

**BA SANGAM COLLEGE**

**YEAR 11**

**ACCOUNTING**

**WORKSHEET 4**

**QUESTION 1**

**PERSONAL FINANCE**

**(9 Marks)**

A. P Prasad is employed as a school teacher and his fortnightly take-home pay is \$400. His wife Mere works for accountancy firm and earns \$250 a week. The Prasads plan to buy a block of land for \$15 000 for which they have to pay a deposit of \$2 500 and make monthly payments of \$400 for three years. P Prasad's father-in-law is willing to give them \$2 500 as deposit for the land.

Their expenses are as follows:

	\$
Rent	5 500 per annum
Food and Clothing	250 per fortnight
Electricity	100 per month
Telephone	45 per month
Entertainment	15 per week
Water rates	25 per month
Hire-purchase payment	30 per week
Travelling expenses	20 per week

**Required:**

- i. Prepare a monthly budget for P.Prasad and Mere.  
(Classify the expenses into variable and fixed expenses.) **(5 marks)**
- ii. Will the Prasad family afford to make the monthly payment for the land that they want to buy?  
State reason for your answer above. **(1 mark)**

**QUESTION 2****NATURE OF ACCOUNTING****(10 Marks)**

1. Differentiate between Internal and External Auditors **(1 mark)**
2. List two qualitative characteristics of accounting information. **(1 mark)**
3. Explain the function of the following;
  - i. Management accountants
  - ii. Auditors
  - iii. Cost accountants**(3 marks)**
4. Complete the table given below by writing the various users of the stated Accounting information for a particular business

<b>Accounting Information</b>	<b>Users</b>
1. The amount of cash required for daily expenses	
2. Credit worthiness of the business	
3. Net profit earned for the year	
4. Working hours and rate of pay	

**(2 marks)****5. Accounting Concepts****A.** Use the situation given below to identify which accounting concept has been followed.

- i).The business still records the original price of the car purchased 8 years ago for \$5 000 in the current balance sheet.
- ii).The owner records drawings for anything he uses from the business for personal reasons.
- iii).When the accountant prepares the balance sheet he makes sure all Assets equals Equities.
- iv).All the financial records are prepared keeping in mind that the business will continue operation in future.
- v). The life of the business is divided in equal parts (normally a year) to measure profits and prepare reports.
- vi). This system uses that for every transaction two accounts are affected, a debit entry will have a corresponding credit entry. **(3 marks)**

**QUESTION 3****FINANCIAL ACCOUNTING AND THE ACCOUNTING PROCESS****(25 Marks)****Part A****Business Ownership**

Study the **Figures 1 – 4** given below to answer the questions that follow.

**Figure 1**

CHANG'S MINI MART
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**Figure 2**

SANTA & BANTA BARISTERS & SOLICITORS
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**Figure 3**

FLOUR MILLS OF FIJI
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**Figure 4**

LAUTOKA NETBALL ASSOCIATION
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- (i) Name the type of business ownership shown in **Figures 1 – 4**. **(2marks)**
- (ii) State **one** advantage of running the type of business shown in **Figure 2**. **(1 mark)**
- (iii) Name the **two** important documents that should be filled while forming the type of business shown in the **Figure 3**. **(1mark)**
- (iv) What is the **main** source of revenue for the business entity shown in **Figure 4**? **(1 mark)**

**Part B****Accounting Equation**

Isimeli operates a Yaqona Supplies business. Given below is the financial position of his business as at 1<sup>st</sup> June, 2009.

Cash at Bank \$40 000	Delivery Van \$20 000	Yaqona Stock \$5 000
Accounts Receivables \$2 000	Accounts Payable \$7 000	Capital ?

The following transaction took place during the month of June, 2009.

- June 3 Bought delivery van for cash \$15 000
- 9 Bought yaqona from Highland Forest on credit \$1 500

- 11 Paid cartage to Seru for getting Yaqona \$50 cash
- 16 Sold Yaqona on credit to Maha Deo for \$200
- 21 Isimeli took Yaqona for his own use \$40
- 26 Mateo paid his account of \$200
- 29 Sold delivery van costing \$15 000 for \$10 000 cash
- 30 Paid Mesake \$1 450 and received \$50 discount

**Required :**

- a. Show the effects of the above transaction on the accounting equation of Isimeli.

**Note:** Isimeli uses physical method of inventory. **(10 marks)**

- b. Using the closing balance from the accounting equation above prepare the balance sheet of Yaqona Supplies as at 30th June,2014

**(2 marks)**