

CHRISTIAN SOCIAL SERVICES COMMISSION (CSSC)

NORTHERN ZONE JOINT EXAMINATIONS SYNDICATE (NZ-JES)



FORM SIX PRE-NATIONAL EXAMINATIONS 2023

153/2

ACCOUNTANCY 2

MARKING SCHEME

- 1. It seems that into today's world, computerized accounting system has replaced successfully the manual accounting system. Give a comment on the truth of this statement and highlight three advantages and three disadvantages of computerized accounting system.**

ANSWER

Computerized accounting system and Manual accounting system are two types of accounting system that are being practiced in the world of accounting till today. ✓ (*Introduction*)

Manual Accounting system

Is the paper-based accounting system, in which journals and ledger registers, vouchers, account books are used to store, classify and analyze financial transactions of an organization.

It is often used by small businessmen, such as sole proprietors, shopkeepers, etc. to maintain the record of the business transactions, due to lower costs. ✓ (*Definition*)

WHILE

Computerized Accounting system

Is the accounting system that uses the computer and pre-packaged, customized or tailored accounting software, to keep record of financial transactions and generate financial statements. ✓ (*Definition*)

Computerized accounting system relies on the concept of a database. The accounting database is systematically maintained, with active interface wherein accounting application programs, software, files, peripheral equipment, and reporting systems are used.

It is true that computerized accounting system has replaced manual accounting in most professional businesses though in small-sized businesses manual accounting is in use. Most

joint stock company have adopted computerized accounting system in almost all aspects of accounting for examples, Payroll accounting, taxation accounting, purchase orders, sale orders, preparation and analysis of financial statements etc. are done in a computer. ✓
(Comment)

Advantages of computerized accounting. ✓ (Three points only)

- Higher speed of recording and processing information
- Accuracy of information
- Reliable
- Legibility
- Up-to-date information and reports
- Information may be easily restored
- Human errors are quickly detected and rectified

Disadvantages (Limitations) of computerized accounting system. ✓ (Three points only)

- **Controls:** If adequate controls are not built and, where build, are not followed, it can lead to loss of data. It is important to take back-ups at regular intervals to avoid such a situation.
- **Data Corruption:** The data can get corrupted through viruses that may come in through the internet or the use of external input devices without scanning them for viruses.
- **Trained Computer Operators:** Untrained computer operators can lead to loss of data.
- **Limitations of Software:** The software is developed on the basis of the experiences of the team of developers. As such, it may not be able to deal with a specific problem that may arise.

10 tems @ 1 = 10 Marks

2. solution

WORKINGS

YEAR	OUTPUT	ROYALTIES PAYABLE @1600	MINIMUM RENT	SHORTWORKINGS	Short working recoup	Short working ir recouped	Payment to land lord
2005	9600	15,360,000	20,000,000	4,640,000	-		20,000,000
2006	11600	18,560,000	20,000,000	1,440,000	-	4,640,000	20,000,000
2007	13800	22,080,000	20,000,000	-	1440,000		22,080,000
2008	11440	18,304,000	20,000,000	-			18,304,000

DR ROYALTIES PAYABLE ACCOUNT

CR

2005		2005	
Landlord	<u>20,000,000</u>	Manufacturing	<u>20,000,000</u>
2006		2006	
Landlord	<u>20,000,000</u>	Manufacturing	<u>20,000,000</u>
2007		2007	
Land lord	<u>22080,000</u>	Manufacturing	<u>22080,000</u>
2008		2008	
Landlord	<u>18304,000</u>	Manufacturing	<u>18,304,000</u>

DR LAND LORD ACCOUNT

CR

2005		2005	
Bank	20,000,000	Royalties payable	15,360,000
		Short working	<u>4,640,000</u>
	<u>20,000,000</u>		<u>20,000,000</u>
2006		2006	
Bank	20,000,000	Royalties payable	18560,000
		Short working	<u>1440,000</u>
	<u>20,000,000</u>		<u>20,000,000</u>
2007		2007	
Bank	21 936,000	Royalties payable	22,080,000
Recoupment	144,0000		
	<u>22,080,000</u>		<u>22,080,000</u>
2008		2008	
Bank	<u>18304,000</u>	Royalties payable	<u>18304,000</u>

<i>Dr</i>	<i>short working account</i>	<i>Cr</i>
2006		
<i>Landlord</i>	<u>4,640,000</u>	<i>Balance c d</i>
		<u>4,640,000</u>
2007		
<i>Balance bd</i>	4,640,000	<i>Profit and loss</i>
<i>Landlord</i>	<u>1,440,000</u>	<i>Balance cd</i>
	<u>6,080,000</u>	<u>1,440,000</u>
		<u>6,080,000</u>
2008		
<i>Balance bd</i>	<u>1,440,000</u>	<i>Landlord</i>
		<u>1,440,000</u>

3. solution

Stock valuation
Units purchased, = 10,000
Closing stock= 1300
FIFO
 $300 \times 58 = 17,400$
 $1000 \times 63 = 63,000$

Closing stock under FIFO = 80400

AVCO

Total purchases + opening stock

Units available for sale

$= \underline{568500} + 0$
 10000
 $= 56.85$
 $= 1300 \times 56.85$
 $= 73905$

Closing stock under AVCO = 73905

LIFO,
 CLOSING STOCK 1300
 $800 \times 60 = 48000$
 $500 \times 55 = 27500$

4. SOLUTION

Dr	Appropriation profit and loss account	Cr
Preference dividend	1750 v	Balance b/d
Ordinary share dividend	6000v	Net profit
General reserve	2500v	3000v
Balance c/d	2950 v	10200v

Balance sheet			
Shares	25,000v	Fixed assets	60,000v
Preference shares	60,000v	Less depreciation	<u>12000v</u>
General reserve	27,500v		48,000v
Profit and loss	2,950v		
Dividend	6,000v		
Creditors	<u>12,550v</u>	Current assets	<u>86,000v</u>
	<u>134,000</u>		<u>134,000</u>

0.58 v@17 total 10 marks

SECTION B

5. SOLUTION

1. LONGIDO COMPANY LTD
 QUARTARY CASH BUDGET FOR THE YEAR ENDED 31ST DECEMBER 2021

Details	JAN- MARCH	APR- JUNE	JULY- SEPT	OCT-DEC
Balance/(deficit)	750,000√	1,930,000√	1,390,000√	4,000,000√
Add: Receipts:				
Cash from customers/Sales	6,080,000√	7,400,000√	8,200,000√	7,600,000√

Van disposal (proceeds)			1,000,000√	
Total receipts:	6,830,000	9,330,000	10,590,000	11,600,000√
Less: Payments:				
Payment to creditors/Purchases	2,710,000√	4,400,000√	4,400,000√	4,600,000√
Equipment		750,000√		
Motor van		600,000√		
Salaries	1,080,000√	1,080,000√	1,080,000√	1,080,000√
Rent	80,000√	80,000√	80,000√	80,000√
Insurance	30,000√	30,000√	30,000√	30,000√
Sundries	1,000,000√	1,000,000√	1,000,000√	1,000,000√
Total expenses:	4,900,000√	7,940,000√	6,590,000√	7,510,000√
Balance/(deficit)	1,930,000√	1,390,000√	4,000,000√	4,090,000√

40 items @ 0.5 = 20 Marks

Workings:

Purchases

Details	JAN- MARCH	APR- JUNE	JULY- SEPT	OCT-DEC
December	310,000			
January	1,200,000			
February	1,200,000			
	2,710,000			
March		1,200,000		
April		1,600,000		
May		1,600,000		
		4,400,000		
June			1,600,000	
July			1,400,000	
August			1,400,000	
			4,400,000	
September				1,400,000
October				1,600,000
November				1,600,000
				4,600,000

Sales

	JAN- MARCH	APR- JUNE	JULY- SEPT	OCT-DEC

December	1,680,000			
January	2,200,000			
February	2,200,000			
March		2,200,000		
April		2,600,000		
May		2,600,000		
June			2,600,000	
July			2,800,000	
August			2,800,000	
September				2,800,000
October				2,400,000
November				2,400,000

6. SOLUTION

IN THE BOOK OF KOMANYA (HIRE VENDEE)

(a) DR		MACHINERY ACCOUNT		CR
01.07.2019 Hire vendor	<u>4,800,000</u> √	31.12.2019 Balance c/d		<u>4,800,000</u> √
01.01.2020 Balance b/d	<u>4,800,000</u> √	31.12.2020 Balance c/d		<u>4,800,000</u> √
01.01.2021 Balance b/d	<u>4,800,000</u> √	31.12.2021 Balance c/d		<u>4,800,000</u> √
01.01.2022 Balance b/d	<u>4,800,000</u> √	31.12.2022 Balance c/d		<u>4,800,000</u> √
01.01.2023 Balance b/d	<u>4,800,000</u> √			

(b) DR			HIRE VENDOR ACCOUNT		CR
01.07.2019 Instalment	Bank- 1 st	475,000√	01.07.2019 Machine		4,800,000√
01.10.2019 Instalment	Bank-2 nd	475,000√	01.07.2019 H.P Interest suspense		900,000√
31.12.2019 Balance c/d		<u>4,750,000</u> √			
		<u>5,700,000</u>			<u>5,700,000</u>
01.01.2020 Instalment	Bank- 1 st	475,000√	01.01.2020 Balance b/d		4,750,000√
01.04.2020 Instalment	Bank- 2 nd	475,000√			
01.07.2020 Instalment	Bank- 3 rd	475,000√			
01.10.2020 Instalment	Bank- 4 th	475,000√			
31.12.2020 Balance c/d		<u>2,850,000</u> √			

			<u>4,750,000</u>		<u>4,750,000</u>
01.01.2021 Instalment	Bank-	1 st	475,000√	01.01.2021 Balance b/d	2,850,000√
01.04.2021 Instalment	Bank-	2 nd	475,000√		
01.07.2021 Instalment	Bank-	3 rd	475,000√		
01.10.2021 Instalment	Bank-	4 th	475,000√		
31.12.2021 Balance c/d			950,000√		
			<u>2,850,000</u>		<u>2,850,000</u>
01.01.2022 Instalment	Bank-	1 st	475,000√	01.01.2022 Balance b/d	950,000√
01.04.2022 Instalment	Bank-	2 nd	475,000√		
			<u>950,000</u>		<u>950,000</u>

(c) DR HIRE PURCHASE INTEREST SUSPENSE ACCOUNT
CR

01.07.2019 Hire vendor	900,000√	31.12.2019 Income statement	150,000√
		31.12.2019 Balance c/d	750,000√
	<u>900,000</u>		<u>900,000</u>
01.01.2020 Balance b/d	750,000√	31.12.2020 Income statement	300,000√
		31.12.2020 Balance c/d	450,000√
	<u>750,000</u>		<u>750,000</u>
01.01.2021 Balance b/d	450,000√	31.12.2021 Income statement	300,000√
		31.12.2021 Balance c/d	150,000√
	<u>450,000</u>		<u>450,000</u>
01.01.2022 Balance b/d	150,000√	31.12.2022 Income statement	150,000√

Workings:

H.P price = 475,000 × 12 Instalments = 5,700,000

H.P interest = H.P price – Cash price
= 5,700,000 – 4,800,000 = 900,000

Interest is evenly distributed per instalment = 900,000/12 = 75,000

40 items @ 0.5 = 20 Marks

7. A. IN BOOKS OF MANUFACTURER

DR. CONTAINER STOCK ACCOUNT CR

DETAILS	QUANTITY	RATE	AMOUNT	DETAILS	QUANTITY	RATE	AMOUNT
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2022 opening stock :				Container kept	42,000	14	588,000
Godown	12,000	10	120,000	Container destroyed	200	-	-
Customer Purchases	6,000	10	60,000	Container sold	400		1,000
	60,000	10	600,000	Hiring charge	-	-	200,000
Container profit			363,000	Balance c/d			
				Godown	25,400	10	254,000
				Customer	10,000	10	100,000
	78,000		1,143,000		78,000		1,143,000

B. DR. CONTAINER SUSPENSE ACCOUNT CR

DETAILS	QUANTITY	RATE	AMOUNT	DETAILS	QUANTITY	RATE	AMOUNT
Returnable container	4,000	14	56,000	Balance b/d	6,000	14	84,000
Container kept	42,000	14	588,000	Container sent	50,000	18	900,000
Hiring charge			200,000				
Balance c/d	10,000	14	140,000				
	<u>56,000</u>		<u>984,000</u>		<u>56,000</u>		<u>984,000</u>

40 ICKS EACH 0.5 MARK TOTAL 20 MARKS

8.

Payroll Account:

40 x 4 = 160
 guaranteed base = 160.

$$1. 160 \times 720 = 115,200$$

$$2. 160 \times 660 = 105,600$$

$$3. 160 \times 750 = 120,000$$

$$4. 160 \times 660 = 105,600$$

overtime Premium
 1. $28 \times 1.5 \times \frac{720}{\text{hourly rate}} = 30,240$

2. $2 \times 1.5 \times \frac{660}{\text{hourly rate}} = 7,920$

3. $16 \times 1.5 \times \frac{750}{\text{hourly rate}} = 18,000$

4. Basic pay x overtime x feds

Gross pay = Basic Pay + Overtime + ~~allowance~~

$$1 = 115,200 + 30,240 = 145,440$$

$$2 = 105,600 + 7,920 = 113,520$$

$$3 = 120,000 + 18,000 = 138,000$$

$$4 = 105,600 + 0 = 105,600$$

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PAYE: Gross Pay
 20% on the amount in excess of 50,000 of GP

$$1. 145,440 - 50,000 = 95,440 \times 20\% = 19,088$$

$$2. 113,520 - 50,000 = 63,520 \times 20\% = 12,704$$

$$3. 138,000 - 50,000 = 88,000 \times 20\% = 17,600$$

$$4. 105,600 - 50,000 = 55,600 \times 20\% = 11,120$$

NET PAY

Gross Pay - Deduction (2 payments)

PPF:

$$1. \frac{2}{100} \times 115,200 = 2,304$$

$$2. 2\% \times 105,600 = 2,112$$

$$3. 2\% \times 120,000 = 2,400$$

$$4. 2\% \times 105,600 = 2,112$$

NET PAY

$$1. 145,440 * 0 - 19,088 - 2,304 = 124,048$$

$$2. 113,520 * 0 - 12,704 - 2,112 = 98,704$$

$$3. 138,000 * 0 - 17,600 - 2,400 = 118,000$$

$$4. 105,600 * 0 - 11,120 - 2,112 = 92,368$$