

QUESTION 2 **FINANCIAL ACCOUNTING AND** **(25 marks)**
THE ACCOUNTING PROCESS

PART A **MULTIPLE CHOICE** **(2 marks)**

1. Which of the following business has a separate legal and accounting entity?

- A. Sole trader.
- B. Company.
- C. Partnership.
- D. Unregistered Clubs

2. A motor vehicle worth \$5 000 was introduced by the owner into the business. Which two ledger accounts would be affected by this transaction?

- A. Motor vehicle and cash.
- B. Motor vehicle and creditor.
- C. Motor vehicle and capital.
- D. Motor vehicle and drawings.

PART B **Accounting Entities**

1. The features given below relate to the different types of business ownerships.

- (i) Owners have limited life and unlimited liability.
- (ii) Owners take all the risks such as losses, business failures and natural hazards.
- (iii) Owners sign an agreement to work together for a common purpose.
- (iv) Dividends are paid out to shareholders from year-end profit.

Required:

(a) Use the features given above and identify the business ownership in each case.

(4 marks)

(b) Define the following terms

- (i) Agreement
- (ii) Unlimited liability

(2 marks)

2. Study the information given in the table below and answer the questions that follow.

OWNER'S EQUITY	
Capital a/c–Tom	70 000
Capital a/c–Jerry	65 000
Current a/c–Tom	(10 000)
Current a/c–Jerry	15 000

- (a) Name the type of business ownership depicted above. **(1 mark)**
- (b) Outline **two** advantages and **one disadvantage** of this form of business ownership. **(3 marks)**
- (c) Identify a legal requirement for this kind of business ownership. **(1 mark)**
- (d) In relation to this type of business ownership, discuss what is capital account **(1 mark)**
- (e) Calculate the Total Owner's Equity for the above business. **(1mark)**

THE END