

**IGCSE Accounting (0452)
Past Papers Topical
Structured Questions Bank**

**Paper 2
All papers from 2020 to 2022**

“Something is better than Nothing”

So do some questions every single day, multiple times in a day.

“Understanding the Question is Half of the Answer”

So read the question carefully before answering it.

“The more you ASK, the more you LEARN”

So ask any question that you don't understand. Don't take any question for granted.

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1. Bookkeeping, Accounting, Heads of Accounting & Accounting Equation

Q1

Complete the table by placing a tick (✓) to show where each item is shown on the statement of financial position.

	Current liabilities	Non-current liabilities
Trade payables		
Bank overdraft		

[2]

Q2

State **two** reasons why Adit should produce an annual income statement.

1

.....

2

..... [2]

2. Business Documents

Q1

Nazmeen receives business documents from her credit suppliers.

REQUIRED

(c) Complete the table below by placing a tick (✓) to indicate which document(s) each item appears on. The first one is completed for you.

	Invoice	Credit note	Statement of account
A credit purchase	✓		✓
The balance owing by Nazmeen to a supplier at the end of the month			
A purchases return			
Trade discount deducted from list price			
Payment made to a credit supplier			

[4]

Q2

Shilpa is a trader and she buys goods from dilip. Shilpa returned goods to Dilip on 10 January.

Complete the table by placing a tick (✓) to indicate which document Dilip would send to Shilpa for the return of goods on 10 January.

Debit note	
Credit note	

[1]

Q3

Leo received a statement of account from Hunter.

REQUIRED

(c) State **two** purposes of issuing this statement to Leo.

- 1
-
- 2
-

[2]

Q4

Dev owns a business selling furniture.

The following transactions took place during August 2020.

Transaction	Date	Details	\$
1	August 9	Sold goods on credit to Petra	675
2	14	Petra returned damaged goods to Dev	120
3	23	Banked cash sales	412
4	29	Petra settled her outstanding balance at 1 August by credit transfer after taking a cash discount of 5%	

On 1 August 2020, the balance on credit customer Petra's sales ledger account was \$940 debit.

REQUIRED

- (a) Complete the table to name **each** business document **and** book of prime entry for the following transactions in Dev's accounting records.

Transaction	Business document	Book of prime entry
2		
3		
4		

[6]

3. Cash Book / Petty Cash Book

Q1

Rasheed started a business on 1 October 2021. He maintains a petty cash book in the business. A monthly imprest of \$100 is restored on the first day of each month.

REQUIRED

(a) State **two** advantages of maintaining a petty cash book.

1

.....

2

..... [2]

Rasheed's transactions for the month of September 2022 were as follows.

		\$
September 2	Paid taxi fare	12
7	Paid purchases ledger account of Crystal	16
13	Bought postage stamps	10
18	Paid purchases ledger account of Kalpa	15
25	Paid bus fare	5
29	Paid cleaner	28

REQUIRED

(b) Complete Rasheed's petty cash book for the month of September 2022 on the next page.

Balance the petty cash book and bring down the balance on 1 October 2022. Clearly show the amount required to restore the imprest.

[8]

Rasheed – Petty Cash Book

Total Received \$	Date 2022	Details	Total paid \$	Travel \$	Postage \$	Cleaning \$	Ledger accounts \$
100	September 1	Cash
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(c) Record the entries which would be made in the following accounts in September 2022. It is not necessary to total or balance the accounts.

Rasheed
Postage account

Date	Details	\$	Date	Details	\$
.....
.....

Purchases ledger
Crystal account

Date	Details	\$	Date	Details	\$
.....
.....

[2]

At the end of his first year in business Rasheed had a closing inventory of \$8600.

REQUIRED

- (d) Prepare the inventory account at 30 September 2022. Balance the account and bring down the balance on 1 October 2022.

Rasheed
Inventory account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....

[2]

Q2

Peter is a trader. The following transactions took place in April 2022.

- April 2 Cash sales, \$410, were paid directly into the bank account
- 3 Paid \$798 to Rahat, by cheque, in full settlement of a debt of \$840
- 8 Paid \$42 cash for a motor vehicle repair
- 15 Purchased goods, list price \$320, on credit subject to a trade discount of 10%, from Rahat
- 18 Cash sales, \$460
- 20 Paid \$392 to Samir by telephone transfer, having deducted 2% cash discount from the amount due
- 25 A cheque for commission receivable, \$115, was paid into the bank account
- 29 Paid \$285 to Rafael by cash, in full settlement of a debt of \$300

REQUIRED

(a) Prepare Peter’s cash book on the page opposite.

Balance the cash book and bring down the balances on 1 May 2022.

Peter
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2022					2022				
<i>Apr 1</i>	<i>Balance b/d</i>		135	920
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[11]

- (c) Prepare the account for Rahat as it would appear in the ledger of Peter.
Balance the account and bring down the balance on 1 May 2022.

Peter
Rahat account

Date 2022	Details	\$	Date 2022	Details	\$
.....	Apr 1	Balance b/d	840
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[4]

Q3

Nazmeen makes all payments of less than \$100 by petty cash. The imprest amount, which is \$200, is restored on the first day of each month from the bank account.

Nazmeen provided the following information for January 2022.

- January 3 Paid for petrol, \$35.
- 8 Paid for magazines for the reception area, \$14.
- 17 Paid \$60 to GL Limited, a trade payable.
- 26 Paid for vehicle cleaning, \$9.
- 29 Paid \$38 to Alim, a trade payable.

REQUIRED

- (b) (i) Complete Nazmeen’s petty cash book on the following page. Balance the petty cash book, bring down the balance on 1 February 2022 and restore the imprest.

Petty Cash as at 1st January 2022 is \$200.

Nazmeen
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Motor expenses \$	Sundry expenses \$	Ledger accounts \$
	2022					
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[10]

- (ii) State one advantage of using the imprest system for petty cash.
 [1]

Q4

Shilpa is a trader. The following transactions took place in January 2021.

- January
- 2 Paid rent, \$450, by direct debit
 - 3 Bought goods on credit from Dilip, list price \$120, subject to a trade discount of 25%
 - 6 Sold goods on credit to Kabir, list price \$200, subject to a trade discount of 20%
 - 9 Sold surplus office fittings for \$110 which was paid by credit transfer
 - 10 Returned goods to Dilip, list price \$20. These goods had been purchased on 3 January
 - 11 Paid \$50 to Dilip in cash
 - 15 Cash sales, \$85, were immediately paid into the bank
 - 17 Paid office expenses, \$30, by credit transfer
 - 20 Sold goods on credit to Pari, \$150
 - 21 Kabir paid by cheque for the goods he purchased on 6 January, after deducting cash discount of 7½%
 - 24 Pari paid \$141, by cheque, in full settlement of the purchases made on 20 January
 - 26 Sold goods on credit to Yash, \$62, offering him a discount of 5% if he paid within 21 days

Complete Shilpa's cash book on the page opposite.
Balance the cash book and bring down the balances on 1 February 2021.

Shilpa
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2021					2021				
Jan 1	Balance b/d	200	814
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[11]

Prepare the ledger account of Dilip for January 2021. Balance the account and bring down the balance on 1 February 2021.
There was no balance on Dilip's account on 1 January 2021.

Shilpa
Dilip account

Date	Details	\$	Date	Details	\$
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[4]

Q5

Rahat is a trader.

The following transactions took place in March 2021.

- March 3 Cash sales, \$580, were paid directly into Rahat's business bank account
- 6 Paid insurance, \$360, by direct debit
- 9 Paid \$196 to GH Limited by telephone transfer, having deducted 2% cash discount from the amount due
- 13 Paid \$75 cash for stationery
- 17 Cash sales, \$140
- 27 Sold old office equipment to Burgess, who paid \$50 by cheque in full settlement
- 30 Paid \$340 to Colin by cheque in full settlement of a debt of \$350

REQUIRED

- (a) Complete Rahat's cash book on the page opposite.
Balance the cash book and bring down the balances on 1 April 2021.

Rahat
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2021					2021				
March 1	Balance	b/d	150		March 1	Balance	b/d		1980

[11]

(b) (i) Name the ledger to which **each** of the following would be posted.

The total of the column for travel expenses

The payment to Hunter

[2]

Q7

Amara maintains a petty cash book using the imprest system. The imprest amount of \$200 is restored on the first day of each month. On 1 January 2020 Amara had a balance of \$65 in her petty cash.

All payments of less than \$100 are made from petty cash.

On 1 January 2020, Amara owed \$85 to Razvan, a credit supplier.

Amara provided the following information for January 2020.

January	1	The petty cash imprest was restored from the business bank account.
	3	Purchased stationery for cash, \$24
	7	Paid travelling expenses, \$49
	14	Paid Razvan the amount outstanding on his account
	19	Purchased goods on credit from Razvan, \$200 less 10% trade discount
	22	Paid taxi fare, \$18
	28	Returned goods to Razvan which had been purchased on 19 January, list price \$40
	29	Paid postage, \$11

REQUIRED

(a) Prepare Amara's petty cash book for the month of January 2020, on the page opposite.

Balance the petty cash book and bring down the balance on 1 February 2020.

Amara
Petty Cash Book

Total received \$	Date	Details	Total paid \$	Travel \$	Postage and stationery \$	Ledger accounts \$
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[10]

Amara's supplier, Razvan, maintains a full set of accounting records.

REQUIRED

(b) Prepare the account of **Amara** as it would appear in the ledger of Razvan.

Balance the account and bring down the balance on 1 February 2020.

Razvan
Amara account

Date	Details	\$	Date	Details	\$
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[6]

Q8

Amara usually pays Razvan by cash or cheque.

REQUIRED

(d) State **two other** methods which Amara could use to pay Razvan from her bank account.

- 1
- 2 [2]

Q9

Bilal is a trader. He buys goods on credit and for cash. He sells goods on a cash basis only.

The following transactions took place in April 2020.

- April 4 Bought goods on credit from Milly, list price \$320, subject to a trade discount of 20%
- 5 Bought goods on credit from EHL Limited, \$500
- 6 Bought stationery, \$145, paying by cheque
- 8 Cash sales, \$280, were paid immediately into Bilal's bank account
- 10 Paid \$128 cash to Milly
- 12 Cash sales, \$110
- 13 Bought goods on credit, \$250, from Todd who offers 4% cash discount for payments made within 14 days
- 17 Bought office equipment, \$500, paying by bank transfer
- 21 Paid by cheque for the goods purchased from Todd on 13 April after deducting the cash discount
- 24 Paid \$485 to EHL Limited by telephone transfer, having deducted 3% cash discount
- 28 Sold old office equipment for \$50 cash

Bilal
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2020					2020				
<i>April 1</i>	<i>Balance b/d</i>	<i>160</i>	<i>1960</i>
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[12]

4. Sales, Purchases and Returns Journals

Q1

RB has arranged with his suppliers to receive a 25% trade discount off list price and a 2% cash discount. The cash discount is only for payments made within 10 days.

On 5 March 2022 RB received an invoice from JP for the supply of goods with a list price of \$3000. The invoice was paid on 13 March 2022.

REQUIRED

(d) Calculate each of the following:

(i) the trade discount

.....
..... [1]

(ii) the cash discount

.....
..... [1]

(iii) the amount paid to the supplier JP

.....
..... [1]

Q2

Nakul is a trader. He buys and sells goods on credit. He buys most of his supplies from one supplier, Nadia, who allows Nakul a trade discount of 20%.

The following transactions took place in January 2022.

- Jan 2 Paid \$441 by cheque to Nadia, in full settlement of \$450 owed to her at 1 January 2022.
- 12 Bought goods on credit from Nadia, list price \$350
- 14 Returned faulty goods to Nadia, list price \$80
- 18 Bought goods on credit from Nadia, list price \$400
- 23 Sold goods on credit, \$800
- 29 Bought goods on credit, \$60, from Sophie
- 30 Returned goods to Sophie, \$9

REQUIRED

- (a) Prepare the purchases journal for January 2022.
Total the journal and indicate the ledger account to which the total would be posted.

Nakul
Purchases journal

Date	Details	\$	\$
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.....
.....
.....
.....
.....
.....

[4]

- (b) Prepare the purchases returns journal for January 2022.
Total the journal and indicate the ledger account to which the total would be posted.

Nakul
Purchases returns journal

Date	Details	\$	\$
.....
.....
.....
.....
.....
.....

[3]

- (c) Prepare the account for Nadia, for January 2022, as it would appear in the books of Nakul.
Balance the account and bring down the balance on 1 February 2022.

Nakul
Nadia account

Date	Details	\$	Date	Details	\$
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.....
.....

[6]

Q3

Shilpa is a trader. The following transactions took place in January 2021.

- January 2 Paid rent, \$450, by direct debit
- 3 Bought goods on credit from Dilip, list price \$120, subject to a trade discount of 25%
- 6 Sold goods on credit to Kabir, list price \$200, subject to a trade discount of 20%
- 9 Sold surplus office fittings for \$110 which was paid by credit transfer
- 10 Returned goods to Dilip, list price \$20. These goods had been purchased on 3 January
- 11 Paid \$50 to Dilip in cash
- 15 Cash sales, \$85, were immediately paid into the bank
- 17 Paid office expenses, \$30, by credit transfer
- 20 Sold goods on credit to Pari, \$150
- 21 Kabir paid by cheque for the goods he purchased on 6 January, after deducting cash discount of 7½%
- 24 Pari paid \$141, by cheque, in full settlement of the purchases made on 20 January
- 26 Sold goods on credit to Yash, \$62, offering him a discount of 5% if he paid within 21 days

REQUIRED

- (a) Prepare Shilpa's sales journal for January 2021.
Total the journal and indicate the ledger account to which the total would be posted.

Shilpa
Sales journal

Date	Details	\$	\$
.....
.....
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.....
.....
.....
.....

[4]

Q4

Bilal is a trader. He buys goods on credit and for cash. He sells goods on a cash basis only.

The following transactions took place in April 2020.

- April 4 Bought goods on credit from Milly, list price \$320, subject to a trade discount of 20%
- 5 Bought goods on credit from EHL Limited, \$500
- 6 Bought stationery, \$145, paying by cheque
- 8 Cash sales, \$280, were paid immediately into Bilal's bank account
- 10 Paid \$128 cash to Milly
- 12 Cash sales, \$110
- 13 Bought goods on credit, \$250, from Todd who offers 4% cash discount for payments made within 14 days
- 17 Bought office equipment, \$500, paying by bank transfer
- 21 Paid by cheque for the goods purchased from Todd on 13 April after deducting the cash discount
- 24 Paid \$485 to EHL Limited by telephone transfer, having deducted 3% cash discount
- 28 Sold old office equipment for \$50 cash

REQUIRED

(a) Prepare the purchases journal for April 2020.

Total the journal and indicate the ledger account to which the total would be posted.

Bilal
Purchases journal

Date	Details	\$	\$
.....
.....
.....
.....
.....
.....

[4]

Q5

Place a tick (✓) in the correct column to indicate to Maira the book of prime entry in which **each** of the following should be recorded.

	Cash book	Purchases journal	Purchases returns journal
Discount received from a supplier for prompt payment			
Credit note received from a supplier			
Direct debit paid to a supplier			

[3]

5. General Journal

Q1

Nazmeen started in business as a hairdresser on 1 January 2022. She purchases her hairdressing supplies on credit and uses the imprest system for her petty cash.

Nazmeen’s assets and liabilities at 1 January 2022 were as follows:

	\$
Motor vehicle	11 000
Balance at bank	2 300
Petty cash	200
Bank loan	2 500

REQUIRED

- (a) (i) Prepare the general journal entry to record the opening assets and liabilities at 1 January 2022. A narrative is required.

Nazmeen
General journal

Date	Details	\$	\$
.....
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.....
.....
.....
.....

[4]

- (ii) State one other use of the general journal.

..... [1]

Q2

Jules is a hairdresser. He bought some new energy-saving hairdrying equipment, \$1900, on credit from YZH Limited on 30 April 2022.

REQUIRED

(a) Prepare the journal entry to record the purchase of these hairdryers. A narrative **is** required.

Jules
Journal

Date	Details	Debit \$	Credit \$
.....
.....
.....
.....

[3]

Q3

On 2 February 2020 Amara paid the balance due to Razvan. She deducted cash discount of 2%.

REQUIRED

(c) Complete the following table by placing a tick (✓) in the correct column to show how **Razvan** should record the cash discount. Where an account has no entry, tick 'no entry'.

	debit	credit	no entry
Amara account			
Discount allowed account			
Discount received account			

[2]

Q4

Sariah owns a business selling ladies' clothing. She maintains a system of double entry bookkeeping.

The following occurred during September 2020.

- 1 Purchased a motor vehicle on credit from Sharpe Motors \$6350.
- 2 Ruhee, a credit customer, was declared bankrupt owing Sariah \$1200. The debt is to be written off.

REQUIRED

(a) Prepare journal entries to record the above transactions. Narratives are **not** required.

Sariah
Journal

Details	Debit \$	Credit \$
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.....
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.....

[4]

6. Trial Balance

Q1

Demis is a trader. His financial year ends on 31 December.
He prepared the following trial balance which contains errors.

Demis		
Trial balance at 31 December 2021		
	Debit	Credit
	\$	\$
Sales		90 052
Purchases		52 420
Purchases	52 420	
Rates and insurance	11 500	
General expenses	1 092	
Property	92 500	
Fixtures at cost	34 000	
Provision for depreciation of fixtures		21 760
Trade receivables	7 410	
Trade payables	4 665	
Inventory		9 600
Cash at bank	8 095	
Capital at 1 January 2021		109 940
Drawings	11 320	
Suspense	60 770	
	<u>283 772</u>	<u>283 772</u>

Additional information

1. There was \$80 in the petty cash box at 31 December 2021.
2. The value of inventory on 31 December 2021 was included in the trial balance.
The inventory valuation had increased by 20% since 31 December 2020.

(a) Prepare a corrected trial balance at 31 December 2021.

Demis
Corrected Trial Balance at 31 December 2021

	Debit \$	Credit \$
Sales
Purchases
Rates and insurance
General expenses
Property
Fixtures at cost
Provision for depreciation of fixtures
Trade receivables
Trade payables
Inventory
Cash at bank
Capital at 1 January 2021
Drawings
.....

[6]

Q2

Neith is a trader. Her financial year ends on 31 March.
Neith prepared the following trial balance which contains errors.

Neith		
Trial Balance at 31 March 2021		
	Debit	Credit
	\$	\$
Fixtures and equipment at cost	300 000	
Provision for depreciation of fixtures and equipment	120 000	
Inventory		9 100
Trade receivables		16 100
Provision for doubtful debts	322	
Petty cash	100	
Bank overdraft	11 400	
Trade payables		3 200
Capital at 1 April 2020		160 000
Sales		107 498
Purchases	41 520	
Rent and rates	16 000	
Office expenses	9 000	
General expenses	8 150	
Suspense		210 594
	<u>506 492</u>	<u>506 492</u>

Additional information

- 1 The value of inventory on 31 March 2021 was included in the trial balance.
On 1 April 2020 the inventory was valued at \$8800.
- 2 On 30 March 2021, a motor vehicle was sold at book value, \$2750. The disposal was correctly recorded but no entry was made in the account of the purchaser. The purchaser was expected to pay the amount due on 30 April 2021.

REQUIRED

(a) Prepare the corrected trial balance at 31 March 2021.

Neith
Corrected Trial Balance at 31 March 2021

	Debit \$	Credit \$
Fixtures and equipment at cost
Provision for depreciation of fixtures and equipment
Inventory
Trade receivables
Provision for doubtful debts
Petty cash
Bank overdraft
Trade payables
Capital at 1 April 2020
Sales
Purchases
Rent and rates
Office expenses
General expenses
.....

[6]

Q3

Ame provided the following balances from his books at 31 March 2020.

	\$
Capital	10 369
Drawings	4 000
Equipment at cost	15 500
Provision for depreciation of equipment	3 100
Inventory at 1 April 2019	1 765
Trade receivables	1 290
Bank overdraft	475
Trade payables	1 600
Sales	31 250
Purchases	18 330
Purchases returns	910
Carriage inwards	640
Discount received	815
Commission receivable	1 500
Rent and insurance	5 700
Office expenses	2 425

(a) Prepare Ame's trial balance at 31 March 2020.

Show the difference in the trial balance totals as a suspense account balance.

Ame
Trial Balance at 31 March 2020

	Debit \$	Credit \$
Capital
Drawings
Equipment at cost
Provision for depreciation of equipment
Inventory at 1 April 2019
Trade receivables
Bank overdraft
Trade payables
Sales
Purchases
Purchases returns
Carriage inwards
Discount received
Commission receivable
Rent and insurance
Office expenses
Suspense

[6]

7. Bank Reconciliation

Q1

MG has been in business for a number of years as a furniture manufacturer. On 31 August 2022 the bank column of his cash book showed the business had \$25600 in the bank account. The bank statement on this date showed a credit balance of \$24815.

The following transactions were included only in the cash book.

	\$
Cheque paid to JW	680
Cheque received from TH	910

In addition, an error had been identified. A standing order for rates of \$205 had incorrectly been recorded in the cash book as \$255.

The following transactions were included only on the bank statement.

	\$
Dishonoured cheque received from RJ	420
Insurance paid by direct debit	110
Bank charges	75

REQUIRED

(a) Update the cash book of MG. Bring down the updated balance on 1 September 2022.

MG
Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
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[5]

(b) Prepare a bank reconciliation statement at 31 August 2022.

MG
Bank reconciliation statement at 31 August 2022

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.....
..... [4]

(c) State **two** reasons why a business would prepare a bank reconciliation statement.

1
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2
..... [2]

(d) State **two** possible reasons why the cheque from RJ was dishonoured.

1
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2
..... [2]

(e) Explain the differences between a direct debit and a standing order.

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..... [2]

Q2

Peter has received a bank statement for April. He is using it to prepare a bank reconciliation statement and to update his cash book.

REQUIRED

(b) Place a tick (✓) to show how **each** item in the table below would be used to prepare the bank reconciliation statement **or** to update the cash book.

Items to be adjusted	Prepare bank reconciliation statement		Update cash book	
	Added to bank statement balance	Deducted from bank statement balance	Debited to cash book	Credited to cash book
Bank charges				
Direct debit for rent				
Cheque paid to a supplier but not yet cashed				
Cheque for commission received dishonoured				
Dividend received				

[5]

Q3

Cash Book (Bank Column) Balance as at 31 December 2021 was \$8095.

Demis has received a bank statement which shows that there were unrepresented cheques of \$437 at 31 December 2021. There were no outstanding lodgements.

REQUIRED

(b) Calculate the bank balance shown on the bank statement at 31 December 2021. Indicate whether this balance is a debit or a credit balance.

.....

.....

.....

..... [2]

Q4

Complete the following table by placing a tick (✓) in the correct column to indicate whether **each** item would be used to update the cash book **or** would appear in the bank reconciliation statement.

	Update the cash book	Bank reconciliation statement
Cheque from Burgess dishonoured		
Cheque to Colin unrepresented		
Overdraft interest		
Standing order paid for rates		

[4]

Q5

The Club's Cash Book (Bank Column) Balance showed \$3447 at 29 February 2020.

The club's bank statement at 29 February 2020 showed a positive balance of \$7162.

On comparing the bank statement with the cash book, the treasurer found:

- 1 Competition fees, \$260, had not been recorded by the bank.
- 2 A cheque paid for \$25 for competition prizes had been charged twice by the bank.
- 3 The payment for fittings, \$4000, was made on 27 February 2020, and had not been recorded on the bank statement.

REQUIRED

(c) Prepare the bank reconciliation statement for ZED Sports Club at 29 February 2020.

ZED Sports Club
Bank Reconciliation Statement at 29 February 2020

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[5]

Q6

Eniola compared her bank statement for July 2020 with the bank columns of her cash book. She provided the following information.

	\$
Overdrawn balance shown in the cash book at 31 July 2020	3420
Direct debit payment dated 25 July 2020, had not yet been entered in the cash book	350
A cheque received from a customer on 12 July 2020 was dishonoured. This dishonoured cheque had not yet been recorded in the cash book	665
Bank charges on the bank statement had not yet been entered in the cash book	45
Unpresented cheques at 31 July 2020	1290
Uncredited deposits at 31 July 2020	410

REQUIRED

(a) Calculate the corrected balance of the bank columns in the cash book at 31 July 2020.

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..... [4]

(b) Prepare a bank reconciliation statement at 31 July 2020. Clearly identify the bank statement balance at that date.

Eniola
Bank Reconciliation Statement at 31 July 2020

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..... [4]

8. Accounting Rules

Q1

Explain why the matching principle is important in the preparation of RB's income statement.

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..... [3]

Q2

Sian and Tom prepare their financial statements on a going concern basis.

Explain the accounting principle of going concern.

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..... [2]

Q3

(Reference: 2022 May/June 21)

Explain the meaning and importance of the principle of consistency in the preparation of financial statements.

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..... [2]

Q4

Explain how the materiality principle is applied to the treatment of non-current assets.

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..... [2]

Q5

State the accounting principle which is being applied when irrecoverable debts are written off.

..... [1]

Q6

Complete the table by placing a tick (✓) in the correct column to indicate to Maira the accounting objective which is described in **each** statement.

	Comparability	Relevance	Reliability
Maira's financial statements should be free from significant errors.			
Maira's financial statements should be provided in time for her to use them when making decisions about her shop.			

[2]

Q7

Name the accounting principle which is being applied when figures from the petty cash book are posted to the appropriate ledgers.

..... [1]

Q8

By writing off any irrecoverable debts, Omer would be applying the matching and prudence principles.

It is also important for Omer to apply other accounting principles.

REQUIRED

(e) State **why** Omer should apply **each** of the following accounting principles.

Matching

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Prudence

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Consistency

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Business entity

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[4]

Q9

Kia has recorded the purchase of a calculator, \$5, as an office expense.

REQUIRED

(d) State **three** reasons why Kia did **not** record this as a non-current asset.

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[3]

Q10

Tej is a trader who sells goods on credit.

Name the accounting principle applied when the income statement is adjusted for rent prepaid.

..... [1]

(i) Explain how the realisation principle is applied to the recording of Tej's credit sales.

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..... [2]

(ii) Explain how the prudence principle is applied to the maintenance of Tej's provision for doubtful debts.

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..... [2]

Q11

Shiv is a trader. Shiv had withdrawn \$900 for a family holiday during the year. He had included this in the expenses.

Name the accounting principle Shiv should apply when recording the \$900 he had used for a family holiday.

..... [1]

Q12

State **two** reasons why Adit should apply the money measurement principle.

1

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..... [2]

Q13

Bilal is a trader.

Name **one** accounting principle applied by Bilal in **each** of the following situations.

	accounting principle
The double entry for the posting of the purchases journal entries is completed by posting the individual amounts to the purchases ledger.	
The purchase of goods on 5 April did not include goods costing \$55 which Bilal bought for his own use.	
The stationery purchased on 6 April had been recycled. This is expected to improve the reputation of the business. Reputation is not recorded in the accounting statements.	
The value of office equipment shown in the financial statements was based on its purchase price.	

[4]

Q14

The information in the accounting statements is affected by the company's accounting policies.

REQUIRED

(d) Explain to the directors of JKY Limited the importance of the following objectives in selecting the company's accounting policies.

(i) comparability

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..... [2]

(ii) relevance

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..... [2]

9. Inventory Valuation

Q1

Nala is a trader who buys and sells stationery.

She provided the following information about her inventory at 28 February 2022.

Item	Number of units	Cost per unit \$	Carriage inwards per unit \$	Selling expenses per unit \$	Selling price per unit \$
Packs of paper	240	4.50	–	–	8.00
Packs of envelopes	225	5.50	1.00	1.50	10.00
Notepads	150	4.00	2.00	–	5.00
Boxes of pencils	96	3.50	–	–	6.00

REQUIRED

(a) (i) Calculate the value of Nala's inventory at 28 February 2022.

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..... [6]

(ii) State the accounting principle used to value inventory.

..... [1]

Q2

Rani is a trader. Her financial year ends on 31 March.

She provided the following information about her three types of inventory at 31 March 2020.

Inventory item	Number of units	Cost per unit	Selling price per unit	Selling expenses per unit
		\$	\$	\$
A	110	17	20	2
B	85	18	19	1
C	90	15	16	2

REQUIRED

(a) Calculate the total value of Rani's inventory at 31 March 2020.

.....

[4]

Rani later discovered that she had an amount of inventory of item D at 31 March 2020. This inventory originally cost \$1660. She considered this inventory to be obsolete.

REQUIRED

(b) Explain to Rani how the value of the inventory of item D affected the profit for the year ended 31 March 2020.

.....

[2]

10. Capital & Revenue Expenditure, Capital & Revenue Receipts

Q1

Complete the table by placing a tick (✓) to show how Nala should treat each item of her expenditure.

	Capital expenditure	Revenue expenditure
Computer printer paper		
Computer equipment		
Installation of computer equipment		
Motor vehicle		
Insurance of motor vehicle		
Delivery of motor vehicle		

[4]

Q2

Nala has treated the receipt of a bank loan as a revenue receipt.

REQUIRED

- (c) Complete the table by placing a tick (✓) to show the effect of the error on capital and on liabilities.

	overstated	understated
Effect on capital		
Effect on liabilities		

[2]

Q3

Jas owns a printing business and has recently incurred various expenditures relating to her premises.

REQUIRED

- (a) Complete the table by inserting a tick (✓) to show how **each** item of expenditure should be classified. The first one has been completed as an example.

	Capital expenditure	Revenue expenditure
Building new extension to warehouse	✓	
Rates on new extension		
Carriage costs for roof tiles for new extension		
Legal costs for new extension		
Repairs to office roof		

[4]

11. Control Accounts

Q1

MC is a trader who maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

(a) Complete the table to name the book of prime entry which MC would use to obtain information when preparing control accounts.

Item	Book of prime entry
Discount received from credit suppliers	
Purchases returns	
Contra entries	
Interest charged by credit suppliers	

[4]

(b) Explain how a contra entry is treated in the ledger accounts.

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..... [2]

MC has provided the following information for the month of July 2022.

	\$
On 1 July 2022	
Purchases ledger control account credit balance b/d	21 400
Purchases ledger control account debit balance b/d	130
Totals for the month	
Credit purchases	259 600
Credit purchases returns	9 800
Cash purchases	240
Cheques paid to credit suppliers	228 200
Discount received	12 900
Cash paid to credit suppliers	500
Interest charges by credit suppliers	150
Contra sales ledger	2 260

At 31 July 2022 the purchases ledger control account had a credit balance c/d of \$180.

REQUIRED

(c) Prepare the purchases ledger control account for the month of July 2022. Balance the account and bring down the balances on 1 August 2022.

MC
Purchases ledger control account

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[9]

Q2

Ravi is a trader. He provided the following information.

2021		\$
1 February	Sales ledger control account debit balance	12 510
	Sales ledger control account credit balance	1 245
2022		
31 January	Totals for the year:	
	Credit sales	134 000
	Cash sales	4 625
	Bank transfers received from credit customers	96 250
	Cash received from credit customers	12 890
	Returns from credit customers	4 000
	Irrecoverable debts written off	9 100
	Contra entries	1 677
	Discount allowed	4 643
	Discount received	2 119
	Interest charged on overdue sales ledger accounts	1 104
	 Sales ledger control account debit balance	 ?
	Sales ledger control account credit balance	nil

REQUIRED

- (a) Prepare Ravi's sales ledger control account for the year ended 31 January 2022. Balance the account and bring down the balance on 1 February 2022.

Ravi
Sales ledger control account

Date	Details	\$	Date	Details	\$
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[10]

Q3

Ayesha is a trader who maintains a full set of accounting records and prepares control accounts at the end of each month.

She provided the following information for the month of August 2021.

	\$
On 1 August	
Sales ledger control account debit balance	9 800
Sales ledger control account credit balance	420
Purchases ledger control account credit balance	7 700
Totals for the month	
Credit sales	88 850
Credit purchases	55 400
Cash purchases	1 860
Receipts from customers	82 100
Payments to credit suppliers	50 600
Discount received	600
Discount allowed	900
Irrecoverable debt written off	300
Provision for doubtful debts	450
Sales returns	2 400
Interest charged to customer on overdue account	90
Contra between sales ledger and purchases ledger	2 920

The sales ledger control account credit balance brought down on 1 September 2021 was \$350.

REQUIRED

- (a) Prepare the sales ledger control account **and** the purchases ledger control account for August 2021.

Balance the accounts and bring down the balances on 1 September 2021.

Ayesha
Sales ledger control account

Date 2021	Details	\$	Date 2021	Details	\$
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Purchases ledger control account

Date 2021	Details	\$	Date 2021	Details	\$
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[14]

(b) Name the book of prime entry which Ayesha would use to obtain the following information when preparing her sales ledger control account.

Item	Book of prime entry
Returns	
Discount allowed	
Interest charged to customer on overdue account	
Contra entry	

[4]

(c) Suggest **two** reasons why the sales ledger control account had a credit balance of \$420 on 1 August 2021.

1

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2

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[2]

[Total: 20]

Q4

GHB Limited maintains a full set of accounting records and prepares monthly control accounts.

The following information was provided for November 2019.

	\$
Purchases ledger control account balance at 1 November	?
Totals for November:	
Purchases journal	14 200
Purchases returns journal	1 160
Cash purchases	5 390
Commission receivable	2 110
Cash discount received	650
Cash discount allowed	710
Cheques paid to trade payables	11 420
Sales ledger contra	250
Interest charged by trade payables	95
Cheque refunds from trade payables	330
Purchases ledger control account balance at 30 November	13 195

REQUIRED

(a) Prepare the purchases ledger control account for GHB Limited for November 2019.

Balance the account on 30 November 2019 and bring down the balance on 1 December 2019.

GHB Limited
Purchases ledger control account

Date	Details	\$	Date	Details	\$
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[9]

A delivery vehicle was purchased by cheque during November 2019.

REQUIRED

(b) State **two** reasons why the purchase of the delivery vehicle was **not** recorded in the purchases ledger control account.

1

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..... [2]

Q5

Dev owns a business selling furniture.

The following transactions took place during August 2020.

Transaction	Date	Details	\$
1	August 9	Sold goods on credit to Petra	675
2	14	Petra returned damaged goods to Dev	120
3	23	Banked cash sales	412
4	29	Petra settled her outstanding balance at 1 August by credit transfer after taking a cash discount of 5%	

On 1 August 2020, the balance on credit customer Petra's sales ledger account was \$940 debit.

- (b) Prepare the account of Petra for August 2020 as it would appear in Dev's sales ledger.
Balance the account and bring down the balance on 1 September 2020.

Dev
Petra account

Date 2020	Details	\$	Date 2020	Details	\$
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[6]

- (c) Identify the section of Dev's statement of financial position at 31 August 2020 in which the balance on Petra's account would appear.
..... [1]

Dev allows his credit customers a cash discount of 5% for prompt payment. He is considering reducing this to 2%.

REQUIRED

- (d) State **one** advantage and **one** disadvantage to Dev of this proposal.
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..... [2]

12. Depreciation & Disposal of Non-Current Assets

Q1

An extract from Jas's statement of financial position at 31 December 2019 showed the following:

	Cost	Accumulated depreciation	Net book value
	\$	\$	\$
Fixtures	115 000	77 625	37 375

During the year ended 31 December 2020 the following transactions took place.

On 1 January 2020 fixtures, \$30 000, were purchased by cheque.

On 30 June 2020 fixtures were sold for \$6 000, which was received by cheque. These fixtures had originally been purchased on 1 January 2018 for \$20 000.

Jas depreciates fixtures on a straight-line basis. She assumes fixtures will have a useful life of four years, at which time the residual value will be 10% of original cost. Depreciation is charged for each part of the year for which the fixtures are owned.

REQUIRED

(c) Prepare the following accounts for the year ended 31 December 2020. Balance **each** account and bring down the balance on 1 January 2021.

Jas
Fixtures account

Date	Details	\$	Date	Details	\$
2020 Jan 1	Balance b/d	115 000
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Provision for depreciation of fixtures account

Date	Details	\$	Date 2020 Jan 1	Details	\$
				Balance b/d	77625
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[8]

(d) Prepare the fixtures disposal account for the year ended 31 December 2020.

Jas
Fixtures disposal account

Date	Details	\$	Date	Details	\$
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[3]

Q2

Simon has a business selling office stationery. On 1 January 2019 he owned two delivery vehicles which had been purchased on 1 January 2018.

Delivery vehicle A had cost \$30 000 and delivery vehicle B had cost \$25 000.

Simon uses the straight-line method for depreciating the delivery vehicles. A rate of 20% per annum on cost is used, with the rate being applied for each part of the year for which the delivery vehicles are owned.

Due to a decline in business, delivery vehicle B was sold on 31 March 2020 and a cheque for \$10 350 was received. Delivery vehicle A was still in use at the end of 2020.

REQUIRED

- (a) Complete the following accounts for **each** of the years ended 31 December 2019 and 2020. Balance the accounts at the end of **each** year where appropriate.

Simon
Delivery vehicles account

Date	Details	\$	Date	Details	\$
2019					
Jan 1	Balance b/d	55 000
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Provision for depreciation of delivery vehicles account

Date	Details	\$	Date	Details	\$
.....	2019 Jan 1	<i>Balance b/d</i>	<i>11 000</i>
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Delivery vehicles disposal account

Date	Details	\$	Date	Details	\$
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Q3

(c) (i) State the **most appropriate** method of depreciation for the new delivery vehicle.

..... [1]

(ii) State **three** reasons for your answer to (c) (i).

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3

..... [3]

Q4

Sariah is preparing her financial statements for the year ended 30 September 2020. She provides the following information for fixtures and fittings.

2019		\$
October 1	Fixtures and fittings at cost	28 600
	Provision for depreciation of fixtures and fittings	6 185
2020		
January 31	Sold fixtures and received a cheque	1 150
	The fixtures had been purchased on 1 February 2018 for \$1500	
March 31	Purchased new fixtures paying by cheque	3 500

Sariah's policy is to provide depreciation on fixtures and fittings at 10% per annum using the reducing balance method. A full year's depreciation is charged in the year of purchase but none in the year of disposal.

REQUIRED

- (b) Prepare the following accounts for the year ended 30 September 2020. Close the accounts by balancing or by making an appropriate year end transfer.

Sariah
Fixtures and fittings account

Date	Details	\$	Date	Details	\$
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Provision for depreciation of fixtures and fittings account

Date	Details	\$	Date	Details	\$
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Disposal account

Date	Details	\$	Date	Details	\$
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[11]

13. Other Payables & Other Receivables (Prepaid & Accrued)

Q1

The following balances have been taken from the accounts of RB, a trader.

	1 April 2021	31 March 2022
	\$	\$
Insurance	2500 prepaid	850 prepaid
Commission receivable	700 owing	630 owing

The following transactions relate to the year ended 31 March 2022. All receipts and payments were through the bank account.

	\$
Insurance paid	15 300
Insurance refund	600
Commission receivable	7 200

REQUIRED

- (a) Prepare the following ledger accounts for the year ended 31 March 2022. Balance the accounts and bring down the balances on 1 April 2022.

RB
Insurance account

Date	Details	\$	Date	Details	\$
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Commission receivable account

Date	Details	\$	Date	Details	\$
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[8]

(b) Prepare the entries for insurance and commission receivable in RB's statement of financial position at 31 March 2022.

RB
Extract from statement of financial position at 31 March 2022

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..... [2]

Q2

TC Limited is a manufacturing company. The company's year end is 31 January.
On 31 January 2021, the company's ledger account balances included the following.

	\$
Inventory at 1 February 2020	
Raw materials	7 500
Work in progress	11 220
Finished goods	925
Purchases	
Raw materials	91 400
Finished goods	6 850
Wages	
Factory operatives	52 000
Factory supervisor	23 100
Rent and rates	19 620
Insurance	4 600
General factory expenses	4 200
Carriage inwards on raw materials	6 280
Factory equipment at cost	90 000
Provision for depreciation of factory equipment	30 960

Additional information

1 Inventory at 31 January 2021

Raw materials	8 000
Work in progress	11 900
Finished goods	1 075

- 2 The factory equipment is to be depreciated at 20% per annum using the reducing balance method.
- 3 In December 2020, \$3600 was paid for rent for the period 1 December 2020 to 28 February 2021.
- 4 At 31 January 2021 rates of \$550 were unpaid.
- 5 Rent and rates are to be apportioned equally between the factory and the office.
- 6 Insurance is to be apportioned 75% to the factory and 25% to the office.

REQUIRED

- (a) Prepare the rent and rates account for TC Limited for the year ended 31 January 2021. Balance the account and bring down the balances on 1 February 2021.

TC Limited
Rent and rates account

Date	Details	\$	Date	Details	\$
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[5]

Q3

Tej is a trader who sells goods on credit. His year end is 28 February.
Tej provided the following information.

	\$
At 1 March 2020	
Trade receivables	6250
Other receivables (rent prepaid)	300
For the year ended 28 February 2021	
Rent charge for the year	3900
Cheque payments for rent	
30 June 2020	1950
30 November 2020	2100
At 28 February 2021	
Trade receivables	7000

The provision for doubtful debts was 4% of trade receivables at 1 March 2020 and 6% of trade receivables at 28 February 2021.

REQUIRED

- (a) Prepare the rent payable account for the year ended 28 February 2021. Balance the account and bring down the balance on 1 March 2021.

Tej
Rent payable account

Date	Details	\$	Date	Details	\$
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[6]

Q4

Karishma runs her own business. The balances in her books on 1 October 2020 included the following.

	\$
Insurance account	1700 prepaid
Electricity account	1800 owing

During the financial year ended 30 September 2021 Karishma made the following payments by cheque.

Insurance payments

	\$
7 February 2021	3400
13 August 2021	3500

Electricity payments

	\$
14 October 2020	1800
24 January 2021	1800
26 May 2021	1800

A refund of \$300 for insurance overpaid was received by bank transfer on 28 February 2021. The insurance paid on 13 August 2021 covered a period of five months to 31 December 2021.

At 30 September 2021, an amount of \$2000 was owing for electricity.

REQUIRED

- (a) Prepare the following accounts for the year ended 30 September 2021. Balance the accounts and bring down the balances on 1 October 2021.

Karishma
Insurance account

Date	Details	\$	Date	Details	\$
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Electricity account

Date	Details	\$	Date	Details	\$
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[10]

Q5

On 1 October 2020 Karishma decided to rent out part of her premises to Noor at an annual rent of \$1965.

During the financial year ended 30 September 2021 Noor made the following payments to Karishma by cheque.

	\$
1 October 2020	800
2 March 2021	825
8 August 2021	850

The amount received on 8 August 2021 included rent of \$510 covering the period 1 October 2021 to 31 December 2021.

REQUIRED

- (c) Prepare the rent receivable account for the year ended 30 September 2021. Balance the account and bring down the balance on 1 October 2021.

Karishma
Rent receivable account

Date	Details	\$	Date	Details	\$
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[4]

- (d) Identify the section of the statement of financial position at 30 September 2021 in which the balance on the rent receivable account would appear.

..... [1]

Q6

Rani earns advertising income by placing advertising boards in her shop window. The following details relate to her advertising income.

On 1 April 2019 Rani had received \$420 in advance, and \$300 was owed to her.

During the year ended 31 March 2020, Rani received cheque payments totalling \$6000. She decided to write off the amount of \$300 due to her.

On 31 March 2020 Rani had received \$500 in advance, and \$400 was owed to her.

REQUIRED

- (d) Prepare the advertising income account in the ledger of Rani for the year ended 31 March 2020. Balance the account and bring down the balances on 1 April 2020.

Rani
Advertising income account

Date	Details	\$	Date	Details	\$
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[7]

Q7

Eniola's financial year end is 31 July 2020. She provided the following information about the rent and rates of her business.

On 1 August 2019, she owed two months' rent totalling \$900. On the same date, rates of \$260 were prepaid up to 30 September 2019.

During the year ended 31 July 2020 the following payments were made by credit transfer.

2019		\$
August 1	Seven months' rent	3150
October 1	Twelve months' rates	1860
2020		
March 1	Six months' rent	2700

- (d) Prepare the rent and rates account for the year ended 31 July 2020. Balance the account and bring down the balances on 1 August 2020.

Eniola
Rent and rates account

Date 2019	Details	\$	Date 2019	Details	\$
Aug 1	Balance (rates) b/d	260	Aug 1	Balance (rent) b/d	900
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[6]

- (e) Identify the sections of the statement of financial position at 31 July 2020 in which **each** of the balances on the rent and rates account would appear.

Rent

Rates

[2]

14. Irrecoverable Debts

Q1

NT started in business on 1 September 2020. All sales are on credit and payment is required from customers within 25 days.

On 5 May 2021, LW a trade receivable was declared bankrupt and a debt of \$600 was written off as irrecoverable at that date.

REQUIRED

(a) Prepare a journal entry to write off the amount owed by LW. A narrative is required.

NT
General Journal

Date	Details	Debit \$	Credit \$
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[3]

In addition to the irrecoverable debt of LW, other irrecoverable debts of \$4100 were written off during the year ended 31 August 2021. Trade receivables at 31 August 2021 were \$91500 and NT decided to create a provision for doubtful debts of 5% of trade receivables.

REQUIRED

(b) Prepare an extract from the expenses section of NT's income statement for the year ended 31 August 2021.

NT
Extract from income statement for the year ended 31 August 2021

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[2]

- (c) Prepare an extract from the assets section of NT's statement of financial position at 31 August 2021.

NT
Extract from statement of financial position at 31 August 2021

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..... [2]

During the financial year ended 31 August 2022, PB a trade receivable who owed \$7000 had been declared bankrupt. On 17 July 2022, NT received payment of \$2500 by cheque in final settlement of the debt. The remainder of the debt was written off as irrecoverable.

Other irrecoverable debts of \$8400 were written off at 31 August 2022. The remaining trade receivables at 31 August 2022 were \$110 000 and NT decided to maintain the provision for doubtful debts at 5% of trade receivables.

REQUIRED

- (d) Prepare the following ledger accounts for the year ended 31 August 2022. Bring down the balance on 1 September 2022, where appropriate.

NT ledger accounts

PB account

Date	Details	\$	Date	Details	\$
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Irrecoverable debts account

Date	Details	\$	Date	Details	\$
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Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
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[8]

Q2

PG a trader sells electrical components. She has provided the following information for the year ended 31 July 2022.

	\$
Sales journal for the year ended 31 July 2022	360 000
Sales returns journal for the year ended 31 July 2022	13 300
Trade receivables at 1 August 2021	28 500
Provision for doubtful debts at 1 August 2021	1 140

Cash book extract of totals for the year ended 31 July 2022

	Discount Allowed	Cash	Bank		Bank
	\$	\$	\$		\$
Trade receivables	6 500		335 100	Trade receivables (dishonoured cheques)	4 000
Sales		17 000			

Additional information

- 1 \$900 of trade receivables were written off as irrecoverable debts on 31 July 2022. There were no other irrecoverable debts during the year.
- 2 The provision for doubtful debts is to be set at 4% of trade receivables at 31 July 2022.

REQUIRED

- (a) Prepare the following ledger accounts for the year ended 31 July 2022. Where appropriate show the balance brought down on 1 August 2022.

PG
Sales account

Date	Details	\$	Date	Details	\$
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Sales returns account

Date	Details	\$	Date	Details	\$
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Trade receivables account

Date	Details	\$	Date	Details	\$
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Irrecoverable debts account

Date	Details	\$	Date	Details	\$
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Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
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[13]

(b) Prepare a relevant extract from PG's statement of financial position at 31 July 2022.

PG
Extract from statement of financial position at 31 July 2022

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(c) List **three** ways in which PG could reduce the possibility of irrecoverable debts.

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..... [3]

(d) State **two** factors PG should consider when setting the provision for doubtful debts.

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..... [2]

[Total: 20]

Q3

Omer is concerned that an increase in sales would lead to an increase in irrecoverable debts.

REQUIRED

(d) State **three** ways by which Omer could reduce the possibility of irrecoverable debts.

- 1
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- 2
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[3]

Q4

Prepare the journal entry to record the irrecoverable debt. A narrative is **not** required.

KA Limited
Journal

Details	Debit \$	Credit \$
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[2]

Q5

Tej is a trader who sells goods on credit. His year end is 28 February.
Tej provided the following information.

	\$
At 1 March 2020	
Trade receivables	6250
Other receivables (rent prepaid)	300
For the year ended 28 February 2021	
Rent charge for the year	3900
Cheque payments for rent	1950
30 June 2020	
30 November 2020	2100
At 28 February 2021	
Trade receivables	7000

The provision for doubtful debts was 4% of trade receivables at 1 March 2020 and 6% of trade receivables at 28 February 2021.

REQUIRED

Prepare the provision for doubtful debts account for the year ended 28 February 2021.
Balance the account and bring down the balance on 1 March 2021.

Tej
Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
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[4]

Q6

Explain how maintaining a provision for doubtful debts is an application of **each** of the following accounting principles.

(i) Matching

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..... [2]

(ii) Prudence

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..... [2]

Q7

At 31 March 2020 Nadia's trade receivables owed \$14500. After the preparation of the draft financial statements for the year ended 31 March 2020, Nadia discovered the following.

- 1 \$300 owed by DD Supplies should have been written off as irrecoverable.
- 2 A provision of doubtful debts of 2% of trade receivables should have been created.

REQUIRED

(d) Prepare journal entries to record 1 and 2 above. Narratives are **not** required.

Nadia
Journal

Date	Details	Debit \$	Credit \$
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[4]

15. Sole Trader Accounts

Q1

Anika owns property which she rents out to university students. She has made a consistent profit for each year she has been in business. Her trial balance at 31 August 2022 was as follows.

	Debit \$	Credit \$
Capital		400 000
Rent receivable		162 000
General expenses	26 500	
Bank	39 400	
Rates	38 200	
Insurance	12 400	
Repairs	32 000	
Drawings	18 500	
Non-current assets at cost		
Premises	418 000	
Fittings	90 000	
Provision for depreciation of non-current assets		
Premises		42 000
Fittings		71 000
	<u>675 000</u>	<u>675 000</u>

Additional information

- 1 At 31 August 2022, rent received of \$8100 has been paid in advance.
- 2 At 31 August 2022, general expenses of \$1300 have been paid in advance and rates of \$3400 were owing.
- 3 The insurance includes \$1800 paid for the 15 month period ending 30 November 2022.
- 4 Expenditure of \$9000 for new fittings has been recorded in repairs.
- 5 Depreciation is to be provided as follows:

Premises	by equal instalments on cost each year over a 50 year period
Fittings	20% per annum by the reducing balance method

A full year's depreciation is charged on fittings during the year of purchase.

REQUIRED

(a) Prepare the income statement of Anika for the year ended 31 August 2022.

Anika
Income Statement for the year ended 31 August 2022

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Workings:

[9]

- (b) Prepare the capital account for the year ended 31 August 2022 showing the balance brought down at 1 September 2022.

Anika
Capital account

Date	Details	\$	Date	Details	\$
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[3]

Q2

Complete the table below indicating with a tick (✓) the effect of **each** type of discount on gross profit and profit for the year.

Discount allowed

	increase	decrease	no effect
gross profit			
profit for the year			

Discount received

	increase	decrease	no effect
gross profit			
profit for the year			

[4]

Q3

BC a sole trader prepared the following trial balance from his accounts on 31 August 2022.

	Dr \$	Cr \$
Purchases	120 000	
Revenue		231 500
Sales returns	3 600	
Inventory 1 September 2021	11 100	
Capital		111 900
Bank		4 100
Non-current assets at cost		
Premises	98 000	
Machinery	52 000	
Provision for depreciation of non-current assets		
Machinery		28 400
Commission receivable		2 200
Trade receivables	19 200	
Trade payables		7 300
Discount allowed	600	
Discount received		1 400
Insurance	9 600	
Repairs	12 400	
Salaries	53 900	
Rates	6 000	
Carriage inwards	400	
	<u>386 800</u>	<u>386 800</u>

Additional information

- 1 The closing inventory at 31 August 2022 was valued at \$12 000.
- 2 Commission received of \$800 was owing at 31 August 2022.
- 3 The balance shown for salaries covers the 11 months to 31 July 2022. Salaries for August 2022 are due and unpaid. There have been no salary increases over the previous 12 months and an equal amount is paid each month.
- 4 At 31 August 2022 rates were prepaid by \$300.
- 5 The insurance included \$700 covering a private insurance premium for BC.
- 6 The repairs included \$4 000 that related to a new attachment for machinery.
- 7 Machinery is to be depreciated at the rate of 20% per annum by the reducing balance method. A full year's depreciation is charged regardless of the date of any purchases. There were no disposals during the year. Premises are not depreciated.

(b) Calculate the working capital at 31 August 2022.

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Q4

Fatima is a sole trader. She prepares her financial statements to the end of March each year.

At 31 March 2022, Fatima's ledger account balances included the following.

	\$
Revenue	79 400
Sales returns	3 970
Purchases	36 500
Rent and rates	9 000
Wages	10 100
General expenses	1 287
Insurance	1 800
Discount received	1 095
Inventory at 1 April 2021	3 000
Fixtures and equipment at cost	80 000
Fixtures and equipment – provision for depreciation	39 040
Trade receivables	6 400
Trade payables	4 995
Provision for doubtful debts	156
Cash drawings	8 580
Capital at 1 April 2021	59 000

The following information is also available.

- 1 Inventory at 31 March 2022 was \$3120.
- 2 Fatima took goods for her own use from the business during the year ended 31 March 2022. These goods cost \$1300.
- 3 Depreciation on fixtures and equipment is to be charged at 20% per annum using the reducing balance method.
- 4 Accrued wages at 31 March 2022 were \$800.
- 5 Rent includes a payment of \$1500 for the 3 months from 1 March 2022 to 31 May 2022.
- 6 An irrecoverable trade receivable of \$200 is to be written off.
- 7 The provision for doubtful debts is to be set at 3% of trade receivables.

- (b) Prepare Fatima's capital account for the year ended 31 March 2022. Balance the account and bring down the balance on 1 April 2022.

Fatima
Capital account

Date	Details	\$	Date	Details	\$
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[4]

Q5

The new hairdryers will use less electricity than his old ones. There will be an additional insurance charge for the new hairdryers. The old hairdryers had been fully depreciated so that their net book value was nil.

REQUIRED

- (b) Complete the table by placing a tick (✓) to show whether these changes in expenses increase or decrease the profit.

Expense	Increase in profit	Decrease in profit
Heat and light		
Depreciation		
Insurance		

[3]

Q6

Zamir is in business providing legal services. Zamir provided the following balances from his books of account at 31 December 2020.

	\$
Fee income	151 750
Rent and rates	26 000
Salaries	55 000
Stationery and advertising	6 450
Electricity	8 000
Bank charges	4 100
Office equipment – cost	60 000
Office equipment – provision for depreciation	22 500
Proceeds of disposal of office equipment	1 000
Bank overdraft	7 900
Trade receivables	15 600
Capital	57 000
Drawings	65 000

Additional information

- 1 The annual rent is \$16 000. On 31 December 2020 rent was paid to cover the period from 1 January to 31 March 2021.
There was no accrual or prepayment of rent at 1 January 2020.
- 2 Rates of \$6 000 were paid during the year to 31 December 2020. This payment covered the period 1 January 2020 to 31 October 2020 only. From 1 November 2020 annual rates were \$7 560.
- 3 Depreciation is to be charged on office equipment at 15% per annum using the straight-line method. No depreciation is charged in the year of disposal.
- 4 In February 2020 office equipment was sold for \$1 000. This equipment had been purchased for \$1 800 on 1 January 2018. The sales proceeds have been debited to the bank account and credited to the proceeds of disposal of office equipment account. No other entries have been made in respect of the disposal.
- 5 One of Zamir's clients has become bankrupt. The client owed \$1 885. Zamir does not expect to recover this amount.

REQUIRED

(a) Prepare Zamir's income statement for the year ended 31 December 2020.

Zamir
Income Statement for the year ended 31 December 2020

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[10]

(b) Prepare the assets section of Zamir's statement of financial position at 31 December 2020.

Zamir
Statement of Financial Position (assets section) at 31 December 2020

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[3]

(c) Suggest **two** possible reasons why Zamir required a bank overdraft.

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- 2
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[2]

Q7

State **three** advantages to Arjun of operating as a sole trader.

1

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2

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3

..... [3]

Q8

Explain to Rani the effect on gross profit of recording sales of inventory as advertising income.

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..... [2]

Q9

Gok is a wholesaler. He prepares his financial statements to the end of February each year.

At 29 February 2020, Gok's ledger account balances included the following.

	\$
Revenue	420 000
Purchases	311 400
Sales returns	12 000
Discount allowed	9 000
Wages	12 360
Rent and rates	11 750
General expenses	4 220
Irrecoverable debts	8 600
Insurance	4 500
Telephone expenses	4 565
Inventory at 1 March 2019	26 700
Drawings	9 500
Fixtures and equipment at cost	120 000
Provision for depreciation of fixtures and equipment	43 200

Additional information

- 1 Gok did not have time to count and value his inventory at 29 February 2020. His margin is 25%.
- 2 A loan of \$60 000 was obtained from the bank on 1 July 2019. Interest is charged at 7% per annum.
- 3 The fixtures and equipment are being depreciated at 20% per annum using the reducing balance method.
- 4 The insurance includes \$1500 which covers the period from 1 March to 30 September 2020.
- 5 Drawings include a payment of \$1660 for Gok's personal telephone expenses. One quarter of this amount was for business use.

(a) Prepare Gok's income statement for the year ended 29 February 2020.

Gok
Income Statement for the year ended 29 February 2020

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[15]

16. Partnership Accounts

Q1

Priti and Paisley are in partnership renting out properties. Paisley manages the office and maintains the bookkeeping records for the partnership.

The partnership agreement provides for

Interest on drawings	5% per annum
Interest on capital	4% per annum
Salary to Paisley	\$6000 per annum
Residual profits and losses to be shared 75% to Priti and 25% to Paisley.	

The partners provided the following list of balances.

	\$
Capital accounts at 1 February 2021	
Priti	100 000
Paisley	20 000
Current accounts at 1 February 2021	
Priti	7 932 credit
Paisley	2 350 credit
Drawings for the year ended 31 January 2022	
Priti	15 000
Paisley	13 000

The profit for the year ended 31 January 2022 was \$33 100.

REQUIRED

(a) Prepare the appropriation account for Priti and Paisley for the year ended 31 January 2022.

Priti and Paisley
Appropriation Account for the year ended 31 January 2022

	\$	\$
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[6]

- (b) Prepare Paisley's current account for the year ended 31 January 2022. Balance the account and bring down the balance on 1 February 2022.

Paisley
Current account

Date	Details	\$	Date	Details	\$
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[6]

- (c) Suggest three reasons why Paisley may **not** be satisfied with his overall share of the profit for the year to 31 January 2022.

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- 2
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- 3
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[3]

Q2

Sian and Tom are in partnership sharing profits and losses in proportion to capital invested. The partnership agreement states the following:

- 1 interest on capital is allowed at 6% per annum
- 2 Sian is allowed a salary of \$20 000 per annum
- 3 interest on drawings is charged at 3% per annum, charged for each proportion of the year

The profit for the year before appropriation for the year ended 31 March 2022 was \$59 190.

Drawings made during the year were:

	Sian \$	Tom \$
1 April 2021	8 000	10 000
1 October 2021	6 000	12 000

The capital account balances on 1 April 2021 were:

	\$
Sian	150 000
Tom	100 000

The current account balances on 1 April 2021 were:

	\$	
Sian	3 000	credit
Tom	7 000	debit

REQUIRED

(b) Prepare the extract from the statement of financial position of Sian and Tom that shows the capital accounts and the full details of their current accounts at 31 March 2022.

Sian and Tom
Statement of financial position (extract) at 31 March 2022

	\$	\$	\$
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[8]

(c) Explain the significance of a debit balance in a partner's current account.

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..... [2]

Q3

John and Banu are partners.

The partners provided the following list of balances at 31 March 2021.

	\$
Revenue	158 000
Inventory at 1 April 2020	9 400
Purchases	69 200
Rates and insurance	11 250
Wages	10 475
General expenses	9 675
Discount allowed	2 000
Commission receivable	4 800
Balance at bank	4 000
Trade receivables	14 150
Trade payables	5 835
Premises at cost	130 000
Fittings at cost	18 000
Provision for depreciation of fittings	8 100
Loan from John	10 000
Capital accounts	
John	75 000
Banu	50 000
Current accounts	
John	4 050
Banu	2 365
Drawings	
John	19 000
Banu	21 000

Additional information

- 1 Inventory at 31 March 2021 was valued at \$9200.
- 2 Rates of \$650 were unpaid at 31 March 2021.
- 3 Commission receivable of \$300 was due at 31 March 2021.
- 4 Depreciation on fittings is to be charged at 15% per annum using the straight-line method.
- 5 The partnership agreement provides for:
 - interest on partner's loan of 5% per annum
 - interest on drawings of 6%
 - interest on capital of 3% per annum
 - a salary to John of \$8500 per annum
 - residual profits and losses to be shared 40% to John and 60% to Banu.

REQUIRED

(a) Prepare the income statement for John and Banu for the year ended 31 March 2021.

John and Banu
Income Statement for the year ended 31 March 2021

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[9]

(b) Prepare the appropriation account for John and Banu for the year ended 31 March 2021.

John and Banu
Appropriation Account for the year ended 31 March 2021

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[5]

(c) State the purpose of:

(i) charging interest on the partners' drawings

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..... [1]

(ii) paying interest on the loan from John.

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..... [1]

(d) Complete the table by placing a tick (✓) against **each** statement which describes an advantage to John of being in a partnership with Banu.

Continuity of existence of the business	
Banu may have skills and knowledge which John does not have	
John is only liable for business debts up to the amount he agreed to contribute	
Additional finance is available to the business	
Risks and responsibilities are shared	
John is bound by the actions of Banu carried out on behalf of the business	
John can discuss matters with Banu before making decisions	

[4]

[Total: 20]

Q4

Tia and Sarna are partners in a trading business.

Their trial balance at 31 December 2019 was as follows:

Tia and Sarna Trial Balance at 31 December 2019		
	debit	credit
	\$	\$
Revenue		124 000
Inventory at 1 January 2019	5 390	
Purchases	55 440	
Discount allowed	2 400	
Discount received		1 385
Carriage outwards	6 160	
Insurance	7 920	
General expenses	8 100	
Wages	9 600	
Trade receivables	11 590	
Trade payables		6 051
Bank	8 136	
Premises at cost	90 000	
Furniture at cost	24 000	
Provision for depreciation on furniture		5 600
Capital accounts		
Tia		80 000
Sarna		40 000
Current accounts		
Tia		2 100
Sarna		1 600
Drawings		
Tia	15 000	
Sarna	17 000	
	<u>260 736</u>	<u>260 736</u>

Additional information

- 1 Inventory at 31 December 2019 was valued at \$5165.
- 2 Depreciation on furniture is to be charged at 20% per annum using the straight-line method.
- 3 The insurance includes a payment of \$2160 for the 12 months from 1 July 2019 to 30 June 2020.
- 4 The partnership agreement provides for
interest on capital of 5% per annum
a salary to Tia of \$6000 per annum
residual profits and losses to be shared equally

(a) Prepare the income statement for Tia and Sarna for the year ended 31 December 2019.

Tia and Sarna
Income Statement for the year ended 31 December 2019

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[8]

(b) Prepare the appropriation account for Tia and Sarna for the year ended 31 December 2019.

Tia and Sarna
Appropriation Account for the year ended 31 December 2019

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[4]

(c) Prepare the current account for Sarna for the year ended 31 December 2019. Balance the account and bring down the balance on 1 January 2020.

Tia and Sarna
Sarna current account

Date	Details	\$	Date	Details	\$
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[4]

17. Manufacturing Accounts

Q1

Pari owns a clothing factory. Her year end is 31 December.

At 31 December 2021, her ledger account balances included the following.

	\$
Inventory at 1 January 2021	
Raw materials	6 100
Work in progress	9 420
Finished goods	11 350
Revenue	230 020
Purchases of raw materials	84 200
Wages	
Factory operatives	33 000
Factory supervisor	26 000
Office and sales staff	45 000
Rates and insurance	14 000
General factory expenses	11 500
Factory equipment – at cost	100 000
Factory equipment – provision for depreciation	36 000

Additional information

- Inventory at 31 December 2021

Raw materials	6 840
Work in progress	9 885
Finished goods	12 630
- Rates and insurance are to be apportioned equally between the factory and the office.
- At 31 December 2021, general factory expenses of \$500 were unpaid.
- Factory equipment is depreciated at 20% per annum using the reducing balance method.

(b) Prepare Pari's income statement (trading section) for the year ended 31 December 2021.

Pari
Income Statement (trading section) for the year ended 31 December 2021

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[4]

Q2

TC Limited is a manufacturing company. The company's year end is 31 January.
On 31 January 2021, the company's ledger account balances included the following.

	\$
Inventory at 1 February 2020	
Raw materials	7 500
Work in progress	11 220
Finished goods	925
Purchases	
Raw materials	91 400
Finished goods	6 850
Wages	
Factory operatives	52 000
Factory supervisor	23 100
Rent and rates	19 620
Insurance	4 600
General factory expenses	4 200
Carriage inwards on raw materials	6 280
Factory equipment at cost	90 000
Provision for depreciation of factory equipment	30 960

Additional information

1 Inventory at 31 January 2021

Raw materials	8 000
Work in progress	11 900
Finished goods	1 075

- 2 The factory equipment is to be depreciated at 20% per annum using the reducing balance method.
- 3 In December 2020, \$3600 was paid for rent for the period 1 December 2020 to 28 February 2021.
- 4 At 31 January 2021 rates of \$550 were unpaid.
- 5 Rent and rates are to be apportioned equally between the factory and the office.
- 6 Insurance is to be apportioned 75% to the factory and 25% to the office.

(b) Prepare the manufacturing account for TC Limited for the year ended 31 January 2021.

TC Limited
Manufacturing Account for the year ended 31 January 2021

	\$		\$	

[10]

Q3

On 31 July 2021 the following information was provided by KA Limited, a manufacturer of garden tools.

	\$
Inventory 1 August 2020	
Raw materials	5 820
Work in progress	1 750
Finished goods	12 360
Purchases	
Raw materials	34 200
Finished goods	3 900
Carriage on purchases	
Raw materials	410
Finished goods	80
Direct wages	67 200
Indirect factory wages	24 000
Factory machinery at cost	47 000
Provision for depreciation of factory machinery	11 000
Factory general overheads	16 400
Rates	5 300
Inventory 31 July 2021	
Raw materials	6 030
Work in progress	2 780
Finished goods	10 340
Revenue	223 000

Additional information

- 1 On 31 July 2021 rates, \$500, were prepaid.
Rates are to be apportioned 75% factory, 25% office.
- 2 On 31 July 2021 factory general overheads, \$230, were accrued.
- 3 Factory machinery is to be depreciated at 20% per annum using the reducing balance method.

REQUIRED

- (a) Prepare the manufacturing account of KA Limited for the year ended 31 July 2021.

KA Limited
Manufacturing Account for the year ended 31 July 2021

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[10]

(b) Prepare the income statement (trading section) of KA Limited for the year ended 31 July 2021.

KA Limited
Income Statement (Trading section) for the year ended 31 July 2021

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[4]

Q4

Chippo owns a manufacturing business which produces product S. She provided the following information for the year ended 30 April 2020.

	\$
Revenue	254 000
Purchases of raw materials	46 500
Purchases of finished goods	59 000
Wages of factory operatives	38 250
Royalties paid to the inventor of product S	7 690
Factory general expenses	4 500
Factory fuel and power	5 325
Rent and insurance	28 000
Factory machinery at cost	60 000
Provision for depreciation of factory machinery	21 600
Inventory at 1 May 2019:	
raw materials	3 120
work in progress	5 400
finished goods	8 220

Additional information

- 1 Factory machinery is depreciated at 20% per annum using the reducing balance method.
- 2 Rent and insurance is to be split equally between the factory and the office.
- 3 The annual salary of the factory supervisor is \$28 500.
- 4 Closing inventory at 30 April 2020 was:

	\$
Raw materials	3 000
Work in progress	5 590
Finished goods	7 885

(a) Prepare Chippo’s manufacturing account for the year ended 30 April 2020.

Chippo
Manufacturing Account for the year ended 30 April 2020

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[10]

- (b) Prepare Chippo's income statement (trading account section) for the year ended 30 April 2020.

Chippo
Income Statement (Trading Account section) for the year ended 30 April 2020

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[4]

- (c) Complete the table by placing a tick (✓) in the correct column, to indicate whether **each** of the following actions would increase or decrease Chippo's gross margin.

Action	Increase gross margin	Decrease gross margin
Increase wages of factory supervisor		
Reduce trade discount allowed to customers		

[2]

18. Limited Company Accounts

Q1

The following information is taken from the statement of financial position of C Limited at 1 September 2021.

	\$
5% Debentures (2024)	60 000
Equity	
Ordinary share capital (\$0.50)	240 000
General reserve	36 000
Retained earnings	22 000

During the year ended 31 August 2022:

A final dividend payment of \$12 000 was made for the year ended 31 August 2021.

An interim dividend payment of \$0.02 per share was made for the year ended 31 August 2022.

A transfer of \$11 000 was made to general reserve.

At 31 August 2022 the company proposed a final dividend of \$10 000 for the year ended 31 August 2022.

The revenue for the year ended 31 August 2022 was \$310 000 and the profit (before debenture interest) was \$23 000.

REQUIRED

(a) Prepare the statement for the changes in equity for the year ended 31 August 2022.

C Limited
Statement of Changes in Equity for the year ended 31 August 2022

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
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[7]

Q2

The trial balance of M Limited at 30 November 2021 was as follows.

M Limited		
Trial Balance at 30 November 2021		
	Debit	Credit
	\$	\$
Revenue		203 600
Inventory at 1 December 2020	12 945	
Purchases	143 750	
Rent and rates	12 460	
Operating expenses	12 920	
Wages	24 380	
Equipment at cost	40 000	
Provision for depreciation of equipment		17 500
Trade receivables	9 800	
Provision for irrecoverable debts		295
Bank	162	
Trade payables		11 585
Ordinary share capital		20 000
General reserve		3 000
Retained earnings		2 037
Dividend paid on ordinary shares	1 600	
	<u>258 017</u>	<u>258 017</u>

Additional information

- 1 Inventory at 30 November 2021 was valued at \$12 830.
- 2 Depreciation on equipment is to be charged at 25% per annum using the reducing balance method.
- 3 Accrued operating expenses at 30 November 2021 were \$415.
- 4 Rent includes a payment of \$2250 for the 3 months from 1 October 2021 to 31 December 2021.
- 5 The provision for doubtful debts is to be set at 4% of trade receivables.

- 6 No dividends were outstanding at 30 November 2021.
- 7 \$1000 is to be transferred to the general reserve at 30 November 2021.

REQUIRED

- (a) Prepare the income statement for M Limited for the year ended 30 November 2021.

M Limited
Income Statement for the year ended 30 November 2021

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[7]

(b) Prepare the statement of changes in equity for M Limited for the year ended 30 November 2021.

M Limited
Statement of Changes in Equity for the year ended 30 November 2021

Details	Ordinary Share capital	General reserve	Retained earnings	Total
	\$	\$	\$	\$
On 1 December 2020
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.....
	_____	_____	_____	_____
On 30 November 2021
	_____	_____	_____	_____

[5]

Q3

The trial balance of HV Limited at 31 March 2021 was as follows.

HV Limited		
Trial Balance at 31 March 2021		
	Debit	Credit
	\$	\$
Revenue		145 000
Inventory at 1 April 2020	5 820	
Purchases	64 900	
Rent and insurance	9 280	
Wages	24 750	
Operating expenses	8 500	
Fittings at cost	200 000	
Provision for depreciation of fittings		72 000
Trade receivables	12 500	
Bank	13 765	
Trade payables		6 615
4% Debentures (repayable 1 April 2031)		30 000
Ordinary share capital		70 000
Retained earnings		21 500
Dividend paid on ordinary shares	5 600	
	<u>345 115</u>	<u>345 115</u>

Additional information

- 1 Inventory at 31 March 2021 was valued at \$6090.
- 2 Depreciation on fittings is to be charged at 20% per annum using the reducing balance method.
- 3 Rent includes a payment of \$1800 for the 3 months from 1 March 2021 to 31 May 2021.
- 4 Accrued wages at 31 March 2021 were \$2250.
- 5 No debenture interest has been paid for the year ended 31 March 2021.
- 6 No dividends were outstanding at 31 March 2021.
- 7 \$2000 is to be transferred to a general reserve on 31 March 2021.

(a) Prepare the income statement for HV Limited for the year ended 31 March 2021.

HV Limited
Income Statement for the year ended 31 March 2021

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[8]

(b) Prepare the statement of changes in equity for HV Limited for the year ended 31 March 2021.

HV Limited
Statement of Changes in Equity for the year ended 31 March 2021

Details	Ordinary Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 April 2020
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On 31 March 2021

[5]

(c) Calculate the return on capital employed for the year ended 31 March 2021.
The answer should be correct to **two** decimal places.

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..... [3]

(d) State **two** differences between ordinary shares and preference shares.

1

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[4]

[Total: 20]

Q4

MPT Limited prepares its financial statements to 30 April each year.

The company's retained earnings at 1 May 2019 were \$14 000. The general reserve was \$35 000.

During the year ended 30 April 2020 the following took place.

- 1 The company made a profit for the year of \$28 000 after charging debenture interest.
- 2 A transfer of \$5 000 was made to the general reserve.
- 3 A dividend of \$4 500 was paid. No other dividends were payable for the year.

MPT Limited provided the following balances at 30 April 2020.

	\$
Fixtures and equipment at book value	152 000
Motor vehicles at book value	60 400
Inventory	30 330
Bank overdraft	6 200
Trade payables	24 900
Trade receivables	31 500
Provision for doubtful debts	630
5% Debentures (repayable 2025)	20 000
Ordinary share capital	150 000

REQUIRED

(a) Calculate the retained earnings of MPT Limited at 30 April 2020.

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..... [3]

(b) Prepare the statement of financial position for MPT Limited at 30 April 2020.

MPT Limited
Statement of Financial Position at 30 April 2020

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[7]

The directors of MPT Limited are considering using the general reserve to repay the bank overdraft.

REQUIRED

(c) State why it is not appropriate to use the general reserve to repay the bank overdraft.

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..... [1]

(d) Calculate the return on capital employed (ROCE) for the year ended 30 April 2020. The calculation should be correct to **two** decimal places and should be based on closing capital employed.

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..... [4]

Q5

The directors of DW Limited provided the following information at 30 September 2020.

	\$
6% debentures (2028)	18 000
Bank overdraft	6 450
Dividend paid	2 000
General reserve at 1 October 2019	6 500
Inventory at 30 September 2020	26 300
Issued share capital at 1 October 2019	200 000
Non-current assets at 30 September 2020	
Cost	462 000
Provision for depreciation	106 000
Other payables	2 200
Other receivables	1 600
Provision for doubtful debts at 1 October 2019	625
Retained earnings	73 475
Trade payables	8 250
Trade receivables	14 500

Additional information

A draft income statement for the year ended 30 September 2020 was prepared showing a profit of \$84 900.

The following errors were later discovered.

- 1 Inventory of \$26 300 included items valued at cost \$5200 that needed repair. After repairs costing \$600, the items could be sold for \$5000.
- 2 Operating expenses included insurance of \$400 that was prepaid at 30 September 2020.
- 3 The provision for doubtful debts should have been adjusted so that it equals 5% of trade receivables.

The directors decided to transfer \$5000 to general reserve.

There was no change to the issued share capital during the year ended 30 September 2020.

(c) Prepare the statement of changes in equity for the year ended 30 September 2020.

DW Limited
Statement of Changes in Equity for the year ended 30 September 2020

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2019
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On 30 September 2020

[5]

(d) Prepare the statement of financial position at 30 September 2020.

DW Limited
Statement of Financial Position at 30 September 2020

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[9]

Q6

JP Limited's financial year ended on 30 September 2020.

The following balances were available at that date.

	\$
7% debentures (2026)	20 000
Administrative expenses	44 000
Carriage inwards	1 500
Distribution costs	38 000
Debenture interest paid	700
Inventory at 1 October 2019	66 000
Non-current assets at book value at 1 October 2019	610 000
Provision for doubtful debts	1 000
Purchases	263 000
Revenue	529 500
Trade receivables	80 500

Additional information

- 1 Inventory at 30 September 2020 was valued at \$59 000.
- 2 Interest on the 7% debentures (2026) had been paid up to 31 March 2020.
- 3 Administrative expenses included rates of \$1200 for the six months ending 31 March 2021.
- 4 Distribution costs of \$800 were outstanding at 30 September 2020.
- 5 Non-current assets should be depreciated by 10% per annum using the reducing balance method.
- 6 Irrecoverable debts of \$500 are to be written off.
- 7 The directors wish to maintain the provision for doubtful debts at 2% of trade receivables.

(a) Calculate the cost of sales for the year ended 30 September 2020.

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..... [2]

(b) Calculate the increase or decrease in the provision for doubtful debts at 30 September 2020.

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- (d) Complete the table by placing a tick (✓) in the correct column to indicate the effect on the equity of JP Limited of **each** of the following.

The first one has been completed as an example.

	Increase	Decrease	No effect
Issue additional debentures			✓
Issue additional ordinary shares			
Payment of ordinary share dividend			
Proposal of ordinary share dividend			
Transfer from retained earnings to general reserve			

[4]

19. Clubs & Societies Accounts (Non-Profit Organizations)

Q1

The Sew and Soup Club offers membership to people who are interested in sharing sewing and knitting patterns. It runs a refreshment café for members. The club had the following assets and liabilities at 31 December.

	2020	2021
	\$	\$
Subscriptions in advance	2260	1745
Subscriptions in arrears	1820	2115
Inventory of refreshments	1070	1130
Rent paid in advance	500	500
Trade payables for refreshment supplies	1940	1580
Bank balance	4628	7743

The following totals are for the year ended 31 December 2021.

	\$
Receipts	
Subscriptions received (all by cheque)	13900
Cash sales from refreshments	17650
Payments	
Rent	6000
Wages	7000
Other expenses	5000
Trade payables for refreshment supplies	10435

REQUIRED

- (a) (i) Prepare the subscriptions account for the year ended 31 December 2021. Balance the account and bring down the balances on 1 January 2022.

Sew and Soup Club
Subscriptions account

Date	Details	\$	Date	Details	\$
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[6]

- (ii) Explain whether the treasurer should be satisfied with the amount of cash received from member subscriptions during the year ended 31 December 2021.

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..... [3]

(b) Calculate the profit on refreshments for the year ended 31 December 2021.

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[7]

(c) Prepare the current assets section of the club's statement of financial position at 31 December 2021.

Sew and Soup Club
Statement of financial position (extract) at 31 December 2021

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Current Assets		
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[4]

Q2

RIA Music Club owns its premises where it has a shop and a number of music rooms. Shop sales are for cash and shop purchases are on credit. Mark-up is 20%. The treasurer provided the following information.

	At 1 January 2020	At 31 December 2020
	\$	\$
Subscriptions in advance	1 200	1 050
Subscriptions in arrears	5 215	5 830
Total shop trade payables	4 275	4 990
Shop inventory	2 500	2 500
Balance at bank	240	110
For the year to 31 December 2020		
Subscriptions received	36 700	
Shop purchases	34 200	
Shop purchases returns	1 710	
Interest charged on overdue shop trade payables accounts	200	

REQUIRED

- (a) Prepare the subscriptions account for the year ended 31 December 2020. Balance the account and bring down the balances on 1 January 2021.

RIA Music Club Subscriptions account					
Date	Details	\$	Date	Details	\$
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[6]

- (b) Prepare the total shop trade payables account for the year ended 31 December 2020 to calculate the amount paid to shop trade payables.

RIA Music Club
Total shop trade payables account

Date	Details	\$	Date	Details	\$
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[6]

- (c) Calculate the revenue from shop sales for the year ended 31 December 2020.

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..... [3]

Q3

The financial year of VL Sports Club ends on 31 December. The treasurer provided the following information about receipts and payments for the year ended 31 December 2020.

Receipts	\$
Subscriptions	19 200
Competition receipts	7 300
Dinner dance ticket sales	6 500
Payments	\$
Competition prizes	4 100
Dinner dance costs	6 200
Equipment	12 000
General expenses	11 500

The treasurer also provided the following information.

	1 January 2020	31 December 2020
	\$	\$
Equipment at net book value	23 000	30 000
General expenses owing	400	500
Subscriptions in arrears	700	300
Subscriptions in advance	1 100	900

Of the subscriptions in arrears on 1 January 2020 an amount of \$80 had not been paid by 31 December 2020 and is to be written off as irrecoverable.

REQUIRED

- (a) Prepare the subscriptions account for the year ended 31 December 2020. Balance the account and bring down the balances on 1 January 2021.

VL Sports Club
Subscriptions account

Date	Details	\$	Date	Details	\$
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[8]

(b) Prepare the income and expenditure account for VL Sports Club for the year ended 31 December 2020.

VL Sports Club
Income and Expenditure Account for the year ended 31 December 2020

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[9]

The treasurer of VL Sports Club wants to encourage more members to pay their subscriptions in advance by offering a 10% reduction in annual subscription fees.

(c) Advise the treasurer whether or not VL Sports Club should offer this reduction in annual subscription fees to members who pay in advance. Justify your answer with **one** advantage and **one** disadvantage.

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[3]

Q4

The ZED Sports Club has a shop which sells sportswear. The following details relate to the shop for the year ended 29 February 2020.

	\$
Opening inventory	900
Closing inventory	970
Purchases	7600
Shop Sales	10542

All the shop sales and purchases are for cash. All the club's receipts are paid into the bank and all payments are made by cheque. On 1 March 2019 the club's bank balance was overdrawn by \$845.

In addition to the shop sales and purchases, the following receipts and payments were made during the year ended 29 February 2020.

	\$
Subscriptions received	11 400
Competition fees received	915
Payments for competition prizes	390
Purchases of fittings	4 000
Rent and insurance	4 575
Wages of shop assistant	2 000

Prepare the receipts and payments account for the ZED Sports Club for the year ended 29 February 2020. Balance the account and bring down the balance on 1 March 2020.

ZED Sports Club
Receipts and Payments Account for the year ended 29 February 2020

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[8]

Q5

State **three** differences between a receipts and payments account and an income and expenditure account.

	Receipts and payments account	Income and expenditure account
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3		

[3]

Q6

The K Music Club provides facilities for listening to music and also provides a refreshment bar for members. The club had the following assets and liabilities at 1 April 2019.

	\$
Subscriptions in advance	250
Subscriptions in arrears	845
Cash at bank	1 570
Cash in hand	130
Wages outstanding (refreshment bar)	140
Inventory (refreshment bar)	615
Fixtures and fittings at book value	11 200

REQUIRED

(a) Calculate the accumulated fund at 1 April 2019.

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..... [4]

(b) State how the accumulated fund of a club is built up over time.

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..... [2]

The following information is available for the year ended 31 March 2020.

	\$
Subscriptions received (all by cheque)	8 500
Subscriptions written off as irrecoverable	155
Wages paid to refreshments bar staff	1 250

Balances at 31 March 2020 included the following.

	\$
Subscriptions in advance	215
Subscriptions in arrears	975
Wages outstanding (refreshments bar)	115

REQUIRED

(c) Calculate the refreshment bar staff wages for the year ended 31 March 2020.

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..... [2]

(d) Prepare the subscriptions account for the year ended 31 March 2020. Balance the account and bring down the balances on 1 April 2020.

K Music Club
Subscriptions account

Date	Details	\$	Date	Details	\$
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[7]

Q7

BH Sports Club provides sporting facilities and a café for the use of its members and guests.

The club's financial year ends on 31 July. The following information is available.

Assets and liabilities

	At 1 August 2019 \$	At 31 July 2020 \$
Bank	840	1270
Café inventory	520	770
Sports hall at book value	17 000	16 560
Insurance prepaid – sports hall and sports equipment	400	440
Sports equipment at book value	3900	?
Subscriptions in arrears	360	720
Subscriptions received in advance	–	120
Wages accrued – café staff	60	80

Receipts and Payments Account for the year ended 31 July 2020

Details	\$	Details	\$
Balance	b/d 840	Purchases of café supplies	8 190
Subscriptions received	9 960	Wages – café staff	2 750
Café takings	13 520	Wages – sports staff	5 220
		Insurance – sports hall and sports equipment	1 430
		Sports equipment	2 100
		Sports hall expenses	3 360
		Balance	c/d 1 270
	<u>24 320</u>		<u>24 320</u>

Additional information

Sports equipment is depreciated at 10% per annum using the reducing balance method.

(c) Prepare the income and expenditure account for the year ended 31 July 2020.

BH Sports Club
Income and Expenditure Account for the year ended 31 July 2020

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[7]

(d) (i) State what the balance on BH Sports Club's accumulated fund represents.

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..... [1]

(ii) State the effect that the surplus or deficit on BH Sports Club's income and expenditure account for the year ended 31 July 2020 will have on the accumulated fund.

.....
..... [2]

[Total: 20]

20. Ratio Analysis

Q1

At the end of his first year in business Rasheed would like to compare his financial performance with other businesses. Explain to Rasheed **three** problems of inter-firm comparison.

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[6]

Q2

The following information is taken from the statement of financial position of C Limited at 1 September 2021.

	\$
5% Debentures (2024)	60 000
Equity	
Ordinary share capital (\$0.50)	240 000
General reserve	36 000
Retained earnings	22 000

During the year ended 31 August 2022:

A final dividend payment of \$12 000 was made for the year ended 31 August 2021.

An interim dividend payment of \$0.02 per share was made for the year ended 31 August 2022.

A transfer of \$11 000 was made to general reserve.

At 31 August 2022 the company proposed a final dividend of \$10 000 for the year ended 31 August 2022.

The revenue for the year ended 31 August 2022 was \$310 000 and the profit (before debenture interest) was \$23 000.

Calculate to **two** decimal places the return on capital employed for the year ended 31 August 2022. (Use closing capital employed).

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..... [4]

(i) Calculate to **two** decimal places the profit margin for the year.

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..... [2]

(ii) Suggest **two** ways in which the profit margin could be improved.

1

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2

..... [2]

Q3

Ekua is a trader who sells household furnishings. She has provided the following information.

	\$
At 30 April 2022:	
Inventory	14 650
Trade receivables	12 700
Bank overdraft	5 375
Trade payables	7 125

For the year to 30 April 2022:	
Revenue	112 300
Purchases	72 250
Expenses	19 820

All sales and purchases are on credit.
Inventory at 1 May 2021 was valued at \$12 800.

REQUIRED

(a) Complete the following tables.

Gross margin	
workings	answer (to two decimal places)

Profit margin	
workings	answer (to two decimal places)

Rate of inventory turnover (times)	
workings	answer (to two decimal places)

Current ratio	
workings	answer (to two decimal places)

Liquid (acid test) ratio	
workings	answer (to two decimal places)

[11]

Q4

State **two** non-financial factors which may affect Ekua's trading results.

- 1
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- 2
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[2]

Q5

Explain why the following interested parties want to know the level of Ravi's trade receivables.

(i) Bank manager

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..... [2]

(ii) Trade payables

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..... [2]

Q6

Chaaya provided the following information.

	\$
For the year to 31 December 2020	
Credit sales	114 400
Credit purchases	63 110
Gross profit	51 480
At 31 December 2020	
Inventory	2 850
Trade receivables	15 400
Trade payables	7 430
Bank overdraft	6 190

REQUIRED

(a) Complete the following table.

ratio	working	answer
gross margin		
trade receivables turnover days (round up to next whole day)		
current ratio (correct to two decimal places)		

[6]

Chaaya is comparing her ratios with those of Sara, her main competitor. Based on Sara's most recent financial statements, her trade receivables turnover is 28 days.

REQUIRED

(b) (i) Compare Chaaya's trade receivables turnover with Sara's trade receivables turnover.

.....
.....
.....
.....
.....
.....
..... [3]

(ii) State **two** problems with the inter-firm comparison in **4(b)(i)**.

1
.....
2
..... [2]

(d) (i) State **two** reasons why Chaaya's employees would be interested in her financial statements.

1
.....
2
..... [2]

(ii) State **two** types of users of Chaaya's financial statements, **other than** Chaaya and her employees.

1
2 [2]

Q7

Omer is a trader. He provided the following information.

	\$
For the year ended 30 April 2021	
Credit sales	191 000
Credit purchases	120 000
Gross profit	80 220
Commission receivable	20 280
Expenses	29 830
At 30 April 2021	
Trade receivables	12 400
Trade payables	7 000

REQUIRED

(a) Calculate the following ratios.

Trade receivables turnover (days)	
workings	answer (round up to next whole day)

Trade payables turnover (days)	
workings	answer (round up to next whole day)

[4]

The year ended 30 April 2021 was Omer's first year of trading. His main competitor is Ahu who has been trading for many years. Ahu has established a good reputation.

The following information relates to Ahu's business for the year ended 30 April 2021.

Trade receivables turnover	36 days
Trade payables turnover	31 days

REQUIRED

(b) (i) Suggest **two** reasons for the difference in the trade receivables turnover of the two businesses.

- 1
 -
 - 2
 -
- [2]

(ii) Suggest **two** reasons for the difference in the trade payables turnover of the two businesses.

- 1
 -
 - 2
 -
- [2]

(b) (i) Calculate the gross margin.

.....
.....
..... [2]

(ii) Advise Jabir on **two** actions he could take to improve his gross margin.

1
.....
2
..... [2]

(c) Calculate the trade receivables turnover. Round up your answer to the next whole day.

.....
.....
..... [2]

Calculate the trade payables turnover. Round up your answer to the next whole day.

.....
.....
..... [2]

Q9

Adit provided the following information.

For the year to 31 January 2020	\$
Profit for the year	27 900
Revenue	186 000
Credit purchases	93 075
At 31 January 2020	
Non-current assets at book value	43 700
Inventory	9 340
Trade receivables	14 010
Trade payables	9 435
Bank overdraft	2 240
Bank loan (repayable 2023)	6 000

All goods are sold on credit terms.

REQUIRED

(a) Calculate the following ratios. Show your workings.

profit margin	
workings	answer

trade payables turnover (days)	
workings	answer (round up to nearest whole day)

trade receivables turnover (days)	
workings	answer (round up to nearest whole day)

liquid ratio	
workings	answer

[8]

Suggest **three other** actions which Adit could take to reduce the bank overdraft.

- 1
-
- 2
-
- 3
- [3]

Q10

The directors of JKY Limited provided the following information.

For the year to 30 April 2020:

	\$
Revenue	209 510
Purchases	121 618

At 30 April 2020:

Inventory	11 050
Trade receivables	28 700
Bank overdraft	6 280

All sales and purchases were made on credit terms.

Inventory at 1 May 2019 was valued at \$8000

REQUIRED

(a) Calculate the following ratios. Show your workings.

Rate of inventory turnover	
workings	answer (to two decimal places)

Trade receivables turnover (days)	
workings	answer (round up to nearest whole day)

[5]

The rate of inventory turnover for the year ended 30 April 2020 was lower than that of the previous year.

The trade receivables turnover (days) for the year ended 30 April 2020 was higher than that of the previous year.

REQUIRED

(b) Explain the effects of the change in:

(i) inventory turnover

.....
.....
.....
.....
..... [3]

(ii) trade receivables turnover (days)

.....
.....
.....
.....
..... [3]

Q11

Eniola is concerned that her bank balance has decreased significantly during the last year. She is considering how to improve her liquidity.

REQUIRED

(c) Suggest **one** effect of **each** of the following proposals.

(i) Hire new non-current assets instead of purchasing them.

.....
..... [1]

(ii) Delay paying credit suppliers.

.....
..... [1]

Q12

After correcting the errors, Nazim compared his results with those of his brother Aziz, who has a similar business.

	Nazim	Aziz
Current ratio	1.71:1	2.12:1
Liquid (acid test) ratio	0.77:1	1.28:1
Return on capital employed	13.65%	15.25%

REQUIRED

(b) Suggest **two** reasons for the differences in **each** ratio.

(i) Current ratio

1
.....
2
..... [2]

(ii) Liquid (acid test) ratio

1

.....

2

.....

[2]

(iii) Return on capital employed (ROCE)

1

.....

2

.....

[2]

Nazim discovered that his rate of inventory turnover (times) was also lower than that of Aziz.

REQUIRED

(c) Suggest **one** reason for this difference.

.....

..... [1]

Q13

Carlos owns a business selling computer equipment.

He provided the following information for the year ended 31 July 2020.

	\$
Sales	240 000
Cost of sales	169 000
Operating expenses	55 000
Drawings	18 000
Capital employed	62 000

REQUIRED

(a) Calculate the profit for the year ended 31 July 2020.

Workings	Profit for the year ended	
	31 July 2020	31 July 2019
		\$11 550

[1]

(b) Calculate the following ratios correct to **two** decimal places.

Profit margin

Workings	Year ended	
	31 July 2020	31 July 2019
		8.56%

Gross margin

Workings	Year ended	
	31 July 2020	31 July 2019
		34.26%

Return on capital employed (ROCE)

Workings	Year ended	
	31 July 2020	31 July 2019
		32.08%

[6]

Comment on the performance of Carlos's business over the two years (2019 and 2020).

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[6]

(e) State the name of **one** party, other than himself and his employees, who would be interested in Carlos's financial statements. State **one** reason for their interest.

Interested party	The interest they would have

[2]

21. Correction of Errors

Q1

Jules has discovered the following five errors in his accounting records for the year ended 30 April 2022.

- 1 The total for general expenses, \$28, in the petty cash book for April 2022 has not been posted to the general ledger.
- 2 A direct debit to Isaac, a supplier, \$195 had been recorded as \$159 in the account for Isaac.
- 3 A payment by credit transfer for wages, \$144, has not been recorded in the accounting records.
- 4 The discount received total for January 2022, \$38, had been debited to the discount received account.
- 5 The account for rent and the account for commission receivable had both been overcast by \$200.

REQUIRED

(c) Prepare the journal entries required to correct these five errors. Narratives are **not** required.

Jules
Journal

Error number	Details	Debit \$	Credit \$
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.....

[10]

- (d) Prepare the suspense account. Include the original difference on the trial balance as a balancing figure.

Jules
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....

[4]

Q2

Mosi is a trader. The totals of his trial balance at 30 April 2022 did not agree and the difference was placed in a suspense account.

Mosi later discovered the following errors.

- 1 Commission received, \$96, had been debited to the discount received account. The entry to the bank account was correctly made.
- 2 The total of the sales journal for April 2022, \$1258, was transferred to the sales account as \$2185.
- 3 A cheque payment for motor expenses, \$77, had been omitted from the book-keeping records.
- 4 A payment by electronic transfer, \$135, was recorded as a payment in the petty cash book.
- 5 An invoice received from Tracey, \$160, was credited to the account for Stacey.

REQUIRED

- (a) Prepare the journal entries to correct errors 1–5. Narratives are **not** required.

Q3

Demis later discovered the following errors.

- 1 Drawings of goods for own use, \$317, had been omitted from the books of account.
- 2 Purchases returns, \$93, had been credited to the sales account.
- 3 A payment for property insurance, \$500, had been debited to the property account.
- 4 A credit purchase, \$315, from Erin, had been recorded as \$135.
- 5 A credit sale, \$191, to Harvinder, had been debited to the sales account and credited to Harvinder's account.

Complete the following table to show the entries required to correct **each** error.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
1. Drawings of goods for own use, \$317, had been omitted from the books of account.
2. Purchases returns, \$93, had been credited to the sales account.
3. A payment for property insurance, \$500, had been debited to the property account.
4. A credit purchase, \$315, from Erin, had been recorded as \$135.
5. A credit sale, \$191, to Harvinder, had been debited to the sales account and credited to Harvinder's account.

[10]

Identify the following error types from the table above.

(i) error 2

..... [1]

(ii) error 4

..... [1]

Q4

Rachel prepared her trial balance at 31 January. The total of the debit side was more than the total of the credit side. Rachel entered the difference in a suspense account.

(a) Explain how the use of a suspense account allows a draft statement of financial position to be prepared.

.....
.....
.....
.....
..... [2]

Rachel later discovered the following errors.

- 1 A repair to the premises, \$220, had been debited to the premises account.
- 2 The purchase of a motor vehicle, \$3400, on credit from Neil's Wheels, had not been recorded in the accounting records.
- 3 Both the sales journal and the purchases journal had been overcast by \$100.
- 4 Returns inwards, \$19, had not been recorded in the returns inwards account.
- 5 Bank interest received, \$25, had been debited to the bank charges account. The entry in the bank account had been correctly made.

REQUIRED

(b) Prepare the journal entries to correct errors 1–5. Narratives are **not** required.

(c) State the number of the error which is

(i) a compensating error

.....

[1]

(ii) an error of omission

.....

[1]

(d) Complete the table to indicate the **effect** of **each** error on gross profit and on profit for the year. The first one has been completed as an example.

Error number	Gross Profit			Profit for the year		
	No effect	Understated \$	Overstated \$	No effect	Understated \$	Overstated \$
1	✓					220
2						
3						
4						
5						

[4]

(e) State why a balance may remain on the suspense account after errors 1–5 have been corrected.

.....

[1]

[Total: 20]

Q5

Neith later discovered the following errors.

- 1 The total of the general expenses column of the petty cash book, \$32, for May 2020 had been posted to the office expenses account.
- 2 A payment received, \$75, from Anya, a credit customer, had been credited to the sales account.
- 3 A credit purchase, \$120, from Samir had been omitted from the books of account.
- 4 A cheque payment, \$19, for office expenses, had been recorded as \$91.
- 5 An invoice for office cleaning, \$235, had been debited to the fixtures and equipment account.

REQUIRED

(b) Prepare the journal entry to correct **each** of the above errors. Narratives are **not** required.

Neith Journal			
Error number	Details	Debit \$	Credit \$
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[10]

- (c) Complete the table by placing a tick (✓) to indicate the effect of **correcting each** error 2 to 5. Ignore depreciation of non-current assets.

The effect of correcting error 1 has been shown as an example.

Error number	Increases capital	Decreases capital	No effect on capital
1			✓
2			
3			
4			
5			

[4]

Q6

Kia is a trader.

The totals of the trial balance prepared on 30 April 2021 did not agree and the difference was placed in a suspense account.

Kia later discovered the errors shown in the table in part (a).

REQUIRED

- (a) Complete the following table to show the entries required to **correct each** error. The first one has been completed as an example.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
Cash drawings, \$200, had been omitted from the drawings account.	<i>Drawings</i>	200	<i>Suspense</i>	200
A petty cash book payment, \$31, to Abel, a supplier, had been recorded in the column for office expenses.
Sales returns, \$105, had been correctly entered in the customer's account but had been credited to the purchases returns account.
A payment for motor expenses, \$72, had been recorded in the motor expenses account as \$172.
A purchase invoice, \$102, from Abel, had been debited to Abel's account and credited to the purchases account.

[9]

- (b) Prepare the suspense account. Include the original difference on the trial balance, as a balancing figure.

Kia
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....

[5]

- (c) The account for Abel in Kia's books showed that Kia owed him \$327 **before** the errors were corrected. Calculate the correct amount which Kia owed Abel at 30 April 2021.

.....

.....

.....

.....

[3]

Q7

Anil is a trader. The totals of the trial balance he prepared on 31 December 2020 did not agree. The debits exceeded the credits by \$5140.

The following errors were later discovered.

- 1 The sales account had been undercast by \$7100.
- 2 Sales returns of \$520 had been posted as a credit to the purchases account. The correct entry had been made in the customer's account.
- 3 Bank charges of \$320 had been correctly entered in the cash book, but had not been entered in the bank charges account.
- 4 A cheque refund of \$600 for insurance overpaid had been entered on the wrong side of the bank account and no entry had been made in the insurance account.

REQUIRED

(a) Prepare journal entries to correct errors 1 to 4. Narratives are **not** required.

Anil
Journal

Error number	Details	Debit \$	Credit \$

[12]

(b) Complete the suspense account.

Anil
Suspense account

Date	Details	\$	Date	Details	\$
				<i>Difference on trial balance</i>	<i>5140</i>
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[6]

(c) Name **two** types of error **not** disclosed by a trial balance.

1

2

[2]

Q8

Nikita is a trader. The totals of her trial balance at 30 June 2021 did not agree. The debits exceeded the credits by \$2600. Nikita opened up a suspense account.

The following errors were later discovered.

- 1 Insurance of \$2500 had been entered as \$4500 in the insurance account. The correct entry had been made in the cash book.
- 2 The total of the discount received column in the cash book of \$500 had been debited to the discount allowed account in the general ledger.
- 3 Credit sales of \$1400 to Kajal had been correctly entered in the sales account, but debited as \$1000 in Kajal's account.
- 4 A cheque of \$700 received from Anisah had been correctly entered in the cash book, but credited to Aisha's account.

(a) Prepare journal entries to correct errors 1 to 4. Narratives are **not** required.

Nikita
Journal

Error number	Details	Debit \$	Credit \$
.....
.....
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[10]

(b) Prepare the suspense account. Start with the difference on the trial balance.

Nikita
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[5]

(c) Complete the statement to show the effect on the profit for the year of **correcting** errors 1 to 4.

Where the error does not affect profit write 'no effect'. Calculate the corrected profit for the year.

Nikita
Statement of corrected profit for the year ended 30 June 2021

Profit for the year before corrections		\$ 28 000
	Increase in profit \$	Decrease in profit \$
Error 1	.....	.....
Error 2	.....	.....
Error 3	.....	.....
Error 4	.....	.....
	-----	-----
	-----	-----
Corrected profit for the year		-----

[5]

[Total: 20]

Q9

Arjun is a sole trader.

Arjun prepared a trial balance on 31 January 2020. The totals of the debit and credit sides differed. This difference was placed in a suspense account.

Arjun later discovered the following errors.

- 1 The total of the discount received column in the cash book for January, \$135, had been credited to the commission receivable account.
- 2 \$200 received from the sale of fittings (net book value \$150) had been correctly debited but had been credited to the fixtures and fittings account.
- 3 Cash drawings, \$40, had been correctly debited but had been credited to the purchases account.
- 4 The total of the analysis column for cleaning in the petty cash book, \$73, had been transferred to both the cleaning account and the office expenses account.
- 5 The purchase of equipment, \$575, had been credited to the equipment repairs account. The bank account had been correctly credited.
- 6 No entries had been made for a cheque payment for office expenses, \$90.
- 7 A cheque, \$69, paid to Simone had been posted to the account of Simon.

(a) Prepare journal entries to correct errors 1, 2 and 3.

Narratives **are** required.

Arjun
Journal

Error number	Details	Debit \$	Credit \$
.....
.....
.....
.....
.....
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.....
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.....
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.....
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.....
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.....
.....

[9]

- (b) Prepare the suspense account. Include the original difference on the trial balance, as a balancing figure.

Arjun
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[4]

- (c) Complete the following table by placing a tick (✓) in the correct column to indicate how **each** of the **errors** would **affect** Arjun's capital.

The first one has been completed as an example.

Ignore depreciation of non-current assets.

Error number	Increases capital	Decreases capital	No effect on capital
3	✓		
4			
5			
6			
7			

[4]

Q10

Ame later discovered several errors had been made in the accounting records.

REQUIRED

- (b) Complete the table to show the entries required to **correct each error**.
The first one has been completed as an example.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
No entry had been made for cash sales, \$60.	Cash	60	Sales	60
Office expenses, \$240, had been credited to the wages account. No debit entry had been made.
The purchases journal total for March 2020 was \$2165. This amount was incorrectly recorded in the purchases account as \$2651.
An insurance payment, \$375, had been correctly recorded in the cash book but no other entry had been made.
The purchase of equipment, \$800, was correctly recorded in the cash book but debited to the office expenses account.

[9]

Prepare the suspense account. Start with the difference on the trial balance prepared in Part (a). Balance or total the account as necessary.

Ame
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....

[5]

Q11

Nadia is a trader. Her financial year ends on 31 March. She extracted a trial balance at 31 March 2020. The debit and credit totals did not agree. The difference was entered into a suspense account.

After Nadia prepared draft financial statements, she discovered the following errors.

- 1 The purchases account was overcast by \$110.
- 2 \$13 for discount allowed in February 2020 had been credited to the discount allowed account as \$15.
- 3 A payment for insurance, \$220, was correctly recorded in the cash book, but was recorded as \$202 in the insurance account.
- 4 Commission received, \$65, had been debited to the account for commission payable. The entry to the cash book had been correctly made.
- 5 Cash drawings, \$85, were correctly entered in the cash book but were credited to the drawings account.
- 6 The cost of a vehicle repair, \$190, had been debited to the motor vehicles account.
- 7 A payment of \$100 to Robert had been posted to the account of Roberta.

REQUIRED

- (a) Prepare the suspense account. Include the original difference on the trial balance as a balancing figure.

Nadia
Suspense account

Date	Details	\$	Date	Details	\$
.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

[7]

(b) Identify the type of error made in

(i) Error 6

..... [1]

(ii) Error 7

..... [1]

(c) Complete the following statement to show the effect on the profit for the year of **correcting** errors 2–7. If there is no effect on profit write 'nil' in the 'no effect' column. Calculate the corrected profit for the year. Ignore depreciation of non-current assets.

The first correction has been completed as an example.

Nadia			
Statement of corrected profit for the year ended 31 March 2020			
			\$
Draft profit for the year before corrections			6720
	No Effect	Increase in profit \$	Decrease in profit \$
Error 1		110	
Error 2	.....	.....	.....
Error 3	.....	.....	.....
Error 4	.....	.....	.....
Error 5	.....	.....	.....
Error 6	.....	.....	.....
Error 7	.....	.....	.....
Corrected profit for the year		.....	.....

[7]

Q12

The directors of DW Limited provided the following information at 30 September 2020.

	\$
6% debentures (2028)	18 000
Bank overdraft	6 450
Dividend paid	2 000
General reserve at 1 October 2019	6 500
Inventory at 30 September 2020	26 300
Issued share capital at 1 October 2019	200 000
Non-current assets at 30 September 2020	
Cost	462 000
Provision for depreciation	106 000
Other payables	2 200
Other receivables	1 600
Provision for doubtful debts at 1 October 2019	625
Retained earnings	73 475
Trade payables	8 250
Trade receivables	14 500

Additional information

A draft income statement for the year ended 30 September 2020 was prepared showing a profit of \$84 900.

The following errors were later discovered.

- 1 Inventory of \$26 300 included items valued at cost \$5200 that needed repair. After repairs costing \$600, the items could be sold for \$5000.
- 2 Operating expenses included insurance of \$400 that was prepaid at 30 September 2020.
- 3 The provision for doubtful debts should have been adjusted so that it equals 5% of trade receivables.

The directors decided to transfer \$5000 to general reserve.

There was no change to the issued share capital during the year ended 30 September 2020.

(a) Calculate the correct value of inventory at 30 September 2020.

.....

.....

.....

.....

.....

..... [2]

(b) Calculate the revised profit for the year ended 30 September 2020 after adjusting for errors 1–3.

.....

.....

.....

.....

.....

.....

.....

.....

..... [4]

Q13

Nazim owns a wholesale business and has prepared draft financial statements for the year ended 30 June 2020, his first year of trading.

After the preparation of these financial statements, some errors were discovered.

REQUIRED

(a) Complete the table to indicate the **effect of each error** on the profit for the year and on working capital at 30 June 2020.

Write 'understated', 'overstated' or 'no effect'.

The first one has been completed as an example.

Error	Effect on profit for the year	Effect on working capital
Repairs to office equipment had been entered in the office equipment account.	<i>Overstated</i>	<i>No effect</i>
No adjustment had been made for insurance prepaid.		
An irrecoverable debt had not been written off.		
No record had been made of additional capital introduced in cash.		
Closing inventory had been overstated.		

[8]

Q14

Razia's financial year ends on 30 September.

The totals of the trial balance on 30 September 2020 did not agree. The totals were debit \$10 450 and credit \$10 250. A suspense account was opened.

The following errors were later discovered.

- 1 The total of the sales returns journal had been overcast by \$300.
- 2 Cash sales, \$820, had not been recorded in the books of account.
- 3 A purchase invoice, \$190, had been credited to the account of P Hill instead of D Hill.
- 4 A cheque payment, \$240, for motor repairs had been correctly entered in the cash book but had been posted to the debit of motor repairs account as \$420.
- 5 Rent received, \$310, had been debited to the rent payable account.
- 6 Staff wages, \$250, had been posted to Razia's drawings account.
- 7 A cheque paid, \$900, to Kamil, a credit supplier, had been entered correctly in the cash book but had not been posted to Kamil's account.

REQUIRED

- (a) Prepare the suspense account. Start with the balance arising from the difference on the trial balance. The account should be balanced or totalled as necessary.

Razia
Suspense account

Date	Details	\$	Date	Details	\$
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.....
.....
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.....
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.....
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.....
.....

[6]

(b) Identify the types of error made in **Error 2** and **Error 4**.

Error	Type of error
2	
4	

[2]

(c) Complete the table by placing a tick (✓) in the correct column to indicate the effect on the profit for the year of **correcting each error**.

Error number	Increase profit	Decrease profit	No effect on profit
1			
2			
3			
4			
5			
6			
7			

[7]

22. Incomplete Records

Q1

Stalla started trading on 1 April 2021. All receipts are paid into the bank and all payments are made from the bank. She has not kept a full set of books but has provided the following information.

Summary of receipts and payments for the year ended 31 March 2022

	\$
Receipts	
Capital introduced	8 000
Loan received (repayable 2027)	5 000
Sales (all cash)	36 000
Payments	
Trade payables	17 850
Fixtures and fittings	12 000
General expenses	1 920
Rent and insurance	7 100
Drawings	?
Bank balance at 31 March 2022	2 330

REQUIRED

- (a) Record the total receipts and total payments to Stalla's bank account showing the cash drawings for the year ended 31 March 2022. Balance the bank account and bring the balance down on 1 April 2022.

Stalla
Bank account

Date	Details	\$	Date	Details	\$
.....
.....
.....
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.....
.....
.....

[4]

During the year ended 31 March 2022, Stalla took goods from the business for her own personal use. The selling price of these goods is \$3375. Her mark-up is 25%.

REQUIRED

(b) Calculate Stalla's total drawings for the year ended 31 March 2022.

.....

.....

.....

..... [2]

Stalla has provided a list of balances at 31 March 2022.

	\$
Fixtures and fittings (net book value)	10800
Inventory	2150
Prepaid rent	500
Balance at bank	2330
Trade payables	1875
Loan (repayable 2027)	5000
Capital	?

REQUIRED

(c) Prepare a statement of affairs to calculate Stalla's capital at 31 March 2022.

Stalla
Statement of Affairs at 31 March 2022

	\$	\$
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(d) Calculate Stalla's profit for the year ended 31 March 2022.

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Q2

Maira opened a shop on 1 January 2020.

She provided the following trading information.

- Gross margin: 40%
- Purchase price: \$70 per unit
- Carriage inwards: \$2 per unit
- Inventory: 130 units at 31 December 2020

REQUIRED

(a) Calculate the cost of Maira's inventory at 31 December 2020.

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Maira has not kept a full set of accounting records, but provided the following information.

- 1 All sales were made on cash terms. The sales for the first year were:
 - for the first two months: \$10 800 each month
 - for the next eight months: \$12 000 each month
 - for the last two months: \$16 200 each month
- 2 During the year Maira purchased 1400 units. Carriage was paid on these units.
- 3 Maira took goods from the business during the year ended 31 December 2020. No record was kept of these drawings.

Q3

Shiv is a trader. His financial year ends on 31 August. He does not maintain a full set of accounting records but was able to provide the following information for the year ended 31 August 2021.

Total revenue \$320 000
Mark-up 25%

Bank account summary for the year ended 31 August 2021

	\$		\$
Balance b/d	49 000	Expenses	34 000
Cash sales	3 700	Drawings	4 200
Receipts from trade receivables	312 400	Payments to trade payables	257 700
		Equipment	16 000
		Balance c/d	<u>53 200</u>
	<u>365 100</u>		<u>365 100</u>

Assets and liabilities

	1 September 2020	31 August 2021
	\$	\$
Inventory at cost	23 500	?
Trade receivables	22 000	25 900
Expenses owing	-	400
Trade payables	32 600	29 600
Equipment at net book value	-	12 800
Premises at cost	90 000	90 000

Shiv had withdrawn \$900 for a family holiday during the year. He had included this in the expenses.

On 31 August 2021 Shiv decided to create a provision for doubtful debts of 3% of trade receivables.

REQUIRED

(a) Calculate the purchases for the year ended 31 August 2021.

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Q4

The ZED Sports Club has a shop which sells sportswear. The following details relate to the shop for the year ended 29 February 2020.

	\$
Opening inventory	900
Closing inventory	970
Purchases	7600
Mark-up	40%

REQUIRED

(a) Calculate the shop sales for year ended 29 February 2020.

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Q5

Haziq has not maintained full accounting records for his business.

Haziq provided the following information for the year ended 31 July 2020.

	At 1 August 2019	At 31 July 2020
	\$	\$
Bank loan	6 000	4 500
Inventory	8 400	?
Non-current assets at net book value	35 580	32 450
Rent prepaid	240	–
Trade payables	6 280	7 460
Wages accrued	–	610

Summary of bank account for the year ended 31 July 2020

Date	Details	\$	Date	Details	\$
2020			2019		
July 31	Sales receipts	166 000	Aug 1	Balance b/d	2 150
	Balance c/d	6 600	2020		
			July 31	Payments to credit suppliers	96 220
				Bank loan repayments	1 500
				Bank loan interest	300
				Rent	2 640
				Wages	41 400
				General expenses	10 890
				Drawings	<u>17 500</u>
		<u>172 600</u>			<u>172 600</u>

Additional information

- 1 The gross margin was 40%.
- 2 All sales were for cash and all cash received was banked.

Q13

Ravi sends out statements of account to credit customers and charges interest on overdue accounts. He is concerned about the loss caused to his business by irrecoverable debts. He is considering employing a part-time credit controller to contact credit customers by telephone and to start legal action on overdue accounts if necessary. The credit controller would be paid \$6800 per annum.

REQUIRED

(d) Advise Ravi whether or not he should employ the credit controller. Justify your answer.

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Q14

Pari is disappointed in her cost of production and gross profit. She is considering buying in her products instead of producing them in her factory.

REQUIRED

(d) Advise Pari whether or not she should start to buy in her products. Justify your answer.

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Q17

Chaaya is considering stopping selling on credit and instead selling on a cash only basis. Chaaya would offer a trade discount of 12% to regular customers in order to maintain a good relationship with customers.

REQUIRED

- (c) Advise Chaaya whether she should start to make cash sales only and offer the trade discount. Justify your answer by providing **two** advantages and **two** disadvantages.

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Q18

Rahat is concerned about the level of her bank overdraft. She is considering applying for a bank loan. This would enable her to pay off her bank overdraft **and** to purchase new office furniture.

REQUIRED

- (c) Advise Rahat whether she should apply for the bank loan. Justify your answer by providing **two** advantages and **two** disadvantages.

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Q23

The treasurer is concerned about the decreasing bank balance and the increase in shop trade payables. He is looking into the possibility of renting out part of the club premises to an art society for \$400 per month.

REQUIRED

- (d) Advise the treasurer whether renting out part of the premises is the most suitable way of improving cash flow or whether other methods may be more suitable. Justify your answer.

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Q24

Shiv has always valued his inventory at cost price. He is considering valuing the inventory on 31 August 2021 at selling price as he believes it would result in a higher profit for the year.

REQUIRED

- (d) Discuss the implications of Shiv valuing the inventory on 31 August 2021 at selling price.

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Q30

Maira has been too busy to keep a full set of accounting records. However, she is now considering using double-entry book-keeping for her business.

- (c) Advise Maira on whether or not she should start to keep a full set of accounting records. Justify your answer with **two** advantages and **two** disadvantages.

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Q31

The directors of GHB Limited are planning to finance a major expansion of the fleet of delivery vehicles. \$250 000 will be required for this expansion. The directors are considering whether to issue additional ordinary shares or to obtain a long-term bank loan.

REQUIRED

- (d) Advise the directors which of these two methods of finance is more appropriate. Justify your answer with **one** advantage and **one** disadvantage of **each** option.

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Q32

Tia and Sama are considering transferring \$7000 from the business bank account to an interest-bearing deposit account.

REQUIRED

- (d) Advise the partners whether or not they should make this transfer. Justify your answer by providing advantages and disadvantages.

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Q35

Rani is Trader. She discovered that she had an amount of inventory of item D which originally cost \$1660. She considered this inventory to be obsolete (not able to be used).

Advise Rani whether or not she should stop purchasing item D to avoid having obsolete inventory in the future. Justify your answer by providing advantages and disadvantages.

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Q36

The directors are considering increasing dividend in 2021 as a way of increasing return on capital employed (ROCE).

REQUIRED

(e) Advise the directors how the return on capital employed (ROCE) can be increased. Justify your answer by commenting on **both** profit and capital employed.

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Q41

Advise Haziq whether or not he should maintain a double entry bookkeeping system for his business. Justify your answer with **two** advantages and **two** disadvantages.

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Q42

Nazim is concerned about the length of time his credit customers are taking to pay their accounts. He is considering operating a strict credit control policy requiring customers to pay within 30 days.

REQUIRED

(d) Advise Nazim whether or not he should introduce this strict credit control policy. Justify your answer by providing **two** advantages and **two** disadvantages.

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Q43

Dev is considering turning his business into a limited company.

REQUIRED

- (e) Advise Dev whether or not he should form a limited company. Justify your answer with **two** advantages and **two** disadvantages of forming a limited company.

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Q44

Carlos is concerned that the business bank balance has shown a large decrease. He is considering either investing more cash from his private funds or obtaining a two-year bank loan.

REQUIRED

- (d) Advise Carlos which option he should select. Justify your answer by providing **one** advantage and **one** disadvantage of **each** option.

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