

**CHRISTIAN SOCIAL SERVICES COMMISSION (CSSC)
NORTHERN ZONE JOINT EXAMINATIONS SYNDICATE (NZ-JES)**



FORM SIX PRE-NATIONAL EXAMINATION 2023

153/1

**ACCOUNTANCY 1
MARKING SCHEME**

1.

b. Accounting standards

Are a **set of procedures and measures that inform how businesses conduct their accounting activities**. They contain best practices for recording, measuring and disclosing financial transactions. They apply to all parts of a company's activities, including revenue, expenses, and noncash expenses.

c. Accounting Period Definition

The **accounting Period refers to the fixed period during which all accounting transactions are recorded, and financial statements are compiled to be presented to the investors to track and compare the company's overall performance for each period**. There are two types of accounting definition calendar year and fiscal year.

d. A CREDIT NOTE

Also known as a credit memo is a **commercial document issued by the seller and sent to the buyer when there is a reduction in the amount payable to the seller**. By issuing a credit note, the seller promises to pay back the reduced amount or adjust it in a subsequent transaction

e. DEBIT NOTE

Is a **note sent by the purchaser of goods to the supplier of the goods when a percentage of goods have defects** and it states that they would reduce the purchase amount payable after adjusting for the defective goods. Another reason for sending this is when the purchaser is overcharged for the goods not sold.

@ 2.5 marks, total 10

2.

Dr provision for doubtful debts account Cr

2020		2020	
Bad debts	3000✓	Balance b/d	2400✓
Balance c/d	<u>2400</u> ✓	Income statement	<u>3000</u> ✓
	<u>5400</u>		<u>5400</u>

2.

Dr provision for discount on debtors Cr

Discount allowed	1500 ✓	Balance b/d	500✓
Balance b/d	<u>1504</u> ✓	Income statement	<u>2540</u> ✓
	<u>3004</u>		<u>3004</u>

Dr provision form discount on creditors Cr

2020		Discount received	1200✓
Balance b/d	1800✓		
Income statement	<u>360</u> ✓	Balance c/d	<u>960</u> ✓
	<u>2160</u>		<u>2160</u>

statement of financial position

Current Assets

Debtors	40,000✓	
Less: prov for doubtful debts (2400) ✓		
Prov for D. on debtors (<u>1504</u>) ✓		36096

Current Liabilities

Creditors 32000✓	
Less: prov (960) ✓	31040

Workings

$$40,000 \times 6\% = 2400$$

$$(40,000 - 2400) \times 4\% = 37600$$

$$37600 \times 4\% = 1504$$

0.5 @17 ,total 10 marks

Dr		plant account	Cr	
2019			2019	
Balance b/d	744,000 ✓		Disposal	80,000 ✓
Cash	3800 ✓			
Cash	192,000 ✓		Balance c/d	<u>859,800 ✓</u>
	<u>939,800</u>			<u>939,800</u>
2020				
Balance b/d	859,800 ✓			

Dr		provision for depreciation account	Cr	
2019			2019	
Disposal	53786 ✓		Balance b/d	410,000 ✓
			Income statement	<u>96717 ✓</u>
Balance c/d	<u>452,931 ✓</u>			<u>506,717</u>
	<u>506,717</u>			

Dr		disposal account	Cr	
Plant	80,000 ✓		Prov	53786 ✓
			Cash	27400 ✓
Profit on disposal	1186 ✓			
	<u>81186</u>			<u>81186</u>

0.7 @14 ,total 10 marks

Workings

$$744,000 - 80,000 = 664,000$$

$$664,000 \times 20\% = 132,800$$

$$192,000 \times 20\% = 38400$$

$$\text{Disposal} = 53786$$

664,000-356,214=287,786

287,786 ×20% = 57557

Depreciation =57557+760+38400

10 marks, 0.6 @ mark 16items

4. solution

Journal entry

No	Details	DR	CR
a	Suspense a/c Joyce a/c	1080,000✓	1080 ,000✓
b	Suspense a/c	200,000✓	
	Purchases a/c		100,000✓
c	Purchases return a/c		100,000✓
	Suspense a/c	200 ,000✓	
d	discount a/c		200,000✓
	Sales a/c Sethi a/c	574,000✓	174,000✓

Branch expenses-by HO	1,644,000]	1,884,000]	Branch stock	6,316,000✓	5,680,000✓
Other branch expenses	600,000]✓	600,000]✓			
Branch debtors-Disc all.	60,000✓	46,000✓			
Depreciation-Fixtures and fittings	130,000]	151,000]			
Depreciation-Delivery van	234,000]✓	201,000]✓			
General profit and loss	3,648,000✓	2,798,000✓			
	<u>6,316,000</u>	<u>5,680,000</u>		<u>6,316,000</u>	<u>5,680,000</u>

10✓@1= 10 Marks

TOTAL= 20 Marks

Workings

$$1. \quad IP = CP + GP$$

$$= 100 + 25$$

$$= 125$$

$$CP/IP = 100/125$$

$$CP/IP = 4/5$$

6. In the books of XOYO

Dr
ACCOUNT IN ZEROEQUITY SHARES INVESTMENT
Cr

	N	I	C	D	N	I	C
01.04.19 Bank	15,000√		225,000√	5.10.19 Bank: Rights			16,000√
01.06.19 Bank	5,000√		100,000√	1.10.19 Bank		30,000√	
01.07.19 Bonus	4,000√			1.01.20 Bank	130,000√		213,200√
01.10.19 Bank: Rights	2,000√		24,000√	1.03.20 Balance c/d	130,000√		166,800√
31.03.20 Profit to IS			47,000√				
31.03.20 Income statement		30,000√					
	26,000	30,000	396,000		26,000	30,000	396,000
01.04.20 Balance b/d	130,000		166,800				

Dr
ACCOUNT IN ZERO8% NATIONAL BONDS INVESTMENT
Cr

	NOMIN AL	INTERES T	CAPITAL	DETAILS	NOMIN AL	INTERE T	CAPITAL
1.04.19 Balance b/d	350,000√	11,667√	367,500√	1.04.19 Investment		2,667√	
1.04.19 Bank	400,000√		322,000√	1.05.19 Bank		14,000√	
1.04.19 Interest			2,667√	1.11.19 Bank		30,000√	
1.03.20 Investment		1,333√		1.11.19 Bank	300,000√	2,000√	358,000√
1.03.20 Profit to IS			53,250√	1.03.20 Bank	100,000√		102,000√
1.03.20 Income statement		50,667√		1.03.20 Interest			1,333√
				1.03.20 Balance /d	350,000√	15,000√	284,084√
	750,000	63,667	745,417		750,000	63,667	745,417
1.04.20 Balance b/d	350,000	15,000	284,084				

Workings:

INVESTMENT IN EQUITY SHARES

April 1 2019 Balance $150,000 \times 15/10 = 225,000$
July 1 2019 Bonus issue: $200,000 \times 1/5 = 40,000$ ✓
September 1 2019 Rights: $240,000 \times 1/6 = 40,000$ nominal rights.
October 1 2019 Rights taken up $20,000 \times 12/10 = 24,000$
October 15 2019 Rights sold $20,000 \times 8/10 = 16,000$
October 31 2019 Dividend received: $150,000 \times 20/100 = 30,000$ for March 31 2019.
March 1 2020 Sold $130,000 \times 16.5/10$ -----

214,500

Less: Brokerage ($130,000 \times 1/100$) =

1,300

213,200

Cost of investment sold ($130,000/260,000 \times 333,000$) =

166,500 ✓

Profit

47,000

INVESTMENT IN 8% NATIONAL BONDS

April 1 2019 Accrued interest on opening balance
 $350,000 \times 8/100 \times 5/12 = 11,667$
April 1 2019 Purchase $400,000 \times 80.5/100 = 322,000$

Add: Interest accrued

$(400,000 \times 8/100 \times 1/12) = 2,667$

324,667

May 1 2019 Interest received ($350,000 \times 8/100 \times 6/11$) = 14,000

November 1 2019 Interest received ($750,000 \times 8/100 \times 6/12$) = 30,000 ✓

November 31 2019 Sale 300,000 ----- 360,000

Less: Interest accrued ($300,000 \times 8/100 \times 1/12$) = 2,000

358,000

Cost of investment sold ($300,000/350,000 \times 367,500$) = 315,000

Profit 43,000*

March 1 2020 Sale $100,000 \times 102/100$ ----- 102,000

Add: Interest accrued ($100,000 \times 8/100 \times 2/12$)

1,333

103,333

Cost on investment sold:

$50,000/350,000 \times 367,500 = 52,500$

$50,000/400,000 \times 324,667 = 40,583$

93,083

Profit

10,250* ✓

March 31 2020 Total profit ($43,000 + 10,250$)

53,250*

March 31 2020 Interest accrued ($450,000 \times 8/100 \times 5/12$) =

15,000

March 31 2020 Cost of closing stock ($324,667 - 40,583$) =

284,084

40 tems @ 0.5 = 20 Marks

7.

(A) VEROSA LTD

- (i) Liquidity ratios measure how able is a firm to meet its current liabilities, how efficient is the company in utilizing its funds and whether it can meet unexpected need for cash. It is to ensure that a firm can pay its creditors and expenses when they are due. This is important as otherwise the firm will have to close down. Examples are ratios calculated like current ratio and quick ratio. (5 marks)
- (ii) Profitability ratios measure the earnings and operating success of a firm within a given period of time. They are always used to measure how effective the management is, operating and how efficient the management is in utilizing the firm's assets. Examples are gross profit margin, net profit margin, return on capital employed and return on investment. (5 marks)

(B)

- (a) Quick ratio = Current assets – Stock / Current liabilities (2 marks)

$$= (30,340 + 660) / (26,900 + 3,010)$$

$$= 1.04: 1$$

- (b) Stock turnover rate = Cost of goods sold / Average stock (2 marks)

$$= 155,750 / (28,750 + 26,400) \div 2$$

$$= 5.65 \text{ times}$$

- (c) Debtors' collection period (in months) = (Average Debtors / Net credit sales) x 12

$$= [(29,260 + 30,340) \div 2 / (248,600 - 15,200)] \times 12$$

$$= 1.53 \text{ months (2 marks)}$$

- (d) Gross profit ratio = Gross profit / Net sales

$$= (248,600 - 15,200 - 155,750) / (248,600 - 15,200)$$

$$= 33.27\% (2 marks)$$

- (e) Return on capital employed = Net profit / Capital employed

$$= 34,260 / (50,000 + 12,890 + 15,500)$$

$$= 43.70\% (2 marks)$$

(A+B=10+10= 20 Marks)

8. solutions

ROMARY COMPANY

INCOME STATEMENT FOR THE YEAR ENDED 31ST MARCH 2020

Sales	1987500✓	
Less: goods sent on approval	<u>75,000</u> ✓	1912500
Less: cost of goods sold		
Opening stock	250,000✓	
Add purchases	1550,000✓	
Less: drawing	25,000✓	
Less: furniture	50,000✓	1475,000
Add: wages	100,000✓	
Carriage inwards	<u>50,000</u> ✓	
	1875,000✓	
Less: closing stock	775,000✓	1100,000
(725,000+50,000)		
GROSS PROFIT		812500✓
LESS: EXPENSES		
SALARIES	160,000✓	
RENT AND RATES	25,000✓	
Postage and telephone	57500✓	
Printing and stationery	15000✓	
General expenses	70,000✓	
Insurance	45,000✓	
Depreciation for future	16,000✓	
Motor car	48,000✓	
Commission	95625✓	
Advertisement	85000✓	
Carriage outwards	110,000✓	
Bad debts	35,000✓	

Provision for bad debts	2 0,000✓	
Discount	<u>20,000</u> ✓	802125
Net profit		10375 ✓

ROMARY COMPANY

FINANCIAL POSITION AS AT 31ST MARCH 2020

NON-CURRENT ASSETS

Furniture and fittings	110,000✓	
Additional furniture	<u>50,000</u> ✓	160,000
Less depreciation	16,000 ✓	144,000
Motor car	240,000✓	
Less deprecation	48,000 ✓	<u>192,000</u>
		336,000

CURRENT ASSETS

closing stock	775,000✓	
Debtors	500,000✓	
Less G.sent on approval	75000✓	
Less bad debts	25,000✓	
Less prov for bad debts	<u>20,000</u> ✓	380,000
Cash at bank	60,000✓	
Cash in hand	10,500✓	1225500

CURRENT LIABILITIES

Creditors	200,000 ✓	
Sales commission	8125✓	<u>208125</u>
		1353375

Financed by

Capital	1443,000✓	
Add net profit	<u>10375</u> ✓	<u>1453375</u>
Less drawings		45,000✓
Less printing and stationery		55,000 ✓
		1353375

[0.45@44](#) ,total 20 marks