

- 1 Jane started business on 1 October 2012 with a motor van, \$1500, shop fixtures, \$250, and cash, \$500. To start the business she had borrowed \$600 from Peter.

REQUIRED

- (a) Complete the following trial balance showing clearly the value of the capital.

Jane
Trial Balance at 1 October 2012

	Debit	Credit
	\$	\$
Motor van		
Shop fixtures		
Cash		
Peter – loan		
Capital		

[4]

- (b) Jane buys and sells goods on credit. She maintains a full set of accounts. The table below contains a list of transactions carried out in the first week of trading. Complete the table below for **each** transaction, stating clearly the amount, if any, of increase or decrease in the value of capital. The first transaction has been completed as an example.

Transaction	Book of original entry	Account to be debited	Account to be credited	Effect on capital \$
Purchased goods, \$600, on credit from Punto	<i>Purchases journal</i>	<i>Purchases</i>	<i>Punto</i>	<i>No effect</i>
Sold goods for \$750 (cost price \$300) on credit to Yuen				
Sold all the shop fixtures for cash, \$200				
Paid wages by cash, \$150				
Yuen returned goods, valued at \$100				

[16]

[Total: 20]

- 2 The following trial balance was extracted from the books of Peng on 31 August 2012. It was prepared by an inexperienced bookkeeper and failed to balance.

Peng Trial Balance at 31 August 2012		
	Dr \$	Cr \$
Capital	18 240	
Bank overdraft	3 000	
Fixtures and fittings	14 100	
Provision for depreciation – fixtures and fittings		8 800
Inventory	14 200	
Trade receivables	12 300	
Trade payables	9 900	
Revenue	110 000	
Purchases		51 000
Discount received	1 800	
Wages and salaries		26 000
Sundry expenses	34 000	
Discount allowed		620
	<u>217 540</u>	<u>86 420</u>

REQUIRED

- (a) Prepare the corrected trial balance at 31 August 2012. Show any difference you find as a balance on an appropriate account.

Peng
Trial Balance at 31 August 2012

	Debit	Credit
	\$	\$
Capital		
Bank overdraft		
Fixtures and fittings		
Provision for depreciation – fixtures and fittings		
Inventory		
Trade receivables		
Trade payables		
Revenue		
Purchases		
Discount received		
Wages and salaries		
Sundry expenses		
Discount allowed		

- 3 Leong commenced business on 1 October 2011 with a capital of \$6000. Leong has not maintained a full set of accounting records. The following information is available on 30 September 2012:

	\$
Trade receivables	6 500
Trade payables	8 100
Inventory	11 600
Prepaid expenses	350
Bank deposit	2 600
Motor van	7 700
Accrued expenses	900
7% Bank loan repayable 1 May 2018	9 000
Cash	50

Additional information at 30 September 2012:

- 1 Trade receivables include a sum of \$500 which should be written off as a bad debt.
- 2 Interest on the bank deposit account, \$100, had not been credited to the account by the bank.

REQUIRED

- (a) State **two** benefits to Leong of maintaining a full set of double entry accounts.

- 1
- 2 [2]

(c) During the year, Leong took \$8800 drawings from the business. Calculate the profit for the year ended 30 September 2012.

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

During the month of August, Leong employed Fan as a sales assistant. Fan was paid for 130 hours at \$6 per hour and ten hours at time and a half. Tax and social security deducted from gross pay was \$145. Leong also has to pay 10% of Fan's gross pay for employer's social security contributions.

REQUIRED

(d) (i) Calculate the net payment to Fan.

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

(ii) Calculate the total cost to Leong of employing Fan for the month of August.

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

[Total: 20]

4 Chow is in business buying and selling goods on credit. The following information was available:

	\$
Cost of sales	320 000
Inventory at 1 October 2011	25 000
Inventory at 30 September 2012	65 000
Expenses	60 000
Trade receivables	70 000
Trade payables	75 000
Bank overdraft	15 000
Mark up	25%

REQUIRED

(a) Calculate the following for the year ended 30 September 2012.

(i) Profit for the year

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

(ii) Rate of turnover of inventory

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

(iii) Gross profit to sales percentage

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

(iv) Net profit to sales percentage

.....

.....

.....

..... [3]

(v) Working capital ratio (current ratio)

.....

.....

.....

..... [3]

(b) Chow's rate of turnover of inventory last year was 4 times. Suggest **two** possible reasons for any change between the years.

1

.....

2

..... [2]

(c) Comment upon Chow's working capital ratio (current ratio) at 30 September 2012.

.....

.....

.....

..... [2]

(d) Suggest **one** way in which Chow could improve his liquidity.

.....

..... [1]

[Total: 20]

- 5 The following balances were extracted from the books of Khan, a manufacturer, on 31 July 2012:

	\$	
Factory equipment (cost)	160 000	
Office equipment (cost)	40 000	
Provisions for depreciation:		
Factory equipment	56 000	
Office equipment	26 000	
Office equipment disposal account	500	Dr
Bank	9 700	Dr
Capital	200 000	
Inventory at 1 August 2011:		
Raw materials	26 000	
Work-in-progress	36 000	
Finished goods	48 000	
Purchases of raw materials	183 000	
Direct factory expenses	38 000	
Indirect factory expenses	19 700	
Production wages	164 500	
Rent and rates	22 000	
Production management salaries	63 000	
Office wages and salaries	69 500	
Revenue	680 000	
Marketing expenses	27 850	
Distribution costs	62 000	
General office expenses	6 700	
8% Loan – repayable 31 December 2025	35 000	
Loan interest paid	2 100	
Provision for doubtful debts	3 000	
Trade receivables	75 000	
Trade payables	53 550	

Additional information at 31 July 2012:

- 1 Inventory was valued as follows:

	\$
Raw materials	29 000
Work-in-progress	40 000
Finished goods	55 000

- 2 Production wages, \$6500, were accrued. Marketing expenses, \$1350, were prepaid.
- 3 Rent and rates are to be apportioned on the basis of area occupied. Three-quarters of the area is occupied by the factory and one-quarter by the administration.
- 4 Contained within the office wages and salaries is \$8000 taken by Khan. He also took finished goods for his own personal use, \$1500.
- 5 Depreciation is to be charged as follows:
 Factory equipment at 20% per annum using the diminishing (reducing) balance method
 Office equipment at 10% per annum on cost using the straight-line method.
- 6 The provision for doubtful debts is to be maintained at 6% of trade receivables.

REQUIRED

- (a) Prepare the manufacturing account for the year ended 31 July 2012. Show clearly the prime cost and cost of production. [14]
- (b) Prepare the income statement for the year ended 31 July 2012. [13]
- (c) Prepare the balance sheet at 31 July 2012. [13]

[Total: 40]*For
Examiner's
Use*

Answer Question 5 on the following pages.

For
Examiner's
Use

A series of horizontal dotted lines for writing an answer.

