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# AMT



# TOPIC 1 THEORY OF DOUBLE ENTRY





- 1 The following balances were taken from the books of Seafood Restaurant on 1 September 2005.

	\$
King Prawn Supplies	1 080 Cr
Purchases	27 960 Dr
Tan's Tours Ltd	40 Dr
Stock	690 Dr

The following transactions took place during September 2005.

- 2 September Paid King Prawn Supplies the outstanding amount in full by cheque, after deducting 5% cash discount.
- 4 September Bought goods from King Prawn Supplies for \$150 cash.
- 7 September The balance on Tan's Tours Ltd's account was written off as a bad debt.
- 12 September Bought goods, \$600, on credit from King Prawn Supplies.
- 15 September Received credit note for \$60 from King Prawn Supplies.
- 23 September Bought goods, \$300, on credit from King Prawn Supplies.

Additional information

- (i) The stock was valued at \$130 on 30 September.
- (ii) Seafood Restaurant's financial year ends on 30 September 2005.

**REQUIRED**

Enter the above transactions in the following ledger accounts.

Close the accounts at 30 September 2005 by balancing the accounts or transferring to the Trading Account as appropriate.

Show dates and details.

(a) King Prawn Supplies account

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.....[7]

(b)

Purchases account

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[4]

(c)

Tan's Tours Ltd account

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[1]

(d)

Stock account

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.....  
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[3]

[Total: 15]



4. Julie Carter decided to set up in business providing book-keeping and accounting services for clients. She purchased ICT (Information and Communications Technology) equipment to assist her in her accounting practice.

REQUIRED

(a) Explain the difference between book-keeping and accounting.

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

(b) Explain the difference between a trading business and a service business.

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

(c) State four benefits of using ICT equipment in preparing accounts.

(i) .....  
.....  
(ii) .....  
.....  
(iii) .....  
.....  
(iv) .....  
..... [4]



Julie Carter is a qualified accountant and is expected to follow a professional code of ethics.

REQUIRED

(d) Give two reasons why professional ethics in accounting would be important for the clients of Julie Carter.

(i) .....

.....

.....

(ii) .....

.....

..... [4]

[Total: 16]





- 1 The following balances were taken from the books of Salim Electrical Supplies on 15 September 2009.

	\$
Sales	14 950 Cr
Stock	1 800 Dr
Eastern Retailers	1 200 Dr
Khan Ltd	2 150 Dr

The following transactions took place:

- September 16 Sold goods, list price \$500 less 20 % discount, on credit to Khan Ltd  
 18 Received a cheque from Eastern Retailers in full settlement of their account less 5 % cash discount  
 24 Khan Ltd returned goods, list price \$50, purchased on 16 September  
 25 Sold goods, \$250, on credit to Eastern Retailers  
 26 Sold goods, \$500, to Khan Ltd for cash  
 30 Khan Ltd ceased trading. Salim Electrical Supplies decided to write off the balance of Khan Ltd as a bad debt.

Additional information

- 1 The stock was valued at \$1470 on 30 September 2009.  
 2 The financial year of Salim Electrical Supplies ends on 30 September 2009.

REQUIRED

- (a) Name the type of discount that was deducted on 16 September 2009. [1]  
 .....
- (b) (i) Name the document issued to Khan Ltd on 24 September 2009. [1]  
 .....
- (ii) Name the document issued to Eastern Retailers on 25 September 2009. [1]  
 .....



(c) Prepare the following ledger accounts.

Close the accounts at 30 September 2009 either by balancing the account or by transfer to the trading account, as appropriate.

Sales account

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

Stock account

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

Eastern Retailers account

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



Khan account

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.....

[3]

[Total: 17]



1 The following balances were taken from the books of Dilshan on 1 September 2010:

	\$
Insurance	280 Dr
Gul & Co	450 Dr

The following transactions took place during September 2010:

September 1 Dilshan paid, by cheque, the annual insurance premium, \$360, for the year to 31 August 2011.

September 15 Dilshan sold, on credit to Gul and Co, goods with a list price of \$1600 and allowed 15% trade discount.

September 20 Gul & Co paid the balance at 1 September 2010 less 2% cash discount.

Dilshan prepared his financial statements (final accounts) on 30 September 2010.

REQUIRED

(a) (i) Name an alternative format to 'T' accounts.

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

(ii) State one benefit of this format compared with 'T' accounts.

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



- (b) Prepare the following ledger accounts for the month of September 2010. Make any necessary transfers to the income statement (profit and loss account). Balance the accounts and bring down the balance.

Insurance account

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Gul & Co account

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[10]



(c) State in which of Dilshan’s ledgers the following accounts would appear.

Account	Ledger
Insurance	
Gul & Co	

[2]

(d) (i) Name the document which was sent to Gul & Co recording the transaction of 15 September 2010.

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

(ii) Name the book of prime (original) entry in which Dilshan recorded this transaction.

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

(e) (i) Explain why Dilshan did not include all of the insurance paid on 1 September 2010 in his income statement (profit and loss account) for the year ended 30 September 2010.

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

(ii) State the accounting principle that Dilshan applied.

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

[Total: 20]



- 1 Leung commenced business on 1 April 2010 with inventory (stock) \$500 and bank \$6000. Leung also has a bank loan of \$3500 which is repayable in full on 31 March 2013.

**REQUIRED**

(a) Calculate on 1 April 2010, the

(i) owner's capital .....  
 .....  
 .....  
 .....  
 .....  
 ..... [1]

(ii) capital employed .....  
 .....  
 .....  
 .....  
 .....  
 ..... [1]

In the first days of trading, Leung completed the following transactions.

- (i) Paid rent, \$200, by cheque.
- (ii) Purchased goods, \$1500, on credit from Ying.
- (iii) Sold goods costing \$1000, for \$1800, on credit to Tung.
- (iv) Purchased office equipment, \$4000, paying by cheque.
- (v) Paid his account to Ying of \$1500 and was allowed 4% cash discount.



## REQUIRED

(b) Complete the table below. The first item has been completed as an example.

Item	Book of prime entry	Effect on current assets	Effect on current liabilities	Effect on capital
(i)	<i>Cash book</i>	-\$200	<i>No effect</i>	-\$200
(ii)				
(iii)				
(iv)				
(v)				

[16]







- 1 Christos is in business buying and selling goods on credit. The following details relate to the account of his customer Michelle for the month of July 2011.

		\$
July 1	Michelle owed Christos	200
July 7	Christos sent an invoice to Michelle	150
July 16	Christos sent a credit note to Michelle	8
July 31	Michelle sent Christos a cheque	195
July 31	Christos allowed Michelle cash discount	5

**REQUIRED**

- (a) Prepare the account of Michelle in the books of Christos. Bring down the balance on 1 August 2011.

Christos  
Michelle account

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.....

.....

.....

.....

.....

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.....

.....

[6]

- (b) Name the book of prime entry in which Christos would record the transaction of 16 July 2011.

.....

.....

[1]

The balances on Christos' books at 31 July 2011 were as follows:

	\$
Capital	?
Drawings	8 000
Office furniture	5 000
Provision for depreciation on office furniture	3 200
Inventory	4 150
Bank overdraft	250
Trade payables	2 950
Sundry expenses	10 600
Purchases	32 400
Provision for doubtful debts	350
Revenue (sales)	53 750
Trade receivables	6 250



REQUIRED

(c) Prepare the trial balance for Christos at 31 July 2011, including the balance on the capital account.

Christos  
Trial Balance at 31 July 2011

Dr	Cr
\$	\$

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[6]

(d) State the item in the trial balance which would include the balance on Michelle’s account.

.....  
.....

[1]

(e) State two differences between a trial balance and a balance sheet.

1 .....  
.....  
2 .....  
.....

[4]  
[Total: 18]



- 1 Savvas is a supplier of goods to Akmal. Savvas allows 15% trade discount on all purchases made by Akmal.

The following transactions took place in September 2011.

- September 1 Akmal owed \$1500 to Savvas.
- September 8 Akmal purchased goods from Savvas with a list price of \$800.
- September 10 Akmal returned some of the goods purchased on 8 September with a list price of \$240.
- September 25 Akmal sent a cheque in full settlement for the amount owing on 1 September, less 4% cash discount.

**REQUIRED**

- (a) Write up the account of Savvas in the ledger of Akmal. Bring down the balance on 1 October 2011.

Akmal  
Savvas account

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[7]

- (b) State **one** reason why Savvas offers Akmal a trade discount.

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[2]

- (c) State the name of the document that Savvas would send to Akmal for the return of goods on 10 September 2011.

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[1]



- (d) Place a tick (✓) under the correct heading to show the ledger in which Akmal would record **each** of the following accounts.

Item (i) has been completed as an example.

	Account	Sales Ledger	Purchase Ledger	Nominal/general Ledger
(i)	Sales			✓
(ii)	Savvas (Supplier)			
(iii)	Heat & light			
(iv)	Capital			
(v)	G.R.G. Ltd (Customer)			

[4]

- (e) Complete the table below to show the effect of each transaction on the assets, liabilities and capital of Akmal.

The first transaction has been completed as an example.

		Assets	Liabilities	Capital
(i)	Purchased goods on credit \$130	+\$130	+\$130	No effect
(ii)	Goods costing \$800, sold on credit for \$1130.			
(iii)	Paid creditor \$500 by cheque, less 3% cash discount.			

[6]

[Total: 20]





(ii) State whether the following accounts would be listed as a debit or a credit in the trial balance. The first account has been completed as an example.

Account	Debit or Credit
Capital	<i>Credit</i>
Provision for depreciation	
Inventory	
Bank (overdraft)	
Wages	

[4]

(e) State **three** types of errors **not** revealed by the trial balance.

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

After Yang prepared the trial balance he discovered the following error:

March 5 A sale of goods to Wilbur, \$6 000, was debited to sales and credited to Wilbur.

(f) Prepare the journal entry to correct the error. A narrative is **not** required.

	Dr		Cr	
	\$		\$	
.....				
.....				
.....				[2]

[Total: 20]



1 Giorgos commenced business on 1 May 2012 with the following assets and liabilities.

	\$
Bank loan	6 000
Bank	1 000 Dr
Cash	600
Premises	15 000
Inventory	1 800
Trade payable – Early Ltd	1 200

**REQUIRED**

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

Giorgos  
Trial Balance at 1 May 2012

	Debit	Credit
	\$	\$
Bank loan		
Bank		
Cash		
Premises		
Inventory		
Trade payable – Early Ltd		
Capital		

[2]





- 1 Mary buys goods on credit from Kim. Mary receives 14% trade discount on all purchases and takes advantage of the 5% cash discount offered for payment within 14 days. The following information is available:

2013

June 1 Mary owed Kim \$680 for goods purchased on 29 May 2013.

June 4 Kim sold goods to Mary, list price \$800.

June 5 Mary sent Kim a cheque for the balance owing on 1 June.

June 8 Mary returned goods purchased on 4 June, list price \$100, to Kim.

June 28 Kim sold further goods to Mary, list price \$300.

June 29 Kim received a cheque from Mary for goods purchased on 4 June.

June 30 Mary received details from Kim of her transactions during the month.

**REQUIRED**

- (a) Name the document and book of prime entry used by Kim on the dates below:

Date	Business document	Book of prime entry
4 June		
8 June		

[4]

- (b) State the name of the document Mary received on 30 June.

..... [2]





1 (a) (i) Explain the difference between book-keeping and accounting.

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

(ii) Explain the accounting entity principle.

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

Fashran sells goods to Hajar. On 1 April Hajar owed Fashran \$2100. The following transactions occurred in April 2014.

- 5 April Fashran sold goods on credit to Hajar, list price \$2000, less 20% trade discount.
- 7 April Hajar returned goods purchased on the 5 April, list price \$240.
- 18 April Hajar paid the balance of her account at 1 April and was allowed 2% cash discount.

**REQUIRED**

(b) Prepare the account of Hajar in the ledger of Fashran for April 2014. Balance the account and bring down the balance.

Hajar account

Date	Details	\$	Date	Details	\$

[5]



(c) Name the document that Fashran will issue on the following dates:

Date		Document
5 April	Fashran sold goods on credit to Hajar	
7 April	Hajar returned goods to Fashran purchased on the 5 April	
30 April	Fashran issues a summary of Hajar's account for the month of April	

[3]

(d) State the sub division of the ledger in which the account of Hajar would appear.

.....[1]



The following balances were extracted from the books of Fashran on 30 April 2014.

	\$
Trade payables	6 450
Trade receivables	9 230
Revenue	68 400
Purchases	29 800
Inventory 1 May 2013	5 100
Expenses	22 350
Bank overdraft	830
Non-current assets	24 000
Provision for depreciation – Non-current assets	7 800

**REQUIRED**

(e) Prepare the trial balance showing Fashran’s capital at 30 April 2014.

Fashran  
Trial Balance at 30 April 2014

	Dr \$	Cr \$
Trade payables		
Trade receivables		
Revenue		
Purchases		
Inventory 1 May 2013		
Bank overdraft		
Expenses		
Non-current assets		
Provision for depreciation – Non-current assets		
Capital		

[5]

[Total: 18]



- 1 The following balances were taken from the books of Krul Limited on 1 July 2015.

	\$
Carston Garages account	200 credit
Motor van expenses account	3200 debit

The following transactions took place in July 2015.

- July 12 Paid Carston Garages their outstanding balance by cheque, deducting 3% cash discount
- July 15 Purchased fuel for the motor van, on credit, from Carston Garages, \$120
- July 23 Paid motor van repairs by cheque, \$200
- July 26 Purchased new motor van tyres from Carston Garages on credit, \$400, less 15% trade discount

Additional information

- 1 Krul Limited prepared financial statements on 31 July 2015.
- 2 Motor van expenses, \$125, were accrued on 31 July 2015.

**REQUIRED**

- (a) Prepare the Carston Garages account for the year ended 31 July 2015. Balance the account and bring down the balance on 1 August 2015.

Carston Garages account

Date	Details	\$	Date	Details	\$

[5]



- (b) Prepare the motor van expenses account for the year ended 31 July 2015. Make the transfer to the income statement. Balance the account and bring down the balance on 1 August 2015.

Motor van expenses account

Date	Details	\$	Date	Details	\$

[5]

- (c) Name the subdivision of the ledger containing **each** of the following accounts.

Account	Subdivision of the ledger
Sales	
T Wong (credit customer)	

[2]

- (d) Explain **each** of the following accounting terms.

- (i) Revenue expenditure

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

- (ii) Capital receipt

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



(e) Indicate by placing a tick (✓) whether **each** of the following transactions is revenue expenditure, revenue receipt, capital expenditure or capital receipt.

Transaction	Revenue expenditure	Revenue receipt	Capital expenditure	Capital receipt
Sale of motor van				
Purchase new motor van tyres				
Cash discount received				
Purchase a new motor van				

[4]

[Total: 20]





1 Faara had the following assets and liabilities on 1 May 2015.

	\$
Inventory	2850
Trade receivable – Jaafar	600
Other payables – Electricity	200
Bank	450 Credit
5% Bank loan (30 September 2020)	5000
Motor vehicle	4500

REQUIRED

(a) Calculate Faara's capital.

.....

.....

.....

.....

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.....

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.....

.....

.....[1]



The following transactions related to the account of Jaafar for the month ended 31 May 2015.

- May 4 Sold goods to Jaafar, list price \$1500, allowed 15% trade discount.
- 5 Jaafar returned goods purchased on 4 May, list price \$120.
- 16 Jaafar paid the amount owing on 1 May by cheque and was allowed 2% cash discount.

**REQUIRED**

- (b) Prepare the ledger account of Jaafar for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Jaafar account

Date	Details	\$	Date	Details	\$

[5]

- (c) State **two** possible reasons why Faara allowed trade discount to Jaafar.

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



The following information related to the electricity account for the month ended 31 May 2015.

- May 17 Paid for electricity by cheque \$440.
- 31 Prepared the income statement. It was estimated that \$55 was owed for electricity at that date.

**REQUIRED**

- (d) Prepare the electricity account for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Electricity account

Date	Details	\$	Date	Details	\$

[5]

- (e) Name the accounting concept applied to the calculation of electricity expense when preparing the income statement at 31 May 2015.

.....[1]

- (f) Complete the following table for the transactions shown. Name the source document prepared by Faara and the book of prime entry used, and state the effect of the transaction on her capital. The first item has been completed as an example.

		Source document	Book of prime entry	Effect on owner's capital (\$)
May 9	Sold goods on credit for \$900, (cost \$600).	<i>Sales invoice</i>	<i>Sales journal</i>	+300
14	Customer returned goods, bought by him on 9 May for \$300.			
21	Paid wages in cash \$150.			

[6]

[Total: 20]



1 Chung is a trader who buys and sells on cash and credit terms. He provided the following information for April 2017.

April 1 Chung owed Delun, a credit supplier, \$1500.

10 Chung purchased goods on credit from Delun, list price \$1400, less 20% trade discount.

15 Chung returned to Delun some of the goods purchased on 10 April, list price \$200.

23 Chung paid the balance owed to Delun at 1 April by cheque and was allowed 2% cash discount.

**REQUIRED**

(a) Prepare the account of Delun in the ledger of Chung for April 2017. Balance the account and bring down the balance on 1 May 2017.

Delun account

Date	Details	\$	Date	Details	\$

[5]

(b) State the sub-division of Chung's ledger which would contain the account of Delun.

.....[1]

(c) Name the document that was issued by Delun to Chung on the following dates.

April 10 Chung purchased goods on credit from Delun.

Document .....

April 15 Chung returned to Delun some of the goods purchased on 10 April.

Document..... [2]

(d) Name the document which Delun may issue to Chung on 30 April 2017.

.....

[1]



(e) Complete the table to state the effect of **each** of the following transactions made by Chung in April 2017. Where there is no effect write 'No effect'. The first transaction has been completed as an example.

Transaction	Assets \$	Liabilities \$	Capital \$
Purchased goods on credit at a cost of \$500	+500	+500	No effect
Sold goods on credit for \$700 (cost \$400)			
Paid Yang, a credit supplier, \$2050 in full settlement of a debt of \$2200			
Purchased goods, \$130, and paid in cash			

[9]

(f) State **two** reasons why book-keeping records are maintained.

1 .....  
 .....  
 2 .....  
 .....

[2]

[Total: 20]





# TOPIC 2 BOOKS OF ORIGINAL ENTRIES







Q1 S 2005

**Q 1** Jackson Ltd had the following transactions on 15 May 2005.

- (i) Goods costing \$900 were bought on credit from Gomez Factors Ltd.
- (ii) Damaged goods, \$80, were returned to Kimber & Sons.
- (iii) A new delivery truck, \$20 000, was purchased on credit from Natsui Ltd.

**REQUIRED**

(a) Post the above transactions to the appropriate book of original entry below. A narrative is required in the general journal.

<u>Purchases Journal</u>		
Date	Details	Amount \$
.....		
.....		

<u>Purchases Returns Journal</u>		
Date	Details	Amount \$
.....		
.....		

<u>General Journal</u>			
Date	Details	Dr \$	Cr \$
.....			
.....			
.....			
.....			
.....			
.....			
.....			

[5]



Q1 S 2005

Kimber & Sons have an opening credit balance of \$470 on 1 May 2005.

- (b) Record the relevant entries for transactions (i), (ii) and (iii) in the following ledger accounts.

Balance the account of Kimber & Sons and bring down the balance on 16 May 2005.

Gomez Factors Ltd account

.....

.....

.....

Kimber & Sons account

.....

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Motor vehicles account

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.....

[5]

- (c) Name the documents sent by the supplier, which would be used to enter transactions (i) and (ii) above.

- (i) Goods bought on credit

.....

.....

[1]

- (ii) Return of damaged goods

.....

.....

[1]

[Total : 12]



Q1 S 2008

1 George Gale had the following transactions for the week ended 31 May 2008:

- May 25 The balance of \$80 cash was transferred to the bank account.
  
- 26 Withdrew \$860 by cheque for personal use. This represented half the balance at the bank.
  
- 27 Cash sales, \$900, were made.  
  
A cheque for \$450 was also received from Sally Jones in full settlement of a debt of \$500. The cheque was paid immediately into the bank. George allowed a discount for early settlement.
  
- 28 A bank loan for \$2000 was paid into George's business bank account.
  
- 29 Paid \$3500 by cheque for new fixtures and fittings.
  
- 30 George opened a bank deposit account, transferring \$600 from cash.
  
- 31 Paid wages \$100 in cash.

REQUIRED

(a) Complete the three column cash book for George Gale for the week ended 31 May 2008. Use the page opposite. [16]

(b) Distinguish between cash and trade discounts.

.....

.....

.....

..... [2]

(c) Identify how each of the following would be treated in George Gale's accounts at May 2008. The first item has been completed as an example. 31

	Asset	Liability
Fixtures and fittings	√	
Bank		
Cash		
Bank deposit		
Bank loan		

[4]



Q1 S2008

(a)

George Gale  
Cash Book

Date	Details	Discount \$	Cash \$	Bank \$	Date	Details	Discount \$	Cash \$	Bank \$
2008					2008				
May 25	Balance b/d		80						



Q1 S2009

- 1 Sanjev is a retailer of furniture. Some of his business transactions, which occurred during the month of April 2009, are listed below:
  - (i) Paid wages, \$150, by cheque.
  - (ii) Sold on credit to D Sallis for \$1650, goods which had cost \$950.
  - (iii) Returned surplus furniture, \$325, to Evans & Co.
  - (iv) Received cheque from a trade debtor, G Black, who settled her account of \$1500 in full less 3 % cash discount.
  - (v) Closed the disposal of motor vehicle account. The vehicle had a net book value of \$1400 when it was sold for \$2000.

REQUIRED

(a) Complete the table below. The first item has been completed as an example.

Item	Book of original entry	Account to be debited and amount	Account to be credited and amount	Effect on net profit
(i)	Cash Book	Wages \$150	Bank \$150	-\$150
(ii)				
(iii)				
(iv)				
(v)				

[17]



Q1 S2009

(b) Explain the purpose of the following documents.

(i) Invoice .....  
.....  
.....

(ii) Credit note .....  
.....  
.....[4]

[Total: 21]



Q1 S2011 P21

1 Joe's business had the following assets and liabilities on 31 March 2011:

	\$
Non-current assets	120 000
Liabilities due within one year	25 000
Current assets	35 000
Liabilities due in over one year	50 000

**REQUIRED**

(a) Calculate the:

Capital

.....

.....

.....

.....

Capital employed

.....

.....

.....

..... [2]

During the month of April 2011, Joe recorded the following transactions:

- 1 Bought goods on credit from Henry, \$200.
- 2 Sold goods costing \$300, to Mary for the selling price of \$500, on credit.
- 3 Sent Henry a cheque for \$190 in full settlement of his debt of \$200.
- 4 Mary returned goods with a selling price of \$50.



Q1 S2011 21

**REQUIRED**

(b) Complete the grid below and show the amount and effect on capital of each transaction. The first transaction has been completed as an example.

Transaction	Book of prime entry	Accounts to be debited	Accounts to be credited	Effect on capital \$
1	<i>Purchases Journal</i>	<i>Purchases</i>	<i>Henry</i>	<i>\$ Nil</i>
2				
3				
4				

[12]

(c) State the purpose of the three documents used in transactions 2 to 4 above.

(i) Invoice

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

(ii) Cheque counterfoil

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

(iii) Credit note

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

[Total: 20]





Q1 W2012 22

- 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]



Q1 W2013 22

- 1 Kulbir commenced trading on 1 January 2013 with cash \$350, bank \$3000, motor vehicle \$6500 and a loan from Sanjay of \$5000.

**REQUIRED**

- (a) Prepare Kulbir's opening entries in the general journal and show her capital at 1 January 2013. A narrative is required.

General Journal

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

[3]

On 28 January 2013 Kulbir sold her motor vehicle to Aktar Allam on credit for \$6500. On the same day she purchased on credit from Aston Motors Limited a new vehicle for \$10 000.

- (b) Show the entries in the general journal to record the sale of the old motor vehicle and the purchase of the new motor vehicle.

General Journal

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

[6]



Q1 W2013 22

(c) Give **two** other uses of the general journal.

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

(d) Kulbir operates on a mark-up of 25%. The table below contains transactions carried out by Kulbir in her first week of trading. Complete the table for each transaction. The first transaction has been completed as an example.

2013	Transaction	Source document	Book of prime entry	Effect on profit
Jan 4	Goods sold, cost price \$400, on credit to Keen	<i>Invoice</i>	<i>Sales journal</i>	<i>Increase \$100</i>
Jan 5	Keen returned goods, selling price \$80			
Jan 6	Payment made to J Singh, \$323 in cash, after deducting \$17 cash discount			
Jan 7	Kulbir withdrew \$200 from the bank for personal use			

[9]

[Total: 20]



Q1 W 2014 21

1 Adil's transactions in August 2014 included the following.

- August 2 Purchased goods on credit from Tiara, \$1500, less 20% trade discount.
- August 5 Returned goods to Tiara, list price \$300.
- August 7 Paid a cheque to Tiara, \$500, after deducting \$6 cash discount.
- August 9 Sold non-current assets on credit to D Costa, at book value, \$4000.

**REQUIRED**

(a) Complete the following table for the above transactions. The first item has been completed as an example.

Date	Source document	Book of prime entry	Effect on owner's capital
August 2	<i>Purchase invoice</i>	<i>Purchases journal</i>	<i>No effect</i>
August 5			
August 7			
August 9			

[9]

(b) State the sub division of the ledger containing each of the following accounts:

Account	Sub division of the ledger
Purchases	
Tiara	
Non-current assets	
D Costa	

[4]



Q1 W2014 21

On 31 August 2014 Adil had the following balances in his books. He was aware that there were some book-keeping errors and that the trial balance would not balance.

	\$
Non-current assets	9 500
Trade payables	8 500
Trade receivables	7 250
Inventory	3 850
Bank overdraft	1 600
Purchases	14 400
Revenue	22 000
Bank loan	2 000
Capital	3 000

**REQUIRED**

- (c) Complete the trial balance at 31 August 2014, balancing the trial balance by the use of an appropriate account.

Adil  
Trial Balance at 31 August 2014

	Debit	Credit
	\$	\$
Non-current assets		
Trade payables		
Trade receivables		
Inventory		
Bank overdraft		
Purchases		
Revenue		
Bank loan		
Capital		

[5]

[Total: 18]



Q1 S2015 P22

1 The following balances were available from the books of Priya on 1 April 2015.

	\$
Putil	3000 credit
Wages	1750 debit

The following transactions took place in April 2015.

- April 5 Paid Putil half of his outstanding balance on 1 April by cheque, less 2% cash discount  
 April 8 Bought goods on credit from Putil, \$800, less 20% trade discount  
 April 19 Paid wages in cash \$450  
 April 23 Returned goods, list price \$200, purchased on 5 April  
 April 26 Sold a non-current asset at book value, \$2000, on credit

**REQUIRED**

- (a) Complete the following table. The first item has been completed as an example. Where the owner's capital is not affected, write 'No effect'.

Date	Transaction	Source document	Book of prime entry	Effect on owner's capital \$
April 5	Paid Putil half of his outstanding balance on 1 April by cheque, less 2% cash discount	<i>Cheque counterfoil</i>	<i>Cash book</i>	+30
April 8	Bought goods on credit from Putil, \$800, less 20% trade discount			
April 19	Paid wages in cash \$450			
April 23	Returned goods, list price \$200, purchased on 8 April			
April 26	Sold a non-current asset at book value, \$2000, on credit			

[12]



Q1 S2015 P22

- (b) Prepare the account of Putil for the month of April 2015. Balance the account and bring down the balance on 1 May 2015.

Putil account

Date	Details	\$	Date	Details	\$

[5]

Priya prepared her income statement on 30 April 2015. She calculated that wages, \$150, were prepaid at that date.

**REQUIRED**

- (c) Prepare the wages account for the month of April 2015 including the transfer to the income statement. Balance the account and bring down the balance on 1 May 2015.

Wages account

Date	Details	\$	Date	Details	\$

[3]

[Total: 20]



Q1 S2016 21

1 Faara had the following assets and liabilities on 1 May 2015.

	\$
Inventory	2850
Trade receivable – Jaafar	600
Other payables – Electricity	200
Bank	450 Credit
5% Bank loan (30 September 2020)	5000
Motor vehicle	4500

**REQUIRED**

(a) Calculate Faara's capital.

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.....[1]





Q1 S2016 21

The following transactions related to the account of Jaafar for the month ended 31 May 2015.

- May 4 Sold goods to Jaafar, list price \$1500, allowed 15% trade discount.
- 5 Jaafar returned goods purchased on 4 May, list price \$120.
- 16 Jaafar paid the amount owing on 1 May by cheque and was allowed 2% cash discount.

**REQUIRED**

- (b) Prepare the ledger account of Jaafar for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Jaafar account

Date	Details	\$	Date	Details	\$

[5]

- (c) State **two** possible reasons why Faara allowed trade discount to Jaafar.

1 .....

2 ..... [2]



Q1 S2016 21

The following information related to the electricity account for the month ended 31 May 2015.

- May 17 Paid for electricity by cheque \$440.
- 31 Prepared the income statement. It was estimated that \$55 was owed for electricity at that date.

**REQUIRED**

- (d) Prepare the electricity account for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Electricity account

Date	Details	\$	Date	Details	\$

[5]

- (e) Name the accounting concept applied to the calculation of electricity expense when preparing the income statement at 31 May 2015.

.....[1]

- (f) Complete the following table for the transactions shown. Name the source document prepared by Faara and the book of prime entry used, and state the effect of the transaction on her capital. The first item has been completed as an example.

		Source document	Book of prime entry	Effect on owner's capital (\$)
May 9	Sold goods on credit for \$900, (cost \$600).	<i>Sales invoice</i>	<i>Sales journal</i>	+300
14	Customer returned goods, bought by him on 9 May for \$300.			
21	Paid wages in cash \$150.			

[6]

[Total: 20]





Q1 S2016 21

The following transactions related to the account of Jaafar for the month ended 31 May 2015.

- May 4 Sold goods to Jaafar, list price \$1500, allowed 15% trade discount.
- 5 Jaafar returned goods purchased on 4 May, list price \$120.
- 16 Jaafar paid the amount owing on 1 May by cheque and was allowed 2% cash discount.

**REQUIRED**

- (b) Prepare the ledger account of Jaafar for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Jaafar account

Date	Details	\$	Date	Details	\$

[5]

- (c) State **two** possible reasons why Faara allowed trade discount to Jaafar.

1 .....

2 ..... [2]



Q1 S2016 21

The following information related to the electricity account for the month ended 31 May 2015.

- May 17 Paid for electricity by cheque \$440.
- 31 Prepared the income statement. It was estimated that \$55 was owed for electricity at that date.

**REQUIRED**

- (d) Prepare the electricity account for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

Electricity account

Date	Details	\$	Date	Details	\$

[5]

- (e) Name the accounting concept applied to the calculation of electricity expense when preparing the income statement at 31 May 2015.

.....[1]

- (f) Complete the following table for the transactions shown. Name the source document prepared by Faara and the book of prime entry used, and state the effect of the transaction on her capital. The first item has been completed as an example.

		Source document	Book of prime entry	Effect on owner's capital (\$)
May 9	Sold goods on credit for \$900, (cost \$600).	<i>Sales invoice</i>	<i>Sales journal</i>	+300
14	Customer returned goods, bought by him on 9 May for \$300.			
21	Paid wages in cash \$150.			

[6]

[Total: 20]



Q1 S2018 23

1 The following ledger account appeared in the books of Kusum on 31 March 2018.

		Smith account					
		\$			\$		
March	1	Balance b/d	200	March	7	Returns	150
	5	Sales (credit)	700		21	Bank	144
	14	Bank (refund)	60			Discount	6
			960		31	Balance c/d	660
			660				960
April	1	Balance b/d	660				

**REQUIRED**

(a) Name the:

(i) subdivision of Kusum’s ledger which would contain the account of Smith  
 .....[1]

(ii) document that Kusum would issue to Smith on 5 March  
 .....[1]

(iii) document that Kusum would send to Smith on 14 March  
 .....[1]

(iv) book of prime entry in which the transaction of 7 March would be recorded  
 .....[1]

(v) type of discount given to Smith on 21 March  
 .....[1]

(vi) section in Kusum’s statement of financial position that would contain the account of Smith.  
 .....[1]

(b) Calculate the percentage discount taken by Smith on 21 March.

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



Q1 S2018 23

The following information is available for the month of April 2018.

			\$
April	1	Balances	6400
		Drawings account	9000
		Capital account	
	7	Kusum paid \$2500 into the business bank account from her personal bank account.	
	9	Kusum cashed a cheque from the business bank account for \$500 for her personal use.	
	15	The annual insurance premium, \$750, was paid by cheque. This included \$150 for the insurance of Kusum's home.	
	30	Kusum prepared the financial statements. The profit for the year was \$3700.	

**REQUIRED**

(c) Prepare the following accounts for the month of April 2018.

Complete the appropriate year-end transfer from the drawings account.

Balance the capital account and bring down the balance on 1 May 2018.

(i) Drawings account

Date	Details	\$	Date	Details	\$

[5]

(ii) Capital account

Date	Details	\$	Date	Details	\$

[5]



Q1 S2018 23

(d) Distinguish between book-keeping and accounting.

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.....

.....

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.....

.....

[2]

[Total: 20]





Q1 S2019 22

1 Mikaela purchases goods from Steve. On 1 March 2019 Mikaela owed Steve \$900.

Mikaela provided the following information for the month of March 2019.

- March 5 Received an invoice from Steve, \$730
- 9 Received a refund by cheque from Steve, \$80, for overpayment made in February
- 18 Sent a cheque to Steve for the balance owing on 1 March after taking 2% discount
- 23 Received a credit note from Steve, \$45

**REQUIRED**

(a) Prepare the account of Steve in the books of Mikaela for the month of March. Balance the account and bring down the balance on 1 April 2019.

Steve account

Date	Details	\$	Date	Details	\$

[5]

(b) Name the book of prime (original) entry in which Mikaela would record the following transactions.

Date	Details	Book of prime (original) entry
March 5	Received an invoice from Steve, \$730	
9	Received a refund by cheque from Steve, \$80, for overpayment made in February	
18	Sent a cheque to Steve for the balance owing on 1 March after taking 2% discount	
23	Received a credit note from Steve, \$45	

[4]

(c) Name the subdivision of Mikaela's ledger that would contain the account of Steve.

..... [1]



Q1 S2019 22

Mikaela extracted the following balances from her ledger on 31 March 2019. She was aware that there were a number of errors in the ledger.

	\$
Revenue	9900
Purchases	5500
Inventory	1750
Sales returns	150
Carriage inwards	600
Trade receivables	1750
Discount received	200
Purchases returns	150
Trade payables	1300
Non-current assets (book value)	4000
Bank overdraft	1150
6% bank loan	1500
Capital	4750
Drawings	2500
General expenses	3300

**REQUIRED**

(d) Prepare the trial balance at 31 March 2019, including a suitable balancing entry.

Mikaela  
Trial Balance at 31 March 2019

	Debit	Credit
	\$	\$
Revenue		
Purchases		
Inventory		
Sales returns		
Carriage inwards		
Trade receivables		
Discount received		
Purchases returns		
Trade payables		
Non-current assets (book value)		
Bank overdraft		
6% bank loan		
Capital		
Drawings		
General expenses		

[6]



Q1 S2019 22

(e) State why some errors **will** affect the balancing of a trial balance and other errors will **not** affect the balancing of a trial balance.

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

(f) Name **two** types of errors which will **not** affect the balancing of a trial balance.

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



Q1 W2019 22

- 1 Sairah is a retailer of garden furniture. The following ledger account appeared in her books on 31 August 2019.

Wootton account

Date	Details	Debit	Credit	Balance
2019		\$	\$	\$
August 1	Balance b/d			263 Dr
8	Sales	70		333 Dr
10	Sales returns		9	324 Dr
15	Bank		144	180 Dr
15	Discount		6	174 Dr

**REQUIRED**

- (a) (i) Name the type of ledger accounts prepared by Sairah showing a balance after each transaction.

..... [1]

- (ii) Name the subdivision of Sairah's ledger in which the account of Wootton would appear.

..... [1]

- (iii) Name the document sent by Sairah to Wootton on 10 August.

..... [1]

- (iv) Name the type of discount taken by Wootton on 15 August.

..... [1]

- (v) Calculate the percentage discount taken by Wootton on 15 August.

.....

..... [1]

- (vi) Name the document which would be sent by Sairah to Wootton on 31 August detailing the transactions for the month.

..... [1]



Q1 W2019 22

(b) Complete the following table. For **each** transaction name the book of prime (original entry), the account to be debited, the account to be credited and the effect on capital. The first item has been completed as an example.

	book of prime (original) entry	account debited	account credited	effect on capital \$
sold goods on credit to Win, \$300 (cost \$210)	<i>Sales journal</i>	<i>Win</i>	<i>Sales</i>	<i>+90</i>
paid wages in cash, \$750				
purchased a new computer system, \$1500, on credit from CW Limited				
received goods returned which had been sold on credit to Wendy, \$150 (cost \$80)				

[12]

Sairah uses ICT (Information Communication Technology) to maintain her book-keeping records.

**REQUIRED**

(c) State **two** advantages of using ICT (Information Communication Technology).

1 .....

.....

.....

2 .....

.....

.....

[2]

[Total: 20]



Q1 S2020 22

1 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]

(b) Complete Bilal's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 May 2020.



Q1 S2020 22

Bilal  
Cash Book

Date	Details	Discount allowed \$	Cash \$	Bank \$	Date	Details	Discount received \$	Cash \$	Bank \$
2020					2020				
April 1	Balance		160	1960					

[12]



Q1 S2020 22

(c) 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]

[Total: 20]





Q1 W2020 22

1 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]

(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	\$
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[6]



Q1 W2020 22

- (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.

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

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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.....  
.....  
..... [5]

[Total: 20]

# TOPIC 3 CAPITAL AND REVENUE EXPENDITURE





Q2 W2004

- 2 The following financial statements, *which contain errors*, were prepared by an inexperienced book-keeper.

Trading and Profit and Loss Account for the year ended 31 July 2004

	\$	\$
Sales		100 000
Income from sale of fixed assets		<u>20 000</u>
		120 000
Cost of goods sold		<u>60 000</u>
Gross profit		60 000
Sundry expenses	20 000	
Purchase of fixed assets	<u>30 000</u>	<u>50 000</u>
Net profit		<u>10 000</u>

Balance Sheet as at 31 July 2004

	\$	\$
Rent and rates paid		5 000
Stock		8 000
Debtors		2 000
Cash		<u>1 000</u>
		16 000
Creditors	1 100	
Discounts received	<u>900</u>	<u>2 000</u>
		<u>14 000</u>
Capital		10 000
Net profit		<u>10 000</u>
		20 000
Less: drawings		<u>6 000</u>
		<u>14 000</u>

**REQUIRED**

- (a) Identify the items of capital and revenue income and expenditure which have been incorrectly treated in the financial statements. Explain how each item should have been included in the financial statements.

	Category	Item	Correct Treatment
(i)	Capital income		
(ii)	Capital expenditure		

[8]





Q4 S2006

Q 4 The following balances are included in Sam Chung's books of account:

	\$
Purchases	84 000
Wages	18 600
Fixtures and fittings	24 500
Investment income	900

REQUIRED

- (a) Identify the revenue income, revenue expenditure and capital expenditure in the table below. Purchases has been completed as an example.

	\$	Revenue income	Revenue expenditure	Capital expenditure
Purchases	84 000		✓	
Wages	18 600			
Fixtures and fittings	24 500			
Investment income	900			

[3]

- (b) Sam Chung included half of the purchases as capital expenditure in the accounts. State the effect and the amount this error had on his net profit.

.....

.....

.....

..... [2]

[Total: 5]



Q4 S 2006

Q 4 The following balances are included in Sam Chung's books of account:

	\$
Purchases	84 000
Wages	18 600
Fixtures and fittings	24 500
Investment income	900

REQUIRED

- (a) Identify the revenue income, revenue expenditure and capital expenditure in the table below. Purchases has been completed as an example.

	\$	Revenue income	Revenue expenditure	Capital expenditure
Purchases	84 000		✓	
Wages	18 600			
Fixtures and fittings	24 500			
Investment income	900			

[3]

- (b) Sam Chung included half of the purchases as capital expenditure in the accounts. State the effect and the amount this error had on his net profit.

.....

.....

.....

..... [2]

[Total: 5]





# TOPIC 4 BANK RECONCILIATION





Q1 S2003

- 1 Peter Dlamini's Cash Book (bank column) had a debit balance of \$515 on 30 April 2003. This did not agree with the bank statement of the same date, which showed a balance of \$290.

The Cash Book was checked against the bank statement and the following differences were found:

1. Cheques totalling \$620 issued to creditors had not been presented to the bank for payment.
2. An amount of \$950 paid into the bank did not appear on the bank statement.
3. Cash sales deposited into the bank amounting to \$390 had been omitted from the Cash Book.
4. The bank had received \$150 by credit transfer (bank giro) from Klerk for Dlamini's account. Dlamini had not been advised.
5. A cheque for \$315 received from Joseph had been paid into the bank but it had now been returned unpaid. No action has been taken by Dlamini.
6. The following transaction by the bank had not been recorded in the Cash Book:

Bank charges \$120

**REQUIRED:**

- (a) Prepare an up-dated and balanced Cash Book.

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..... [6]



Q1 S2003

(b) Prepare a correctly headed statement to reconcile the adjusted Cash Book balance with the bank statement balance at 30 April 2003.

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[9]



Q1 W2004

1 Vigo's cash book (bank columns) showed the following entries.

Dr		Vigo Cash Book			Cr	
		\$			\$	
July 1	Balance b/d	1450	July 7	Singh	920	
10	Cash	500	16	Robinson	480	
19	Parker	260	24	Kings	220	
31	Cash	200				

The following bank statement was received by Vigo.

Date	Details	Withdrawn \$	Paid in \$	Balance \$
July 1	Balance b/f			1450
10	Cash		500	1950
12	Singh	920		1030
19	Parker		260	1290
21	Robinson	480		810
22	Dishonoured cheque – Parker	260		550
25	Dividend		25	575
31	Bank charges	20		555

**REQUIRED**

(a) Calculate the cash book balance on 31 July. Prepare and update the cash book. Bring down the balance.

Dr		Vigo Cash Book			Cr	
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.....[5]



Q1 W2004

- (b) Prepare a bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 31 July 2004.

Vigo  
Bank Reconciliation Statement as at 31 July

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.....  
.....[6]

- (c) Explain how the cash book is **both** a book of prime entry **and** a ledger account.

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.....[2]

[Total: 13]



Q1 S2006

Q1 Kylie Johnson’s cash book (bank columns) had a debit balance of \$460 on 30 April 2006. The bank statement at the same date showed that Kylie had a balance at the bank of \$323.

On checking the cash book against the bank statement the following differences were found.

- 1 A debtor, Nancy Tan, paid \$80 directly into the bank. This had not been recorded in the cash book.
- 2 Bank charges, \$50, were included on the bank statement but had not been recorded in the cash book.
- 3 Insurance paid, \$32, was recorded on the bank statement but not in the cash book.
- 4 A cheque, \$140, sent to a creditor had not yet been presented to the bank for payment.
- 5 A transfer of \$125 from the business bank account to Kylie’s private bank account had been entered in the cash book but not on the bank statement.
- 6 An amount of \$400 paid into the bank on 29 April did not appear on the bank statement.

REQUIRED

(a) Starting with the balance on 30 April 2006, update the cash book and bring down the amended balance.

Dr	Kylie Johnson Cash Book (bank columns)	Cr

[6]

Q1 S2006

- (b) Prepare the bank reconciliation statement to reconcile the adjusted cash book balance with the bank statement balance at 30 April 2006.

Kylie Johnson  
Bank Reconciliation Statement as at 30 April 2006

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[7]

- (c) Explain how the following would appear in the ledger accounts of Kylie Johnson:

- (i) Bank overdraft;

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[2]

- (ii) Short term loan from the business to Kylie Johnson.

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[2]

[Total: 17]





Q1 S 2010 21

- 1 Rahman is a debtor in the books of Goldy. On 1 April 2010 the balance on the account of Rahman was \$300.

The following transactions related to the account of Rahman for the month of April 2010.

April 6	Sold goods to Rahman, list price \$500; allowed 20% trade discount.
12	Rahman returned goods bought on 6 April, list price \$150.
18	Sold goods to Rahman, list price \$200; allowed 15% trade discount.
30	Rahman paid the balance on his account on 1 April by cheque and was allowed 3% cash discount.

**REQUIRED**

- (a) Prepare the account of Rahman in the books of Goldy for the month of April 2010. Balance the account and bring down the balance on 1 May 2010.

Rahman account

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[7]

- (b) (i) State two reasons why trade discount was given to Rahman.

1 .....

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2 .....

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[2]

- (ii) Name the book of prime entry in which Goldy will record the transaction on 12 April.

..... [1]

- (iii) Name the document which would be issued by Goldy for the returned goods on 12 April.

..... [1]

Q1[Type here]

[Type here]

[Type here]



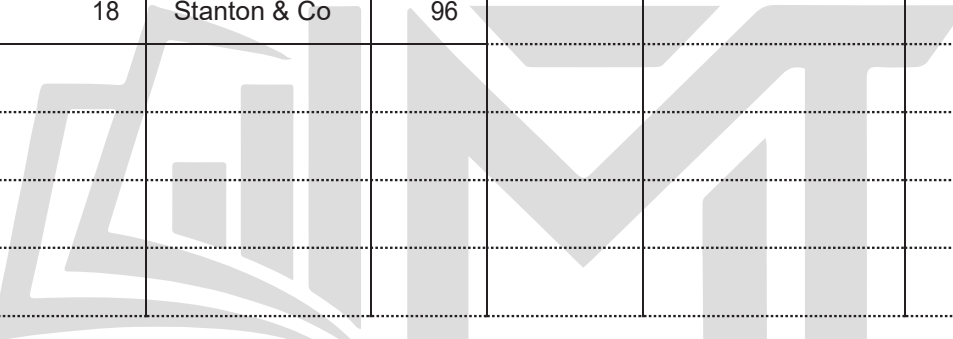
Q1 S 2010 21

On 20 April, Goldy received the following bank statement.

		Dr	Cr	Balance
		\$	\$	\$
April	1			650 Cr
	8		1500	2150 Cr
	12	730		1420 Cr
	15	12		1408 Cr
	16		130	1538 Cr

**REQUIRED**

(c) Update the cash book for Goldy on 20 April. Balance the cash book on that date.

Cash book (bank columns only)						
		\$			\$	
April	1	Balance b/d	650	April 12	Kwan	730
	8	Pacific Traders	1500	17	Headland Garage	75
	18	Stanton & Co	96			
						
[4]						

(d) Prepare the bank reconciliation statement at 20 April.

Bank reconciliation statement at 20 April 2010

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[4]

**[Total: 19]**



Q1 S2011 P22

- 1 Mohan is a trader. On 24 April 2011 he had a bank overdraft of \$150.

The following transactions took place during the week ended 30 April 2011.

April 25 Withdrew \$200, by cheque, for personal use.  
 April 26 Paid by cheque the balances on the accounts owed to:  
                         Kerai, \$400, less 3% cash discount  
                         Susan, \$750, less 4% cash discount.  
 April 27 Cash sales, \$630, paid into the bank.  
 April 28 Received a cheque from Loula for the balance of her account, \$2000, less  
                         4% cash discount.  
 April 30 Cashed cheque to pay wages, \$430.

**REQUIRED**

- (a) Prepare the bank columns of Mohan's cash book for the week ended 30 April 2011. Show the balance brought down on 1 May 2011.

Mohan  
Cash Book (Bank columns only)

[Lined area for preparing the bank columns of Mohan's cash book, featuring a large watermark 'AMM']

[8]

On 1 May 2011 Mohan received the following bank statement:

Bank Statement

	Dr	Cr	Balance
	\$	\$	\$
April 24 Balance			150 Dr
April 25 Cheque	200		350 Dr
April 28 Cheque	388		738 Dr
April 29 Cheque	720		1 458 Dr
April 29 Credit Transfer (Dividend)		24	1 434 Dr
April 29 Credit		630	804 Dr

Q1 S2011 P22

**REQUIRED**

- (b) Starting with the closing balance from (a) update the bank columns in the cash book. Bring down the amended balance.

Mohan  
Cash Book (Bank columns only)

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..... [2]

- (c) Prepare the bank reconciliation statement at 1 May 2011.

Mohan  
Bank Reconciliation Statement at 1 May 2011

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..... [7]

- (d) Place a tick (✓) in the appropriate box to show whether **each** of the following is an account, a book of prime entry or both an account and a book of prime entry. The first item has been completed as an example.

	ledger account	book of prime entry	a ledger account and a book of prime entry
Inventory	✓		
Purchases journal			
Cash book			
Provision for depreciation			

[3]  
[Total:20]



Q1 S2014 P21

1 Akma received the following bank statement on 30 April 2014:

Date	Details	Debit \$	Credit \$	Balance \$
1 April	Balance			614 Dr
2 April	Cheque – Stanning	88		702 Dr
10 April	Cash receipt		1204	502 Cr
12 April	Cheque – Chong	640		138 Dr
18 April	Paying in – Trinity Stores		780	642 Cr
20 April	Cheque – Pang	94		548 Cr
22 April	Charges	16		532 Cr
25 April	MDA Electricity – S.O.	104		428 Cr
28 April	Dividend receipt		41	469 Cr

Akma compared the bank statement with her cash book.

**REQUIRED**

(a) Bring the cash book of Akma up to date. Balance the cash book and bring down the balance.

Cash Book (bank columns)

	\$		\$
8 April Sales	1204	1 April Balance b/d	614
18 April Trinity Stores	780	2 April Stanning	88
23 April Xain	73	8 April Chong	640
24 April Li Ye	37	23 April Zaine	59
.....		27 April Pang	94
.....			
.....			
.....			
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.....			
.....			

[5]



Q1 S2014 P21

(b) Prepare the bank reconciliation statement at 30 April 2014.

Bank Reconciliation Statement at 30 April 2014

Balance as per bank statement	\$	\$
		469
Plus		
.....		
.....		
.....		
Less		
.....		
.....		
Balance as per cash book .....		

[4]

(c) State the meaning of the accounting abbreviation S.O.

.....

..... [1]



Q1 S2014 P21

On 1 April, Trinity Stores owed Akma \$800. During the month of April, Akma recorded the following transactions with Trinity Stores.

- 8 April Akma supplied goods to Trinity Stores with a list price of \$900, less 20% trade discount.
- 10 April Trinity Stores returned goods supplied by Akma on 8 April with a list price of \$100.
- 18 April Trinity Stores paid the balance due on 1 April less 2½% cash discount.

**REQUIRED**

(d) Prepare the account of Trinity Stores in the books of Akma. Balance the account and bring down the balance.

Trinity Stores account

Date	Details	\$	Date	Details	\$

[6]

(e) Name the document that Akma would issue to Trinity Stores on 10 April.

.....[1]

(f) State **two** reasons why Akma might give Trinity Stores trade discount.

1 .....

.....

2 .....

.....[2]

**[Total: 19]**



Q1 W2016 21

- 1 Gabi is in business buying and selling goods on credit. The following details relate to the account of her customer, Kacela, for the month of September 2016.

		\$
September 1	Opening balance owed by Kacela to Gabi	900
9	Invoice sent to Kacela	730
14	Credit note sent to Kacela	25
30	Cheque received and banked by Gabi	860
30	Discount allowed by Gabi	40

**REQUIRED**

- (a) Prepare the account of Kacela in the books of Gabi. Balance the account and bring down the balance on 1 October.

Kacela account

Date	Details	\$	Date	Details	\$

[6]

- (b) Name the sub-division of Gabi's ledger which will contain the account of Kacela.

.....[1]

On 30 September 2016 the balance on the bank account in the books of Gabi was \$450 debit.

Gabi received a bank statement for September 2016. The differences between the bank account and the bank statement were as follows:

- 1 A cheque for \$50 paid to J Simpson had not been presented for payment.
- 2 Bank charges, \$230, had been charged to Gabi's account but were not recorded in Gabi's books.
- 3 The bank had received a dividend payment, \$120, which was not recorded in Gabi's books.
- 4 The cheque received from Kacela, \$860, was not recorded on the bank statement.





Q1 W2016 21

**REQUIRED**

- (c) Update the bank account of Gabi. Balance the account and bring down the updated balance on 1 October.

Bank account

Date	Details	\$	Date	Details	\$
2016					
Sept 30	Balance b/d	450			

[3]

- (d) Prepare the bank reconciliation statement on 1 October 2016. Start with the updated bank account balance.

Bank Reconciliation Statement at 1 October 2016

\$

Balance on bank account .....

Plus .....

.....

Less .....

.....

Balance on bank statement .....

[4]



(e) Complete the table for the transactions shown. Name the source document and the book of prime entry used by Gabi. The first item has been completed as an example.

	Source document	Book of prime entry
Sold goods on credit	<i>Sales invoice</i>	<i>Sales journal</i>
Paid wages in cash		
Purchased office fixtures on credit		
Goods returned by a credit customer		

[6]

[Total: 20]



Q1 S2017 21

1 Nor purchases goods from Adam. On 1 April Nor owed Adam \$1500. The following transactions occurred in April 2017.

April 9 Adam sold goods to Nor on credit, list price \$1200, less 20% trade discount.

11 Nor returned goods purchased on 9 April, list price \$100.

28 Nor paid by cheque the balance on her account at 1 April and was allowed 3% cash discount.

**REQUIRED**

(a) Prepare the account of Adam in the ledger of Nor for April 2017. Balance the account and bring down the balance on 1 May 2017.

Adam account

Date	Details	\$	Date	Details	\$

[5]

(b) Name the:

(i) book of prime (original) entry in which the transaction on 9 April would be recorded by Nor.

.....[1]

(ii) document that Adam would send to Nor on 11 April.

.....[1]

(iii) division of Nor's ledger in which the account of Adam would be kept.

.....[1]



Q1 S2017 21

(c) State **one** reason why Adam would allow Nor:

(i) trade discount

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

(ii) cash discount

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



Q1 S2017 21

On 30 April 2017 Nor received the following bank statement.

Date	Details	Debit	Credit	Balance
2017		\$	\$	\$
April 1	Balance			490 Cr
April 5	Rent receivable		200	690 Cr
April 13	XYZ Supplies Ltd	450		240 Cr
April 20	The Repair Company	175		65 Cr
April 20	Cash sales banked		640	705 Cr
April 25	Commission		250	955 Cr
April 25	United utilities – DD	150		805 Cr
April 27	Cash withdrawal	90		715 Cr
April 29	Dividend		15	730 Cr

Nor compared the bank statement with her cash book.

**REQUIRED**

- (d) Bring the cash book (bank columns) of Nor up to date. Balance the cash book and bring down the balance on 1 May 2017.

Cash Book (bank columns)

Date	Details	\$	Date	Details	\$
2017			2017		
April 1	Balance b/d	490	April 11	XYZ Supplies Ltd	450
April 5	Rent receivable	200	April 14	West Electricity	325
April 18	Cash sales	640	April 17	The Repair Company	175
April 30	Cash sales	510	April 27	Cash	90
			April 28	Adam	1455

[4]



Q1 S2017 21

- (e) Prepare the bank reconciliation statement at 30 April 2017.

Bank Reconciliation Statement at 30 April 2017

	\$
Balance on bank statement	730 Credit
Plus.....	
.....	
.....	
Less.....	
.....	
.....	
Balance on bank account.....	[4]

- (f) Explain the abbreviation DD as used in the United utilities payment on 25 April.

.....

.....

.....

.....

[2]

[Total: 20]



Q1 W2017 22

1 On 1 September 2017 the balance of the bank column in Keung's cash book was \$1900 debit.

The transactions for the month of September 2017 were:

- September 5 Received and banked a cheque, \$830, from Cello, a credit customer. He had deducted \$20 cash discount.
- 8 Paid general expenses by cheque, \$725.
- 14 Francis, a credit customer, paid his debt of \$2000 by cheque after deducting a cash discount of 3%.
- 23 Received and banked a cheque from Alice, a credit customer, \$300.
- 26 Paid a cheque to Tansley, a supplier, in full settlement of his account of \$3500 less 2% cash discount.
- 29 The bank returned the cheque received from Alice on 23 September as dishonoured.

**REQUIRED**

(a) Prepare the bank and discount columns of the cash book for September 2017. Balance the bank column and bring down the balance on 1 October 2017.

Cash Book (extract)

Date	Details	Discount \$	Bank \$	Date	Details	Discount \$	Bank \$

[7]



Q1 W2017 22

The books of Keung show a total discount received of \$275 for the eleven months from 1 October 2016 to 31 August 2017.

**REQUIRED**

(b) Prepare the discount received account for the year ended 30 September 2017. Show the year end transfer to the appropriate financial statement.

Discount Received account

Date	Details	\$	Date	Details	\$

[3]

(c) Name the sub-division of the ledger which will contain the following accounts.

	Sub-division
Discount allowed	
Tansley	

[2]

Keung provided the following summary of his general expenses for the year ended 30 September 2017.

1 October 2016	Accrued general expenses	\$ 700
Year ended 30 September 2017	Total general expenses paid	4300
30 September 2017	Prepaid general expenses	1100

**REQUIRED**

(d) State the amount of the general expenses which would be recorded in **each** of the following.

	\$
Trial balance before year end adjustment	
Income statement	
Statement of financial position at 30 September 2017	

[3]





Q1 W2017 22

(e) Name the following documents used by Keung.

	Document
A written acknowledgement of money received	
A demand for payment	
A summary of transactions for a period issued to a customer	

[3]

Keung prepares his ledger accounts using the T account format.

**REQUIRED**

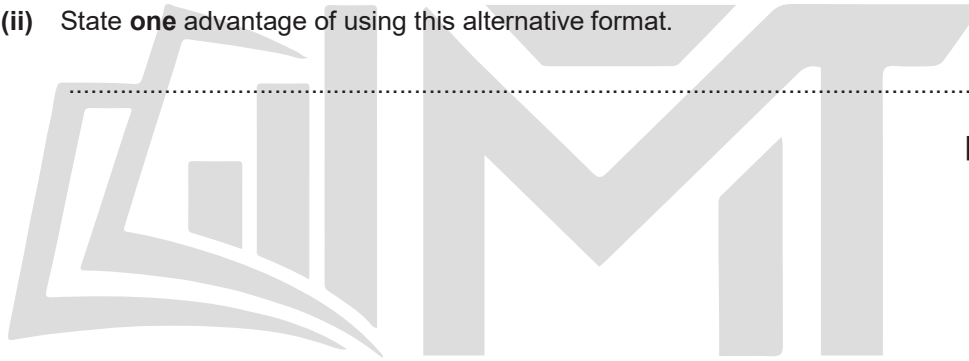
(f) (i) Name an alternative format for the preparation of ledger accounts.

.....[1]

(ii) State **one** advantage of using this alternative format.

.....[1]

[Total: 20]



Q1 S2018 22

- 1 On 1 May 2018 the balance in the bank column of Nuri’s cash book was \$350 debit.  
 Nuri received a bank statement dated 1 May 2018 which showed a balance of \$400 credit.  
 Nuri compared her cash book with the bank statement and found the following differences.

1 Entries recorded in the cash book but **not** in the bank statement

- April 20 Cheque number 270 paid to Jegan, \$570
- 23 Cheque number 873 received and banked from Sofia, \$245
- 28 Cheque number 272, drawings taken by Nuri, \$150
- 29 Cash sales banked, \$300

2 Entries recorded in the bank statement but **not** in the cash book

Date	Details	Debit	Credit
		\$	\$
April 22	Christan – Cheque (Refer to drawer)	120	
25	Dividend received		150
26	West Gas – Credit transfer (DD)	80	
30	Bank charges	75	

**REQUIRED**

- (a) Update the bank columns in Nuri’s cash book. Bring down the balance on 1 May 2018.

Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
2018			2018		
May 1	Balance b/d	350			

[5]





Q1 S2018 22

The following information relates to George, a credit customer of Nuri.

- April 1 There was no balance on George's account
- 10 Sold goods to George on credit, \$400
- 20 Sold goods to George on credit, \$500, less 15% trade discount
- 22 George returned goods, purchased on 20 April, with a list price of \$80
- 23 George paid by cheque for the goods purchased on 10 April.

Nuri offers payment terms of 2½% cash discount if payment is made within 28 days of sale.

**REQUIRED**

- (d) Prepare the account of George in the ledger of Nuri. Balance the account and bring down the balance on 1 May 2018.

**George account**

Date	Details	\$	Date	Details	\$

[5]

- (e) Complete the table to name the subdivision of Nuri's ledger which would contain **each** of the following accounts.

Account	Subdivision of the ledger
Sales	
George	
Drawings	

[3]

[Total: 20]



Q1 S2019 21

- 1 Wilson maintains a three column cash book in his business. On 1 March 2019 the following balances were available.

	\$
Cash	10
Bank overdraft	35

During March the following transactions occurred.

- March 3 Cash sales, \$570
- 10 Paid wages, \$65, and general expenses, \$19, in cash
- 12 Banked cash, \$420
- 18 Cheque, \$40, received from Glover in February was returned by the bank marked 'refer to drawer'
- 20 Settled Lou's account of \$250 by cheque after deducting 4% cash discount
- 25 Drawings taken \$50 in cash, and \$300 by cheque
- 30 Received a cheque, \$285, from Fred after he had deducted 5% cash discount. This was paid into the bank.

### REQUIRED

- (a) Prepare the three column cash book for March 2019 on the next page. Balance the cash book and bring down the balances on 1 April 2019.



Q1 S2019 21

Cash Book

Date	Details	Discount Allowed \$	Cash \$	Bank \$	Date	Details	Discount Received \$	Cash \$	Bank \$

[10]

Q1 S2019 21

(b) Complete the table by placing a tick (3) in the appropriate box to indicate how the cash book can be classified.

as a ledger account only	as a book of prime (original) entry only	as a ledger account and a book of prime (original) entry

[1]

(c) Name the type of entry made in the cash book on 12 March.

..... [1]

(d) State **two** possible reasons why the bank returned the cheque from Glover on 18 March.

- 1 .....
- 2 .....

[2]

(e) State the purpose of allowing Fred cash discount on 30 March.

..... [1]

Wilson received a bank statement which showed a credit bank balance of \$345 on 31 March 2019.

Wilson compared the entries in the bank statement with those in his cash book and found that the following were **not** recorded on the bank statement.

- 1 the cheque paid to Lou on 20 March
- 2 the cheque for drawings paid on 25 March
- 3 the cheque received from Fred and banked on 30 March







Q2 W2020 23

- 2 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]



Q2 W2020 23

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]

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



Q2 W2020 23

**REQUIRED**

- (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
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....
.....	.....	.....	.....	.....	.....

[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]

- (f) (i) Name **one** accounting principle Eniola would apply when recording the rent and rates in her financial statements.

..... [1]

- (ii) State how Eniola would apply the accounting principle named in (f)(i).

.....

..... [1]

[Total: 20]



# TOPIC 5 BAD DEBTS















Q2 S 2007

- (b) Make entries in the following sales ledger accounts to record the transactions on 29 April and 30 April 2007.

Iqbal account		
29 April	Balance b/d	72
		[1]

Johnston account		
29 April	Balance b/d	148
.....		
.....		[1]

Turner account		
29 April	Balance b/d	880
.....		
.....		
.....		[2]

- (c) Show the entries which would appear in the final accounts of Carson for bad debts and provision for doubtful debts.

Profit and Loss Account for the year ended 30 April 2007		
.....		
.....		
.....		[2]

Balance Sheet at 30 April 2007		
.....		
.....		
.....		[2]

- (d) Name one accounting principle which is applied in final accounts when making a provision for doubtful debts.
- ..... [1]
- [Total: 16]**





# TOPIC 6 DEPRECIATION





Q4 S 2004

Q 4 Habib provides the following information.

Fixed Asset	Cost \$	Depreciation method
Computer	2000	Diminishing (reducing) balance – 60% per annum
Office furniture	3000	Straight-line – 10% per annum
Loose tools	800	Revaluation

**REQUIRED**

(a) Explain the following methods of depreciation.

(i) Diminishing (reducing) balance

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

(ii) Straight-line

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

(iii) Revaluation

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

(b) Using the above figures, calculate the depreciation in Years 1 and 2 for each asset.

(i) Computer

Year 1 depreciation.....  
 .....  
 .....

Year 2 depreciation.....  
 .....  
 ..... [2]



Q4 S 2004

(ii) Office furniture

Year 1 depreciation.....

.....

.....

Year 2 depreciation.....

.....

..... [2]

(iii) Loose tools  
 (Assume the value of loose tools at the end of Year 1 was \$600 and was \$350 at the end of Year 2.)

Year 1 .....

.....

.....

Year 2 .....

.....

..... [2]

(c) Comment on the suitability of each depreciation method for the three fixed assets.

(i) Computer.....

.....

.....

.....

(ii) Office furniture .....

.....

.....

.....

(iii) Loose tools .....

.....

.....

..... [6]

[Total: 18]





Q4 W2006

- 4 John Regan set up a garage and car sales business on 1 September 2004 with the following assets:

	\$
Land and buildings	120 000
Plant and equipment	60 000
Loose tools	5 000
Stock of motor vehicles	45 000
Stock of car parts	7 000
Cash at bank	1 000

John decided on the following policy for depreciation:

- 1 Land, costing \$70 000, is not to be depreciated.
- 2 Buildings, costing \$50 000, are to be depreciated at 4% per annum on cost using the straight line method.
- 3 Plant and equipment is to be depreciated at 50% per annum using the diminishing (reducing) balance method.
- 4 Loose tools are to be depreciated using the revaluation method.

REQUIRED

- (a) Explain why John Regan does not depreciate each of the following:

- (i) Land

.....

.....

.....

..... [2]

- (ii) Stock of motor vehicles

.....

.....

.....

..... [2]



Q4 W2006

- (b) (i) Explain one reason why John Regan uses the revaluation method to depreciate loose tools.

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

- (ii) John Regan purchased additional loose tools costing \$1000 during the year ended 31 August 2005. The tools were revalued at \$4000 on 31 August 2005. Calculate the depreciation for the year.

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

- (c) Calculate the depreciation for each of the years ended 31 August 2005 and 31 August 2006 for the following:

- (i) Buildings

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

- (ii) Plant and equipment

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



Q4 W2006

- (d) John Regan charges a full year's depreciation in the year of disposal. He sold all the plant and equipment for \$12 000 during August 2006. Prepare the disposal account on 31 August 2006.

Disposal of Plant and Equipment account

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.....

.....

.....

.....

.....

.....

[Total: 20]

[5]



Q2 S 2008

- 2. Saira Mir sells computers on credit to schools. She buys component parts which are assembled in her factory and are then delivered to schools in her business motor vehicle.

REQUIRED

- (a) Explain the meaning of capital expenditure and revenue expenditure.

Capital expenditure .....

.....

.....

Revenue expenditure .....

.....

..... [4]

- (b) Give one example of capital expenditure and one example of revenue expenditure in Saira Mir's business.

Capital expenditure .....

Revenue expenditure ..... [2]

- (c) State how fixed assets should be valued in Saira Mir's accounts.

.....

..... [1]





Q2 W2009

2 Universal Industries provided the following information:

- 1 Purchased a machine for \$8 000 on 1 October 2007.
- 2 Sold the machine for cash, \$7000, on 31 March 2009.
- 3 The policy of Universal Industries is to charge depreciation at the rate of 10 % per annum on cost using the straight line method. Depreciation on machinery is charged from the date of purchase and up to the date of sale.
- 4 All sales of fixed assets are recorded in a disposal account.
- 5 Universal Industries prepares final accounts on 31 March each year.

REQUIRED

(a) Explain the term depreciation.

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

(b) State two reasons why fixed assets depreciate.

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



Q2 W2009

(c) Prepare the journal entries to record the sale of the machine. Show the transfer of any profit or loss on the sale to the final accounts on 31 March 2009. Narratives are not required.

Dr	Cr
\$	\$

.....  
.....  
.....  
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.....  
.....  
.....

[8]

(d) Explain why depreciation is an application of the accruals concept.

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.....  
.....  
.....

[2]



Q2 W2009

(e) Complete the table below for items (i) to (iii). State in each case the most appropriate method of depreciation and give one reason for your answer.

Asset	
(i) Buildings	Method of depreciation
	Reason
(ii) Computers	Method of depreciation
	Reason
(iii) Loose tools	Method of depreciation
	Reason

[6]





Q2 W2009

Universal Industries has one employee who worked a total of 170 hours in March 2009 of which

- 160 hours were paid at \$6 per hour
- 10 hours were paid at time and a half

Tax and social security of \$150 was deducted from the employee's gross pay.

The net payment has been made to the employee in cash.

REQUIRED

- (f) Calculate the employee's net pay for March 2009.

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[4]

Universal Industries must also pay an additional 10 % of the employee's gross pay for their share of tax and social security contributions.

The total tax and social security is due to be paid to the tax authorities on 31 March 2009.

REQUIRED

- (g) Calculate the total tax and social security payment to be made to the tax authorities on 31 March 2009.

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[3]

[Total: 27]



Q2 S 2010 21

2 Sparky Ltd set up business on 1 May 2008 with the following assets:

	\$
Property (Land and buildings)	150 000
Computer equipment	40 000
Inventory (stock in trade)	70 000

Sparky Ltd decided on the following policy for depreciation:

- 1 Land costing \$80 000 was not to be depreciated.
- 2 Buildings are to be depreciated at 2% per annum on cost using the straight line method.
- 3 Computer equipment is to be depreciated at 25% per annum using the diminishing (reducing) balance method.

**REQUIRED**

(a) State **two** causes of depreciation.

- (i) .....
- (ii) ..... [2]

(b) Explain why Sparky Ltd does **not** depreciate each of the following:

- (i) Land  
.....  
.....
- (ii) Inventory (stock in trade)  
.....  
..... [4]

(c) Explain why depreciation is an application of the matching/accruals principle.

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

(d) Calculate the depreciation on property (land and buildings) for the year ended 30 April 2009.

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



Q2 S 2010 21

On 30 April 2010 Sparky Ltd sold some of the computer equipment for \$7000. The computer equipment had cost \$12 000 on 1 May 2008. Sparky Ltd charges a full year's depreciation in the year of disposal.

**REQUIRED**

- (e) Prepare the disposal account on 30 April 2010 recording the disposal of the computer equipment.

Disposal account

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..... [5]

During the year ended 30 April 2010, Sparky Ltd carried out work on the buildings.

- 1 Built an extension
- 2 Redecorated the interior
- 3 Installed air conditioning

**REQUIRED**

- (f) State whether **each** item, 1 to 3 above, is capital expenditure **or** revenue expenditure.

1 .....

2 .....

3 ..... [3]

[Total: 17]



Q2 W2012 21

2 On 31 August 2011 the following extract was taken from the balance sheet of Stavros.

Non-current assets	Cost	Accumulated depreciation	NBV
	\$	\$	\$
Equipment	60 000	24 000	36 000
Office Computers	<u>8 000</u>	<u>5 600</u>	<u>2 400</u>
	<u>68 000</u>	<u>29 600</u>	<u>38 400</u>

The following transactions took place during the year ended 31 August 2012:

- 1 On 31 January 2012, equipment purchased on 1 April 2009, at a cost of \$28 000, was sold for \$10 000. Payment was received by cheque.
- 2 On 1 February 2012, new equipment was purchased at a cost of \$35 000.
- 3 On 20 March 2012, office computers were purchased for \$600.

Stavros has the following depreciation policy:

Equipment is depreciated at the rate of 20% per annum using the straight-line method.

Office computers are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.

A full year's depreciation is charged on equipment and office computers in the year of purchase.

No depreciation is charged on equipment in the year of sale.

**REQUIRED**

(a) (i) Explain the term depreciation.

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

(ii) State **two** causes of depreciation.

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

(b) State **one** advantage of using the straight-line method of depreciation.

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



Q2 W2012 21

(c) Prepare the following ledger accounts for the year ended 31 August 2012:

(i) Provision for depreciation of equipment account

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(ii) Equipment disposal account

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..... [8]

(d) Complete the following balance sheet (extract) for the non-current assets on 31 August 2012.

Non-current assets	Cost	Accumulated depreciation	NBV
	\$	\$	\$
Equipment			
Office Computers			

[6]

[Total: 20]



Q4 S2013 21

- 4 On 1 April 2011 Lynne purchased two motor vehicles for business use on credit from Villa Motors Limited. The vehicles cost \$12 000 each.

Depreciation is charged on the motor vehicles at 20% per annum by the diminishing (reducing) balance method. A full year’s depreciation is charged in the year of purchase but no depreciation is charged in the year of sale.

On 23 January 2013 one of the motor vehicles was sold for \$6500.

**REQUIRED**

- (a) Show the journal entry to record the purchase of the motor vehicles on 1 April 2011. Dates and narratives are **not** required.

Journal

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

[2]

- (b) Prepare the provision for depreciation account for the years ended on 31 March 2012 and 2013.

Provision for Depreciation account

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[5]



Q4 S2013 21

(c) Prepare the disposal account.

Disposal account

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.....

.....

.....[5]

(d) State **two** other methods of depreciation.

1 .....

2 .....[2]

[Total: 14]



Q2 W2014 22

- 2 Ajib commenced business on 1 October 2014 delivering parcels to customers' homes. He purchased a motor van on that date, the details are as follows.

Purchase price	\$9600
Life of motor van	3 years
Residual value	\$1200

Ajib is undecided whether to use the straight-line method or diminishing (reducing) balance method to depreciate the motor van.

If Ajib uses the diminishing (reducing) balance method the annual rate of depreciation charged would be 50%.

**REQUIRED**

- (a) Explain the term depreciation.

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

- (b) Complete the following table to show the depreciation to be charged for the years ended 30 September 2015, 2016 and 2017 using the straight-line method and the diminishing (reducing) balance method.

For the year ended	Straight-line method \$	Diminishing (reducing) balance method \$
30 September 2015		
30 September 2016		
30 September 2017		

[6]

- (c) State **one** advantage of Ajib using the straight-line method when depreciating the motor van.

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





Q2 W2014 22

(d) State **one** advantage of Ajib using the diminishing (reducing) balance method when depreciating the motor van.

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

Ajib is considering:

Proposal 1 Charging the total purchase price of the motor van to the 2015 income statement.

Proposal 2 Using the diminishing (reducing) balance method to charge depreciation on the motor van in 2015, and then to change to the straight line method for 2016 and 2017.

**REQUIRED**

(e) Name and explain which accounting concept would **not** be complied with if Ajib implemented his proposals.

Proposal 1

Accounting concept .....

Explanation .....

Proposal 2

Accounting concept .....

Explanation .....

[6]



Q2 W2014 22

Ajib also incurred the following expenditure.

- 1 Delivery of motor van from manufacturer
- 2 Fuel for motor van
- 3 Signwriting his business name on the motor van
- 4 Motor van insurance

**REQUIRED**

(f) State whether each of the items above is capital expenditure or revenue expenditure.

- 1 .....
- 2 .....
- 3 .....
- 4 .....

[4]

[Total: 20]



Q2 S2016 22

2 The following balances were recorded in the books of Sofea on 1 March 2015.

	\$
Motor vehicles account (at cost)	50 000
Motor vehicles – provision for depreciation account	18 400

Additional information

- 1 On 31 May 2015 a motor vehicle costing \$16 000 and with an accumulated depreciation of \$7 000 was sold for \$8 400.
- 2 On 30 June 2015 a motor vehicle costing \$20 000 was purchased on credit.
- 3 The depreciation policy of Sofea is as follows:

Motor vehicles are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.

A full year's depreciation is charged in the year of purchase.

No depreciation is charged in the year of sale.

**REQUIRED**

(a) State the meaning of the accounting term depreciation.

.....

.....

.....

.....[2]

(b) Identify by ticking the appropriate box (✓) whether **each** statement about depreciation is true or false. The first one has been completed as an example.

Statement	True	False
<i>There is only one method of charging depreciation.</i>		✓
Depreciation is the cash set aside for non-current asset replacement.		
Depreciation is an application of the going concern concept.		

[2]



Q2 S2016 22

(c) Calculate the:

(i) profit or loss on the sale of the motor vehicle on 31 May 2015.

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

(ii) motor vehicles depreciation charge for the year ended 29 February 2016.

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

(d) Prepare the motor vehicles provision for depreciation account for the year ended 29 February 2016. Balance the account and bring down the balance on 1 March 2016.

Motor vehicles provision for depreciation account

Date	Details	\$	Date	Details	\$

[5]



Q2 S2016 22

Sofea provided the following information about her trade receivables.

- 1 On 28 February 2016 Wade Designs, which owed Sofea \$5100, was declared bankrupt. A cheque for \$1800 was received. The balance of the debt was irrecoverable.
- 2 On 29 February 2016 the remaining trade receivables were:

Age of debt (Months)	Amount \$	Provision for doubtful debts percentage (%)
Up to 1 month	18 000	2
1 to 3 months	12 200	5
3 to 6 months	3 300	10
Over 6 months	<u>2 200</u>	20
	35 700	

On 1 March 2015 the provision for doubtful debts account was \$2050.

**REQUIRED**

- (e) Prepare the general journal to record the entries for Wade Designs on 28 February 2016. A narrative is **not** required.

General journal		
	Debit \$	Credit \$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[3]

- (f) Calculate the provision for doubtful debts on 29 February 2016.

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[1]

Q2 S2016 22

- (g) Prepare the provision for doubtful debts account for the year ended 29 February 2016. Balance the account and bring down the balance on 1 March 2016.

Provision for doubtful debts account

Date	Details	\$	Date	Details	\$

[3]

- (h) Name **one** accounting concept applied by Sofea in providing for doubtful debts.

.....[1]

[Total: 20]



Q2 W2017 21

2 The following information relates to the machines of Crosby Packing.

1 January 2014	Purchased Machine A for \$12 000
30 September 2015	Purchased Machine B for \$16 000
30 June 2016	Disposed of Machine A and received a cheque for \$7500.

Crosby Packing’s depreciation policy is as follows:

- (i) Machines are depreciated at the rate of 20% per annum using the straight-line method.
- (ii) Depreciation charge in the year of purchase or sale is based on months of ownership.

**REQUIRED**

(a) State **two** advantages of the straight-line method.

1 .....

.....

2 .....

.....

[2]

(b) Complete the table to show the depreciation charged in **each** of the two years ended 31 December 2015 and 31 December 2016.

Year ended	Machine A \$	Machine B \$	Total for year \$
31 December 2015			
31 December 2016			

Workings:

[4]



Q2 W2017 21

- (c) Prepare the provision for depreciation of machinery account for the years ended 31 December 2015 and 31 December 2016. Start with the total depreciation on 1 January 2015. Balance the account at the end of each year and bring down the balance on 1 January.

Provision for depreciation of machinery account

Date	Details	\$	Date	Details	\$

[6]

- (d) Prepare the disposal account.

Disposal account

Date	Details	\$	Date	Details	\$

[3]





Q2 W2017 21

(e) Explain the term 'revenue receipt'.

.....

.....

.....

..... [2]

(f) Complete the table by placing a tick (✓) to show whether **each** of the following is capital expenditure, revenue expenditure, capital receipt or revenue receipt.

	Capital expenditure	Revenue expenditure	Capital receipt	Revenue receipt
1. Received a cheque on sale of machine				
2. Replaced broken machine part				
3. Installed a machine				

[3]

[Total: 20]



Q2 S2011 22

2 Amayi owns a manufacturing business. Her financial year ends on 30 April.

She has the following depreciation policy:

Machinery is depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.

Office furniture is depreciated at the rate of 10% per annum using the straight-line method.

Loose tools are depreciated using the revaluation method.

A full year's depreciation is charged on assets in the year of purchase but no depreciation is charged in the year of sale.

**REQUIRED**

(a) Give **two** reasons why depreciation should be charged.

1 .....

.....

2 .....

..... [4]

(b) Suggest **one** reason why the diminishing (reducing) balance method might be the most appropriate method for Amayi to depreciate her machinery.

.....

..... [2]

The following information is available for the year ended 30 April 2011.

- 1 Balances 1 May 2010
 

	\$
Non-current assets at cost	
Machinery	80 000
Office furniture	15 000
Provisions for depreciation	
Machinery	60 000
Office furniture	5 000
- 2 On 31 July 2010, additional machinery, \$18 000, was purchased.
- 3 On 20 February 2011, office furniture, which had cost \$1 000 on 1 May 2008, was sold for \$550 cash.
- 4 On 1 May 2010, loose tools, cost price \$1600, were valued at \$1050. Additional loose tools were purchased during the year for \$630. On 30 April 2011 loose tools were valued at \$1400.



Q2 S2011 22

**REQUIRED**

(c) Calculate the depreciation to be charged on **each** of the following for the year ended 30 April 2011.

(i) Machinery

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(ii) Office furniture

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.....  
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.....  
.....

(iii) Loose tools

.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....  
.....

[6]



Q2 S2011 22

(d) Calculate the profit or loss on the office furniture sold on 20 February 2011.

.....

.....

.....

.....

.....

..... [3]

(e) Calculate the net book value on 30 April 2011 of

(i) Machinery

.....

.....

(ii) Office furniture

.....

..... [2]

(f) Identify by ticking the appropriate box, (✓) whether **each** payment is capital expenditure or revenue expenditure.

	Capital expenditure	Revenue expenditure
Purchase of spares for machinery		
Installation of additional machinery		
Repairs to office furniture		
Purchase of loose tools		

[4]

[Total: 21]



Q2 W2014 21

2 The following information relates to the delivery vehicles of Swift Limited.

- 1 July 2012 Purchased delivery vehicle 1 for \$15 000.
- 1 July 2013 Purchased delivery vehicle 2 for \$20 000.
- 30 June 2014 Disposed of delivery vehicle 1 and received a cheque for \$8000.

Depreciation is charged at the rate of 20% using the diminishing (reducing) balance method.

**REQUIRED**

(a) State **two** causes of depreciation of a delivery vehicle.

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

(b) Complete the following table to show the depreciation charged for the years ended 30 June 2013 and 30 June 2014.

Year ended	Delivery vehicle 1	Delivery vehicle 2	Total for year
	\$	\$	\$
30 June 2013			
30 June 2014			
Total			

[3]

(c) Prepare the provision for depreciation of delivery vehicles account for the year ended 30 June 2014. Balance the account and bring down the balance.

Provision for depreciation of delivery vehicles account

Date	Details	\$	Date	Details	\$

[4]



Q2 W2014 21

- (d) Prepare the journal entries to record the disposal of delivery vehicle 1. Narratives are not required.

Journal

	Dr \$	Cr \$

[6]

- (e) Prepare an extract from the statement of financial position at 30 June 2014, showing the delivery vehicles.

.....

.....

.....

.....

.....

.....

.....

.....

.....

[2]



Q2 W2014 21

Swift Limited are considering the following expenditure on delivery vehicle 2.

- 1 Replacement tyres
- 2 A new trailer
- 3 An annual maintenance service.

**REQUIRED**

(f) State whether each of the items 1, 2 and 3 above is capital expenditure or revenue expenditure.

- 1 .....
- 2 .....
- 3 .....

[3]

[Total: 20]



Q2 S2015 22

2 Atto Electrical had the following non-current assets on 31 March 2013.

	Net book value
	\$
Premises (cost \$50 000)	48 000
Motor vehicles (cost \$16 000)	12 000
Computers	6 000

Atto Electrical has the following depreciation policy.

- Premises are depreciated at the rate of 2% per annum by straight-line method.
- Motor vehicles are depreciated at the rate of 25% per annum by diminishing (reducing) balance method.
- Computers are depreciated by revaluation method.

A full year's depreciation is charged on all non-current assets owned at the end of the financial year.

Additional information

- 1 There were no purchases or sales of non-current assets during the year ended 31 March 2014.
- 2 The following purchases of non-current assets were made during the year ended 31 March 2015. Payments were made by cheque.

	\$
Premises	30 000
Motor vehicles	9 000
Computers	3 200

3 Computers were valued as follows:

	\$
31 March 2014	4 200
31 March 2015	6 000

**REQUIRED**

(a) Explain the term depreciation.

.....

.....

.....

.....[2]

(b) State **one** cause of depreciation of a computer.

.....[1]





Q2 S2015 22

- (c) Complete the table to show the depreciation to be charged to the income statement for **each** of the years ended 31 March 2014 and 31 March 2015.

	Year ended 31 March 2014 \$	Year ended 31 March 2015 \$
Premises		
Motor vehicles		
Computers		

[6]



Q2 S2015 22

- (d) Prepare the following ledger accounts for **each** of the years ended 31 March 2014 and 31 March 2015. Balance the accounts and bring down the balances on 1 April.

Motor vehicles account

Date	Details	\$	Date	Details	\$

[4]

Motor vehicles provision for depreciation account

Date	Details	\$	Date	Details	\$

[5]



Q2 S2015 22

(e) Identify which **two** of the following accounting principles/concepts support the charging of depreciation in an accounting year.

- Accruals/Matching
- Dual aspect
- Going concern
- Materiality
- Money measurement

1 .....

2 .....[2]

[Total: 20]



Q2 S2016 21

2 The following balances were recorded in the books of Sofea on 1 March 2015.

	\$
Motor vehicles account (at cost)	50 000
Motor vehicles – provision for depreciation account	18 400

Additional information

- 1 On 31 May 2015 a motor vehicle costing \$16 000 and with an accumulated depreciation of \$7 000 was sold for \$8 400.
- 2 On 30 June 2015 a motor vehicle costing \$20 000 was purchased on credit.
- 3 The depreciation policy of Sofea is as follows:

Motor vehicles are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.

A full year’s depreciation is charged in the year of purchase.

No depreciation is charged in the year of sale.

**REQUIRED**

(a) State the meaning of the accounting term depreciation.

.....

.....

.....

.....[2]

(b) Identify by ticking the appropriate box (✓) whether **each** statement about depreciation is true or false. The first one has been completed as an example.

Statement	True	False
<i>There is only one method of charging depreciation.</i>		✓
Depreciation is the cash set aside for non-current asset replacement.		
Depreciation is an application of the going concern concept.		

[2]



Q2 S 2016 21

(c) Calculate the:

(i) profit or loss on the sale of the motor vehicle on 31 May 2015.

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

(ii) motor vehicles depreciation charge for the year ended 29 February 2016.

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

(d) Prepare the motor vehicles provision for depreciation account for the year ended 29 February 2016. Balance the account and bring down the balance on 1 March 2016.

Motor vehicles provision for depreciation account

Date	Details	\$	Date	Details	\$

[5]



Q2 S2016 21

Sofea provided the following information about her trade receivables.

- 1 On 28 February 2016 Wade Designs, which owed Sofea \$5100, was declared bankrupt. A cheque for \$1800 was received. The balance of the debt was irrecoverable.
- 2 On 29 February 2016 the remaining trade receivables were:

Age of debt (Months)	Amount \$	Provision for doubtful debts percentage (%)
Up to 1 month	18 000	2
1 to 3 months	12 200	5
3 to 6 months	3 300	10
Over 6 months	<u>2 200</u>	20
	35 700	

On 1 March 2015 the provision for doubtful debts account was \$2050.

**REQUIRED**

- (e) Prepare the general journal to record the entries for Wade Designs on 28 February 2016. A narrative is **not** required.

General journal		
	Debit \$	Credit \$
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		

[3]

- (f) Calculate the provision for doubtful debts on 29 February 2016.

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[1]



Q2 S2016 21

- (g) Prepare the provision for doubtful debts account for the year ended 29 February 2016. Balance the account and bring down the balance on 1 March 2016.

Provision for doubtful debts account

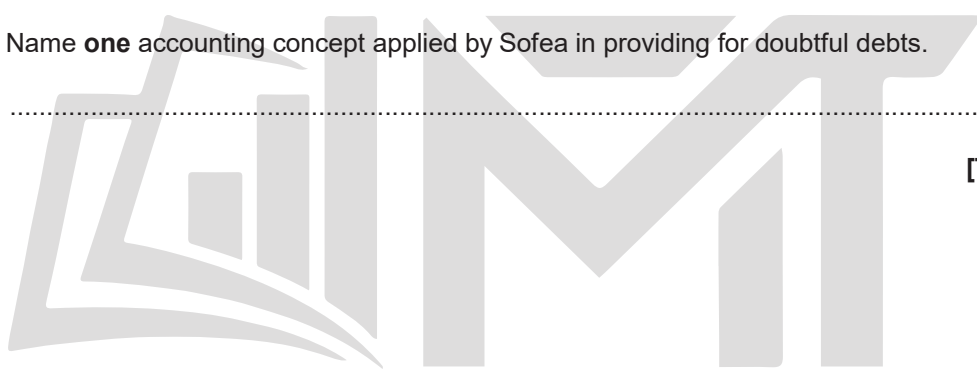
Date	Details	\$	Date	Details	\$

[3]

- (h) Name **one** accounting concept applied by Sofea in providing for doubtful debts.

.....[1]

[Total: 20]



Q2 S2018 23

- 2 Sandbury Products owned two motor vehicles on 1 April 2017: Motor vehicle A and Motor vehicle B.

The following information relates to the motor vehicles for the year ended 31 March 2018.

		\$
1 April 2017	Balances	
	Motor vehicles account (at cost)	30 000
	Provision for depreciation motor vehicles account	10 800
30 June 2017	Sale of Motor vehicle B	
	Cost	14 000
	Accumulated depreciation	5 040
	Sold on credit to X Garage	9 500
1 July 2017	Purchase of Motor vehicle C	
	Cost	18 000

Additional information

- 1 Motor vehicles are depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.
- 2 No depreciation is charged in the year of disposal.
- 3 A full year's depreciation is charged in the year of purchase.

**REQUIRED**

- (a) Explain the meaning of the term 'depreciation'.

.....

.....

.....

.....

[2]

- (b) State **two** causes of depreciation of a **motor vehicle**.

1.....

2.....

[2]







Q2 S2018 23

(e) Calculate the depreciation to be charged on motor vehicles for the year ended 31 March 2018.

.....

.....

.....

.....

.....

.....

[3]

(f) Complete the table by placing a tick (3) to show whether each of the following is capital expenditure, a capital receipt, revenue expenditure or a revenue receipt.

	capital expenditure	capital receipt	revenue expenditure	revenue receipt
proceeds from sale of Motor vehicle B				
purchase of Motor vehicle C				
insurance for Motor vehicle C				

[3]

Sandbury Products owns other types of non-current assets.

**REQUIRED**

(g) State the method which would be most appropriate for depreciating each of the following.

(i) Buildings

.....

(ii) Loose tools

.....

(iii) Computers

.....

[3]

[Total: 20]



Q2 W2019 21

- 2 Rod’s financial year ends on 31 December. On 1 January 2020 Rod will purchase a new delivery vehicle for his business. The details are as follows:

Cost	\$12 000
Estimated economic life	3 years
Estimated residual value	\$1 500

Rod is undecided whether to charge depreciation on the new delivery vehicle by using the straight-line method or diminishing (reducing) balance method. If he decided to use the diminishing (reducing) balance method this would be at a rate of 50% per annum.

**REQUIRED**

- (a) Define the term ‘depreciation’.

.....

.....

.....

..... [2]

- (b) Calculate the depreciation which would be charged on the new delivery vehicle for **each** of the years 2020, 2021 and 2022 using the straight-line method and diminishing (reducing) balance method.

Insert your answers in the table provided.  
Use the space provided on the next page to show your workings.

Year	Straight-line method \$	Diminishing (reducing) balance method \$
2020		
2021		
2022		



Q2 W2019 21

Workings



[4]



Q2 W2019 21

Rod has estimated the following to help him decide which method of depreciation he should use for the delivery vehicle.

Year	Market value of delivery vehicle \$	Annual maintenance costs \$
2020	6000	0
2021	3500	3000
2022	2000	4500

**REQUIRED**

(c) Explain **one** advantage of using the straight-line method to depreciate the delivery vehicle.

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..... [2]

(d) Explain **one** advantage of using the diminishing (reducing) balance method to depreciate the delivery vehicle.

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..... [2]

Rod has been advised by a friend that he could use the revaluation method to depreciate the delivery vehicle.

**REQUIRED**

(e) Explain how the annual depreciation would be calculated using the revaluation method.

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..... [2]



Q2 W2019 21

On 30 June 2019 Rod sold his old office computer. The following information is available.

Balances at 31 December 2018

	\$
Office computer	
cost	4400
provision for depreciation	2600

Rod has the following depreciation policy for the office computer:  
 depreciation is charged at the rate of 25% using the diminishing (reducing) balance method  
 depreciation is charged for each month of ownership in the year of sale.

All non-current asset disposals are recorded in a disposal account.

Rod sold the old office computer for \$900, receiving payment by cheque.

**REQUIRED**

(f) Calculate the profit or loss on the sale of the old office computer.

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[2]

(g) State the entries Rod would make in his accounting records on 30 June 2019 to record the disposal of the old office computer.

account to be debited	\$	account to be credited	\$

[6]

[Total: 20]



# TOPIC 7 ACCRUALS AND PREPAYMENT







Q1 W2003

1 The balances given below were taken from the books of K. Lyon on 1 July 2003.

	\$
Stationery	480 Dr.
Rent received	1 000 Cr.
M. Millan	640 Dr.

The following transactions took place during July 2003.

- July 3 Bought stationery \$160 on credit from Boss Supplies.
- 4 Received a cheque from M. Millan for the amount due less 5% cash discount.
- 8 Received \$100 rent in cash.
- 11 Bought stationery \$220 by cheque.
- 12 Sold goods to M. Millan on credit for \$360.
- 23 Sent a credit note to M. Millan for \$30 for wrong goods supplied.
- 25 Lyon was told that Millan was insolvent. He decided to write off her account as bad immediately.
- 30 Received a cash refund of \$40 for unsatisfactory stationery returned.

Additional information:

1. The tenant of Lyon's premises had agreed to pay a monthly rental of \$100 from 1 August 2002.
2. The stock of stationery at 31 July 2003 was valued at \$210.
3. Lyon prepares his final accounts on 31 July 2003.

**REQUIRED:**

Prepare the following ledger accounts, balanced at 31 July 2003. Pay attention to dates and details. Include, where appropriate, the transfers to the Profit and Loss Account.

(a) Stationery account

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[6]



Q1 W2003

(b) Rent received account

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..... [4]

(c) M. Millan



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..... [6]



Q1 W2006

1 The following balances were taken from the books of Sanjev Patel on 23 September 2006:

	\$
Rent received	7360 Cr
Justine Stihl	180 Dr

The following transactions took place during the week ended 30 September 2006:

27 September Justine Stihl left the country and Sanjev decided to write off the balance on Justine's account as a bad debt.

29 September A tenant paid \$980 by cheque to cover his outstanding rent for September and one month's advance rent, \$480, for October.

Sanjev Patel prepared his final accounts on 30 September 2006.

REQUIRED

Prepare the following ledger accounts.  
Make any necessary transfers to the Profit and Loss Account and, where necessary, bring down the final balances.

(a) Rent Received account

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[4]

(b) Justine Stihl account

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[2]

(c) Bad Debts account

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[3]



Q1 W2006

- (d) (i) Explain why Sanjev Patel wrote off the balance on Justine Stihl's account as a bad debt on 27 September 2006. State which accounting concept he applied.

.....

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.....

Accounting concept ..... [3]

- (ii) Explain why Sanjev Patel did not include all the rent received on 29 September in his Profit and Loss Account for the year ended 30 September 2006. State which accounting concept he applied.

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Accounting concept ..... [3]

[Total: 15]



Q1 W2012 P21

1 The following balances were taken from the books of Asir on 1 July 2012.

	\$
Stationery	60 Dr
Rapid Office Supplies	400 Cr

The following transactions took place in the three months ended 30 September 2012:

- July 30 Paid the balance owing on 1 July 2012 to Rapid Office Supplies by cheque, after deducting 4% cash discount.
- August 18 Purchased stationery on credit from Rapid Office Supplies, list price \$500, and received 10% trade discount.
- August 20 Purchased stationery for cash, \$150.
- September 3 Returned to Rapid Office Supplies stationery purchased on 18 August, list price \$50.

Asir prepared his financial statements on 30 September 2012. On that date inventory of stationery was valued at \$225.

**REQUIRED**

(a) State the meaning of the debit balance on the stationery account on 1 July 2012.

.....

..... [1]

(b) Prepare the following ledger accounts. Balance the accounts at 30 September 2012 and show the transfer to the income statement where appropriate.

Stationery account

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Q1 W2012 P21

Rapid Office Supplies account

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..... [9]

(c) State the document sent by Rapid Office Supplies to Asir for the:

(i) Purchase of stationery on 18 August 2012

..... [1]

(ii) Return of stationery on 3 September 2012.

..... [1]

(d) On 30 September 2012 Asir extracted a trial balance and prepared his financial statements. State the amount for stationery which would appear in **each** of the following:

	\$
Trial balance	
Income statement	
Balance sheet	

[3]

(e) State the section of Asir's balance sheet on 30 September 2012 in which the following balances would appear:

(i) Stationery

..... [1]

(ii) Rapid Office Supplies

..... [1]



Q1 W2012 P21

- (f) (i) Explain why Asir did not transfer all of the stationery purchased in the three month period to the income statement.

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

- (ii) Name the accounting concept applied by Asir.

..... [1]

[Total: 20]









Q1 S2013 P21

(g) Indicate by placing a tick (✓) which transactions are capital expenditure and which are revenue expenditure.

	Transaction	Capital expenditure	Revenue expenditure
(i)	Purchase of fixtures and fittings		
(ii)	Installing and testing an air conditioning system		
(iii)	Insurance of shop premises		

[3]

[Total: 22]



Q1 S2013 P22

1 Jamie provided the following information on 1 May 2012.

	\$
Non-current assets at net book value	14 000
Trade receivables	3 012
Trade payables	1 298
Prepayment of insurance	260
Accrual for rent	350
Bank overdraft	324
Capital	?

**REQUIRED**

(a) Prepare an opening journal entry at 1 May 2012 to show the capital at that date.  
A narrative is required.

Journal

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

[4]



Q1 S013 P22

The following payments were made during the year.

- 1 Insurance, \$840, including \$300 for the quarter ended 30 June 2013.
- 2 Rent, \$11 350, not including \$1000 for the month of April 2013.

**REQUIRED**

- (b) Prepare the insurance account for the year ended 30 April 2013. Balance the account and bring down the balance at 1 May 2013.

Insurance account

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[5]

- (c) Prepare the rent account for the year ended 30 April 2013. Balance the account and bring down the balance on 1 May 2013.

Rent account

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[5]

- (d) State the accounting principle applied in (b) and (c).

.....

[2]



Q1 S2013 P22

(e) Explain the difference between capital receipts and revenue receipts.

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.....

.....

.....[4]

(f) Indicate by placing a tick (✓) which transactions are capital receipts and which are revenue receipts.

Transaction	Capital receipt	Revenue receipt
Cash sales		
Loan from a bank		
Discount received		
Commission received		
Sale of a motor vehicle		

[5]

[Total: 25]



Q2 S2014 21

2 Ghani is preparing his financial statements. He provided the following information.

1 April 2013 Balances b/d Insurance \$500 Dr  
 Commission receivable \$250 Cr

Cash book entries 1 April 2013 to 31 March 2014:

Insurance paid by cheque \$4000  
 Commission received by cheque \$1200

On 31 March 2014:

- 1 Insurance of \$150 was prepaid
- 2 Commission receivable of \$200 was due to Ghani.

**REQUIRED**

(a) Prepare the following ledger accounts, for the year ended 31 March 2014, showing the transfer to the income statement. Balance the accounts and bring down the balances.

Insurance account

Date	Details	\$	Date	Details	\$

Commission receivable account

Date	Details	\$	Date	Details	\$

[8]



Q2 S2014 21

On reviewing his purchases account, Ghani found the following errors.

- 1 Goods purchased for cash, \$450, had **not** been recorded in the books.
- 2 Goods purchased on credit from C Maxley, \$950, had been recorded in the books as \$590.
- 3 A purchase of a motor vehicle, \$6000, had been recorded in the purchases account.
- 4 Goods purchased from Y Li, \$820, had been credited to the purchases account and debited to Y Li's account.

**REQUIRED**

(b) Prepare journal entries to correct the errors in **1 to 4** above. Narratives are **not** required.

Journal

	Dr \$	Cr \$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[6]



Q2 S2014 21

(c) Complete the table below naming the type of error and the effect on the gross profit of correcting the error. The first item has been completed as an example.

		Type of error	Effect on gross profit
1	Goods purchased for cash, \$450, had not been recorded in the books.	<i>Omission</i>	<i>Decrease \$450</i>
2	Goods purchased on credit from C Maxley, \$950, had been recorded in the books as \$590.		
3	A purchase of a motor vehicle, \$6000, had been recorded in the purchases account.		
4	Goods purchased from Y Li, \$820, had been credited to the purchases account and debited to Y Li's account.		

[6]

[Total: 20]





Q1 W2014 22

1 Maria had the following assets and liabilities on 1 May 2014.

	\$
Inventory	1950
Amount payable – Midland Telecoms	400
Bank	550 Dr
5% Bank loan (repayable 30 April 2018)	2500
Fixtures and fittings	1500

**REQUIRED**

(a) Calculate the following.

(i) Owner's capital

.....

.....

.....

.....

..... [1]

(ii) Capital employed

.....

..... [1]



Q1 W2014 22

The following related to the purchase of telephone services for the three months to 31 July 2014.

- 31 May Paid Midland Telecoms' balance on 1 May 2014 by cheque.
- 26 June Received a telephone bill from Midland Telecoms \$1200.
- 15 July Paid telephone bill received on 26 June by cheque less 2% cash discount.
- 31 July Prepared an income statement for the three months to 31 July 2014. It was estimated that \$130 was owing.

**REQUIRED**

(b) Prepare the following ledger accounts for the three months to 31 July 2014.

Midland Telecoms account

Date	Details	\$	Date	Details	\$

[5]

Telephone expenses account

Date	Details	\$	Date	Details	\$

[4]

(c) Name and explain the accounting concept applied in estimating the telephone expenses owing on 31 July 2014.

Accounting concept

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Explanation

.....

.....

.....[3]



Q1 W2014 22

The following were some of the transactions which took place in July.

- 5 July Purchased inventory on credit.
- 10 July Goods returned by a credit customer.
- 20 July Paid wages in cash.
- 25 July Disposed of fixtures and fittings on credit.

**REQUIRED**

(d) Complete the following table for the above transactions naming the source document prepared by Maria and the book of prime entry used. The first item has been completed as an example.

	Source document	Book of prime entry
5 July	<i>Purchase invoice</i>	<i>Purchases journal</i>
10 July		
20 July		
25 July		

[6]

[Total: 20]



Q2 W2016 22

2 Lyana is preparing her financial statements. She provides the following information.

1 October 2015                      Rent receivable account                      \$2500 Credit

The bank account contained the following entries.

Receipts

31 December 2015                      Rent received by cheque \$6700  
 30 April 2016                      Rent received by cheque \$3100

Payments

31 January 2016                      Refund for overpayment of rent receivable \$700

Additional information

The rent receivable amounts to \$12 000 a year.

**REQUIRED**

(a) Prepare the rent receivable account for the year ended 30 September 2016. Make the transfer to the income statement and bring down the balance on 1 October 2016.

Rent receivable account

Date	Details	\$	Date	Details	\$

[5]



Q2 W2016 22

After preparing the draft income statement, which showed a profit for the year of \$24 000, Lyana discovered some errors.

**REQUIRED**

(b) Complete the following table showing the effect on the profit for the year of **correcting** each error. Calculate the revised profit for the year.

	\$	\$	\$
Profit for the year			24 000
	Increase	Decrease	
Purchases of \$500 had not been recorded in the books.			
Goods, \$800, had been counted twice in the closing inventory.			
No adjustment had been made for prepaid insurance \$950.			
Discount allowed, \$1600, had been added to gross profit.			
Equipment costing \$15 000 (accumulated depreciation \$6600) had been depreciated by 20% on cost. The reducing (diminishing) balance method should have been used at a rate of 20%.			
Commission receivable, \$400, had been omitted from the draft income statement.			
Revised profit for the year			

[8]

(c) Define the term 'revenue receipt'.

.....

.....

.....[2]



Q2 W2016 22

(d) Complete the following table by inserting a (3) showing whether **each** transaction is revenue expenditure, a revenue receipt, capital expenditure or a capital receipt. The first one has been completed as an example.

Transaction	Revenue		Capital	
	Expenditure	Receipt	Expenditure	Receipt
Sold office computer				3
Received interest on deposit account				
Took out a 5-year bank loan				
Paid property insurance				
Bought motor vehicle to deliver goods				
Received commission				

[5]

[Total: 20]



Q1 W2017 21

1 Aqil had the following assets and liabilities on 1 May 2017.

	\$
Amount owing to Weston Water Supplies	700
Inventory	2250
Bank	90 Credit
5% Bank loan (repayable 30 June 2022)	5000
Motor vehicle	9500

**REQUIRED**

(a) Calculate the:

(i) Owner's capital

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[1]

(ii) Capital employed

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[1]

The following related to the purchase of water supplies for Aqil's business for the three months to 31 July 2017.

- May 18 Paid Weston Water Supplies the balance on 1 May 2017 by cheque less 2% cash discount.
- July 16 Received a water bill from Weston Water Supplies, \$1500.
- 31 Aqil prepared an income statement for the three months to 31 July 2017. It was estimated that \$340 was outstanding for water at that date.



Q1 W2017 21

**REQUIRED**

- (b) Prepare the following ledger accounts for the three months to 31 July 2017. Show the transfer to the income statement where appropriate. Balance the accounts and bring down the balances on 1 August 2017.

Weston Water Supplies account

Date	Details	\$	Date	Details	\$

Water expense account

Date	Details	\$	Date	Details	\$

[9]





Q1 W2017 21

- (c) Name and explain the accounting principle or concept applied in estimating the water expense owing on 31 July 2017.

Accounting principle or concept

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Explanation

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.....

.....

.....[3]

- (d) Complete the following table for the transactions recorded in Aqil's books in July 2017. The first transaction has been completed as an example.

		Source document	Book of prime entry
July 19	Sold inventory on credit	<i>Sales invoice</i>	<i>Sales journal</i>
July 20	Credit customer returned goods to Aqil		
July 23	Paid wages in cash		
July 25	Purchased motor vehicle on credit		

[6]

[Total: 20]



Q1 W2018 21

- 1 Lohit is a supplier of goods to Asanka. The following entries require recording in the books of Asanka for the month of August 2018.

- August 1 Asanka owed Lohit, \$90
- 9 Lohit supplied goods to Asanka, list price \$80 less 15% discount
- 10 Asanka returned goods, list price \$20, supplied on 9 August
- 15 Asanka paid \$97 by cheque after deducting \$3 discount

**REQUIRED**

- (a) Prepare the account of Lohit in the books of Asanka for August 2018. Balance the account and bring down the balance on 1 September 2018.

Lohit account

Date	Details	\$	Date	Details	\$

[5]

- (b) Name each of the following:
- (i) type of discount allowed by Lohit on 9 August  
.....[1]
  - (ii) book of prime entry in which Lohit would record the transaction on 9 August  
.....[1]
  - (iii) document that Lohit would send to Asanka recording the transaction on 10 August  
.....[1]
  - (iv) sub-division of Lohit's ledger which would contain the account of Asanka  
.....[1]
  - (v) section of Lohit's statement of financial position which would contain the balance on Asanka's account.  
.....[1]



Q1 W2018 21

The following were recorded in the books of Asanka in the year ended 31 August 2018.

	Balance 1 September 2017 \$	Cash book entries for the year ended 31 August 2018 \$	Balance 1 September 2018 \$
Rent payable	150 Debit	14 000 Paid	250 Debit
Telephone expenses	60 Debit	1 500 Paid	25 Credit
Rent receivable	200 Credit	1 800 Received	500 Debit

**REQUIRED**

(c) Explain the meaning of the:

(i) \$150 debit balance on the rent payable account on 1 September 2017;

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

(ii) \$25 credit balance on the telephone expenses account on 1 September 2018.

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

(d) Complete the following table by inserting the values of rent payable, telephone expenses and rent receivable which would appear in the trial balance, income statement and statement of financial position.

The first one has been completed as an example.

	Trial balance at 31 August 2018	Income statement for the year ended 31 August 2018		Statement of financial position at 31 August 2018	
		Expenses	Income	Assets	Liabilities
	\$	\$	\$	\$	\$
Rent payable	14 150	13 900	–	250	–
Telephone expenses					
Rent receivable					

[6]

[Total: 20]



Q1 W2018 22

- 1 An inexperienced book-keeper prepared the following trial balance for Alia's business on 31 August 2018. The trial balance did not balance.

Trial Balance at 31 August 2018

	Debit	Credit
	\$	\$
Revenue		19 600
Purchases	9 800	
Inventory at 31 August 2018	730	
Rent receivable	400	
Rent payable	800	
General expenses	230	
Non-current assets (at cost)	18 750	
Provision for depreciation		3 970
Bank overdraft	30	
Motor vehicle expenses		650
Trade receivables	2 990	
Trade payables		1 090
Capital		9 000
	<u>33 730</u>	<u>34 310</u>

Additional information

Inventory at 1 August 2018 was \$870.



Q1 W2018 22

**REQUIRED**

- (a) Prepare the corrected trial balance.

Trial Balance at 31 August 2018

	Debit	Credit
	\$	\$
Revenue		
Purchases		
Inventory		
Rent receivable		
Rent payable		
General expenses		
Non-current assets (at cost)		
Provision for depreciation		
Bank overdraft		
Motor vehicle expenses		
Trade receivables		
Trade payables		
Capital		

[5]



Q1 W2018 22

Alia's brother Roshan also runs a business.

Roshan provided the following information for the month of September 2018.

- September 1 Balances Computer maintenance expenses account \$720  
KK Computers account \$450 Credit
- 8 Roshan paid \$425 to KK Computers by cheque in full settlement of the balance owing on 1 September 2018.
- 19 Roshan received an invoice for \$750 from KK Computers for computer maintenance.
- 30 Roshan prepared the financial statements for the year. It was estimated that \$70 of computer maintenance expenses were prepaid.

**REQUIRED**

- (b) Prepare the following accounts for the month of September 2018. Complete the appropriate transfer. Balance the accounts and bring down the balances on 1 October 2018.

Computer maintenance expenses account

Date	Details	\$	Date	Details	\$

KK Computers account

Date	Details	\$	Date	Details	\$

[9]



Q1 W2018 22

On 15 October 2018 Roshan sold a computer (non-current asset) to Jones on a 20-day credit for \$200. The computer had cost Roshan \$250 and had accumulated depreciation of \$70.

On 30 October Jones still owed \$200.

**REQUIRED**

- (c) (i) Name the book of prime (original) entry in which Roshan would record the sale.  
.....[1]
- (ii) Name the document that Roshan sent to Jones on 15 October.  
.....[1]
- (iii) Name the document that Roshan sent to Jones on 30 October.  
.....[1]

On 2 November Jones paid Roshan \$195 in full settlement of the debt for the computer.

**REQUIRED**

- (d) (i) Name the type of discount given to Jones.  
.....[1]
- (ii) Calculate the amount of the profit or loss that Roshan made on the sale of the computer.  
.....  
.....[2]

[Total: 20]



Q1 W2019 21

- 1 Filton is a retailer of electrical goods. His financial year ends on 30 September. The following information was available from his books.

Balances on 1 October 2018

	\$
Stationery account	350 Debit
Rent receivable account	200 Debit (for one month's rent receivable

accrued) Stationery purchases on credit from Walker

	\$
23 December 2018	1200
14 June 2019	600

Information from the bank account for the year ended 30 September 2019

Receipts

		\$
3 October 2018	Four months' rent receivable	800
5 February 2019	Four months' rent receivable	800
6 July 2019	Three months' rent receivable	600

Additional information

On 30 September 2019 Filton's stationery was valued at \$450. Two months' rent was owed to him.

**REQUIRED**

- (a) Prepare the following ledger accounts for the year ended 30 September 2019. Make the appropriate transfers to the income statement. Balance the accounts and bring down the balances on 1 October 2019.

(i)

Stationery account

Date	Details	\$	Date	Details	\$

[4]





Q1 W2019 21

(ii)

**Rent receivable account**

Date	Details	\$	Date	Details	\$

[4]

(b) Name the subdivision of the ledger that would contain the rent receivable account.

..... [1]

(c) State the section of the statement of financial position on 30 September 2019 in which the balance of the rent receivable account will appear.

..... [1]

During September 2019 Filton made some other transactions.

**REQUIRED**

(d) Complete the following table by naming the business document and the book of prime (original) entry used by Filton for each transaction. The first item has been completed as an example.

Transaction	Business document	Book of prime (original) entry
Sold goods on credit to Yan.	<i>Sales invoice</i>	<i>Sales journal</i>
Paid wages by cheque.		
Goods sold on credit to Yan were returned.		
Purchased goods by cash.		
Sold a motor vehicle on credit.		
Purchased goods on credit from Mary.		

[10]

[Total: 20]





# TOPIC 8 SOLE TRADER





Q5 S 2003

**Q 5** A. Tree was in business as an import merchant and the following balances were extracted from his books on 31 December 2002:

	\$
Purchases	124 000
Sales	236 000
Wages	32 800
Motor Expenses	10 700
Sundry Expenses	600
Air Freight Charges on Purchases	20 200
Rent and Rates paid	11 200
Interest on loan from Sure	900
Loan from Sure at 1 January 2002	10 000
Creditors	10 280
Debtors	25 200
Stock at 1 January 2002	14 240
Fittings and Equipment	9 800
Motor Vehicles	44 000
Cash at Bank	4 360
Capital	61 720
Drawings	20 000

Additional information:

1. Stock at 31 December 2002 was valued at \$17 920.
2. Motor vehicles are to be depreciated by 20%.
3. Interest on the loan by Sure is at the rate of 12% per annum and has been paid to 30 September 2002.
4. A provision for doubtful debts of 5% of debtors is to be made.
5. One-quarter of the wages was for staff employed in re-packaging the goods for sale.
6. Rates amounting to \$800 had been paid in advance for the year 2003.

**REQUIRED:**

- (a) Prepare the Trading Account and the Profit and Loss Account for the year ended 31 December 2002. [19]
- (b) Prepare the Balance Sheet as at 31 December 2002. [15]



Handwriting practice area with horizontal dotted lines. A large, faint watermark of the Urdu word 'مَامُون' (Mamoon) is centered across the page.



Q5 S 2003

Handwriting practice lines consisting of multiple horizontal dotted lines for tracing and writing.



Q5 S 2003

Handwriting practice area with horizontal dotted lines. A large, faint watermark of the Urdu word 'مکتبہ' (Maktabah) is visible across the middle of the page.





Q6 W2003

- 6 Jenny Lee is a trader and the following Trial Balance was extracted from her books on 31 December 2002.

	Dr. \$	Cr. \$
Purchases and Sales	474 000	648 000
Stock, 1 January 2002	46 000	
Debtors and Creditors	53 000	39 000
Sundry expenses	16 600	
Carriage on purchases	2 400	
Equipment	9 000	
Delivery vehicle	33 000	
Rent and insurance	18 000	
Provision for doubtful debts, 1 January 2002		1 200
Bad debts	900	
Discounts received		5 500
Wages and salaries	76 400	
Lighting and heating	8 000	
Bank	9 500	
Drawings	55 000	
Capital		108 100
	801 800	801 800

Additional information:

1. Stock at 31 December 2002 was valued at \$64 400.
2. \$700 was owing for sundry expenses at 31 December 2002.
3. The provision for doubtful debts is to be reduced to \$800.
4. Jenny Lee's imperfect attempt at the Delivery Vehicle account was entered in the ledger as follows:

		<u>Delivery Vehicle</u>			
		\$		\$	
2002			2002		
Jan 1	Balance (old vehicle) b/d	12 000	Jan 1	Cash (sale of old vehicle)	15 000
	Cash (cost of new vehicle)	36 000	Dec 31	Balance c/d	33 000
		48 000			48 000
2003					
Jan 1	Balance b/d	33 000			

Jenny Lee wishes to charge depreciation on the new vehicle at 20% on cost.

5. During 2002, Lee took goods at cost, \$3000, from the business for her private use. No entries were made in the books.

**REQUIRED:**

- (a) Prepare the Trading and Profit and Loss Accounts for the year ended 31 December 2002. [19]
- (b) Draw up the Balance Sheet as at 31 December 2002. [15]



Q6 W2003

Handwriting practice sheet with 25 horizontal dotted lines for writing.



Handwriting practice area with horizontal dotted lines and a large, faint watermark of the Urdu word 'مَامُون' (Mamoon) in the center.



Q5 W2004

- 5 John Cosway is a trader. The following balances were extracted from his books on 31 August 2004.

	\$
Purchases	67 600
Sales	121 300
Wages and salaries	23 700
Rent and rates paid	7 350
Insurance	1 480
Carriage on purchases	1 260
Discounts received	460
Sundry expenses	10 760
Rent received	1 750
Debtors	11 250
Creditors	7 200
Bank overdraft	1 560
Stock at 1 September 2003	9 650
Capital at 1 September 2003	29 000
Fixtures and equipment at cost	10 000
Drawings	18 220

Additional information

1. Stock at 31 August 2004 was valued at \$11 200.
2. At 31 August 2004 rates prepaid were \$150.
3. Wages and salaries of \$2350 were accrued at 31 August 2004.
4. Accountancy fees of \$1500 for the year are accrued at 31 August 2004.
5. A provision for doubtful debts of 4% of debtors at 31 August 2004 is to be created.
6. Fixtures and equipment are to be depreciated by \$2000 for the year.

**REQUIRED**

- (a) Prepare the Trading and Profit and Loss Accounts of John Cosway for the year ended 31 August 2004. [20]
- (b) Prepare the Balance Sheet of John Cosway as at 31 August 2004. [15]

**[Total: 35]**



Q5 W2004

Handwriting practice area with horizontal dotted lines. A large, faint watermark of the Urdu word 'امین' (Amin) is centered across the page.



Q5 W2004

Handwriting practice area consisting of multiple horizontal dotted lines for tracing and writing.



Q5 W2004

Answer Question 5 on pages 11 and 12 or on separate multi-column accounting paper.

- 5 John Cosway is a trader. The following balances were extracted from his books on 31 August 2004.

	\$
Purchases	67 600
Sales	121 300
Wages and salaries	23 700
Rent and rates paid	7 350
Insurance	1 480
Carriage on purchases	1 260
Discounts received	460
Sundry expenses	10 760
Rent received	1 750
Debtors	11 250
Creditors	7 200
Bank overdraft	1 560
Stock at 1 September 2003	9 650
Capital at 1 September 2003	29 000
Fixtures and equipment at cost	10 000
Drawings	18 220

Additional information

1. Stock at 31 August 2004 was valued at \$11 200.
2. At 31 August 2004 rates prepaid were \$150.
3. Wages and salaries of \$2350 were accrued at 31 August 2004.
4. Accountancy fees of \$1500 for the year are accrued at 31 August 2004.
5. A provision for doubtful debts of 4% of debtors at 31 August 2004 is to be created.
6. Fixtures and equipment are to be depreciated by \$2000 for the year.

#### REQUIRED

- (a) Prepare the Trading and Profit and Loss Accounts of John Cosway for the year ended 31 August 2004. [20]
- (b) Prepare the Balance Sheet of John Cosway as at 31 August 2004. [15]

[Total: 35]



Q5 W2004

Handwriting practice lines with a large watermark 'MAM' in the center.





Q5 W2004

Handwriting practice area consisting of multiple horizontal dotted lines for writing.



Q5 S2005

**Q 5** The following balances were extracted from the books of Sandy Marsh, a trader, on 30 April 2005.

	\$
Sales	196 300
Purchases	83 500
Wages and salaries	66 400
Rent and rates paid	9 900
Discount received	1 400
General expenses	21 100
Debtors	16 300
Creditors	6 800
Fixtures and fittings at cost	12 200
Provision for depreciation on fixtures and fittings at 1 May 2004	7 320
Stock at 1 May 2004	13 350
Cash at bank	970
Capital at 1 May 2004	25 000
Drawings	13 100

## Additional information

1. Stock at 30 April 2005 was valued at \$12 600.
2. At 30 April 2005 rent prepaid was \$900.
3. Wages and salaries of \$5500 were accrued at 30 April 2005.
4. Fixtures and fittings are to be depreciated by 20% per annum on cost.
5. A provision for doubtful debts of 3% of debtors at 30 April 2005 is to be created.
6. The bank statement for the business was received on 30 April 2005. It included an entry of \$120 for bank charges. Sandy Marsh has not entered this item in her books.

**REQUIRED**

- (a) Prepare the Trading and Profit and Loss Accounts of Sandy Marsh for the year ended 30 April 2005. [17]
- (b) Prepare the Balance Sheet of Sandy Marsh as at 30 April 2005. [18]

**[Total: 35]**

Q5 S2005

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Q5 S2005

Handwriting practice area with horizontal dotted lines. A large, faint watermark of the Urdu word 'امین' (Amin) is centered across the page.



Q5 W2005

**Answer Question 5 in this booklet or on separate multi-column accounting paper**

- 5 Karl Ward imports and sells furniture. The following balances were extracted from his books on 30 September 2005.

Sales	\$	\$
Stock at 1 October 2004	6 900	137 900
Purchases	41 200	
Carriage inwards	9 400	
Carriage outwards	1 300	
Wages and salaries	34 700	
Insurance	1 800	
Rent and rates paid	10 800	
Motor vehicle expenses	4 200	
General expenses	22 850	
Discounts received		800
Bank overdraft		700
Motor vehicles at cost	32 000	
Provision for depreciation of motor vehicles at 1 October 2004		16 000
Trade creditors		3 140
Drawings	17 690	
Capital at 1 October 2004		24 300
	<u>182 840</u>	<u>182 840</u>

Additional information

1. Stock at 30 September 2005 was valued at \$7500.
2. During the year Karl Ward took goods costing \$4300 for his own use. No entries have been made in the books.
3. Depreciation is to be charged on the motor vehicles using the diminishing (reducing) balance method at 50% per annum.
4. Wages and salaries, \$6800, were owing at 30 September 2005.
5. The amount for insurance represents insurance cover for the 18 month period from 1 October 2004 to 31 March 2006.

**REQUIRED**

- (a) Prepare the Trading and Profit and Loss Accounts of Karl Ward for the year ended 30 September 2005. [19]
- (b) Prepare the Balance Sheet of Karl Ward as at 30 September 2005. [16]

**[Total: 35]**





Q5 W2005

Handwriting practice lines consisting of multiple horizontal dotted lines for tracing and writing.



Q5 W2005

Handwriting practice area with horizontal dotted lines. A large, faint watermark of the word 'MAMMOON' is centered across the page.





Q5 W2006

Answer Question 5 in this booklet or on separate multi-column accounting paper

- 5 Celia Davidson is in the import/export business. The following balances were extracted from her books on 30 September 2006.

	\$	\$
Sales		306 000
Carriage on sales	28 300	
Purchases	147 600	
Carriage on purchases	12 800	
Stock at 1 October 2005	13 400	
Wages and salaries	51 100	
Rent rates and insurance	6 900	
Advertising costs	11 800	
Motor vehicle expenses	2 700	
Office expenses	17 400	
Provision for doubtful debts		360
Cash at bank	7 140	
Motor vehicles at cost	15 500	
Provision for depreciation of motor vehicles at 1 October 2005		3 100
Debtors	38 000	
Creditors		15 500
Drawings	12 320	
Capital at 1 October 2005		40 000
	<u>364 960</u>	<u>364 960</u>

Additional information

- 1 Stock at 30 September 2006 was valued at \$14 100.
- 2 During the year Celia Davidson took goods costing \$1300 for her own use. No entries have been made in the books.
- 3 Depreciation is to be charged on the motor vehicles at 20% per annum using the straight line method.
- 4 Wages and salaries, \$1900, were owing at 30 September 2006.
- 5 Insurance, \$400, was prepaid at 30 September 2006.
- 6 The provision for doubtful debts is to be maintained at 2 % of debtors.
- 7 Celia Davidson made a long-term loan, \$5000, at 3 % per annum to the business on 1 October 2005. This was included in error in capital. The interest has not been entered in the books.

REQUIRED

- (a) Prepare the Trading and Profit and Loss Accounts of Celia Davidson for the year ended 30 September 2006. [19]
- (b) Prepare the Balance Sheet of Celia Davidson as at 30 September 2006. [16]

[Total: 35]



Q5 W2006

Handwriting practice area consisting of multiple sets of horizontal dotted lines for writing practice.



HABIB PUBLIC SCHOOL



Q4 W2006

- 1 Celia Davidson is in the import/export business. The following balances were extracted from her books on 30 September 2006.

	\$	\$
Sales		306 000
Carriage on sales	28 300	
Purchases	147 600	
Carriage on purchases	12 800	
Stock at 1 October 2005	13 400	
Wages and salaries	51 100	
Rent rates and insurance	6 900	
Advertising costs	11 800	
Motor vehicle expenses	2 700	
Office expenses	17 400	
Provision for doubtful debts		360
Cash at bank	7 140	
Motor vehicles at cost	15 500	
Provision for depreciation of motor vehicles at 1 October 2005		3 100
Debtors	38 000	
Creditors		15 500
Drawings	12 320	
Capital at 1 October 2005		40 000
	<u>364 960</u>	<u>364 960</u>

## Additional information

- Stock at 30 September 2006 was valued at \$14 100.
- During the year Celia Davidson took goods costing \$1300 for her own use. No entries have been made in the books.
- Depreciation is to be charged on the motor vehicles at 20% per annum using the straight line method.
- Wages and salaries, \$1900, were owing at 30 September 2006.
- Insurance, \$400, was prepaid at 30 September 2006.
- The provision for doubtful debts is to be maintained at 2 % of debtors.
- Celia Davidson made a long-term loan, \$5000, at 3 % per annum to the business on 1 October 2005. This was included in error in capital. The interest has not been entered in the books.

## REQUIRED

- Prepare the Trading and Profit and Loss Accounts of Celia Davidson for the year ended 30 September 2006. [19]
- Prepare the Balance Sheet of Celia Davidson as at 30 September 2006. [16]

[Total: 35]



Q4 W2006

Handwriting practice area consisting of multiple sets of horizontal dotted lines for writing.



Q4 W2006

Dotted lines for handwriting practice.



Q5 S 2007

- 5 Marie Delaney is a trader. The following balances were extracted from her books on 30 April 2007.

	\$
Purchases	106 300
Carriage on purchases	2 450
Sales	197 600
Wages and salaries	33 600
Motor expenses	14 700
Rent and rates paid	22 620
Bank interest and charges	310
Interest paid on loan from Keiley	375
Discounts received	680
Sundry expenses	9 600
Loan from Keiley at 1 May 2006	10 000
Debtors	16 550
Creditors	7 975
Stock at 1 May 2006	8 620
Fixtures and equipment at cost	8 440
Motor vehicles at cost	12 400
Provision for depreciation of motor vehicles	4 960
Bank overdraft	8 450
Capital	21 475
Drawings	15 175

Additional information:

- 1 Stock at 30 April 2007 was valued at \$9920.
- 2 At 30 April 2007:
  - (i) Wages and salaries, \$3280, were accrued.
  - (ii) Rent, \$1620, was prepaid.
- 3 Depreciation is to be charged on fixtures and equipment at 25%.
- 4 Motor vehicles are to be depreciated using the diminishing (reducing) balance method at 40 % per annum.
- 5 Marie Delaney pays back the loan at the rate of \$2000 per annum on 1 May each year. The balance of Marie Delaney's loan account at 30 April 2006 was \$12 000 and the amount in the list of balances above includes the repayment for 1 May 2006.

Interest is paid quarterly at the rate of 5 % per annum on the outstanding balance at 1 May each year, after the annual repayment has been made.

REQUIRED

- (a) Prepare the trading and profit and loss accounts for the year ended 30 April 2007. [21]
- (b) Prepare the balance sheet at 30 April 2007. [14]

[Total: 35]



Q5 S 2007

MAMOON TAYYAB

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REFLECTIONS



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Q5 W2007

5 Fatima Haider extracted the following figures from her balance sheet at 1 October 2006:

	\$
Plant and machinery at net book value	48 000
Stock at cost	14 300
Debtors	9 300
Cash at bank	6 400
Creditors	8 700
Capital	69 300

At the end of Fatima Haider's financial year on 30 September 2007 the balances of stock, debtors and creditors had each increased by 10%.

The summarised cash book for Fatima Haider for the year ended 30 September 2007 was as follows:

Summarised Cash Book			
	\$		\$
Balance b/d	6 400	Payments for purchases	95 400
Receipts from sales	112 070	Sundry expenses	19 600
Balance c/d	11 530	Drawings	15 000
	<u>130 000</u>		<u>130 000</u>

REQUIRED

(a) A debtors account to calculate Fatima Haider's sales for the year ended 30 September 2007.

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[3]

(b) A creditors account to calculate Fatima Haider's purchases for the year ended 30 September 2007.

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[3]



Q5 W2007

(c) Calculate Fatima Haider's working capital:

(i) at 1 October 2006

Dotted lines for answer (i), ending with [3]

(ii) at 30 September 2007.

Dotted lines for answer (ii), ending with [5]



Q5 W2007

- (d) Explain how the liquidity of Fatima Haider's business has changed during the year ended 30 September 2007.

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[3]

[Total: 17]



Q5 S2009

Answer Question 5 on the following pages

- 5 Sue Searle is in the import business. The following balances were extracted from her books on 31 March 2009.

	\$
Sales	95 800
Purchases	48 340
Returns outwards	960
Stock at 1 April 2008	10 780
Wages of motor vehicle driver	11 500
Motor vehicle running expenses	6 500
Motor vehicles at cost	20 000
Provision for depreciation of motor vehicle at 1 April 2008	15 000
Premises	60 000
Provision for depreciation of premises at 1 April 2008	12 000
Rent and insurance	7 700
Light and heat	4 950
General and marketing expenses	6 200
Discount received	5 300
Provision for doubtful debts	560
8 % Bank loan repayable 30 June 2011	30 000
Cash	270
Bank overdraft	1 680
Debtors	18 500
Creditors	9 750
Drawings	11 310
Capital at 1 April 2008	35 000

## Additional information

- 1 Stock at 31 March 2009 was valued at \$12 600.
- 2 The motor vehicle is used to bring purchases to the business premises of Sue Searle and to deliver goods to customers. The motor vehicle is used 20 % of the time to collect purchases and 80 % to deliver goods to customers.
- 3 Depreciation is to be charged on the premises at the rate of 2 % per annum on cost using the straight line method and on the motor vehicle at 20 % per annum using the diminishing (reducing) balance method.
- 4 The loan interest is outstanding at 31 March 2009.
- 5 Insurance, \$450, was prepaid at 31 March 2009.
- 6 Electricity for lighting, \$130, was due at 31 March 2009.
- 7 The provision for doubtful debts is to be maintained at 2 % of debtors.

## REQUIRED

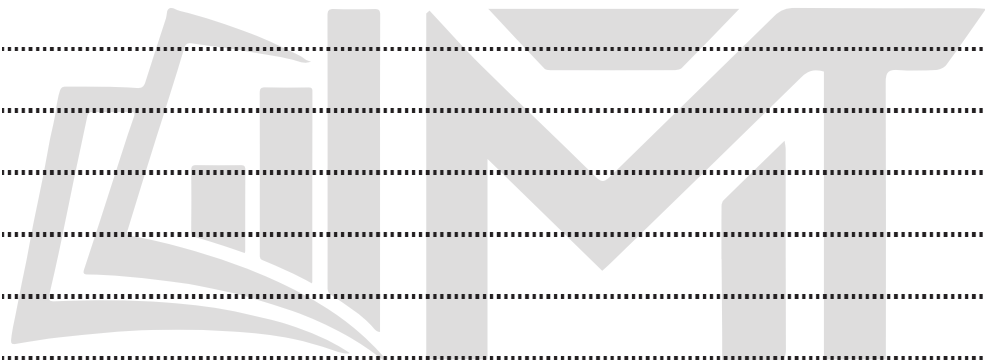
- (a) Prepare the trading and profit and loss account for Sue Searle for the year ended 31 March 2009. [18]
- (b) Prepare the balance sheet of Sue Searle at 31 March 2009. [14]

[Total: 32]



Q5 S2009

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Q5 S2009

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Q5 S2009

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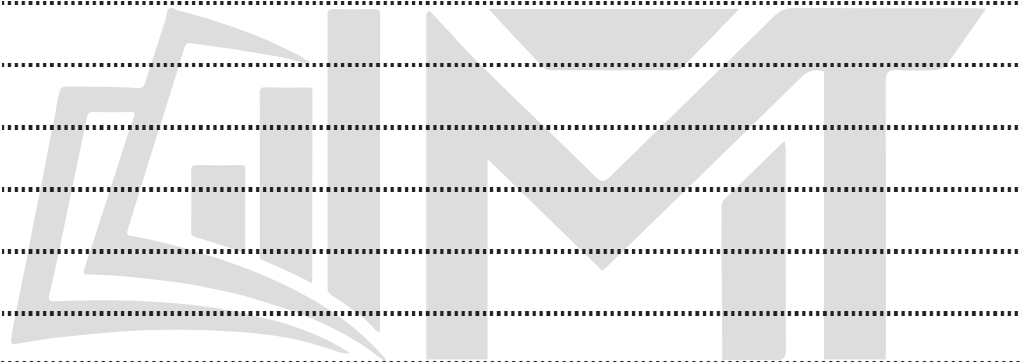
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Q5 S2009



Q5 W2010

- 5 The following balances were extracted from the books of Doji, a trader, on 30 September 2010:

	\$
Ordinary goods purchased (purchases)	70 000
Carriage inwards	3 000
Revenue (sales)	155 000
Sales returns	9 500
Non current (fixed) assets:	
Motor vehicles	42 000
Office equipment	26 000
Provisions for:	
depreciation on motor vehicles	8 000
depreciation on office equipment	4 000
Provision for doubtful debts	1 000
Salaries	23 750
Rent and rates	6 800
Discount received	5 600
Sundry expenses	14 150
Advertising	6 200
Trade payables (creditors)	18 300
Trade receivables (debtors)	23 000
Inventory (stock) at 1 October 2009	11 500
Bank overdraft	16 000
Capital	40 000
Drawings	12 000

Additional information at 30 September 2010

- Inventory (stock) was valued at \$14 600.
- During the year Doji took goods costing \$1250 for his own use. No entries have been made in the books.
- Advertising, \$300, was prepaid. Salaries, \$2600, were accrued.
- Depreciation is to be charged as follows:  
     motor vehicles at the rate of 25% per annum using the diminishing (reducing) balance method;  
     office equipment at the rate of 10% per annum using the straight line method.
- Trade receivables (debtors) include a debt of \$4250 which is considered irrecoverable and is to be written off. The provision for doubtful debts is to be maintained at 4% of all remaining debts.
- On 1 April 2010 Doji made a short-term loan, \$10 000, to the business. This was included in error in the capital account. Interest payable at 5% per annum has not been entered in the books.

REQUIRED

- (a) Prepare the income statement (trading and profit and loss accounts) of Doji for the year ended 30 September 2010. [22]
- (b) Prepare the balance sheet of Doji at 30 September 2010. [18]

[Total: 40]







Q5 W2010

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Q5 W2010

Handwriting practice lines consisting of 18 horizontal dotted lines for tracing and writing.





Q5 W2011 22

**Answer Question 5 on the following pages.**

- 5 Jasmine is a retailer of fashion goods. The following balances were extracted from her books on 30 September 2011.

	\$
Revenue (sales)	210 000
Purchases	113 500
Goods returned by customers	8 120
Goods returned to suppliers	3 400
Inventory at 1 October 2010	9 430
Carriage	1 700
Insurance	5 600
Light and heat	6 300
Staff wages	27 000
Advertising	10 600
General expenses	15 850
Discount received	1 750
Building costs	20 100
Land and buildings at cost	100 000
Fixtures and fittings at cost	18 000
Computer equipment at cost	12 000
Provisions for depreciation:	
Fixtures and fittings	7 200
Computer equipment	3 600
Disposal account	200 Cr
7% Bank loan repayable 30 March 2014	20 000
Bank overdraft	18 500
Trade receivables	8 200
Trade payables	26 750
Provision for doubtful debts	500
Drawings	15 500
Capital at 1 October 2010	80 000

Additional information:

- Inventory at 30 September 2011 was valued at \$11 780.
- The cost of carriage from suppliers was \$500, the remainder of the cost related to the delivery of goods to customers.
- At 30 September 2011:
  - Heating expenses, \$375, were accrued.
  - Insurance, \$1120, is prepaid.
- The 7% bank loan was received on 1 April 2011. Interest is payable on each anniversary of the loan.
- Buildings costs consists of \$16 000 to build an extension to the building and \$4100 to repair the heating system.





Q5 W2011 22

- 6 Depreciation is charged on:  
 Fixtures and fittings at the rate of 20% per annum on cost using the straight line method.  
 Computer equipment at the rate of 30% per annum using the diminishing (reducing) balance method.
- 7 A provision for doubtful debts is to be maintained at 5% of trade receivables.

**REQUIRED**

- (a) Prepare the income statement for Jasmine for the year ended 30 September 2011. [24]
- (b) Prepare the balance sheet of Jasmine at 30 September 2011. [16]

**[Total: 40]**

Q5 W2011 22

Answer Question 5 on the following pages.

A series of horizontal dotted lines for writing, with a large, faint watermark in the center that reads 'MAMMOON TAYYAB'.



Q5 W2011 22

Handwriting practice area with horizontal dotted lines and a large watermark logo in the center.



Q5 W2011 22

Handwriting practice area with multiple sets of horizontal dotted lines for writing.



Q5 W2011 22

Handwriting practice area with multiple sets of horizontal dotted lines for writing.



Q5 W2011 22

Handwriting practice lines consisting of multiple horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the middle of the page.



Q5 S2012 21

- 5 Thien has a retail business. The following balances were extracted from his books at the end of his financial year on 31 March 2012.

	\$
Leasehold property – 25 years (cost)	50 000
Equipment (cost)	54 000
Provisions for depreciation:	
Leasehold property	10 000
Equipment	17 000
6% Bank loan repayable 31 December 2015	25 000
Bank	5 150 Dr
Trade receivables	6 750
Trade payables	4 010
Provision for doubtful debts	700
Revenue	78 580
Purchases	18 240
Purchase returns	1 600
Inventory at 1 April 2011	4 690
Equipment repairs	850
Equipment running expenses	2 650
General expenses	8 400
Wages	15 300
Insurance	3 640
Power and water	2 300
Advertising	5 100
Discount allowed	1 650
Discount received	330
Capital at 1 April 2011	50 000
Drawings	8 500

Additional information at 31 March 2012

- Inventory was valued at \$3870.
- Thien took stock valued at \$450 for his own use.
- Equipment running expenses, \$750, were accrued and insurance, \$1350, was prepaid.
- The 6% bank loan was received on 1 December 2011.
- An appropriate amount is to be written off the lease.
- The purchase of additional equipment, \$10 000, had been omitted from the books. Payment was \$5000 by cheque with the remainder on credit.
- Equipment is to be depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.
- Provision for doubtful debts is to be maintained at 8% of trade receivables.

#### REQUIRED

- (a) Prepare the income statement for the year ended 31 March 2012. [20]
- (b) Prepare the balance sheet at 31 March 2012. [20]

[Total: 40]



Q5 S2012 21

Answer Question 5 on the following pages.

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Q5 S2012 21

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Q5 S2012 21

Handwriting practice area with multiple sets of horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.



Q5 2012 21

Handwriting practice area with multiple sets of horizontal dotted lines for tracing and writing.



Q5 S2012 21

Handwriting practice area consisting of multiple sets of horizontal dotted lines. A large, faint watermark of the letters 'MAM' is visible across the center of the page.



Q5 S2013 22

5 The following balances were extracted from the books of Patricia Chin on 31 March 2013.

	\$
Premises	67 000
Fixtures and fittings (cost)	20 000
Motor vehicle (cost)	18 000
Provisions for depreciation:	
Premises	2 680
Fixtures and fittings	9 600
Motor vehicle	11 520
Revenue	119 140
Purchases	60 200
Purchases returns	2 900
Inventory at 1 April 2012	5 430
Wages	20 960
General expenses	9 100
Insurance	12 600
Motor vehicle expenses	5 670
Discount allowed	1 428
Discount received	884
Trade receivables	7 546
Trade payables	4 920
Provision for doubtful debts	800
Bank overdraft	2 330
7% Bank loan (repayable 30 June 2018)	30 000
Capital	56 000
Drawings	12 840

#### Additional information

- Inventory at 31 March 2013 was valued at \$4200.
- Insurance relates to a period of fourteen months to 31 May 2013.
- A motor vehicle repair bill \$225 was owing at 31 March 2013.
- Bad debts of \$246 are to be written off.
- During the year Patricia took \$800 from the bank for personal use. No record of this was made in the books.
- A purchase of fixtures and fittings during the year, \$2000, had been recorded in the general expenses account.
- Premises are depreciated at 2% per annum on cost.  
Fixtures and fittings are depreciated at 8% per annum on cost.  
Motor vehicles are depreciated at 20% per annum using the diminishing (reducing) balance method.
- The provision for doubtful debts is to be maintained at 6% of trade receivables.

#### REQUIRED

- (a) Prepare the income statement for the year ended 31 March 2013. [20]
- (b) Prepare the balance sheet (statement of financial position) at 31 March 2013. [20]

[Total: 40]



Q5 S2013 22

Answer Question 5 on the following pages.

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Q5 S2013 22

Handwriting practice area with multiple horizontal dotted lines for tracing and writing. A large, faint watermark reading 'MAMM' is centered across the page.



Q5 S2013 22

Handwriting practice area with horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.





Q5 S2013 22

Handwriting practice area with multiple sets of horizontal dotted lines for tracing and writing.



Q5 S2013 22

Handwriting practice area with horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.



Q5 S2013 22

Handwriting practice area consisting of multiple horizontal dotted lines for tracing and writing. A large, faint watermark logo is centered in the middle of the page.



Q5 S2014 22

5 Franco is in business as a sole trader. The following balances were extracted from his books on 31 January 2014.

	\$
Land and buildings (cost)	150 000
Fixtures and fittings (cost)	30 000
Computer equipment (cost)	70 000
Provisions for depreciation:	
Land and buildings	20 000
Fixtures and fittings	13 500
Computer equipment	34 000
Disposal account	500 Cr
8% Bank loan (repayable 30 April 2020)	100 000
Bank	17 430 Dr
Trade receivables	45 000
Trade payables	37 650
Provision for doubtful debts	1 400
Revenue	362 500
Purchases	172 400
Returns inwards	7 200
Returns outwards	8 800
Inventory at 1 February 2013	17 970
Distribution expenses	16 300
Insurance	5 900
Light and heat	7 850
Wages and salaries	69 500
Marketing expenses	31 000
General expenses	9 200
Commission received	11 400
Drawings	20 000
Capital	80 000

Additional information at 31 January 2014

- 1 Inventory was valued at \$15600.
- 2 Wages and salaries includes \$15 000 drawings by Franco.
- 3 Marketing expenses, \$6750, were prepaid.
- 4 No interest had been paid on the bank loan.
- 5 Computer equipment costing \$8000 was purchased by cheque on 25 January 2014. No entries had been made in the books.
- 6 Depreciation policy is as follows:
  - (i) The buildings are depreciated at the rate of 2% per annum using the straight line method. Land and buildings consists of land, cost \$50 000, and buildings, cost \$100 000. No depreciation is charged on the land.
  - (ii) Fixtures and fittings at the rate of 15% per annum using the straight line method.
  - (iii) Computer equipment at the rate of 25% per annum using the diminishing (reducing) balance method.
- 7 Trade receivables, \$3000, were considered irrecoverable. A provision for doubtful debts of 5% is to be maintained.



Q5 S2014 22

REQUIRED

(a) Prepare the income statement for the year ended 31 January 2014.

Franco  
Income Statement for the year ended 31 January 2014

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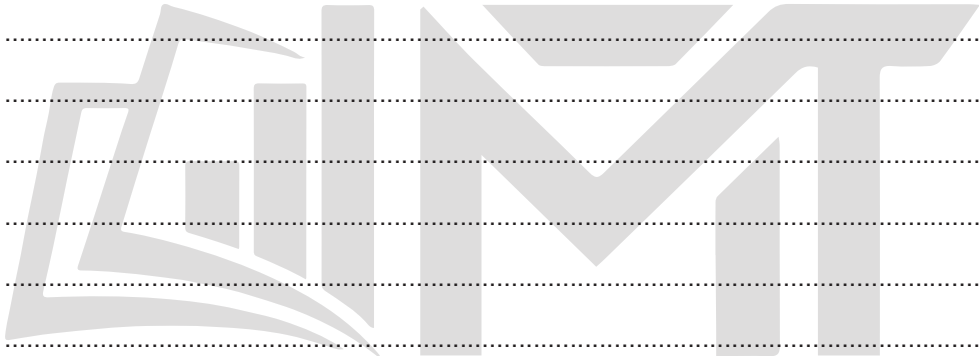
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Q5 2014 22

(b) Prepare the statement of financial position at 31 January 2014.

Franco  
Statement of Financial Position at 31 January 2014

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HABIB PUBLIC SCHOOL

Q5 S2014 22



[16]

[Total: 40]





Q5 W2015 21

5 Cheng is a sole trader. The following balances were extracted from his books on 30 September 2015.

	\$	
Revenue	315 000	
Purchases	165 000	
Returns outwards	2 600	
Wages and salaries	34 800	
Motor vehicle expenses	17 200	
Commission receivable	12 500	
Rent	15 000	
Provision for doubtful debts	1 000	
6% Bank loan (repayable 30 June 2019)	30 000	
Bank interest paid	1 200	
Inventory at 1 October 2014	36 800	
Heat and light	6 500	
Other operating expenses	7 100	
Cash and bank	19 500	debit
Trade payables	25 000	
Trade receivables	34 000	
Capital	15 000	
Drawings	18 000	
Motor vehicles (cost)	50 000	
Fixtures and fittings (cost)	24 000	
Provision for depreciation:		
Motor vehicles	10 000	
Fixtures and fittings	18 000	

Additional information at 30 September 2015

- 1 On 26 September 2015 goods had been purchased for \$3000 cash. The transaction had not been recorded in the books.
- 2 Inventory was valued at \$29980.
- 3 The rent included a payment of \$6000 for the six months ending 31 December 2015.
- 4 Other operating expenses accrued \$1100.
- 5 Commission receivable of \$2500 was outstanding.
- 6 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
  - (i) Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method
  - (ii) Fixtures and fittings at the rate of 15% per annum, using the straight-line method.
- 7 Trade receivables of \$2000 are irrecoverable. The provision for doubtful debts is to be maintained at 5% on the remaining trade receivables.



Q5 W2015 21

REQUIRED

(a) Prepare the income statement for the year ended 30 September 2015.

Cheng  
Income Statement for the year ended 30 September 2015

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[22]





Q5 W 2015 21

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[18]

[Total: 40]

Q5 S2016 22

- 5 Suria is in business as a sole trader. The following balances were extracted from her books on 31 March 2016.

	\$	
Revenue	287 000	
Purchases	143 800	
Returns inwards	3 150	
Inventory at 1 April 2015	15 340	
Capital	70 000	
Drawings	28 000	
Leasehold premises at cost (25 year lease)	100 000	
Computers at cost	44 000	
Office furniture at cost	15 500	
Provisions for depreciation:		
Leasehold premises	7 000	
Computers	16 600	
Office furniture	12 000	
Wages and salaries	26 500	
Computer maintenance	12 200	
Commission receivable	4 900	
Rent and rates	10 000	
Provision for doubtful debts	910	
6% Bank loan (repayable 30 June 2016)	40 000	
Bank interest paid	1 500	
Heat and light	7 300	
Advertising	12 600	
General expenses	8 700	
Cash and bank	520	Debit
Trade payables	18 600	
Trade receivables	27 900	

Additional information at 31 March 2016

- Inventory was valued at \$17 990.
- Commission receivable of \$1400 was outstanding.
- Advertising included a payment of \$5700 for a series of advertisements being published in the six months ending 31 July 2016.
- General expenses accrued were \$2400.
- A computer costing \$8000 had been recorded in the computer maintenance account.
- Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
  - an appropriate amount on the leasehold premises
  - computers at the rate of 25% per annum using the diminishing (reducing) balance method
  - office furniture at the rate of 10% per annum using the straight-line method.
- Trade receivables of \$1900 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.





Q5 S2016 22



[24]







Q5 S2016 21

- 5 Suria is in business as a sole trader. The following balances were extracted from her books on 31 March 2016.

	\$	
Revenue	287 000	
Purchases	143 800	
Returns inwards	3 150	
Inventory at 1 April 2015	15 340	
Capital	70 000	
Drawings	28 000	
Leasehold premises at cost (25 year lease)	100 000	
Computers at cost	44 000	
Office furniture at cost	15 500	
Provisions for depreciation:		
Leasehold premises	7 000	
Computers	16 600	
Office furniture	12 000	
Wages and salaries	26 500	
Computer maintenance	12 200	
Commission receivable	4 900	
Rent and rates	10 000	
Provision for doubtful debts	910	
6% Bank loan (repayable 30 June 2016)	40 000	
Bank interest paid	1 500	
Heat and light	7 300	
Advertising	12 600	
General expenses	8 700	
Cash and bank	520	Debit
Trade payables	18 600	
Trade receivables	27 900	

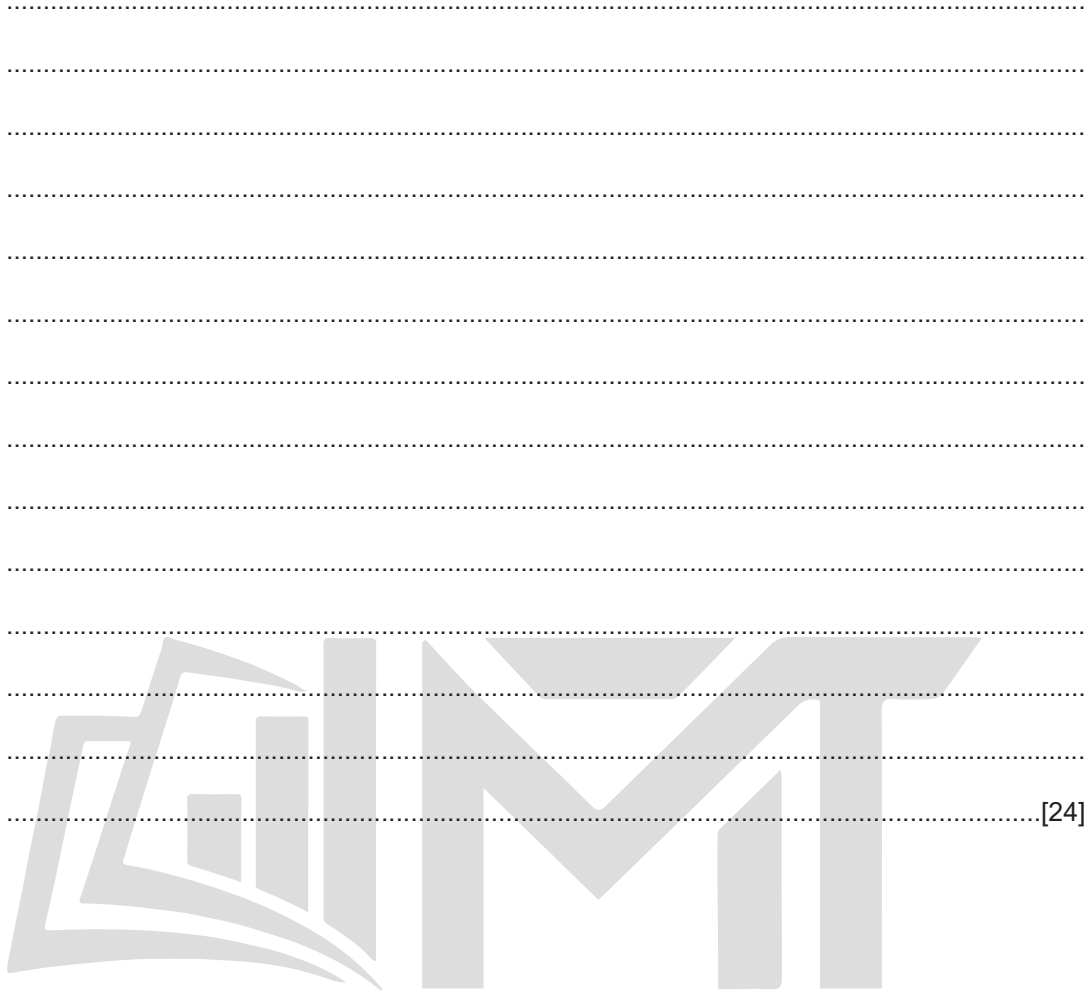
Additional information at 31 March 2016

- Inventory was valued at \$17 990.
- Commission receivable of \$1400 was outstanding.
- Advertising included a payment of \$5700 for a series of advertisements being published in the six months ending 31 July 2016.
- General expenses accrued were \$2400.
- A computer costing \$8000 had been recorded in the computer maintenance account.
- Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
  - an appropriate amount on the leasehold premises
  - computers at the rate of 25% per annum using the diminishing (reducing) balance method
  - office furniture at the rate of 10% per annum using the straight-line method.
- Trade receivables of \$1900 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.





Q5 S2016 21



[24]





Q5 W2017 21

5 Khayla is a sole trader. The following balances were extracted from the books on 30 April 2017.

	\$	
Revenue	447 000	
Purchases	204 400	
Returns inwards	8 650	
Wages and salaries	105 600	
Motor vehicle expenses	19 200	
General expenses	31 100	
Rent receivable	8 500	
Rent payable	24 000	
Motor vehicles (cost)	40 000	
Computers (cost)	55 000	
Fixtures and fittings (cost)	15 000	
Provisions for depreciation:		
Motor vehicles	12 000	
Computers	17 000	
Fixtures and fittings	4 000	
5% Bank loan (repayable 30 June 2022)	80 000	
Bank interest paid	2 500	
Inventory at 1 May 2016	29 350	
Heat and light	10 700	
Cash and bank	15 400	Debit
Trade payables	36 750	
Trade receivables	44 700	
Provision for doubtful debts	1 400	
Capital	30 000	
Drawings	31 050	

Additional information at 30 April 2017

1. Inventory was valued at \$32450.
2. On 16 April 2017 goods had been purchased for \$7500 cash. The transaction had not been recorded in the books.
3. General expenses were accrued, \$3500, and prepaid, \$1800.
4. Rent receivable of \$4500 was owing.
5. The rent payable included a payment of \$12000 for the six months ended 30 June 2017.





Q5 W2017 21

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MAMOON TAYYAB

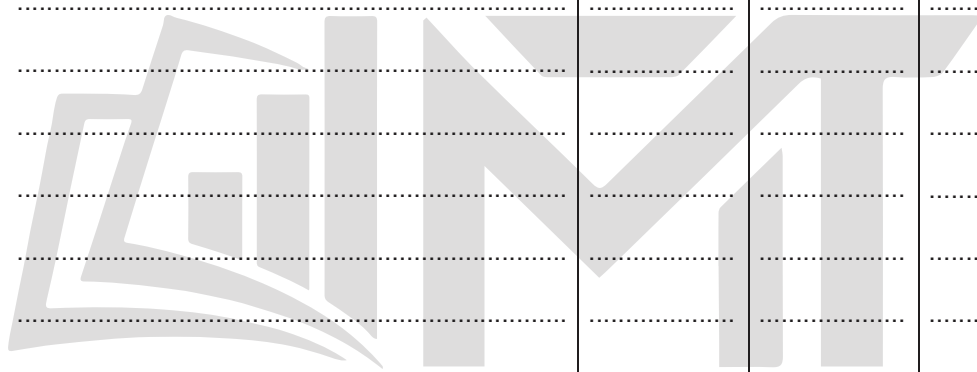


Q5 W2017 21

(b) Prepare the statement of financial position at 30 April 2017.

Khayla  
Statement of Financial Position at 30 April 2017

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Q5 S2018 22

- 5 Boris is in business as a sole trader. The following balances were extracted from his books on 30 April 2018.

	\$
Revenue	419 000
Purchases	242 000
Returns inwards	7 800
Returns outwards	6 200
Inventory at 1 May 2017	28 900
Disposal account	7 500 debit
8% Bank loan (repayable 31 July 2020)	60 000
Bank loan interest paid	2 400
Bank	4 000 debit
Trade receivables	37 400
Trade payables	19 000
Provision for doubtful debts	900
Premises (cost)	100 000
Computer equipment (cost)	40 000
Fixtures and fittings (cost)	10 000
Provisions for depreciation at 1 May 2017	
Premises	64 000
Computer equipment	15 000
Fixtures and fittings	4 500
Administration expenses	30 000
Carriage	11 500
Drawings	20 700
Capital	50 000
Water and electricity	12 400
Wages and salaries	51 600
Advertising	24 000
General expenses	17 400
Rent received	9 000



Q5 S2018 22

Additional information at 30 April 2018

- 1 Inventory was valued at \$22500.
- 2 A purchase of goods, \$4000, had been omitted from the books. The purchase was \$1000 by cheque and \$3000 on credit.
- 3 The carriage included \$2500 for collecting purchases. The remainder was for carrying goods to customers' premises.
- 4 During the year Boris took goods for his own use, \$4500.
- 5 Advertising expenses include \$9000 paid for a marketing campaign running from the beginning of March to the end of August 2018.
- 6 Three months' bank loan interest is due.
- 7 Depreciation is charged as follows:
  - (i) Premises at the rate of 2% per annum using the straight-line method
  - (ii) Computer equipment at the rate of 20% per annum using the diminishing (reducing) balance method
  - (iii) Fixtures and fittings at the rate of 10% per annum on cost.
- 8 Trade receivables include a debt of \$2400 which was considered irrecoverable. The provision for doubtful debts of 4% is to be maintained.



Q5 S2018 22

**REQUIRED**

- (a) Prepare the income statement for the year ended 30 April 2018.

Boris  
Income Statement for the year ended 30 April 2018

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Q5 W2018 22

5 Shobi is a sole trader. The following balances were extracted from the books on 30 September 2018.

	\$	
10-year leasehold premises (at cost)	120 000	
Motor vehicles (at cost)	40 000	
Fixtures and fittings (at cost)	19 000	
Provisions for depreciation at 1 October 2017:		
10-year leasehold premises	72 000	
Motor vehicles	10 000	
Fixtures and fittings	7 600	
Revenue	265 000	
Purchases	135 000	
Returns outwards	8 200	
Carriage inwards	3 100	
Wages and salaries	41 000	
Motor vehicle expenses	6 800	
Rent payable	15 000	
Rent receivable	8 500	
Capital	40 000	
Drawings	11 900	
6% Bank loan (repayable 2020)	50 000	
Bank interest paid	3 000	
Inventory at 1 October 2017	26 000	
Heat, light and power	5 050	
Advertising	9 000	
General expenses	17 700	
Disposal	1 800	Credit
Bank	13 350	Debit
Trade payables	23 050	
Trade receivables	23 250	
Provision for doubtful debts	3 000	

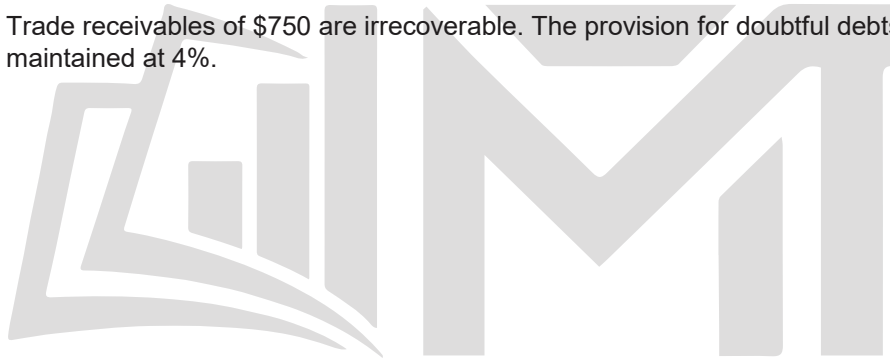




Q5 W2018 22

Additional information at 30 September 2018

- 1 Inventory was valued at \$19500.
- 2 Shobi had taken \$4700 goods for his own use. No entries had been recorded in the books.
- 3 The rent payable included a payment of \$9000 for the six months ended 30 November 2018.
- 4 General expenses accrued were \$2600 and wages and salaries accrued were \$1700.
- 5 Rent receivable of \$150 was outstanding.
- 6 On 26 September 2018 a motor vehicle costing \$12 000 was purchased by cheque. No entries had been recorded in the books.
- 7 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
  - (i) an appropriate amount for the 10-year leasehold premises
  - (ii) motor vehicles at the rate of 25% per annum using the diminishing (reducing) balance method
  - (iii) fixtures and fittings at the rate of 10% per annum on cost.
- 8 Trade receivables of \$750 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.



Q5 W2018 22

**REQUIRED**

(a) Prepare the income statement for the year ended 30 September 2018.

Shobi  
Income Statement for the year ended 30 September 2018.

	\$	\$



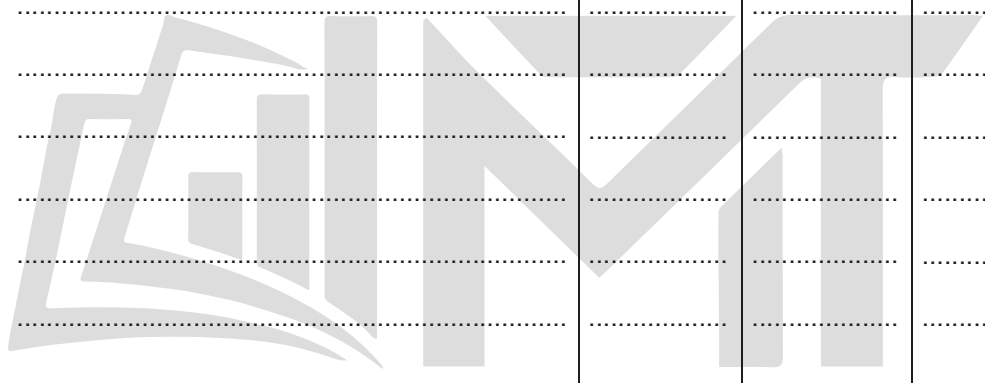


Q5 W2018 22

- (b) Prepare the statement of financial position at 30 September 2018.

Shobi  
Statement of Financial Position at 30 September 2018.

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Q5 W2012 21

- 5 Maria is in business as a retailer. The following balances were extracted from her books on 30 September 2012.

	\$
Capital at 1 October 2011	180 000
Drawings	21 000
Land and buildings at cost	150 000
Fixtures and fittings at cost	28 000
Computer equipment at cost	40 000
Provisions for depreciation:	
Land and buildings	10 000
Fixtures and fittings	19 000
Computer equipment	12 000
8% Bank loan repayable 31 December 2020	50 000
Loan interest paid	2 000
Bank	14 070 Dr
Trade receivables	60 000
Trade payables	31 000
Provision for doubtful debts	6 400
Revenue	365 000
Purchases	135 000
Goods returned by customers	8 900
Purchase returns	4 250
Inventory at 1 October 2011	33 500
Delivery expenses	18 630
Computer repairs expenses	19 150
General running expenses	31 600
Salaries and wages	86 700
Marketing costs	14 000
Discount allowed	22 400
Discount received	7 300

#### Additional information

- Inventory at 30 September 2012 was valued at \$36 450.
- An invoice for a credit purchase of goods, \$7500, had been misplaced in December and no entries had been recorded in the books.
- The purchase of fixtures and fittings, \$4000, had been included in the general running expenses.
- At 30 September 2012 computer repair expenses, \$1700, were accrued and salaries and wages were prepaid, \$5200.
- The 8% bank loan was received on 1 January 2012.



Q5 W2012 21

- 6 Depreciation is to be charged on all non-current assets owned at the end of the year, as follows:
- (i) Buildings at the rate of 2% per annum using the straight-line method. No depreciation is charged on land. The land was valued at cost, \$50 000.
  - (ii) Fixtures and fittings at the rate of 15% per annum using the straight-line method.
  - (iii) Computer equipment at the rate of 25% per annum using the diminishing (reducing) balance method.
- 7 A provision for doubtful debts is to be maintained on trade receivables. Debts up to 3 months old at the rate of 4%, debts over 3 months old at the rate of 8%. One-quarter of the trade receivables are over 3 months old.

**REQUIRED**

- (a) Prepare the income statement for the year ended 30 September 2012. [22]
- (b) Prepare the balance sheet at 30 September 2012. [18]

**[Total: 40]**

Q5 W2012 21

Answer Question 5 on the following pages.

A series of horizontal dotted lines for writing an answer.





Q5 W2012 21

Handwriting practice area consisting of 25 horizontal dotted lines on a white background.



Q5 W2012 21

Handwriting practice area consisting of multiple horizontal dotted lines for tracing and writing. A large, faint watermark of the letters 'MAM' is centered across the page.



Handwriting practice area with 18 horizontal dotted lines. A large, faint watermark of the Urdu word 'مومن' (Mamoon) is centered across the page.



Q5 W2012 21

Handwriting practice area consisting of multiple horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.



Q5 W2012 21

Handwriting practice area consisting of multiple sets of horizontal dotted lines for tracing and writing.



Q5 S2019 21

- 5 Leo is in business as a sole trader. The following balances were extracted from his books on 31 March 2019.

	\$
Capital	80 000
Drawings	25 000
Non-current assets (at cost)	
Land and buildings	150 000
Computer equipment	46 000
Fixtures and fittings	12 000
Provisions for depreciation	
Land and buildings	9 000
Computer equipment	18 000
Fixtures and fittings	6 600
Wages and salaries	87 000
Computer repairs	21 600
Commission receivable	12 300
Trade payables	31 850
Trade receivables	42 000
Revenue	475 000
Purchases	255 000
Returns outwards	7 900
Inventory at 1 April 2018	31 000
Rent and rates	22 750
Provision for doubtful debts	3 700
Marketing expenses	12 600
5% bank loan (repayable June 2019)	20 000
4% bank loan (repayable May 2023)	60 000
Bank loan interest paid	2 100
Heat and light	9 750
General expenses	14 300
Bank overdraft	6 750



Q5 S2019 21

Additional information at 31 March 2019

- 1 Inventory was valued at \$26400.
- 2 Leo had taken goods valued at \$3200. No entries had been made in the books.
- 3 A computer costing \$8000 had been recorded in the computer repairs account.
- 4 Computer repairs of \$2100, paid by cheque, had not been recorded in the books.
- 5 Rent of \$2000 was owing and rates of \$450 were prepaid.
- 6 Marketing expenses included a payment of \$700 for a six-months' campaign ending 30 June 2019.
- 7 The 5% bank loan was taken out in 2016. The 4% bank loan was taken out on 1 August 2018.
- 8 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

Land costing \$75 000	not depreciated
Buildings	2% per annum on cost
Computers	20% per annum using diminishing (reducing) balance method
Fixtures and fittings	10% per annum using the straight-line method

- 9 Trade receivables of \$4000 are irrecoverable. The provision for doubtful debts is to be maintained at 5%.







Q5 S2019 21

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MAMOON TAYYAB

[20]



Q5 S2019 21

(b) Prepare the statement of financial position at 31 March 2019.

Leo  
Statement of Financial Position at 31 March 2019

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HABIB PUBLIC SCHOOL

Q5 S2019 21

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[Total: 40]



Q3 S2020 22

- 3 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

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







# TOPIC 9 CONTROL ACCOUNTS









Q4 W2002

(b) Starting with the original balance, prepare a revised Sales Ledger Control account.

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Q3 W2003

3 What conclusions do you draw from the following information relating to the accounts of P. Moyo? Assume that the ledger accounts have been balanced and the final accounts prepared.

(a) Darien's account in the Purchases Ledger has a credit balance.

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..... [2]

(b) P. Gee's account in the Sales Ledger has a credit balance.

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..... [2]

(c) There is a debit balance on the Insurance account.

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..... [2]



Q1 S 2007

1 Sam Stryder received the following documents in the week ended

- 1 An invoice from Better Advertising for \$600.
- 2 A credit note from Rossi Rewards for \$20.
- 3 A cheque from Sanji Anwar, a customer, for \$150.

REQUIRED

(a) State the purpose of the three documents in 1 to 3 above. entry in which Sam Stryder will enter each document.

(i) Invoice

Purpose .....

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Book of prime entry .....

(ii) Credit note

Purpose .....

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Book of prime entry .....

(iii) Cheque

Purpose .....

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Book of prime entry .....



Q1 S 2007

The following information was obtained from the books of Sam Stryder.

		\$
1 April 2007	Debtors' balance	7 190
	Creditors' balance	4 120
30 April 2007	Credit sales for month	46 300
	Credit purchases for month	29 900
	Cash sales for month	14 360
	Cash purchases for month	9 750
	Sales returns for month	1 070
	Purchase returns for month	940
	Cheques received from debtors	38 900
	Cheques paid to creditors	28 100
	Discounts allowed	1 060
	Discounts received	760
	Balance in sales ledger set off against balance in purchases ledger	90
	Interest charged to customers on overdue accounts	20
	Interest charged by supplier on overdue account	10

REQUIRED

- (b) Select the appropriate items and prepare the purchases ledger control account for the month of April.

Sam Stryder  
Purchases ledger control account

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.....

[9]



Q1 S 2007

(c) State two uses of control accounts.

(i) .....  
.....[1]

(ii) .....  
.....[1]

[Total: 17]





Q2 S2010 22

(ii) Calculate for Tsang, the **total cost** of employing Susan for the month of March.

.....

.....

.....

.....

..... [2]

(c) Prepare for Tsang, the journal entry on 31 March 2010 to record the wages and statutory deductions. A narrative is **not** required.

Dr	Cr
\$	\$

.....

.....

.....

.....

..... [3]

(d) Prepare the income statement (trading and profit and loss account) for the month of March 2010.

Tsang  
Income Statement (Trading and Profit and Loss Account)  
for the month ended 31 March 2010

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..... [6]

**[Total: 18]**









Q2 W2011 22

- 2 Andrea prepares a sales ledger control account. At 30 September 2011 the following information is available:

	\$
Trade receivables at 1 October 2010	25 000
Credit sales for year	80 000
Receipts from credit customers for year	75 000
Trade receivables at 30 September 2011	30 000

**REQUIRED**

- (a) Prepare the sales ledger control account for the year ended 30 September 2011.

Andrea  
Sales Ledger Control account

.....

.....

.....

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.....

.....

[4]

- (b) State **two** reasons why Andrea prepares a sales ledger control account.

1 .....

.....

2 .....

.....

[4]

On 30 September 2011, after preparing the sales ledger control account Andrea was advised that Keira is unable to pay the whole of her debt, \$2500.

Andrea accepted \$500 in full settlement and the balance of the debt was written off.



Q2 W2011 22

**REQUIRED**

- (c) Prepare the journal entry to record the transactions on 30 September 2011. A narrative is **not** required.

Journal	Dr	Cr
	\$	\$

[3]

Andrea carried out a review of her remaining trade receivables before preparing her financial statements. The following information relating to her debtors was available:

Analysis of balances	\$	Age of debt
George	11 500	One month
Ranjula	9 500	Two months
Harry	5 000	Four months
Trupti	<u>1 500</u>	Eight months
	<u>27 500</u>	

Andrea has the following policy for calculating the provision for doubtful debts:

Age of debts	%
Up to 3 months	2
3–6 months	10
Over 6 months	20

**REQUIRED**

- (d) Calculate the value of the provision for doubtful debts at 30 September 2011.

[4]



Q2 W2011 22

(e) On 1 October 2010 the balance of the provision for doubtful debts account was \$1300.

Prepare the provision for doubtful debts account for the year ended 30 September 2011.  
Bring down the balance on 1 October 2011.

Andrea  
Provision for doubtful debts account

..... [3]

(f) Name **two** accounting principles which Andrea is applying by maintaining a provision for doubtful debts.

1 .....

2 .....

..... [2]

[Total: 20]



Q2 S012 21

- 2 Lau buys and sells goods on credit. The following information is provided by her for the month of March 2012:

	\$
Trade payables 1 March 2012	15 300
Purchases returns	900
Payments by cheque	82 450
Discount received	1 350
Refunds from trade payables	700
Trade payables 31 March 2012	9 150

**REQUIRED**

- (a) Prepare the purchases ledger control account for the month of March 2012 clearly showing the value of the purchases for the month.

Purchases ledger control account

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.....

[8]

- (b) State **two** benefits to Lau of maintaining control accounts.

1 .....

.....

2 .....

.....

.....

[2]



Q2 W2013 22

- 2 Ann buys and sells on credit. She supplied the following information for the month ended 31 May 2013.

2013	\$
May 1 Trade receivables	5 687
31 Credit sales	72 641
Receipts from credit customers	64 500
Credit notes issued to customers	8 242
Cash discounts allowed	1 894
Bad debts	800
Contra entry	300

The sales journal had been under-cast by \$86. A cheque received and banked on 8 May from John Lee for \$2300 had been returned by the bank because of insufficient funds.

**REQUIRED**

- (a) Prepare the sales ledger control account for the month ended 31 May 2013. Balance the account at that date and bring the balance down on 1 June 2013.

Sales ledger control account

[Lined area for writing the Sales ledger control account]

[9]



Q2 W013 22

(b) State **three** benefits of using control accounts.

1 .....

.....

.....

2 .....

.....

.....

3 .....

.....

..... [6]

(c) State **two** sources of information for the sales ledger control account.

1 .....

2 .....

[2]

Ann was informed that John Lee was unable to pay his outstanding balance of \$2300. It was agreed that he would pay 40 cents for each dollar owed and he sent a cheque on 26 June 2013 in settlement. The balance was written off as a bad debt.

**REQUIRED**

(d) Prepare the general journal entry to write off the bad debt. A narrative is required.

General Journal

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

[3]





Q2 W2013 22

(e) Advise Ann why she should create a provision for doubtful debts.

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..... [6]

[Total: 26]



Q2 W2016 21

2 Valda prepares a monthly control account for her sales ledger.

The following information relates to the month of August 2016.

	Debit	Credit
	\$	\$
Sales ledger control account balances 1 August 2016	18 410	720
Sales ledger control account balances 1 September 2016	?	580
	\$	
Cheques received	40 500	
Dishonoured cheque (included in cheques received)	800	
Cash sales	8 950	
Discount allowed	970	
Bad debt written off	2 750	
Credit sales	39 600	
Returns inwards	3 900	

**REQUIRED**

(a) Prepare the sales ledger control account for the month of August 2016. Balance the account and bring down the balances on 1 September.

Sales ledger control account

Date	Details	\$	Date	Details	\$

[8]



Q2 W2016 21

(b) State **two** reasons for preparing control accounts.

1 .....

.....

2 .....

.....

[2]

Valda later found the following errors in her books.

- 1 A cheque received from Fatin, \$930, had been correctly entered in the cash book but had been credited to the account of Martin.
- 2 The total of the discount allowed column in the cash book, \$970, had been credited to the discount received account.
- 3 Returns inwards of \$390 had been correctly recorded in Ann's account, but had been recorded as \$930 in the returns inwards account.

**REQUIRED**

(c) Name the type of error that Valda made by crediting Martin's account.

.....[1]

(d) Prepare the general journal entries to correct errors 1, 2 and 3. Narratives are **not** required.

General journal

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

[7]



Q2 W2016 21

Valda is considering the use of Information and Communications Technology (ICT) to prepare her books of account.

**REQUIRED**

(e) State **two** benefits to Valda of using Information and Communications Technology (ICT).

1 .....

.....

2 .....

.....

[2]

[Total: 20]



Q2 S2017 22

- 2 Umar sells goods on credit and maintains a sales ledger control account. The following information is available for the month ended 31 March 2017.

2017		\$
March 1	Amount owing by credit customers	36 000
31	Cheques from credit customers	53 800
	Dishonoured cheque (included in cheques received)	2 080
	Cash sales	4 500
	Credit sales	51 270
	Credit notes issued to customers	1 750
	Discount allowed	950
	Bad debt	1 450

**REQUIRED**

- (a) State **two** benefits of using control accounts.

1 .....

2 ..... [2]

- (b) Prepare the sales ledger control account for March 2017. Balance the account and bring down the balance on 1 April 2017.

Sales ledger control account

Date	Details	\$	Date	Details	\$

[9]



Q2 S2017 22

On 1 April 2016 the balance on the provision for doubtful debts account was \$1900.

Umar maintains a provision for doubtful debts at 5%.

**REQUIRED**

- (c) Prepare the provision for doubtful debts account for the year ended 31 March 2017. Balance the account and bring down the balance on 1 April 2017.

Provision for doubtful debts account

Date	Details	\$	Date	Details	\$

[4]

- (d) Name **one** accounting concept or principle that supports the use of a provision for doubtful debts.

.....[1]

On 15 April 2017 Umar was advised that Horner, a credit customer who owed \$1250, was bankrupt. Umar received a cheque for \$500 in final settlement. The balance was written off as irrecoverable.

**REQUIRED**

- (e) Prepare the journal entry made by Umar to record the bankruptcy of Horner. A narrative is required.

General journal

	Dr	Cr
	\$	\$

[4]

[Total: 20]



Q2 S2019 22

- 2 Khalid is a trader. On 18 April 2019 he was informed that Aiden, a credit customer who owed \$600, had ceased trading. Aiden paid Khalid \$240 by cheque. The remainder of Aiden’s balance was written off as irrecoverable.

**REQUIRED**

- (a) State the entries Khalid should make in his accounting records.

account to be debited	\$	account to be credited	\$

[4]

Khalid maintains a sales ledger control account.

The following information is available from his books.

Sales ledger balances	1 April 2019	1 May 2019
Sonia	\$ 60 Credit	\$ 800 Debit
Jing	450 Debit	340 Debit
Mark	1200 Debit	2100 Debit
Aiden	600 Debit	Nil

For the month of April 2019

	\$
Credit sales	3315
Cash sales	970
Bank receipts from credit customers	1930
Dishonoured cheque (included in the bank receipts)	40
Sales returns	75
Refund paid to Sonia by cheque	60
Bad debt	360

**REQUIRED**

- (b) State **two** reasons for maintaining control accounts.

- 1.....  
 .....  
 2.....  
 .....

[2]



Q2 S2019 22

(c) Explain when a contra entry would be used in control accounts.

.....

.....

.....

.....

.....

..... [2]

(d) Prepare the sales ledger control account for the month of April 2019.  
Balance the account and bring down the balance on 1 May 2019.

Sales ledger control account

Date	Details	\$	Date	Details	\$

[9]





Q2 S2019 22

Khalid's financial year ends on 30 April.

On 1 May 2018 he had a provision for doubtful debts of \$120. He decided to maintain the provision at 5% of trade receivables at the end of each year.

**REQUIRED**

- (e) Prepare the provision for doubtful debts account for the year ended 30 April 2019 showing the transfer to the income statement.  
Balance the account and bring down the balance on 1 May 2019.

Provision for doubtful debts account

Date	Details	\$	Date	Details	\$

[3]

[Total: 20]





# TOPIC 10 ERRORS AND SUSPENSE





Q1 W2002

1 The following errors and omissions were discovered after the preparation of a draft Trading and Profit and Loss Account on 30 September 2002.

- 1. The credit sale of goods \$424 to K. Watts had been recorded in all the books as \$242.
- 2. An invoice amount of \$370 from Mubonda Garage for repairs had not been entered in the books.
- 3. Goods bought from A. Smythe for \$700 had been entered in A. Smith’s account.
- 4. Purchase of equipment for \$10 000 for use in the business had been debited to the Purchases account.
- 5. Closing stock had been overvalued by \$3000.

Prepare journal entries to correct the above omissions and errors. Narrations are not required:

Date	Details	Dr. \$	Cr. \$



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.....

.....[10]





Q2 W 2002

Rubble also provides the following information about his stock turnover:

Years	2000	2001
Rate of stock turnover	10 times	8 times

(b) (i) Explain **two** possible reasons for the fall in the rate of stock turnover.

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

(ii) Suggest **two** reasons why Rubble should calculate his rate of stock turnover every year.

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

(iii) Recommend **two** courses of action Rubble could take to improve his rate of stock turnover.

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







Q2 W2003

(b) Draw up the Suspense account showing all the necessary corrections from (a) and the opening Trial Balance difference.

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Q3 S2004

Q 3 The following incomplete trial balance was drawn up by Link Ltd on 31 December 2003.

Link Ltd  
Trial Balance as at 31 December 2003

	Dr \$	Cr \$
Sales		241 200
Purchases	126 300	
Stock, 1 January 2003	20 100	
General expenses	66 700	
Motor expenses	48 900	
Motor vehicles	26 000	
Provision for depreciation for motor vehicles		13 000
Plant and equipment	48 000	
Provision for depreciation for plant and equipment		12 000
Debtors	22 000	
Creditors		10 600
Cash at bank	1 000	
Share capital		30 000
Net profit for the year ended 31 December 2003		4 600
<b>Suspense account</b>	_____	_____

**REQUIRED**

- (a) (i) Calculate the total of the debit column of the above trial balance. Insert your answer in the trial balance above.
- (ii) Calculate the total of the credit column. Use this figure to calculate the balance of the suspense account.
- (iii) Insert your suspense account balance in the trial balance above and total.

[3]

(b) Investigation identified the following errors and omissions.

- 1 The Profit and Loss Account balance at 1 January 2003 was not included in the trial balance. It was \$47 000.
- 2 A poorly written figure in a debtor's account meant that total debtors was incorrectly recorded in the trial balance. The correct figure for debtors is \$22600.
- 3 The provision for doubtful debts of \$1200 at 1 January 2003 has been omitted from the trial balance.



Q3 S2004

Draw up the suspense account for Link Ltd showing the original balance and corrections.

Suspense account

Dr		Cr
	.....	
	.....	
	.....	
	.....	
	.....	[4]

(c) State the uses of the trial balance.

.....

.....

.....

[3]

(d) List **five** errors which do not affect the trial balance.

(i) .....

.....

(ii) .....

.....

(iii) .....

.....

(iv) .....

.....

(v) .....

.....

[5]

[Total: 15]



Q2 S 2009

2. Miranda prepared her draft final accounts for the year ended 30 April 2009 and calculated a net profit for the year of \$14 670. After the preparation of the draft final accounts the following errors were discovered, which had not been revealed by the trial balance.
- (i) Goods, \$2000, purchased on credit from A Morston had not been entered in the accounting records.
  - (ii) Goods, \$650, sold on credit to T Cley had been correctly entered in the sales account but had been entered into the account of C Tilley.
  - (iii) A motor vehicle expense, \$500, for the year had been posted to the motor vehicles account.
  - (iv) A discount received from L Staithe of \$190 had been entered in the discount allowed column in the cash book and credited to the account of L Staithe.

REQUIRED

(a) Name the type of error in (i) to (iv) above.

- (i) .....
- (ii) .....
- (iii) .....
- (iv) ..... [4]



Q2 S2009

(b) Prepare the journal entries required to correct each of the errors (i) to (iv). Narratives are not required.

	Dr	Cr
	\$	\$
(i) .....		
.....		
.....		
(ii) .....		
.....		
.....		
(iii) .....		
.....		
.....		
(iv) .....		
.....		
.....		
.....		[9]

(c) Calculate the revised net profit for the year ended 30 April 2009.

.....

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.....[5]

[Total: 18]



Q1 W 2007

- 1 The following is the bank account of Pat Rice for the week ended 30 September 2007. This has been prepared by an inexperienced bookkeeper and contains errors.

Bank account					
2007		\$	2007		\$
25 Sept	Balance b/d	12 400	26 Sept	Office equipment	1 500
27 Sept	Cash sales	1 200	28 Sept	Insurance	900
			29 Sept	Drawings	300
			30 Sept	Balance c/d	<u>10 900</u>
		<u>13 600</u>			<u>13 600</u>
1 Oct	Balance b/d	10 900			

- Pat Rice offers a trade discount of 25 % and an additional 10% discount for cash sales. Neither discount has been applied in the cash sales transaction recorded in the bank account on 27 September.
- The transaction on 26 September for office equipment relates to a computer costing \$1500 that Pat Rice bought for her personal use. This was recorded incorrectly in the books. (Depreciation is not charged on fixed assets until they have been owned for one financial year).
- Insurance paid on 28 September was for the period 1 October 2007 to 31 December 2007. This has been treated correctly in the profit and loss account.

Pat Rice's net profit for the year ended 30 September 2007 was \$14 200 before taking into account items 1 to 3 above.

REQUIRED

- (a) Calculate the correct sales figure for the transaction on 27 September 2007, allowing for both of the discounts which have been omitted.

.....

.....

.....

.....

.....

.....

[3]



Q1 W2007

(b) (i) Explain the effect items 1, 2 and 3 would have on net profit.

1 .....  
.....  
.....  
2 .....  
.....  
.....  
3 .....  
..... [3]

(ii) Calculate the correct profit for the year ended 30 September 2007.

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

(c) Explain how the incorrect treatment of the office equipment on 26 September 2007, as given in item 2, affected each of the following:

(i) bank balance .....  
.....  
.....  
(ii) fixed assets .....  
..... [2]

[Total: 11]





Q1 W2008

1 Jason Moore had the following balances in his books on 31 October 2008:

	\$
Provision for doubtful debts	150
Capital	16 550
Drawings	8 000
Plant and equipment	18 000
Provision for depreciation of plant and equipment	3 000
Stock	4 000
Debtors	3 000
Creditors	2 000
Cash	1 500
Sales	40 000
Purchases	21 000
Sundry expenses	6 200

REQUIRED

(a) Extract the trial balance for Jason Moore at 31 October 2008.

Jason Moore  
Trial balance at 31 October 2008

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[3]



Q1 W2008

(b) State two uses of a trial balance.

1 .....

.....

2 .....

..... [2]

(c) State and explain three errors which do not affect a trial balance.

1 .....

..... [2]

2 .....

..... [2]

3 .....

..... [2]

On investigation Jason identified the following errors in his books.

- 1 \$3000 debited to plant and equipment should have been recorded as purchases.
- 2 A payment to creditors of \$1000 in cash had not been recorded.

**REQUIRED**

(d) Make journal entries to record the correction of the errors. Narratives are not required.

	Dr	Cr
.....	\$	\$
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		

[4]



Q1 W2008

Jason Moore's capital account at 31 October 2008 was as follows:

Capital account

		Dr \$	Cr \$	Balance \$
2007 Nov 1	Balance b/d			16 550
2008 Oct 31	Profit and loss		10 880	27 430
31	Drawings	8 000		19 430

(e) (i) Identify the above format of ledger accounts and state the benefit of this format compared with 'T' accounts.

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

(ii) Explain why the final balance in the account above differs from the capital account balance in the trial balance.

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

[Total: 19]



Q2 2010

2 Jayani prepared a trial balance at 30 September 2010, which balanced.

A draft income statement (trading and profit and loss account) was then prepared and a gross profit of \$60 000 and a profit for the year (net profit) of \$15 000 was calculated.

Jayani then discovered the following errors:

- 1 A sale of office equipment at net book value, \$3 000, had been recorded in the sales account.
- 2 Purchases of goods, \$650, on credit from Alana had been credited to the purchases account and debited to Alana's account.
- 3 An invoice from JGL Insurance, \$425, for buildings insurance, had not been recorded in the books.

REQUIRED

(a) Prepare journal entries to correct the errors in 1 to 3 above. Narratives are not required.

Journal

	Dr	Cr

[6]

(b) Name the type of error made in 1 to 3 above.

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



Q2 2010

- (c) Calculate the revised gross profit and profit for the year (net profit) for Jayani, following the correction of the errors 1 to 3 above.

Where the error would have no effect on the gross profit or profit for the year (net profit), state 'no effect'.

	Gross profit	Profit for the year (Net profit)
	\$	\$
Draft profit	60 000	15 000
Error 1		
Error 2		
Error 3		
Revised profit		

[8]

- (d) Jayani is considering the purchase of a new computerised book-keeping system. State two benefits that Jayani will gain from using Information and Communications Technology (ICT) in book-keeping.

(i) .....

.....

.....

(ii) .....

.....

.....

[2]

[Total: 19]



Q2 S2013 22

- 2 John Given’s trial balance at 31 May 2013 failed to agree and a suspense account for the difference, \$926 debit, was opened.

The following errors were discovered:

- 1 Commission received, \$120, had been recorded in the account twice.
- 2 Total trade receivables were understated by \$824.
- 3 A payment for insurance, \$650, had been correctly entered in the cash book, but recorded in the insurance account as \$560.
- 4 The total of the sales returns journal had been overcast by \$108.

**REQUIRED**

- (a) Show the entries in the general journal to correct items **1 to 4** above. Narratives are **not** required.

Journal

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

[8]



Q2 S2013 22

(b) Prepare the suspense account at 31 May 2013.

Suspense account

.....

.....

.....

.....

.....

.....

.....

.....

.....[4]



Q2 S2013 22

(c) Explain **three** types of errors not shown by a trial balance.

1 .....

.....  
.....  
.....  
.....  
.....

2 .....

.....  
.....  
.....  
.....  
.....

3 .....

.....  
.....  
.....  
.....  
.....  
.....  
.....

[6]

[Total: 18]





Q3 W2013 21

3 Rod's trial balance at 30 September 2013 failed to agree.

(a) Name **two** types of errors not shown by a trial balance.

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

Rod later discovered the following errors:

- 1 the sales journal had been over added by \$279;
- 2 the total of the discount allowed column in the cash book, \$123, had been credited to the discount received account;
- 3 a payment to B Kaur, \$105, had been correctly entered in the bank account but posted to the creditor's account as \$150.

(b) Complete the following table showing the effect and amount **each** of the above errors would have on B Kaur's profit for the year if left uncorrected. The first item has been completed as an example.

	Overstated	Understated	No effect	Amount \$
1	✓			279
2				
3				

[4]



Q3 W2013 21

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

Journal

		Debit \$	Credit \$
1	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
2	.....	.....	.....
	.....	.....	.....
	.....	.....	.....
3	.....	.....	.....
	.....	.....	.....
	.....	.....	.....

[7]

[Total: 13]



Q2 S2014 22

- 2 On 1 April 2014, Yee's sales ledger control account showed the following balances: \$20 450 debit and \$600 credit.

During April the following transactions were recorded:

	\$
Credit sales	50 500
Cash sales	10 000
Returns from credit customers	700
Receipts from credit customers	48 600
Refunds to credit customers	750
Discount allowed	1 200
Bad debt written off	800

On 1 May 2014, Yee's sales ledger control account showed a credit balance of \$180. The debit balance is to be determined.

**REQUIRED**

- (a) Prepare the sales ledger control account for the month of April 2014. Balance the account and bring down the balances.

Sales ledger control account

Date	Details	\$	Date	Details	\$
1 April	Balance b/d	20 450	1 April	Balance b/d	600

[7]



Q2 S2014 22

On inspection of her ledger, Yee discovered the following errors:

- 1 A cheque received from D Moy, \$450, had been posted to the account of D Kay.
- 2 An invoice for goods received from G Fallen, costing \$790, had been recorded in the purchases journal as \$970.
- 3 Discount received, \$45, had been debited to the discount received account and credited to F Tay.
- 4 Repairs to fixtures and fittings, \$800, had been recorded in the fixtures and fittings account.

**REQUIRED**

(b) Prepare the journal entries to correct the errors in **1 to 4** above. Narratives are **not** required.

Journal

	Dr \$	Cr \$
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		
.....		

[8]



Q2 S2014 22

(c) Complete the following table to name the type of error in **1 to 4** on the previous page. The first item has been completed as an example.

	Type of error
1 A cheque received from D Moy, \$450, had been posted to the account of D Kay.	<i>Commission</i>
2 An invoice for goods received, costing \$790, had been recorded in the purchases journal as \$970.	
3 Discount received, \$45, had been debited to the discount received account and credited to F Tay.	
4 Repairs to fixtures and fittings, \$800, had been recorded in the fixtures and fittings account.	

[3]

(d) State **two** reasons why a suspense account would be used.

1 .....

.....

2 .....

.....

[2]

[Total: 20]



Q1 S2015 P21

- 1 Mira prepared a trial balance using the following information on 31 March 2015. The trial balance failed to balance.

	\$
Office fixtures (at cost)	18 000
Office fixtures provision for depreciation	7 200
Trade payables	5 400
General expenses (prepaid)	1 520
Trade receivables	3 700
Inventory	7 800
Bank overdraft	2 600
Capital	16 000

**REQUIRED**

- (a) Prepare the trial balance at 31 March 2015, including an appropriate balancing entry.

Mira  
Trial Balance at 31 March 2015

	Dr	Cr
	\$	\$
Office fixtures (at cost)		
Office fixtures provision for depreciation		
Trade payables		
General expenses		
Trade receivables		
Inventory		
Bank overdraft		
Capital		

[4]



Q1 S2015 P21

On inspecting the books, Mira found the following errors:

- 1 A payment for general expenses, \$750, had been correctly entered in the bank account, but had been recorded in the general expenses account as \$570.
- 2 General expenses, \$1000, had been recorded in the office fixtures account.

**REQUIRED**

(b) Prepare the entries in the general journal to correct items 1 and 2. Narratives are **not** required.

General Journal

	Dr \$	Cr \$
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....
.....	.....	.....

[4]



Q1 S2015 P21

The following were some of the transactions completed in April 2015.

- April 9 Sold goods on credit to Yash.
- April 11 Yash returned goods sold on 9 April as they were damaged.
- April 14 Paid wages by cheque.
- April 19 Purchased office fixtures on credit from Equip Limited.

**REQUIRED**

(c) Complete the following table. The first item has been completed as an example.

Date	Transaction	Source document	Book of prime entry	Account debited	Account credited
April 9	Sold goods on credit to Yash.	<i>Sales invoice</i>	<i>Sales journal</i>	<i>Yash</i>	<i>Sales</i>
April 11	Yash returned goods sold on 9 April as damaged.				
April 14	Paid wages by cheque.				
April 19	Purchased office fixtures on credit from Equip Limited.				

[12]

[Total: 20]





Q2 W0215 21

2 Martino’s trial balance at 30 September 2015 did not agree and a suspense account was opened.

The following errors were discovered.

- 1 The total of the purchases journal had been undercast by \$950.
- 2 Discount received, \$85, had been debited to the discount received account.
- 3 A payment of rent, \$750, had been correctly entered in the cash book, but recorded in the rent account as \$570.
- 4 A purchase of office fixtures, \$2300, had been recorded in the general expenses account.

**REQUIRED**

(a) Show the entries in the general journal to correct items 1 to 4. Narratives are **not** required.

General Journal

	Debit \$	Credit \$

[8]



Q2 W0215 21

- (b) Prepare the suspense account at 30 September 2015 showing the original difference on the trial balance.

Suspense account

Date	Details	\$	Date	Details	\$

[4]

- (c) Complete the following table to show the effect on the profit for the year of **correcting each** error.

The first item has been completed as an example.

Error	Increase/Decrease/ No effect	Amount \$
1 The total of the purchases journal had been undercast by \$950.	Decrease	950
2 Discount received, \$85, had been debited to the discount received account.		
3 A payment of rent, \$750, had been correctly entered in the cash book, but recorded in the rent account as \$570.		
4 A purchase of office fixtures, \$2300, had been recorded in the general expenses account.		

[6]

- (d) Explain why an error of commission would **not** be revealed by the trial balance.

.....

.....

.....

.....

.....

.....

.....

.....

.....

[2]

[Total: 20]



Q2 W2011 21

- 2 Majda prepared a trial balance on 31 August 2011. The trial balance failed to agree and a suspense account was opened.

It was discovered that all of the errors had been made in one of the trade receivable accounts, M.H. Supplies Ltd.

Details of the account for August 2011 were as follows:

M.H. Supplies Ltd account

Date	Description	Dr	Cr	Balance
2011		\$	\$	\$
1 August	Balance			1 650 Dr
10 August	Sales	460		2 110 Dr
13 August	Sales returns		60	2 050 Dr
23 August	Bank		1 617	433 Dr
23 August	Discount	33		466 Dr

The following errors were found:

- 1 On 10 August goods, list price \$800, less 20% trade discount, were sold to M.H. Supplies Ltd. The transaction was correctly recorded in the sales journal.
- 2 On 20 August a credit sale of goods, \$1200, to M.H. Supplies Ltd, was correctly entered in the sales journal, but was posted to the account of M. Hardware Ltd.
- 3 On 23 August M.H. Supplies Ltd paid the balance on 1 August, less 2% cash discount. The transaction was correctly recorded in the cash book.

**REQUIRED**

- (a) Name the document sent to M.H. Supplies Ltd to record the transaction of 13 August 2011.

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

- (b) Name the type of error made on 20 August 2011.

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





Q2 W2011 21

(e) Calculate the correct balance owed by M.H. Supplies Ltd to Majda on 31 August.

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

(f) Majda uses Information and Communications Technology (ICT) book-keeping software to prepare her accounts.

State **two** benefits to Majda from using ICT book-keeping software.

1 .....  
.....  
2 .....  
..... [4]

[Total: 20]



Q2 W2012 22

- 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		

[9]





Q1 W2016 22

- 1 The following balances remained in the books of Fabio at 30 June 2016. He was aware that there were some book-keeping errors and that the trial balance would **not** balance.

	\$
Motor vehicle	9 500
Trade payables	8 500
Inventory	4 850
Revenue (Sales)	22 000
Purchases	14 400
Bank loan	2 000
Bank overdraft	1 630
Trade receivables	7 250
Capital	3 000

**REQUIRED**

- (a) Complete the trial balance at 30 June 2016, balancing the trial balance by the use of an appropriate account.

Fabio  
Trial Balance 30 June 2016

	Debit	Credit
	\$	\$
Motor vehicle		
Trade payables		
Inventory		
Revenue (Sales)		
Purchases		
Bank loan		
Bank overdraft		
Trade receivables		
Capital		

[4]

On inspection of his books, Fabio located the following errors.

- 1 A sale of goods, \$850, had been correctly recorded in the account of a credit customer, but had been recorded in the revenue (sales) account as \$580.
- 2 A purchase of goods, \$700, had been correctly entered in the account of a credit supplier, but had been credited to the purchases account.





Q1 W2016 22

**REQUIRED**

(b) Prepare the general journal entries to correct errors 1 and 2. Narratives are **not** required.

General journal

	Debit	Credit
	\$	\$

[4]

(c) Complete the following table for **each** of Fabio's transactions in July 2016. If the capital is not affected write 'No effect'. The first transaction has been completed as an example.

Transaction	Book of prime entry	Account to be debited	Account to be credited	Effect on capital \$
Sold goods costing \$900 on credit to Noah for the list price of \$1500.	<i>Sales Journal</i>	<i>Noah</i>	<i>Revenue (Sales)</i>	<i>+\$600</i>
Noah returned goods with a list price of \$100.				
Paid Sophie a cheque for \$610.				
A debt, \$230, owed by Zain was written off.				

[12]

[Total: 20]



Q2 W2017 22

2 Hannah prepared a trial balance but its totals did not agree. A suspense account was opened.

She later discovered the following errors:

- 1 Rent receivable, \$4900, had been debited to the rent payable account.
- 2 General expenses paid, \$1200, had been correctly entered in the cash book, but had been recorded in the general expenses account as \$2100.
- 3 No debit entry had been made for purchases on credit from Ploy, \$3400.

**REQUIRED**

(a) Prepare the entries in the general journal to correct the errors 1 to 3. Narratives are **not** required.

General journal

	Debit	Credit
	\$	\$

[7]



Q2 W2017 22

- (b) Prepare the suspense account showing the original difference in the trial balance.

Suspense account

Details	\$	Details	\$

[4]

Hannah had prepared draft financial statements **before** correcting the errors. Her draft profit was \$15 600.

**REQUIRED**

- (c) Complete the following table by calculating the effect of **correcting each** error on the draft profit for the year.

Calculate the revised profit for the year.

Revision of profit

			\$
Draft profit for the year			15 600
	Increase	Decrease	
	\$	\$	
1	Rent receivable, \$4900, had been debited to the rent payable account.		
2	General expenses paid, \$1200, had been correctly entered in the cash book, but had been recorded in the general expenses account as \$2100.		
3	No debit entry had been made for purchases on credit from Ploy, \$3400.		
Revised profit for the year			

[5]



Q2 W2017 22

(d) State the difference between the following types of errors which would **not** affect the balancing of the trial balance.

(i) Commission and principle

.....  
.....  
.....  
.....  
.....

(ii) Compensation and reversal

.....  
.....  
.....



[4]

[Total: 20]



Q2 S2018 22

2 Zarita prepared a trial balance at 31 March 2018. The trial balance totals agreed. The following errors were later discovered.

- 1 Sales on credit to Winchester, \$830, had been recorded in the sales journal as \$380.
- 2 Discount allowed to Bloom, \$60, had been credited in the discount allowed account and debited in Bloom's account.
- 3 Computer expenses, \$900, had been recorded in the computer account.
- 4 A purchase of goods from Stilson, \$420, had been posted to the account of Filton.

**REQUIRED**

(a) Name **each** type of error in 1 to 4.

1.....

2.....

3.....

4..... [4]

(b) Explain why the trial balance totals agreed although there were four errors in the books.

.....

.....

.....

..... [2]



Q2 S2018 22

(c) Prepare the entries in the general journal to correct errors 1 to 4. Narratives are **not** required.

General Journal

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

[8]



Q2 S2018 22

Before Zarita corrected the errors she had calculated a draft profit for the year of \$6800.

**REQUIRED**

(d) Complete the following table to show the effect of **correcting each** error on the draft profit for the year.

Where there is no effect write 'No Effect'.

Calculate the revised profit for the year.

Statement of Corrected Profit for the year ended 31 March 2018

Error		Increase	Decrease	
		\$	\$	\$
	Draft profit for the year			6800
1	Sales on credit to Winchester, \$830, had been recorded in the sales journal as \$380.			
2	Discount allowed to Bloom, \$60, had been credited in the discount allowed account and debited in Bloom's account.			
3	Computer expenses, \$900, had been recorded in the computer account.			
4	A purchase of goods from Stilson, \$420, had been posted to the account of Filton.			
	Revised profit for the year			

[6]

[Total: 20]



Q2 W2019 22

- 2 Karthik extracted the following trial balance from his books on 30 September 2019.

Trial Balance at 30 September 2019

	Debit	Credit
	\$	\$
Revenue		18 000
Purchases	15 500	
Capital		1 200
Drawings	1 050	
General expenses	1 720	
Rent payable	200	
Fixtures (at cost)	700	
Provision for depreciation of fixtures		420
Trade receivables	1 750	
Trade payables		2 100
Balance at bank	200	
Inventory 1 October 2018	600	
	<u>21 720</u>	<u>21 720</u>

On inspection of the books Karthik found the following errors.

- 1 Purchases on credit from Hannah, \$600, had been recorded in the book of prime (original) entry and the account of Hannah as \$900.
- 2 Rent payable of \$450 had been posted to the general expenses account.
- 3 The purchase of fixtures, \$800, had been recorded in the general expenses account.
- 4 A sale of goods on credit to Roy, \$500, had been debited to the sales account and credited to Roy's account.





Q2 W2019 22

**REQUIRED**

(a) Name the type of error in 1–4.

1 .....

2 .....

3 .....

4 .....

[4]

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

General Journal

	Debit \$	Credit \$

[8]



Q2 W2019 22

(c) Prepare the corrected trial balance at 30 September 2019.

Corrected Trial Balance at 30 September 2019

	Debit	Credit
	\$	\$
Revenue		
Purchases		
Capital		
Drawings		
General expenses		
Rent payable		
Fixtures (at cost)		
Provision for depreciation of fixtures		
Trade receivables		
Trade payables		
Balance at bank		
Inventory 1 October 2018		

[8]

[Total: 20]



Q2 S2017 21

- 2 Hong prepared draft financial statements on 31 March 2017 which showed a profit for the year of \$9200.

After the preparation of the financial statements, Hong discovered the following errors:

- 1 No entries had been made in the books in respect of \$500 which Hong had withdrawn from the bank for his personal use.
- 2 Goods sold on credit to Tung, \$960, had been recorded in the sales journal as \$690.
- 3 Discount received, \$150, had been debited to the discount allowed account.
- 4 A payment of wages, \$210, had been posted to the general expenses account.
- 5 A sale of fixtures and fittings at book value of \$800, received by cheque, had been recorded in the sales account.



Q2 S2017 21

**REQUIRED**

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

General journal

Details	Dr	Cr
	\$	\$

[10]



Q2 S2017 21

- (b) Complete the table showing the effect on the draft profit of **correcting each** error. Where an error has no effect on profit write 'no effect'. Calculate the revised profit for the year.

Revision of profit for the year ended 31 March 2017				
		Increase	Decrease	
		\$	\$	\$
	Draft profit for the year			9200
1	No entries had been made in the books in respect of \$500 which Hong had withdrawn from the bank for his personal use.			
2	Goods sold on credit to Tung, \$960, had been recorded in the sales journal as \$690.			
3	Discount received, \$150, had been debited to the discount allowed account.			
4	A payment of wages, \$210, had been posted to the general expenses account.			
5	A sale of fixtures and fittings at book value of \$800, received by cheque, had been recorded in the sales account.			
	Revised profit for the year			

[6]

- (c) Explain how the following errors could occur.

- (i) Compensating error

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

- (ii) Error of principle

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

[Total: 20]



Q2 S2019 21

- 2 Catherine prepared a trial balance on 30 April 2019. The trial balance did not agree. She opened a suspense account. On inspection of the books she found the following errors.
- 1 Motor vehicle expenses, \$500, had been debited to the bank account and credited to the motor vehicle expenses account.
  - 2 Wages, \$800, had been debited in the rent payable account.
  - 3 A return of goods to a supplier, Ahmed, \$595, had been incorrectly recorded in the purchases returns journal as \$295.
  - 4 The discount received total in the cash book, \$68, had not been entered in the discount received account.
  - 5 A cash sale, \$125, had been entered in the sales account as \$215.

**REQUIRED**

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

General journal

	Dr	Cr
	\$	\$

[10]

Q2 S2019 21

(b) Name the type of error in 1 – 3.

- 1 .....
- 2 .....
- 3 .....

[3]

(c) Prepare the suspense account after the correction of errors 1 – 5.  
Show the original difference recorded in the trial balance.

Suspense account

Date	Details	\$	Date	Details	\$

[3]

Catherine completed a number of transactions relating to her motor vehicles.

**REQUIRED**

(d) Complete the table by placing a tick (✓) to show whether **each** of the following transactions is revenue expenditure, a revenue receipt, capital expenditure or a capital receipt.  
The first item has been completed as an example.

	revenue expenditure	revenue receipt	capital expenditure	capital receipt
purchased fuel for motor vehicle	3			
paid for delivery of new motor vehicle				
charged customers for hire of motor vehicle				
banked proceeds from sale of an old motor vehicle for scrap				
paid insurance for motor vehicle				

[4]

[Total: 20]



Q2 S 2020 21

2 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





Q2 S 2020 21

**REQUIRED**

(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]



Q2 S 2020 21

As 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.	<i>Cash</i>	<i>60</i>	<i>Sales</i>	<i>60</i>
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]



Q2 S 2020 21

- (c) 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]

[Total 20]



Q2 W2018 21

2 Arjit provided the following information for the month of July 2018.

1 Sales ledger control account balances 1 July 2018

	\$
Debit	4230
Credit	80

2 Transactions for the month ended 31 July 2018

	\$
Credit sales	9200
Cash sales	3100
Bad debts written off	450
Discount allowed	230
Returns inwards	740
Receipts from credit customers	8000
Refund to credit customer by cheque	300
Interest charged on overdue account	180

3 Sales ledger control account balances 1 August 2018

	\$
Debit	?
Credit	150



Q2 W2018 21

**REQUIRED**

(a) Prepare the sales ledger control account for the month of July 2018. Balance the account and bring down the balances on 1 August 2018.

Sales ledger control account

Date	Details	\$	Date	Details	\$

[9]



Q2 W2018 21

(b) State **one** possible reason for the credit balance on the sales ledger control account.

.....[1]

Arjit prepared a trial balance on 31 July 2018. The totals of the trial balance did not agree. He opened a suspense account.

On inspecting his books Arjit found the following errors.

- 1 A purchase of goods from Dipu had been correctly recorded in the purchases journal as \$65. An entry of \$45 had been made in the account of Dipu.
- 2 A cheque received from Arca, \$240, had been recorded in Arca's account as \$420.
- 3 The total of the discount allowed column in the cash book, \$15, had been credited to the discount allowed account.

**REQUIRED**

(c) Prepare the journal entries to correct the errors 1 to 3. Narratives are **not** required.

General Journal

	Debit	Credit
	\$	\$

[6]

Q2 W2018 21

(d) Prepare the suspense account showing the original difference in the books.

Suspense account

Date	Details	\$	Date	Details	\$

[4]

[Total: 20]



Q4 S2020 22

- 4 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]





Q4 S2020 22

(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]



Q4 S2020 22

At 31 March 2020 Nadia's trade receivables owed \$14 500. 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 \$
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

[4]

[Total: 20]



Q5 W2020 22

5 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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[6]



Q5 W2020 22

(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]

Razia is considering whether or not to sell on cash terms only.

**REQUIRED**

(d) Advise Razia whether or not she should sell on cash terms only. Justify your answer with **two** advantages and **two** disadvantages of selling on cash terms only.

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[5]

[Total: 20]



# TOPIC 11 INVENTORY VALUATION





Q3 S 2020 21

4 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.

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..... [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.

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..... [2]



Q3 S 2020 21

(c) 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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[5]



HABIB PUBLIC SCHOOL



Q3 S 2020 21

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]

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

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..... [2]

[Total: 20]

