STUDENT NAME
STUDENT ID NO.
SECTION

INSTRUCTIONS TO THE CANDIDATES
• Exam Paper consists of 13 pages including cover page
• ALL the questions are compulsory and MUST be answered
• Use only PEN for writing answers.
• Observe correct spelling.
• Show the steps for your answers clearly
• Calculator is allowed.
• Copying by any means will be strictly awarded Zero.

COURSE CODE: BAAC2202
COURSE TITLE: PRINCIPLES OF ACCOUNTING 2

INSTRUCTIONS TO THE CANDIDATES

Level: Diploma 2nd Year (Accounting)

<table>
<thead>
<tr>
<th>Date</th>
<th>13th December 2015 (Sunday)</th>
<th>Time</th>
<th>09.00 am – 11.00 am</th>
</tr>
</thead>
<tbody>
<tr>
<td>Question Type</td>
<td></td>
<td>Allotted Marks</td>
<td>Marks Secured</td>
</tr>
<tr>
<td>I. Multiple Choice</td>
<td>(8 x 1 Mark)</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>II. True or False</td>
<td>(8 x 1 Mark)</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>III. Fill in the blanks</td>
<td>(4 x 1 Mark)</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>IV. Short answer Questions</td>
<td>(4 x 4 Marks)</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>V. Analytical Questions</td>
<td>(2 x 7 Marks)</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>50</td>
<td></td>
</tr>
</tbody>
</table>

TOTAL MARKS SECURED IN WORDS

Marked by: Mohamed Rafiq
Verified by:

Signature: 
Signature:

Date: 
Date: 
I. MULTIPLE CHOICE QUESTIONS

Choose the most appropriate answer from the choices given after each statement.
Tick [✓] the letter box at the right side of the chosen answer.
(Estimated time to finish: 16 Minutes)

1. Which of the following correctly describes the term ‘Debit note’?
   A) It is issued by a customer to a supplier to cancel an invoice received
   B) It is issued by a supplier to a customer to request a credit note
   C) It is issued by a customer to a supplier to request a credit note
   D) It is issued by a supplier to a customer to demand payment in full for goods supplied

2. The example of nominal account is
   A) Electricity expense account
   B) Non-Current Asset account
   C) Land & Building account
   D) Customer and supplier account

3. The business receives an invoice from Mr. Nasser (supplier) for RO 12,500
   will be recorded in
   A) Cash book
   B) Purchase day book
   C) Purchase return day book
   D) Sales Day Book

4. Ms. Raya is preparing her year-end final accounts and she has to deal with a
   Prepayment for rent. Which of the following statement is correct?
   A) The prepayment will increase the charge to the income statement
   B) The prepayment will reduce the charge to the income statement
   C) The prepayment has no effect on the income statement
   D) The prepayment will only affect the income statement
5. A Trader buys goods with a list price of RO 25,000. He is entitled to a trade discount of 10% and cash discount of 5%. The amount of Net Price is
   A) RO 22,500
   B) RO 21,375
   C) RO 2,500
   D) RO 1,125

6. The amount of depreciation charged every year on a Non-Current Asset will be debited to
   A) Non-Current Asset account
   B) Depreciation expense account
   C) Allowance for depreciation account
   D) Customer account

7. NRV stands for
   A) Net Raw material Value
   B) Net Report Value
   C) Net Realizable Value
   D) Net Reversal Value

8. Sales Ledger is a
   A) List recording all credit sales for each period
   B) Document showing details of goods sold for cash
   C) Record of transactions of creditors
   D) Record of transactions of debtors
II. TRUE OR FALSE QUESTIONS  

(8 x 1 Mark = 8 Marks)

Tick [✓] the word TRUE if the statement is correct and FALSE if the statement is wrong.  
(Estimated time to finish: 16 Minutes)

1. The term accumulated depreciation is sum of all depreciation expense of a fixed asset.
   
   TRUE ❌ FALSE

2. IAS 2 states that inventory should be valued at the lower cost and Net Book value.

   TRUE ❌ FALSE

3. Purchase is the goods bought by the business for resale.

   TRUE ❌ FALSE

4. Business prepares statement of changes in owner’s equity to know the present capital of the business.

   TRUE ❌ FALSE

5. Credit note received from supplier is used to prepare purchase returns day book.

   TRUE ❌ FALSE

6. The amount spent to buy a fixed asset is termed as ‘Depreciation’

   TRUE ❌ FALSE

7. Inventory cost under LIFO method will be the cost of earliest purchase.

   TRUE ❌ FALSE

8. Accrued expense is an expense which has been incurred but not yet paid.

   TRUE ❌ FALSE

III. Fill in the blanks with suitable words  

(4 x 1 Mark = 4 Marks)

(Estimated time to finish: 8 Minutes)

1. It is the list of all invoices sent out to customers each day ____________________________

2. The gradual and permanent decrease in the value of Non-Current Asset is called as _______________________________

3. Estimated sale value of the asset at the end of its economic life is known as ________________________________
4. The unsold goods in stock at the end of the accounting period are called as
__________________________________________

IV. Short Answer Questions. (4 x 4 marks = 16 marks)
Discuss each item briefly. Limit your ideas or points as required in each question
or Statement

(Estimated time to finish: 40 Minutes)

1. Write short note on
   a) ‘Provision for Bad & Doubtful debts’ (2.5 Marks)
   b) Credit Invoice (1.5 Marks)

   ______________________________________________________
   ______________________________________________________
   ______________________________________________________
2. The following transactions of Computer Supplies LLC as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Transactions</th>
<th>Amount (RO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 1 – 2014</td>
<td>Opening balance of Al Ebda LLC (Credit)</td>
<td>40,000</td>
</tr>
<tr>
<td>5 – 1 – 2014</td>
<td>Purchased 400 computers @ RO 120 each from Al Ebda LLC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Credit terms : 1 month)</td>
<td></td>
</tr>
<tr>
<td>10 – 1 – 2014</td>
<td>Returned 50 computers to Al Ebda LLC</td>
<td></td>
</tr>
<tr>
<td>15 – 1 – 2014</td>
<td>Paid cheque to Al Ebda LLC RO 50,000 deducting 5% cash</td>
<td></td>
</tr>
<tr>
<td></td>
<td>discount</td>
<td></td>
</tr>
<tr>
<td>30 – 1 – 2014</td>
<td>Purchased goods from Al Ebda LLC for cash 200 computers @</td>
<td></td>
</tr>
<tr>
<td></td>
<td>110 each</td>
<td></td>
</tr>
</tbody>
</table>

Prepare Al Ebda LLC Account under Purchase Ledger. (4 Marks)
3. Al Rafa Traders purchased an HP Computer for office use at a cost of RO 250 on 1st January 2010. The computer has an expected life of 5 years and a residual value of RO 50. The computer was sold at the end of 3rd year for RO 100.

Required:

a) Explain the steps for calculating profit or loss on disposal of computer. (1.5 Marks)

b) Calculate profit or loss on sale of computer assuming that the business uses straight line method for depreciation. (2.5 Marks)
4. The following figures relate to inventory held at the year end

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Product A</th>
<th>Product B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Price</td>
<td>200</td>
<td>900</td>
</tr>
<tr>
<td>Selling Price</td>
<td>250</td>
<td>925</td>
</tr>
<tr>
<td>Marketing Cost</td>
<td>70</td>
<td>20</td>
</tr>
<tr>
<td>Units held</td>
<td>2,000</td>
<td>1,500</td>
</tr>
</tbody>
</table>

a) Explain the valuation of inventories as per IAS – 2. (2 Marks)

b) Calculate the value of inventory held. (2 Marks)
V. Analytical type question (Expected time to finish: 40 minutes) (2 x 7 = 14 marks)

1. Oman Cement Company purchased a Production Machinery on 4 months credit from a local supplier at a cost of RO 30,000 on 1 – 1 – 2008. The Machinery has an estimated life of 5 years and an estimated residual value of RO 7,119.

Required:

a) Calculate the annual depreciation charges for 4 years by using reducing balance method @ 25% per annum. (3 Mark)

b) Show the Allowance for Depreciation Account for 4 years. (4 Marks)

Solution for a)


2. On 1st December 2014, a company held 600 units of finished goods at RO 8 each. During December 2014 three batches of finished goods were received into store from the production department as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Units received</th>
<th>Production cost per unit (RO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 – 12 – 2014</td>
<td>800</td>
<td>6.50</td>
</tr>
<tr>
<td>15 – 12 – 2014</td>
<td>500</td>
<td>7.50</td>
</tr>
<tr>
<td>18 – 12 – 2014</td>
<td>300</td>
<td>8.50</td>
</tr>
</tbody>
</table>

Goods Sold out of inventory during December were as follows

<table>
<thead>
<tr>
<th>Date</th>
<th>Units Sold</th>
<th>Selling Price per unit (RO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 – 12 – 2014</td>
<td>150</td>
<td>10</td>
</tr>
<tr>
<td>19 – 12 – 2014</td>
<td>1,350</td>
<td>10</td>
</tr>
<tr>
<td>29 – 12 – 2014</td>
<td>700</td>
<td>10</td>
</tr>
</tbody>
</table>

Find out the Closing Inventory at the end of December 2014 by applying the principle of FIFO Inventory Valuation. (7 Marks)

Workings: