

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

Accounting Information	Users
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

Figure 2

SANTA & BANTA BARISTERS & SOLICITORS
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Figure 3

FLOUR MILLS OF FIJI

Figure 4

LAUTOKA NETBALL ASSOCIATION

- (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 1st 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)