

Time allowed: 90 minutes

Question 1:

Explain any **five** of the following concepts of accounting

1. Business entity concept
2. Going concern concept
3. Dual aspect concept
4. Money measurement concept
5. Cost concept
6. Accrual concept
7. Realization concept

[5x6= 30 marks]

Question 2:

On 1.1.2001 the following assets were bought by the firm:

One van at \$ 50,000 and one machine at \$20,000

The firm policies for depreciation are as following:

- Van: Straight line method at a fixed rate of 20 % per annum
- Machine: Reducing balance method at a fixed rate of 20% per annum

Show Van accounts, Machine account, Provision for Depreciation account for each asset, Profit and Loss accounts, and Balance Sheets for the effect for **two years** ended at 31.12.2001 and 31.12.2002

[40 marks]

Question 3:

The following transaction took place in respect of an item of material:

DATE	QUANTITY RECEIVED	RATE	QUANTITY ISSUED
28 March 2003	200	2.0	
21 May 2003	250	2.4	
4 June 2003			300
10 August 2003	150	2.6	
5 September 2003			250

Show the store ledger for the above transactions using:

1. First in first out (FIFO) method
2. Last in first out (LIFO) method
3. Average cost method

[30 marks]

Answers

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- i) UGoing Concern: This assumes that the business is going to continue to operate for the foreseeable future, and therefore assets will be available for use in future accounting period.
- ii) Accruals: When preparing the profit and loss account, revenue and profits are matched with the associated costs and expenses incurred in earning them. This means that revenues and expenses are recognized when they are incurred, rather than when the related cash is received or paid.
- iii) Money Measurement: only those events and situations that can be reasonably objectively measured in money terms are recorded.
- iv) Dual Aspect: This is the basis of double-entry bookkeeping, in that every transaction has two effects, the end result of which is that assets equal liabilities and capital (the accounting equation).
- v) Business entity: A business is a separate entity from its owners. Transactions of a business are recorded as they affect the business, not as they affect the owner. (OK)
- vi) Cost concept: the assets are recorded at the price paid to acquire it, that is "at cost".
- vii) Realization concept: this states that profit is only earned when there is a legal right to receive the revenue.

Question 2:**Answer Question 8 <Exam 01/03> (se chua trong lop T7)**

On 1st January 2001:

Van at \$50,000

Rate of 20% per annum, calculated on a straight line basis.

Depreciation for 1 year is: \$50,000 * 20%= \$10,000

Machine at \$20,000

Rate of 20% per annum, calculated using the Reducing Balance Method.

2001	Cost of Machine	20000
	Less Depreciation 20%	4000
2002	NBV of Machine	16000
	Less Depreciation 20%	3200
2003	NBV of Machine	12800

Van Account

01/01/2001	Bank	<u>50000</u>	31/12/2001	Bal b/d	<u>50000</u>
		<u>50000</u>			<u>50000</u>
01/01/2002	Bal c/d	<u>50000</u>	31/12/2002	Bal b/d	<u>50000</u>
		<u>50000</u>			<u>50000</u>
01/01/2003	Bal c/d	<u>50000</u>			

Machine

01/01/2001	Bank	<u>20000</u>	31/12/2001	Bal b/d	<u>20000</u>
		<u>20000</u>			<u>20000</u>
01/01/2002	Bal c/d	<u>20000</u>	31/12/2002	Bal b/d	<u>20000</u>
		<u>20000</u>			<u>20000</u>
01/01/2003	Bal c/d	<u>20000</u>			

Provision for Depreciation of Van Account

31/12/2001	Bal b/d	<u>10000</u>	31/12/2001	P&L A/C	<u>10000</u>
		<u>10000</u>			<u>10000</u>
31/12/2002	Bal b/d	<u>20000</u>	01/01/2002	Bal c/d	<u>10000</u>
		<u>20000</u>	31/12/2002	P&L A/C	<u>10000</u>
					<u>20000</u>
			01/01/2003	Bal c/d	<u>20000</u>

Provision for Depreciation of Machine Account

31/12/2001	Bal b/d	<u>4000</u>	31/12/2001	P&L A/C	<u>4000</u>
		<u>4000</u>			<u>4000</u>
31/12/2002	Bal b/d	<u>7200</u>	01/01/2002	Bal c/d	<u>4000</u>
		<u>7200</u>	31/12/2002	P&L A/C	<u>3200</u>
					<u>7200</u>
			01/01/2003	Bal c/d	<u>7200</u>

Profit and Loss Account for the year ended 31/12/2001

		\$	\$
Provision for depn	Van	10000	
	Machine	<u>4000</u>	14000

Profit and Loss Account for the year ended 31/12/2002

		\$	\$
Provision for depn	Van	10000	
	Machine	<u>3200</u>	13200

Balance Sheet at 31/12/2001

	\$	\$	\$
Fixed Assets:	Cost	Acc. Depn	NBV
Van	50000	10000	40000
Machine	<u>20000</u>	<u>4000</u>	<u>16000</u>
Total	<u>70000</u>	<u>14000</u>	56000

Balance Sheet at 31/12/2002

	\$	\$	\$
Fixed Assets:	Cost	Acc. Depn	NBV
Van	50000	20000	30000
Machine	<u>20000</u>	<u>7200</u>	<u>12800</u>
Total	<u>70000</u>	<u>27200</u>	42800

Question 3:

FIFO

Date	Receipt			Issues			Closing stock balance		
	Quantity	unit cost	Total	Quantity	unit cost	Total	Quantity	unit cost	Total
28/3	200	2	400				200	2	400
21/5	250	2.4	600				200	2	400
							250	2.4	600
4/6				200	2	400	150	2.4	360
				100	2.4	240			
10/8	150	2.6	390				150	2.4	360
							150	2.6	390
5/9				150	2.4	360	50	2.6	130
				100	2.6	260			

LIFO

Date	Receipt			Issues			Closing stock balance		
	Quantity	unit cost	Total	Quantity	unit cost	Total	Quantity	unit cost	Total
28/3	200	2	400				200	2	400
21/5	250	2.4	600				200	2	400
							250	2.4	600
4/6				250	2.4	600	150	2	300
				50	2	100			
10/8	150	2.6	390				150	2	300
							150	2.6	390
5/9				150	2.6	390	50	2	100
				100	2	200			

Average cost

Date	Receipt			Issues			Closing stock balance		
	Quantity	unit cost	Total	Quantity	unit cost	Total	Quantity	unit cost	Total
28/3	200	2	400				200	2.0	400.0
21/5	250	2.4	600				450	2.2	1000.0
4/6				300	2.2	666.7	150	2.2	333.3
10/8	150	2.6	390				300	2.4	723.3
5/9				250	2.4	602.8	50	2.4	120.6