



ASSOCIATESHIP EXAMINATION
LEVEL 1
INTRODUCTION TO ACCOUNTING
[OLD SYLLABUS]
APRIL 2025

N.B.

1. Read carefully the instructions on the cover of the answer booklet.
2. The total number of questions in this paper is **SEVEN**.
3. Answer a total of **FIVE** questions.
4. Answer Question 1 in **SECTION A** and **FOUR** other questions; at least **ONE** from **SECTION B** and at least **TWO** from **SECTION C**. **Candidates must satisfy the examiner in Question 1 by achieving a minimum of 10 marks to pass the paper as a whole.**
5. Calculators, [silent non-programmable only] may be used in this examination. Whether candidates use them or not, it is essential to show the basic calculations from which their answers are derived.
6. Time allowed: **THREE HOURS**
7. An additional **15 minutes of reading time** is allowed at the beginning of the examination when candidates may write on this paper but **NOT** in the answer booklet.
8. Candidates must ensure that they answer questions in the appropriate answer booklets and **NOT** on loose sheets which may be used only as supplementary papers. Answers on such sheets will be cancelled if not appropriately used.
9. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOKLET.**
10. **DO NOT OPEN THIS QUESTION PAPER UNTIL INSTRUCTED TO DO SO.**

SECTION A - COMPULSORY

QUESTION 1

The following balances appeared in the books of Thy Grace Ent. on 1st December 2022.

Cash on hand	GH¢180,000
Cash at bank	GH¢300,000

During the month of December 2022, Thy Grace Ent. carried on the following transactions:

Dec. 1 Purchased goods from Long Life Ent. on credit for GH¢75,000.

Dec. 3 Returned goods to Long Life Ent. amounting to GH¢9,000.
Paid Long Life Ent. a cheque of GH¢60,000 (after a discount of GH¢6,000)

Dec. 5 Purchased goods on credit from Opana Ent. amounting to GH¢40,000.
Sold goods on credit to Tsikpi Ent. for GH¢55,000.

Dec. 6 Paid Opana Ent. by cash amounting to GH¢25,000.

Dec. 7 Purchased goods on credit from God is Good Ltd. for GH¢48,000.

Dec. 8 Paid God is Good Ltd. by cash of GH¢35,000.
Goods returned from Tsikpi Ent. amounting to GH¢5,000.

Dec. 9 Received cheque from Tsikpi Ent. GH¢48,000 (after a discount of GH¢2,000)

Dec. 12 Purchased goods on credit from Agyei Ltd. for GH¢44,000.

Dec. 12 Returned goods to Agyei Ltd amounting to GH¢4,000.

Dec. 12 Paid Agyei Ltd by cheque of GH¢30,000.

Dec.15 Sold goods on credit to Kojokrom Ent. amounting to GH¢50,000.

Dec. 15 Goods returned by Kojokrom Ent. amounting to GH¢5,000

Dec. 15 Paid cash to Opana Ent. amounting to GH¢15,000.

Dec. 16 Received cash from Kojokrom Ent. for GH¢25,000.

Dec. 20 Paid GH¢100,000 from cash on hand into bank account.

Dec. 23 Sold goods on credit to Zrugaloo Ltd. for GH¢40,000.

Dec. 24 Received cash from Zrugaloo Ltd. in the sum of GH¢30,000.

Dec. 25 Sold goods on credit to Agbenaa Ent. amounting to GH¢35,000.

Dec. 26 Received cheque from Agbenaa Ent. amounting to GH¢17,000.

Dec. 31 Bought on credit a Motor Van from CFAO Ltd. for GH¢189,500.

Dec. 31 Paid rent by cheque amounting to GH¢55,000.

Dec. 31 Paid for stationery by cheque for GH¢18,000.

Dec. 31 Paid wages by cheque in the sum of GH¢27,000.

Dec. 31 Purchased Office Cabinet on credit from Macben Equip. Ltd. for GH¢185,000.

Required:

- (a) Enter the above transactions in the appropriate books of original entry.
- (b) Make postings from the books of original entry into the ledgers.
- (c) Extract a Trial Balance as at 31st December 2022.

SECTION B – ANSWER AT LEAST ONE (1) QUESTION FROM THIS SECTION

QUESTION 2

- (a) Write Short notes on the following accounting concepts.
 - i. Dividends
 - ii. Matching Concept
 - iii. Going Concern Concept
 - iv. Return on Capital Employed
 - v. Straight Line Method of Depreciation

(10 marks)
 - (b) State FIVE (5) advantages and FIVE (5) disadvantages for running a business through a Company other than Partnership or Sole Proprietorship.

(10 marks)
- [Total: 20 marks]**

QUESTION 3

- (a) Describe the Budget preparation process for Corporate Organisations.

(10 marks)
- (b) List three (3) advantages and two (2) disadvantages of Activity-Based Budgeting.

(10 marks)

SECTION C – ANSWER AT LEAST TWO (2) QUESTIONS FROM THIS SECTION**QUESTION 4**

Kofi Abrebrese decided on July 1, to invest his insurance compensation of GHS4million in a retail business to buy and sell secondhand shovels. The following transactions took place from the month to December.

Purchases			Sales		
Date	Quantity	Cost (GHS)	Date	Quantity	Cost (GHS)
July 5	200	720,000	August 2	500	2,500,000
August 1	400	1,520,000			
September 3	600	2,400,000			
October 4	400	1,400,000	October 12	600	2,700,000
December 7	500	1,400,000	December 12	400	1,500,000

You are required to:

Calculate the cost of shovels issued during the period and the value for the shovel on hand on December 31 using the Last In First Out (**LIFO**) Method. **[Total: 20 marks]**

QUESTION 5

As a Loan Officer for ABUSUA Bank, the financial statements below has been submitted for a loan of GHS 500,000.00.

OSEBO ENTERPRISE		
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022		
	2022 GHS	2021 GHS
NON-CURRENT ASSETS		
Property, Plant and Equipment	58,620.00	65,320.00
Total Non-Current Assets	58,620.00	65,320.00
CURRENT ASSETS		
Accounts Receivable	45,230.00	35,912.50
Taxation	36,644.00	27,644.00
Deferred Tax Asset	790.00	1,079.25
Cash and Cash Equivalent	2,350.00	1,350.00
Total Current Assets	85,014.00	65,985.75
TOTAL ASSETS	143,634.00	131,305.75

LIABILITIES AND SHAREHOLDERS' EQUITY**NON-CURRENT LIABILITIES**

15% Loan Notes	103,092.00	68,005.75
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CURRENT LIABILITIES

Account Payable	100,817.00	15,000.00
Accrued Expenses	758.00	650.00
Total Liabilities	204,667.00	83,655.75

SHAREHOLDERS' EQUITY

Stated Capital	2,000.00	2,000.00
Shareholders' Account	(119,233.00)	13,650.00
Retained Earnings	56,200.00	32,000.00
Total Shareholders' Equity	(61,033.00)	47,650.00
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	143,634.00	131,305.75

OSEBO ENTERPRISE**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31st DECEMBER 2022**

	2022	2021
	GHS	GHS
Income	872,453.00	637,345.72
Direct Cost	(562,307.00)	(345,764.00)
Gross Profit	310,146.00	291,581.72
Administration Expenses	(266,411.20)	(273,685.78)
Net profit before interest and taxes	43,734.80	17,895.94
Finance Cost	(15,463.80)	(10,200.86)
Net Profit /(Loss) Before Tax	28,271.00	7,695.08
Taxation - Corporate Tax	(3,781.50)	(3,230.00)
Taxation - Deferred Tax	(289.50)	(340.75)
Profit After Taxation	24,200.00	4,124.33

RETAINED EARNINGS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2022

1st January 2022	32,000.00	27,875.67
Net Profit for the Year	24,200.00	4,124.33
31st December 2022	56,200.00	32,000.00

Using the financial information above, compute the following Accounting Ratios for the years 2022 and 2021.

- Return on Capital Employed
- Debtor Period
- Creditor Period
- Gross Profit Margin
- Interest Cover

[Total: 20 marks]

QUESTION 6

A company makes a single product that it sells at GHS 80 per unit. The total fixed costs are GHS 360,000 for the period, and the Contribution/Sales Ratio is 60%. Budgeted Production and Sales for the period is 8,000 units.

You are required to:

- Calculate the Margin of Safety for the period as a percentage of Budgeted Sales. **(12 marks)**
- Define “Contribution”. **(3 marks)**
- State five (5) assumptions underlying Cost Volume Profit Analysis. **(5 marks)**

[Total: 20 marks]

QUESTION 7

- In Financial Accounting, there is a distinction between ‘reserves’ and ‘provisions’ and between ‘accrued expenses’ and ‘creditors’.

You are required to:

Briefly define each of the four (4) terms quoted and explain the effects of each on the preparation of accounts. **(8 marks)**

- While preparing the final accounts for the year ended 31st December 2022, the Accountant of Agyapa Limited had to deal with the following matters:

- (i) The Factory building was being repaired. The contractors had started work in August but were unlikely to finish before the end of January 2023. The total cost would not be known until after completion. Cost of work carried out to 31st December 2022 was estimated at GHS221,000.
- (ii) The company rented a sales showroom from SSNIT Rentals at a rental of GHS60,000 per annum payable half yearly in arrears on 1 August and 1 February of each year.
- (iii) On 3rd January 2023 an invoice was received for GHS22,500, less a trade discount of 30 percent, from God is Good Ltd for goods for resale supplied during December 2022.
- (iv) The Directors of Agyapa Limited have decided that an annual amount of GHS50,000 should be set aside, starting with the year ended 31st December 2022, for the purpose of plant replacement.

You are required to:

State the Accounting Treatment which should be accorded to each of the above matters in the Agyapa Limited's Income Statement for the year ended 31st December 2022 and the Statement of Financial Position as at that date. **(12 marks)**

[Total: 20 marks]