



HOW TO PASS EXAMINATIONS IN **ACCOUNTING**

QUESTIONS **&** **(SUGGESTED) ANSWERS**

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DEDICATION

Dedicated to God who made
impossibility, possible.

ACKNOWLEDGMENT

Thanks are due to the examining bodies who have given their permission for their question to be reproduced in this book.

Although every care has been taken to make the suggested answers accurate, it must be made clear that the responsibility for them is the author's and his alone. The answers have not been approved by the examination authorities to whose questions they relate:

I am sincerely very grateful to Mr. Chris Ejiofor of DIMAPS- the Battery People, the Consultant- In- Chief for his spiritual and material support without which this book would not have seen the light of the day.

PREFACE

There are a large number of students who take examinations each year in ACCOUNTANCY and not surprisingly it is a subject in which text books abound. In addition there are yearly adding books all over the world for the general reader and practitioner. (The writer himself is responsible for two other books on Accountancy). The purpose of this book and indeed the New series is not to duplicate what others have done, but to start from the premise that in professional examinations each year over 80% fail, in spite of the ample supply of Textbooks. The question arises why do candidates find Accountancy a difficult subject? In the writer's view, there are two main reasons:

1. Accountancy is based on an arbitrary system of laws many of them archaic, which defy the application of logic.
2. Lack of full preparation and lack of basic understanding of the rudiment.

The intention of this short book is to aid the candidates in passing the examination by taking a hard look in recent examination questions, producing suggested solutions and pinpointing the principles which the examiner was trying to test. The idea is to make students "Account minded" or the American would put it teach them "auditorsmanship" as are of the areas of Accounting suggested. Again, the analogy of driving a motor car seem relevant. A qualified driver changes gear automatically and stop at cross roads automatically etc. What the writer is trying to do is to stress the automatic, reaction which are necessary to do Accounts Computations speedily and correctly, and to enable the reader by learning this method to pass the examination more easily.

A useful companion volume for reader of this book is the latest series of PRINCIPLES of FINANCIAL ACCOUNTING by the same author (published by Macdonald and Evans)

This series on how to Pass Examinations in Accounting, is meant for those preparing for Professional Examinations, such as: ATS I, II, AND III, Intermediate, Professional I and those reading for Accountancy Examinations in Universities. Those preparing for Diploma Examinations are not left out.

TABLE OF CONTENTS

GENERAL INTRODUCTION

IN THE EXAMINATION ROOM

ACCOUNTING THEORY

Example	1	-	3
Example	2	-	4
Example	3	-	5
Example	4	-	7
Example	5	-	8
Example	6	-	8
Example	8	-	13
Example	29	-	84
Example	35	-	108
Example	40	-	127
Example	42	-	132
Example	43	-	134

PROVISION FOR BAD DEBT ACCOUNT

Example	7	-	11
---------	---	---	----

DEPRECIATION

Example	9	-	15
Example	21	-	51
Example	22	-	53

FINAL ACCOUNTS

Example	10	-	17
Example	16	-	33
Example	17	-	38
Example	25	-	67
Example	26	-	72
Example	32	-	93
Example	33	-	99

Example	35	-	108
Example	36	-	114
Example	37	-	117

PARTNERSHIP ACCOUNT

Example	12	-	21
Example	15	-	27
Example	44	-	136
Example	45	-	140
Example	46	-	144

BANK RECONCILIATION ACCOUNT

Example	13	-	24
Example	29	-	84
Example	30	-	88
Example	31	-	90

COMPANY ACCOUNT

Example	18	-	43
Example	24	-	62

CONTROL ACCOUNT

Example	19	-	46
Example	29	-	84
Example	33	-	99
Example	43	-	134

RECEIPT AND PAYMENT ACCOUNT, AND INCOME AND EXPENDITURE ACCOUNT

Example	7	-	11
Example	14	-	26
Example	26	-	72
Example	27	-	76
Example	28	-	81

INSURANCE CLAIMS

Example	32	-	93
---------	----	---	----

SUSPENSE ACCOUNT

Example	39	-	123
---------	----	---	-----

STOCK VALUATION ACCOUNT

Example	41	-	130
---------	----	---	-----

GENERAL INTRODUCTION

The aim of this series is to provide tutorial books that will help students pass their examinations by showing them how to tackle problems in their subjects.

To spotlight the essential concepts in a subject and deal with those aspects that gives most troubles to students. They provide not only the answers, but where necessary, the reasoning behind them. More importantly, they point out the way to the solutions of similar problems.

It is assumed that the students will also possess textbook for the background information and further reflection and practice.

The books should be useful both to the private student working on his own, with or without a correspondence course, and to the college students, for use in class and private revision. Every subject has its special language, its approach to problems, its mode of thought. By studying a book which highlights the essentials, the student will quickly learn to master the examination techniques required by the subject.

The author do not set out to give "Model" or perfect answers to descriptive questions, or to explore every possible aspect of a question. To do so would be impossible within the time-limits imposed by an examination. The aim has been to provide the sort of answer, examiners look for but rarely find: the answer in which the essential points are stressed and the irrelevant, or even in some cases, subsidiary points are omitted.

The commentaries and notes that go with the question should be carefully studied. If the student does not understand them, he should go back and cover the relevant section of the syllabus again. At a later stage it may be helpful to attempt the questions himself and compare the result with the original answer. During the pre-examination revision period, questions should be practiced within the time-limits allowed in the examination. In this way self-confidence can be built up and the technique assimilated. Reading a book, although helpful, is not enough: to succeed, hard work and constant practice is required.

IN THE EXAMINATION ROOM

1. Relax. Take a few deep breaths.
2. Read the examination paper through twice. Pay particular attention to the instructions: how many questions you have to answer, and which are compulsory.
3. Decide how much time you can afford to give each question, including time at the end for quick revision.
4. If there is a choice of questions, select those you intend to answer.
5. Unless instructed otherwise, you do not have to answer questions in the order set. Choose the easiest question and do that first BUT always answer any compulsory questions early on.
6. Answer all questions asked for . If you run short of time, give a skeleton answer rather than no answer at all: remember that no answer means no marks.

There are points to observe in planning the writing of the paper as a whole. There are however some points to bear in mind while answering each question:-

1. Read the question carefully and decide exactly what the examiner requires you to do. Ask yourself why he has set the question in the words. Be sure you answer the question that has been set. Please, do not set questions for yourself in the examinations. These have happened in the past.
2. Plan your answers. Make brief notes of the points you must cover on scrap paper before you begin. Further ideas may occur to you as you write, but you should have a clear idea of the general structure of the answer before hand.
3. Write concisely. Keep to the point: a good, short answer will score far more marks than a long, rambling one. Padding wastes valuable time and help no one.
4. Write legibly and neatly. This is particularly important in figure work. The examiner cannot and will not give you credit for work if he can not read it.

EXAMPLE NO.1

Distinguish carefully between each of the following terms:

- | | | |
|-----|---|-----------|
| (a) | Revenue and receipts | (4 marks) |
| (b) | Capital expenditure and Revenue expenditure | (4 marks) |
| (c) | Accrual and pre-payment | (4 marks) |
| (d) | Debit and Credit | (2 marks) |
- (TOTAL 14marks)

SUGGESTED ANSWER NO.1

- (a) Revenue is the aggregate exchange value received in exchange for the supply of goods or services marked by the increase of an asset - normally debtors or cash. A receipt is the inflow of cash into a business.
- (b) Capital expenditure is the outflow of funds to acquire an asset which will yield future benefits to the business for a period longer than one year. Revenue expenditure is the out-flow of funds to meet the running expenses of the business, the benefit from which is consumed in the accounting period in which it is spent.
- (c) An accrual represents a benefit consumed during a period for which no payment has been made. e.g. The consumption of electricity for which no account has been recovered and paid. A pre-payment represents that proportion of expenditure which will provide a benefit in future accounting period. e.g. The payment of rent in advance, part of which will be announced during an accounting period, but part of which will provide a benefit for a future accounting period.
- (d) The words Debit and Credit - these are abbreviations for Debit and Credit "DR" and "CR". These terms were handed down to us from the time of the Renaissances.

Latin roots are Debtors - to won and "Credit to trust". The system was developed by the Merchants and banking Houses of Northern Italy.