

**ACCOUNTING 3**  
**705**

**CAMEROON GENERAL CERTIFICATE OF EDUCATION BOARD**

General Certificate of Education Examination

**JUNE 2015**

**ADVANCED LEVEL**

Subject Title	<b>ACCOUNTING</b>
Paper No./Title	<b>Paper 3 - Financial Accounting</b>
Subject Code No.	<b>705</b>

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**THREE HOURS**

**Answer five questions. Choosing THREE from Section A and TWO from Section B**

Official OHADA accounting plans are allowed.

**In calculations, you MUST show all steps in your workings.**

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**SECTION A**  
*Answer Any Three Questions*

1. BABIS Company Ltd was created with just two fixed assets: deferred charges and buildings. Over the years the company has acquired other fixed assets. The information in Appendix I concern the fixed assets of the company after inventory on 31/12/2012 and it is to be used to answer the questions below:

**Required:**

- (a) Determine the date of creation of the company. (3 marks)  
 (b) Complete **Appendix I**. (8 marks)  
 (c) Calculate the depreciation to be charged for each fixed asset for the year ended 31/12/2012. (7 marks)  
 (d) Record the depreciation for deferred charges for the year ended 31/12/2012. (2 marks)  
 (Total = 20 marks)

2. The following trial balance has been extracted from the records of MEAL WALL Limited as at 31<sup>st</sup> December, 2013:

	000 FCFA	000FCFA
Revenue		30,780
Purchases	17,180	
Inventory at 1 <sup>st</sup> January 2013	2,890	
Distribution costs	3,040	
Administrative expenses	2,240	
Land at valuation 1 <sup>st</sup> January 2013	21,840	
Building at re valued amount	16,000	
Accumulated depreciation for Building at 1 <sup>st</sup> January 2013		4,430
Factory plant and equipment at cost	26,640	
Accumulated depreciation for Factory plant and equipment at 1 <sup>st</sup> Jan. 2013		5140
Warehouse plant and equipment at cost	2,400	
Accumulated depreciation for Warehouse plant and equipment at 1 <sup>st</sup> Jan. 2013		1,040
Trade receivables and payables	8,520	4,660
Cash at bank	800	
Ordinary shares of 1 FCFA each		28,000
Debenture interest	120	
Dividends	300	
Share premium account		6,000
Retained earnings		9,320
Revaluation reserve		6,700
Bank interest	60	
Long term bank loan		2,000
3% debentures		4,000
Corporation tax	40	
	<b>102,070</b>	<b>102,070</b>

The following items are to be adjusted in the preparation of financial statements for the year ended 31<sup>st</sup> December 2013:

- (i) Depreciation is to be provided as follows:  
 - Buildings 2 % per year on re valued amount  
 - Plant and equipment 20 % reducing balance  
 Depreciation on buildings is to be charged fully to factory costs (cost of sales).
- (ii) Closing inventory at 31<sup>st</sup> December 2013 is valued at cost of 3,250,000 FCFA. Included in the inventory at 31<sup>st</sup> December 2013 are goods which had cost 500,000 FCFA. Due to a down turn in demand, these goods were sold at auction sale on 15<sup>th</sup> January 2014 for 300,000 FCFA. Auctioneers fees were 3 % of sales proceeds.
- (iii) The taxation charge of 40,000 FCFA included in the above trial balance is in respect of an under provision in the previous year. The estimated tax charge for the current year is estimated to be 940,000 FCFA.



- (iv) Included in trade receivable is a balance of 120,000 FCFA which is considered a bad debt and is to be written off. The directors have decided to make an allowance for doubtful debts of 3 % of outstanding trade receivables.

**Required:**

Prepare, in a form suitable for publication, the company's statement of comprehensive income for the year ended 31<sup>st</sup> December 2013.

(Total = 20 marks)

3. SHAMMAH Plc sold goods worth 400,000 FCFA to OBI Ltd. on 01/01/2014. The following documents have been issued concerning the sales on 01/01/2014:

Invoice No 555 From SHAMMAH plc To OBI Ltd Date : 01/01/2014	Credit Note No CN 01 From SHAMMAH plc To OBI Ltd Date : 02/01/2014
Gross amount	Gross amount
Trade discount 10%	Trade discount
Commercial net	Commercial net
Cash discount 5%	Cash discount
Financial net	Financial net
Transport invoiced 8,000	VAT 19.25% = 16,458.75
VAT 19.25%	Net to your credit
Net amount payable	

OBI Ltd returned defected goods on 02/01/2014 and received a credit note from his supplier. Settlement was done by cheque on 03/01/2014.

**Required:**

- (a) Make the relevant calculations for the invoice and the credit note. (6.5 marks)
- (b) Find the amount of the cheque issued by OBI Ltd. (3 marks)
- (c) Make all relevant entries in the books of SHAMMAH Plc concerning:
- (i) Invoice No. 555 (4.5 marks)
- (ii) Credit Note No CN 01 (4 marks)
- (iii) Settlement by cheque (2 marks)
- (Total = 20 marks)

4. The following data relates to ABC & CO during 2011 and 2012

	2012 FCFA	2011 FCFA
Cash	400,000	400,000
Accounts receivable	2,500,000	3,250,000
Prepaid insurance	500,000	700,000
Inventory	3,700,000	3,400,000
Fixed assets	31,600,000	27,000,000
Accumulated Depreciation	(4,500,000)	(3,000,000)
Total assets	34,200,000	32,750,000
Accounts payable	1,800,000	1,600,000
Wages payable	400,000	700,000
Note payable	17,300,000	16,000,000
Capital stock	8,800,000	8,400,000
Retained earnings	5,900,000	6,050,000
Total Liabilities & Equity	34,200,000	32,750,000



	2012 FCFA
Sales	20,000,000
Cost of goods sold	(12,300,000)
Depreciation expense	(1,500,000)
Insurance expense	(1,100,000)
Wage Expense	(5,000,000)
Net Income	<u>100,000</u>

During 2012, declared and paid dividends was 250,000 FCFA. During 2012, ABC & Co paid 4,600,000 FCFA in cash to acquire new fixed assets. The accounts payable was used only for inventory. No debt was retired during 2012.

**Required:**

Construct a statement of cash flows for ABC & CO using the direct method.

(Total – 20 marks)

**SECTION B**

*Answer Any Two Questions*

5. DALIMO is a public limited company located in MAMFE and was created on 24/02/2005 with capital made up of 8,000 shares of 18,500 FCFA each.

On 08/11/2012, the extra ordinary general meeting of shareholders decided successive double increase of 87.5 % capital of DALIMO Company as follows on the basis of mathematical value before increase being the arithmetic mean between the mathematical value (29,000 FCFA) and the market price (25,000 FCFA):

- Issue of new shares in kind and new shares in cash at 24,300 FCFA
- Incorporation of optional reserves and distribution of bonus shares so that four attribution rights entail one bonus share.

For the double increase of capital, the contribution premium for new shares in kind amounted to 5,800,000 FCFA and the only old shareholders (holders of new shares included) should benefit from the distribution of bonus shares.

**Required:**

- (a) Calculate the mathematical value before the double increase of capital. (2 marks)
- (b) Calculate the number of new shares in kind and the number of new shares in cash. (4 marks)
- (c) Calculate the number of bonus shares. (2 marks)
- (d) Calculate the mathematical value after the double increase of capital. (6 marks)
- (e) Calculate the value of subscription right and the value of attribution right. (6 marks)

(Total – 20 marks)

6. The following information was extracted from the trial balance of FOTABE Company on 31/12/2012:

Accounts		Debit	Credit
Codes	Names	FCFA	FCFA
137	Ordinary activities net profit or loss	-	54,300,000
138	Extra ordinary activities net profit or loss	7,500,000	-
4492	State, advances on company tax	2,200,000	-

Other information provided for the purpose of statistics and tax return:

- Net income received from dividend 6,680,000 FCFA.
- Gift to AES SONEI 1,000,000 FCFA.
- Rent of a building (500,000 FCFA) paid to a shareholder with 14 % of capital.
- Depreciation charges (2,500,000 FCFA) of goodwill in respect of the straight line method.
- Technical assistance (2,000,000 FCFA) paid to a company located in England.



- Provisions for loss in value (1,680,000 FCFA) on customer's account.
- Accounting assistance (6,000,000 FCFA) paid to a company located in France.
- Provisions for depreciation written back on building 1,500,000 FCFA.
- Interest expenses (1,500,000 FCFA) paid to shareholders current account for a deposit of 18,500,000 FCFA on 01/06/2011 and withdrawal of 6,000,000 FCFA on 01/08/2012 with central bank rate of 10.5 % per annum.
- Gift (800,000 FCFA) to Cameroon Red Cross.
- Annual turnover amounted to 120,000,000 FCFA.

**Required:**

- (a) Calculate the taxable profit for 2012. (13 marks)
- (b) Calculate the company tax for 2012. (3 marks)
- (c) Calculate the company tax payable in 2012. (2 marks)
- (d) State the latest date of declaration and payment of the company tax payable. (2 marks)

**(Total = 20 marks)**

7. JAVE Company was created on 1 January 2011 with a capital of 30,000,000 FCFA, divided into shares of 20,000 FCFA each. The shares were contributed in cash and in kind as follows: 18,000,000 FCFA in cash and 12,000,000 FCFA in kind.

Article 24 of the company's statutes, regulates the appropriation of profit. The article states that on the net profit, a legal reserve is constituted; on the balance, a statutory reserve of 6 % is kept and the first dividend of 5 % is given to shareholders. On the balance after subtracting an optional reserve of 1,800,000 FCFA, a super dividend is distributed to shareholders and a carried forward. At the end of the year, each shareholder receives a gross dividend of 3,550 FCFA. The general assembly decided to carry 66,000 FCFA forward during this period.

**Required:**

- (a) Determine the net profit for the period to be appropriated. (6 marks)
- (b) Present the table of appropriation of profit and the necessary recordings on the 31/12/2011, given that the shareholders were paid by bank cheque on 10/06/2012. (14 marks)

**(Total = 20 marks)**

**Appendix 1 for Question 1**  
*(To be handed in with answers sheet)*

<b>Fixed assets</b>	<b>Original value</b>	<b>Rate of depreciation</b>	<b>Method of depreciation</b>	<b>Accumulated depreciation</b>	<b>Date of acquisition</b>
Deferred charges	4,800,000	20 %	Constant	3,840,000	-----
Buildings	24,000,000	-----	Constant	4,800,000	-----
Industrial equipment	-----	20 %	Constant	2,100,000	01/7/2009
Computer equipment	15,000,000	15 %	Constant	-----	04/1/2009
Packing equipment	22,000,000	-----	digressive	4,125,000	01/7/2012
Office equipment	25,000,000	10 %	Constant	-----	04/10/2010
Transport equipment	-----	10 %	Constant	234,000	10/1/2010