account?

(2 Marks)

Total: 20 Marks

(b.) Describe four errors that will not be disclosed by a trial balance and provide an example of each.

(6 Marks)

Total: 20 Marks

4.

a) Patrick Taylor is a trade supplier. Their managing director has provided Patrick with the following extracts from the final accounts for the past two years.

	2017 (€)	2018(€)
Sales Turnover	600,000	650,000
Opening Stock	268,000	148,000
Closing Stock	148,000	126,000
Purchases	225,000	268,000
Operating expenses	190,000	250,000
Ordinary Share Capital	300,000	300,000
Long term Loan	40,000	70,000
Retained Earnings	175,000	240,000
Bank	(30,000)	15,000
Debtors	28,000	48,000
Creditors	85,000	90,000

Calculate the following ratios for both years:

i) Gross profit margin

ii) Net profit (operating) margin

iii) Return on capital employed

iv) Current ratio

v) Debtor days

vi) Gearing ratio

(15 Marks)

b) Given the calculations in a) explain the performance of business

(5 Marks)

Total: 20 Marks

5.

a) What is meant by the following terms and provide an example of each to help support your answer

(i) Prepayment

(ii) Accrual

(iii) Capital Expenditure

(iv) Equity

(6 marks)

b) Tianjin limited closing inventory at 31 December 2018 is €347,841. This includes €4,640 for items accidentally destroyed on 31 December 2018 after the count was completed. Also included is €2,980 which relates to the cost of inventory damaged in October 2018, which can be reworked at a cost of €680 and which can then be sold for €2,410. Calculate the closing value of inventory at the year-end

(4 marks)

c) Identify and explain the fundamental differences between a company and a partnership.

(10 marks)

Total: 20 Marks

END OF QUESTION PAPER