



**CHARTERED INSTITUTE OF BANKERS (GHANA)**

**ASSOCIATESHIP EXAMINATIONS – LEVEL 1**

**INTRODUCTION TO ACCOUNTING**

**OCTOBER 2022**

**N.B.**

1. Read carefully the instructions on the cover of the answer book.
2. Answer a total of **FIVE** questions.
3. Answer 1 question from **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.
4. 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.
5. Time allowed: **THREE HOURS**.
6. 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 book.
7. The total number of questions in this paper is **SEVEN**.
8. Candidates must ensure that they answer questions in the appropriate answer book and **NOT** on loose sheets which are used only as supplementary paper. Answers on such sheets will be cancelled.
9. **DO NOT WRITE YOUR NAME ON THE ANSWER BOOK.**
10. **DO NOT OPEN THIS PAPER UNTIL INSTRUCTED TO DO SO.**

## SECTION A

### Question 1

The following trial balance was extracted from the ledger of Kolikoli Enterprise as at 31/12/21.

	<b>Dr</b>	<b>Cr</b>
	<b>GH¢000</b>	<b>GH¢000</b>
Buildings at cost	750,000	
Plant at cost	350,000	
Provision for depreciation as at 1/1/2021		
On buildings		100,000
On plant		190,000
Purchases and sales	2,250,000	3,022,000
Stocks 01-01-2021	250,000	
Discounts	40,000	24,000
Returns	11,000	75,000
Wages and salaries	294,000	
Bad debts written off	23,000	
Other expenses	114,000	
Debtors and creditors	190,000	180,000
Bank and Cash	8,000	
Drawings	20,000	
Provision for doubtful debts		2,500
Capital		706,500
	<b>4,300,000</b>	<b>4,300,000</b>

The following additional information is also made available:

- a) Stocks at 31/12/2021 were valued at GH¢ 210,000,000
- b) Wages and salaries accrued amounted to GH¢ 4,000,000
- c) Other expenses prepaid amounted to GH¢ 1,500,000
- d) Provision for doubtful debts is to be made at 2% of debtors at 31/12/2021
- e) Depreciation for the year is to be provided as follows:
  - Buildings 2% on cost
  - Plant 25% reducing balance method

You are required to prepare the following:

- i. Income Statement for the year ended 31/12/2021; and
- ii. Statement of Financial Position as at 31/12/2021

**[20 marks]**

## SECTION B

### Question 2

- (a) Explain the following accounting concepts
- i. Going Concern concept
  - ii. Accruals Concept
  - iii. Prudence Concept
  - iv. Materiality Concept
  - v. Substance over form
- (10 marks)**
- (b) Briefly explain the five elements of financial statements.
- (10 marks)**
- [Total: 20marks]**

### Question 3

- (a) State three (3) purposes of accounting information.
- (6 marks)**
- (b) Identify four (4) users of accounting information and explain their information needs.
- (10 marks)**
- (c) Define the following.
- Trial Balance
  - Bank Reconciliation Statement
- (4 marks)**
- [Total: 20 marks]**

### Question 4

The Bank Statement of Donfa Ltd for the month of July 2022 is reproduced below:

February	Dr	Cr	Balance
	GH¢000	GH¢000	GH¢000
1	Balance b/d		(779,550)
8	K Adusah	18,300	(797,850)
16	Cheque	36,600	(761,250)
21	Kakra	31,200	(792,450)
22	Cheque	49,950	(742,500)
28	Bongoman-trade's credit	8,550	(733,950)

28	Standing Order-Employers' Association		(733,950)
		7,350	(741,300)
28	Bank charges	4,200	(745,500)

The Cash Book for the same Company also showed the following record for the same period.

**Cash Book (Bank Column only)**

Date	Particulars	Bank GH¢000	Date	Particulars	Bank GH¢000
Feb. 16	Abotre Ent.	36,600	1	Balance b/d	779,550
22	K. Abebrese	49,950	4	K. Adusah	18,300
28	K. Boni	24,000	25	Kakra	31,200
28	Balance c/d	<u>792,000</u>	25	Okanididi Ent.	<u>73,500</u>
		<u>902,550</u>			<u>902,550</u>

From the above records you are required to:

- Prepare the adjusted cash book **(5 marks)**
  - Reconcile the bank statement with the Cash Book **(5 marks)**
  - State five reasons why the balance of the Cash Book may not be the same as the balance of the bank statement. **(10 marks)**
- (Total: 20 marks)**

**Question 5**

Using the financial information below, compute the following accounting ratios for the years 2020 and 2021

- Net Profit/(Loss) Margin
- Asset Turnover
- Return on Capital Employed
- Debt to Equity Ratio
- Receivable Collection Period

**(Total: 20 marks)**

**AGN COMPANY LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR**  
**ENDED 31<sup>ST</sup> DECEMBER 2021**

	2021	2020
	GH ¢	GH ¢
<b>Sales</b>	<b>5,945,975</b>	<b>2,466,948</b>
Cost of Sales	(5,690,168)	(2,222,661)
<b>Gross Profit</b>	<b>255,807</b>	<b>244,287</b>
Other Income	187,858	-
Administration Expenses	(840,942)	(743,454)
Distribution Expenses	(35,418)	-
<b>Profit/(Loss) Before Interest &amp; Tax</b>	<b>(432,695)</b>	<b>(499,167)</b>
Finance Cost	(165,932)	-
<b>Net Profit /(Loss) Before Tax</b>	<b>(598,627)</b>	<b>(499,167)</b>
Taxation	-	-
<b>Profit/(Loss) After Taxation</b>	<b>(598,627)</b>	<b>(499,167)</b>

**RETAINED EARNINGS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2021**

	2021	2020
	GH ¢	GH ¢
1 <sup>st</sup> January	(499,167)	-
Net Profit/(Loss) for the Year	(598,627)	(499,167)
31 <sup>st</sup> December	<b>(1,097,794)</b>	<b>(499,167)</b>

**AGN COMPANY LIMITED**  
**STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2021**

	2021	2020
	GH ¢	GH ¢
<b>NON CURRENT ASSETS</b>		
Property, Plant and Equipment	376,237	136,600
<b>Total Non Current Assets</b>	<b>376,237</b>	<b>136,600</b>
<b>CURRENT ASSETS</b>		
Inventories	2,413,383	1,920,452
Trade Receivables	489,162	310,682
Taxation	17,223	8,970
Cash and Cash Equivalent	797,585	293,406
<b>Total Current Assets</b>	<b>3,717,353</b>	<b>2,533,510</b>
<b>TOTAL ASSETS</b>	<b>4,093,590</b>	<b>2,670,110</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY****CURRENT LIABILITIES**

Accounts Payable	3,792,030	1,570,073
<b>Total Liabilities</b>	<b>3,792,030</b>	<b>1,570,073</b>

**SHAREHOLDERS' EQUITY**

Stated Capital	1,399,354	1,399,354
Director's Account	-	199,850
Retained Earnings	(1,097,794)	(499,167)
<b>Total Shareholders' Equity</b>	<b>301,560</b>	<b>1,100,037</b>

**TOTAL LIABILITIES AND  
SHAREHOLDERS' EQUITY**

<b>4,093,590</b>	<b>2,670,110</b>
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**Question 6**

- a. Briefly explain the following concepts used in Accounting:
- Depreciation
  - Depreciable amount
  - Net book value
  - Straight line depreciation
  - Reducing balance depreciation

**(10 marks)**

- b. The Managing Director of Agana Limited located at the Manya Krobo Municipality is uncomfortable with the impasse between the Municipality and the Electricity Company of Ghana. As such she decided to install solar equipment for her company. She purchased the equipment on 4<sup>th</sup> July 2021 at a cost of GH¢ 520,000. The estimated useful life of the asset is 10 years with a residual value of GH¢ 35,000. The company's policy is to provide for a full year's depreciation regardless of the date of purchase.

You are required to:

- Compute the rate of depreciation for the solar equipment using the straight-line method  
**(2 marks)**
- Compute the depreciation for the year 2021 using the straight-line method  
**(4 marks)**
- Compute the Net present value of the asset as at 31<sup>st</sup> December 2021  
**(4 marks)**

**(Total: 20 marks)**

### Question 7

- a. Cost-volume-profit (CVP) analysis is a technique available to management for use to better understand the inter relationship of several factors which affect a firm's profit. As with many such techniques, the accountant oversimplifies the real world by making certain assumptions.

Mention five major assumptions underlying CVP analysis

**(10 marks)**

- b. A company makes a single product that has a variable cost of sales of GH¢12 and selling price of GH¢20 per unit. Budgeted fixed cost is GH¢450,000.

i. Compute the Contribution/sales ratio.

**(2 marks)**

ii. What is the volume of sales required to break even?

**(4 marks)**

iii. What is the value of sales required to break even?

**(4 marks)**

**(Total: 20 marks)**