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AMT



TOPIC 12 ACCOUNTING RATIOS





Q5 W2003

5 Karl's final accounts for the year ended 31 December 2002 contain the following information.

	\$
Sales	116 000
Cost of sales	72 000
Expenses	23 000

Karl's assets and liabilities at the same date of 31 December 2002 were

	\$
Fixed assets	224 000
Stock	16 000
Debtors	14 000
Creditors	13 000
Bank overdraft	9 000

Karl's brother, Matt, runs a similar business and the two brothers decided to compare results. Matt supplied the following ratios.

Ratio	Matt	Column (a)
Gross profit as a percentage of sales	34.1%	
Net profit as a percentage of sales	16.81%	
Net profit as a percentage of capital	10.33%	
Current ratio	2.15:1	

REQUIRED:

(a) Calculate

(i) Karl's gross profit

.....
 [1]

(ii) Karl's net profit

.....
 [1]



Q5 W2003

(b) Complete column (a) in the table above to show the ratios for Karl's business.

Calculation should be to **two** decimal places.

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..... [4]

(c) For **each** ratio suggest **one** possible reason for the difference between Karl's ratio and Matt's ratio.

Gross profit as a percentage of sales

.....
.....

Net profit as a percentage of sales

.....
.....

Net profit as a percentage of capital

.....
.....

Current ratio

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



Q4 S 2003

Q 4

Summarised Balance Sheet of W. Chell at 31 December 2002

	\$		\$
Fixed Assets	37 400	Capital	<u>60 000</u>
Current Assets		Net Profit	18 800
Stock	29 000		<u>78 800</u>
Debtors	12 200	Drawings	<u>30 000</u>
Cash	<u>1 800</u>		48 800
	43 000	Long Term Loan	5 000
		Current Liabilities	
		Trade Creditors	25 000
		Accrued Expenses	1 600
			26 600
	<u>80 400</u>		<u>80 400</u>

REQUIRED

(a) Calculate as at 31 December 2002:

(i) the Working Capital

.....

.....

..... [3]

(ii) the owner's capital

.....

..... [1]

(iii) the Capital Employed

.....

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..... [3]



Q2 S 2003

(b) Give the basis for the valuation of stock. Suggest why businesses use this basis.

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..... [4]

(c) Calculate the rate of stock turnover.

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..... [4]

(d) Explain how Mann could use the information from (c).

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..... [4]



Q4 W2004

4 Furley, a trader, provided the following information for the year ended 31 December 2003.

	\$
Sales	200 000
Purchases	110 000
Opening stock	10 000
Closing stock	20 000
Expenses	50 000
Closing Capital	80 000

REQUIRED

(a) Calculate the following ratios for 2003. Place your answers in the table below. Use the space provided for your workings.

Workings



	2002	2003
(i) Gross profit/sales	37.5%
(ii) Net profit/sales	20%
(iii) Net profit/closing capital	50%
(iv) Rate of stock turnover	6.7 times

[8]



Q4 W2004

(b) Describe the changes between 2002 and 2003 in Furley’s business as shown by the four ratios in (a). Suggest reasons for any changes.

(i) Gross profit/sales

.....
.....

(ii) Net profit/sales.....

.....
.....

(iii) Net profit/closing capital.....

.....
.....

(iv) Rate of stock turnover.....

.....
.....

[8]

(c) Identify **two** problems a business may have if current liabilities are greater than current assets. Suggest a possible solution for each problem.

Problem 1.....

.....

Solution 1.....

.....

Problem 2.....

.....

Solution 2.....

.....[4]

[Total: 20]



Q4 W2004

4 Furley, a trader, provided the following information for the year ended 31 December 2003.

	\$
Sales	200 000
Purchases	110 000
Opening stock	10 000
Closing stock	20 000
Expenses	50 000
Closing Capital	80 000

REQUIRED

(a) Calculate the following ratios for 2003. Place your answers in the table below. Use the space provided for your workings.

Workings



	2002	2003
(i) Gross profit/sales	37.5%
(ii) Net profit/sales	20%
(iii) Net profit/closing capital	50%
(iv) Rate of stock turnover	6.7 times

[8]



Q4 W2004

(b) Describe the changes between 2002 and 2003 in Furley’s business as shown by the four ratios in (a). Suggest reasons for any changes.

(i) Gross profit/sales

.....
.....

(ii) Net profit/sales.....

.....
.....

(iii) Net profit/closing capital.....

.....
.....

(iv) Rate of stock turnover.....

.....
.....

[8]

(c) Identify **two** problems a business may have if current liabilities are greater than current assets. Suggest a possible solution for each problem.

Problem 1.....

.....

Solution 1.....

.....

Problem 2.....

.....

Solution 2.....

.....[4]

[Total: 20]



Q2 S 2004

Q 2 The summarised Balance Sheet of Pat Kaye on 31 December 2003 was as follows.

Pat Kaye
Summarised Balance Sheet as at 31 December 2003

	\$	\$		\$	\$
Fixed Assets		19 000	Capital		20 000
			Net profit		<u>9 500</u>
Current Assets					29 500
Stock	14 300		Drawings		<u>(8 400)</u>
Trade debtors	7 900				21 100
Cash	<u>2 000</u>		Long-term loan		10 000
		24 200	Current Liabilities		
			Trade creditors	10 000	
			Accruals	<u>2 100</u>	<u>12 100</u>
		<u>43 200</u>			<u>43 200</u>

REQUIRED

(a) Explain how Pat Kaye should value the following.

(i) Fixed Assets

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.....

.....[3]

(ii) Stock

.....

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.....[3]

(iii) Trade debtors

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.....[2]



(b) Calculate the following for Pat Kaye at 31 December 2003.

(i) The working capital

.....

[3]

(ii) Net profit as a percentage of opening capital

.....

[3]

(c) Complete the table to show the effects on working capital and net profit of the following items. The first item has been completed for you as an example.

Item	Effect on working capital \$	Effect on net profit \$
(i) There is no record of a cheque for \$500 sent in part repayment for a loan	Decrease 500	No effect
(ii) Obsolete closing stock, \$400, is to be written off		
(iii) A provision for doubtful debts, \$100, is to be created		
(iv) The depreciation charge is to be increased by \$200		
(v) A fixed asset is to be sold at its net book value, \$1000		

[8]

[Total: 22]



Q4 W2005

- 4 Celia Brookes is considering buying a business. She has received information about two businesses, Branch and Bough for the year ended 30 September 2005.

Branch	
	\$
Sales	50 000
Cost of sales	30 000
Expenses	12 500
Capital	37 500

REQUIRED

- (a) Calculate the following ratios for the year ended 30 September 2005 for Branch.

Use the space provided for your workings.

		WORKINGS	RATIOS
(i)	Gross profit/sales		
(ii)	Net profit/sales		
(iii)	Net profit/capital		

[6]



Q4 W2005

Bough	
Gross profit/sales	50%
Net profit/sales	10%
Net profit/capital	12.5%
Capital	\$80 000

REQUIRED

(6)

(b) Calculate the following for Bough for the year ended 30 September 2005.

Use the space provided for your workings.

		WORKINGS	AMOUNTS \$
(i)	Net profit		
(ii)	Sales		
(iii)	Gross profit		



Q4 W2005

(c) Use the information given and your answers to (a) and (b) to compare the performance of Branch and Bough under the following headings.

(i) Success in trading (buying and selling)

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.....[3]

(ii) Success in controlling expenses

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.....[3]

(iii) Success in employing capital

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.....[2]

[Total: 20]



Q4 S 2007

4 The trial balance of Tom Martin, after preparation of the trading account, was as follows:

Tom Martin Trial Balance at 30 April 2007		
	Dr \$	Cr \$
Gross profit		110 400
Sundry expenses	84 640	
Stock at 30 April 2007	14 700	
Debtors	26 500	
Bank	11 100	
Fixed assets	90 000	
Drawings	16 600	
Provision for doubtful debts		1 900
Creditors		28 200
Capital		<u>103 040</u>
	<u>243 540</u>	<u>243 540</u>

Tom Martin's cost of sales for the year ended 30 April 2007 was \$257 600.

REQUIRED

(a) Calculate the following for Tom Martin. Show your workings in the box provided.

		Workings	%
(i)	Gross profit/sales		
(ii)	Net profit/sales		
(iii)	Net profit/capital at start of year		

[9]



Q4 S 2007

(b) Explain the importance of the following ratios to Tom Martin. Illustrate your explanation with reference to your calculations in (a) above.

(i) Gross profit/sales

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..... [3]

(ii) Net profit/sales

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

(iii) Net profit/capital at start of year

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



Q4 S 2007

(c) Calculate Tom Martin's working capital at 30 April 2007.

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.....[4]
[Total: 20]



Q3 S 2008

3. The following information was provided by Ahmed Abdulla:

Ahmed Abdulla
Summary Trading, Profit and Loss Account for the year ended 31 May 2008

	\$		\$
Opening stock	10 000	Sales	240 000
Purchases	<u>135 000</u>		
	145 000		
Closing stock	<u>20 000</u>		
Cost of goods sold	125 000		
Gross profit	<u>115 000</u>		
	<u>240 000</u>		<u>240 000</u>
Sundry expenses	85 000	Gross profit	115 000
Net profit	<u>30 000</u>		
	<u>115 000</u>		<u>115 000</u>

Ahmed Abdulla
Summary Balance Sheet as at 31 May 2008

	\$		\$
Fixed assets	230 000	Capital	260 000
Current assets	<u>60 000</u>	Current liabilities	<u>30 000</u>
	<u>290 000</u>		<u>290 000</u>

Ahmed Abdulla withdrew \$40 000 during the year in cash for personal use.

REQUIRED

(a) Calculate the following for Ahmed Abdulla at 31 May 2008. Show your workings in the box provided. (Answers to one decimal place.)

		Workings	Ratio
(i)	Gross profit/sales		%
(ii)	Net profit/sales		%
(iii)	Net profit/capital at start of year		%



Q3 S2008

(iv)	Working capital ratio		
(v)	Quick ratio (acid test)		
(vi)	Rate of stock turnover		times

[15]

On 1 June 2008 Ahmed Abdulla valued his stock at net realisable value of \$18 000. No other changes took place in the business on that day.

REQUIRED

- (b) (i) Calculate the rate of stock turnover for the period from 1 June 2007 to 1 June 2008 using the net realisable value for stock valuation. (Answer to one decimal place.)

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..... [2]

- (ii) Calculate the working capital on 1 June 2008.

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..... [3]



Q3 S 2008

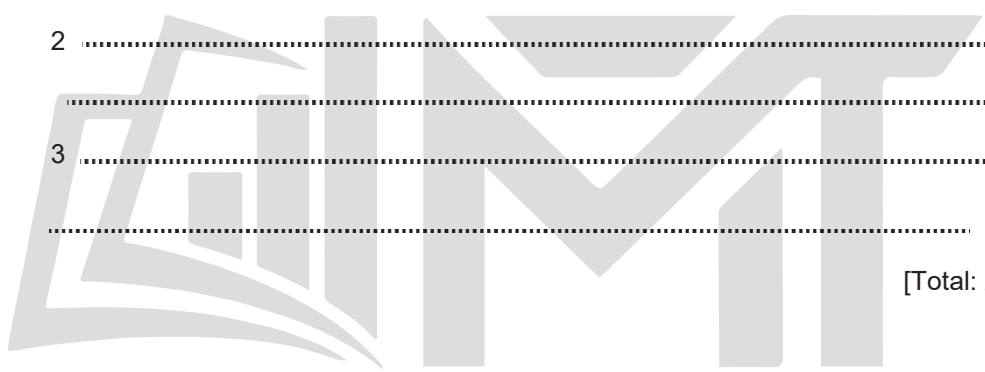
(c) (i) Explain three reasons why it is important that Ahmed Abdulla has good rates of profitability and liquidity.

1.....
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..... [3]

(ii) Give three comments on the financial success of Ahmed Abdulla's business.

1
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2
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..... [3]

[Total: 26]



Q4 W2009

- 4 Jamal Mohsin has been provided with some information about a general trading business, Easisell, which buys and sells goods on credit. The following information relates to the year ended 30 September 2009.

	\$
Sales	120 000
Stock at 1 October 2008	12 000
Purchases	91 000
Stock at 30 September 2009	28 000
Expenses	15 000
Debtors	30 000
Creditors	43 000
Bank overdraft	15 000
Capital	150 000

REQUIRED

- (a) Calculate, to two decimal places, the following ratios. Show your workings.

- (i) Gross profit to sales percentage

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[3]

- (ii) Rate of stock turnover

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[3]



Q4 W2009

(iii) Net profit to capital percentage

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[3]

(iv) Working capital ratio (current ratio)

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[3]



Q4 W2009

Jamal Mohsin obtained the following ratios for a similar business:

- 1 Gross profit to sales percentage 40 %
- 2 Rate of stock turnover 6 times
- 3 Net profit to capital percentage 12 %
- 4 Working capital ratio (current ratio) 1.8 : 1

REQUIRED

(b) Using the information above and your answer to (a) compare and comment upon the performance of Easisell under the following headings.

(i) Controlling stock

.....

.....

.....

..... [4]

(ii) Net profit to capital percentage

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..... [4]

(iii) Ability to pay creditors

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..... [4]

[Total: 24]



Q4 S 2010 21

- 4 Zaynah is in business buying and selling goods on credit. The following balances were extracted from her books on 30 April 2010.

	\$
Revenue (Sales)	200 000
Cost of sales	130 000
Expenses	65 000
Inventory (stock) 1 May 2009	20 000
Inventory (stock) 30 April 2010	60 000
Trade receivables (debtors)	16 000
Trade payables (creditors)	35 000
Loans repayable within 12 months (Bank overdraft)	5 000
Closing capital	100 000

REQUIRED

- (a) Calculate, to **one** decimal place, the following ratios for the year ended 30 April 2010. Clearly show **all** workings.

- (i) Gross profit to revenue (sales) percentage

.....

 [3]

- (ii) Working capital ratio (current ratio)

.....

 [3]

- (iii) Quick ratio (acid test)

.....

 [4]



Q4 S 2010 21

(iv) Profit for the year (net profit) to capital percentage

.....

.....

.....

.....

..... [4]

(b) Comment on the following ratios at 30 April 2010:

(i) Quick ratio (acid test)

.....

.....

..... [2]

(ii) Profit for the year (net profit) to capital percentage.

.....

.....

..... [2]

In the previous year, ended 30 April 2009, the business of Zaynah achieved the following ratios:

Gross profit to revenue (sales) percentage	50%
Working capital ratio (current ratio)	1.7:1

REQUIRED

(c) Suggest **one** possible reason for the change over the year ended 30 April 2010 in the:

(i) gross profit to sales percentage;

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.....

..... [2]

(ii) working capital ratio (current ratio).

.....

.....

..... [2]

[Total: 22]



Q4 W2010

- 4 Windy Ltd is in business buying and selling goods on credit. The following balances were taken from the books of Windy Ltd.

	Year ended 30 September 2009	Year ended 30 September 2010
	\$	\$
Non-current (fixed) assets	80 000	200 000
Inventory (stock)	55 000	60 000
Trade receivables (debtors)	50 000	90 000
Trade payables (creditors)	30 000	75 000
Amount due in more than one year (long-term loan)	-	50 000
Bank	15 000	-
Bank overdraft	-	45 000

REQUIRED

- (a) Calculate the following. Give your answers to two decimal places.

Show your workings.

- (i) Current ratio at 30 September 2009

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Current ratio at 30 September 2010

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[4]



Q4 W2010

(ii) Quick (acid test) ratio at 30 September 2009

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

Quick (acid test) ratio at 30 September 2010

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

[4]

(b) Suggest one reason for the change in liquidity between 30 September 2009 and 30 September 2010.

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.....
.....

[2]



Q4 W2010

(c) Suggest four actions which Windy Ltd might take to improve its bank balance.

(i)

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(ii)

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(ii) (iii)

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(iii) (iv)

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[8]

[Total: 18]



Q4 S 2010 22

4 Paula Lim supplied the following information relating to her financial year ended 30 April 2010.

	\$
Revenue (sales)	250 000
Inventory (stock) 1 May 2009	10 000
Inventory (stock) 30 April 2010	25 000
Gross profit to sales	40%
Profit for the year (net profit) to sales	8%

REQUIRED

Calculate the following for the year ended 30 April 2010. Show **all** your workings.

(a) Cost of sales

.....

.....

.....

..... [3]

(b) Raw materials (purchases)

.....

.....

.....

..... [4]

(c) Expenses

.....

.....

.....

..... [3]

(d) Rate of inventory (rate of stock) turnover

.....

.....

.....

..... [3]

[Total: 13]



Q2 S2013 21

2 The following are some of the transactions carried out by Tay, a retailer, during April 2013.

- (i) Paid insurance \$470 by cheque.
- (ii) Sold goods on credit to J Dins, cost price \$6400 plus 80% mark up.
- (iii) Paid amount owing to P Lee by cheque, \$1800, less 4% cash discount.
- (iv) Returned damaged goods costing \$590 to R & R Ltd.

REQUIRED

(a) Complete the table below for transactions (ii) to (iv). Transaction (i) has been completed as an example.

Transaction	Source document	Accounts debited and amount	Accounts credited and amount	Effect on profit for year
(i)	<i>Cheque counterfoil</i>	<i>Insurance \$470</i>	<i>Bank \$470</i>	<i>-\$470</i>
(ii)				
(iii)				
(iv)				

[12]

(b) Explain why Tay received cash discount from P Lee.

.....[2]



Q2 S2013 21

Tay supplied the following information for year ended 30 April:

1	2013		
			\$
	Revenue		60 000
	Cost of sales		48 000
2	2012		
	Revenue		58 000
	Gross profit to sales ratio		33.3%

REQUIRED

(c) Calculate Tay's gross profit to sales ratio for the year ended 30 April 2013.

.....

.....

.....[2]

(d) Compare the gross profit to sales ratio in 2012 with your answer in (c) and suggest **three** possible causes for any changes that may have taken place.

1

.....

2

.....

3

.....[6]

(e) Make **two** suggestions on how Tay may use the gross profit to sales ratio.

1

.....

2

.....[4]

[Total: 26]



Q2 W2007

2 The following is the summarised balance sheet of Khan Ltd at 30 September 2006:

Summarised Balance Sheet at 30 September 2006

	\$
Net assets	<u>64 600</u>
40 000 ordinary shares at \$1 each	40 000
Profit and loss account	<u>24 600</u>
	<u>64 600</u>

At 30 September 2007, the net assets of Khan Ltd amounted to \$60 300. No changes had occurred in share capital.

REQUIRED

(a) (i) State at 30 September 2006:

Capital

.....

Capital employed

..... [2]

(ii) Explain the difference between capital and capital employed.

.....

.....

..... [2]



Q2 W2007

(b) Explain what the change in total net assets indicates about Khan Ltd during the year ended 30 September 2007.

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

(c) Suggest three ways in which Khan Ltd could increase capital employed in the next year.

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

[Total: 10]



Q3 W2006

3 Jessica Clarke extracted the following information from her accounts for the year ended 30 September 2006:

	\$
Sales (Turnover)	100 000
Capital	50 000
Stock at 1 October 2005	4 000
Stock at 30 September 2006	8 000
Gross profit/sales	40%
Net profit/sales	10%

REQUIRED

(a) Calculate the following for Jessica Clarke for the year ended 30 September 2006:

(i) Cost of sales

.....

.....

.....

..... [2]

(ii) Purchases

.....

.....

.....

..... [3]

(iii) Expenses

.....

.....

.....

.....

..... [2]



Q3 W2006

- (b) Calculate Jessica Clarke's net profit as a percentage of capital for the year ended 30 September 2006.

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

- (c) Calculate Jessica Clarke's rate of stock turnover for the year ended 30 September 2006.

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

- (d) Jessica Clark's rate of stock turnover for the year ended 30 September 2006 was significantly lower than that of the previous year. Explain how this has affected the cost of sales.

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..... [2]

- (e) Explain two disadvantages of holding too much stock.

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

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

[Total: 18]



Q3 S2012 21

3 The following balances were extracted from the books of Alex Penn on 31 March 2013.

	\$
Equipment (net book value)	40 000
Delivery vans (net book value)	22 000
Inventory	10 670
Trade receivables	11 200
Other receivables	4 130
Bank overdraft	4 200
Trade payables	8 800
6% Bank loan (repayable 23 May 2016)	15 000
Capital 31 March 2013	70 000
Drawings	10 000

During the year Penn had purchased non-current assets to the value of \$20 000.

REQUIRED

(a) Calculate the working capital.

.....

 [2]

(b) Calculate the following to two decimal places:

(i) Working capital ratio (current ratio)

.....

 [2]

(ii) Quick ratio (acid test ratio)

.....

 [2]



Q3 S2013 21

For the year ended 31 March 2012 Penn's working capital ratio (current ratio) was 3:1 and his quick ratio (acid test ratio) was 1:1.

(c) Suggest **three** reasons why Penn's liquidity position may have changed.

1

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.....[6]

(d) Suggest **two** courses of action Penn could take to improve his liquidity.

1

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2

.....

.....

.....[6]

[Total: 18]



Q3 S2019 22

- 3 Jayden is in business buying and selling goods on credit. The following information is available for the month of March 2019.

	\$
Balance at 1 March 2019	
Inventory	40 000
 Total for the month of March 2019	
Cost of sales	77 000
 Balances at 31 March 2019	
Inventory	30 000
Bank overdraft	25 000
Trade payables	75 000
Trade receivables	60 000

REQUIRED

- (a) Calculate the following ratios to **one** decimal place. The previous month's ratios are shown in the last column.

	Workings	March 2019	February 2019
Rate of turnover of inventory			1.4 times
Working capital ratio (current ratio)			1.3:1
Quick ratio (acid test ratio)			0.9:1

[6]

- (b) Comment on the ability of Jayden to pay the trade payables.

.....

.....

.....

..... [2]

On 1 April 2019 Jayden decided to introduce a new marketing policy. He decided to:

- decrease his mark-up to 50% to increase his sales revenue
- offer trade receivables a cash discount for early payment.

Jayden hoped to end the month with a positive bank balance.



Q3 S2019 22

The summarised transactions for the month of April 2019 were:

	\$
Credit purchases	115 000
Credit sales	180 000
Paid to trade payables by cheque	135 000
Paid for expenses by cheque	50 000
Received from trade receivables by cheque after deducting \$5000 cash discount	200 000

(c) Calculate the following at 30 April 2019.

	Workings	Answer \$
Inventory		
Trade receivables		
Trade payables		
Bank		

[8]



Q3 S2019 22

- (d) Comment on the success of Jayden's new marketing policy. Support your answer by considering the effect on his current assets and current liabilities.

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[4]
[Total: 20]



HABIB PUBLIC SCHOOL

Q3 W2007

3 Jake Tippett provided the following information about his stock for the last two years:

	At 30 September 2006	At 30 September 2007
Stock valuation at cost	\$26 400	\$28 300
Stock valuation at net realisable value	\$26 500	\$28 100
Rate of stock turnover	12 times	10 times

Jake Tippett values stock at cost in his final accounts.

REQUIRED

(a) Explain the difference between cost and net realisable value.

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..... [2]

(b) Explain how the gross profit and the net profit of Jake Tippett would be affected if he valued closing stock at net realisable value in his final accounts for the year ended 30 September 2007.

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



Q3 2007

(c) Explain two reasons for the change in Jake Tippett's rate of stock turnover.

1
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2
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..... [4]

(d) Suggest two courses of action that Jake Tippett could take to improve his rate of stock turnover.

1
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2
..... [2]

[Total: 10]



Q4 S2016 22

- 4 Lache's accounting year ends on 31 December. The following information is available.

	2015	2014
	\$	\$
Revenue	750 000	600 000
Expenses	200 000	175 000
Profit for the year	100 000	50 000
Capital	250 000	250 000
Bank loan repayable 30 December 2014	–	120 000
Bank loan repayable 30 December 2020	80 000	–
Inventory	60 000	260 000
Trade receivables	22 000	40 000
Trade payables	50 000	60 000
Other receivables	1 500	2 500
Other payables	8 500	3 500
Bank	28 000 Debit	40 000 Credit

REQUIRED

- (a) Calculate the following ratios for 2015. Comparative figures for 2014 are shown. Your answers should be calculated to **one** decimal place.

	Workings	Answer	2014
Gross profit to revenue (Gross profit margin)			37.5%
Return on capital employed (ROCE) based on profit for the year			20%
Current ratio (Working capital ratio)			2.9:1
Quick ratio (acid test ratio)			0.4:1

[12]



Q4 S2016 22

(b) Using the ratios calculated in (a) and the information provided, comment on the:

(i) profitability over the two years

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[4]

(ii) liquidity over the two years.

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[4]

[Total: 20]



Q4 W2013 21

4 Wenger's trial balance on 30 April 2013 was as follows:

Trial Balance
at 30 April 2013

Account	Debit	Credit
	\$	\$
Bank	1 750	
Capital		113 500
Cash	250	
Inventory	20 000	
Long-term loan		30 000
Non-current assets	122 500	
Other payables		6 860
Other receivables	1 400	
Trade payables		12 140
Trade receivables	16 600	
	<u>162 500</u>	<u>162 500</u>

REQUIRED

(a) Calculate the following correct to **two** decimal places, at 30 April 2013:

Working capital (current) ratio;

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Q4 W2013 21

Quick (acid test) ratio.

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 [3]

Wenger's working capital (current) ratio and quick (acid test) ratio at 30 April 2012 were 4:1 and 2:1 respectively.

REQUIRED

(b) (i) Comment on the change in the ratios between 2012 and 2013.

.....

 [2]

(ii) State **three** possible causes for any changes that have taken place.

1

 [6]



Q4 W2013 21

(c) Advise Wenger on **two** measures he may take to improve his working capital.

1

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2

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..... [4]

[Total: 15]



Q4 S2018 22

- 4 The following balances remained in the books of Dharma on 30 April 2018 **after** preparation of the financial statements.

	\$
Non-current assets	25 000
Dharma's capital	20 000
Bank loan (repayable 2022)	?
Bank overdraft	2 000
Trade receivables	8 500
Trade payables	6 000
Inventory	?

Additional information

1 Profit for the year is \$7400.

2 Working capital ratio (current ratio) is 2.5:1.

REQUIRED

- (a) Calculate the value at 30 April 2018 of the:

- (i) inventory



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[2]

- (ii) bank loan (repayable 2022)

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[2]



Q4 S2018 22

- (b) Calculate the following ratios to **two** decimal places. The previous year's ratios are shown in the last column.

	Workings	30 April 2018	30 April 2017
Quick ratio (acid test ratio)			1.35:1
Profit for the year to capital employed			14.00%

[4]

- (c) Comment on the change in **each** ratio over the two years. Give **one** possible reason for the change in each ratio.

- (i) Quick ratio (acid test ratio)

Comment

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Reason

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[2]

- (ii) Profit for the year to capital employed

Comment

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.....

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Reason

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[2]



Q4 S2018 22

Dharma is considering four proposals for the next financial year but is concerned about the effect on his working capital and his profit for the year.

- Proposal 1 Sell some non-current assets on credit at book value.
- Proposal 2 Convert the bank overdraft into a 5-year bank loan at a lower rate of interest.
- Proposal 3 Offer a 5% cash discount to trade receivables. It is expected that all of the trade receivables will accept the offer.
- Proposal 4 Reduce credit sales and increase cash sales.

REQUIRED

(d) Complete the table by placing a tick (✓) to indicate the effect of **each** proposal on Dharma's working capital and his profit for the year. The first item has been completed as an example.

Proposal	Working capital			Profit for the year		
	increase	decrease	no effect	increase	decrease	no effect
1	✓					✓
2						
3						
4						

[6]

(e) State **two** advantages to Dharma of using International Accounting Standards (IAS) when preparing his financial statements.

1.....

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2.....

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[2]

[Total: 20]



Q4 S2018 23

- 4 The following summarised income statement was prepared by Kannan for the year ended 30 April 2018.

	\$
Revenue	120 000
Cost of sales	(70 000)
Gross profit	50 000
Expenses	(14 000)
Depreciation	(8 000)
Profit for the year	<u>28 000</u>

Additional information at 30 April 2018

	\$
Kannan's capital	150 000
Bank loan repayable October 2018	100 000
Bank loan repayable December 2025	80 000

After the preparation of the summarised income statement the following items were discovered.

- 1 Kannan has been advised that he may have been undercharged by \$2000 for carriage inwards.
- 2 The closing inventory was valued at its resale value of \$15 000. The cost was \$9000.
- 3 Only expenses paid during the year were included in the income statement. At 30 April 2018 expenses prepaid were \$1800 and expenses accrued were \$700.
- 4 Depreciation was charged at the rate of 10% on cost for the year. In all previous years the rate of 25% on cost had been used.

REQUIRED

- (a) Name the accounting principle or concept that has **not** been applied in **each** case.

1.....

2.....

3.....

4.....

[4]



Q4 S2018 23

(d) Analyse the change in **each** ratio over the two years.

Gross profit/sales (Gross profit margin)

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Profit for the year/sales (Net profit margin)

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Percentage return on capital employed

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[4]

[Total: 20]



Q4 S2011 21

4 George is a trader who buys and sells goods on credit. He provided the following information:

	2010 \$	2011 \$
For the year ended 30 April		
Sales	220 000	180 000
Gross profit	110 000	72 000
Expenses	66 000	63 000
At 30 April		
Inventory	46 000	35 000
Capital	160 000	180 000
Bank	20 000 (overdraft)	15 000
Trade receivables	50 000	40 000
Trade payables	60 000	60 000

Ratios/percentages	2010	2011
Percentage net profit/sales	?	5%
Percentage net profit/capital	?	5%
Working capital ratio (current ratio)	1.2:1	?
Quick ratio (acid test)	0.6:1	?

REQUIRED

(a) Calculate the following to **one** decimal place.

(i) Percentage net profit/sales for the year ended 30 April 2010

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..... [3]

(ii) Percentage net profit/capital for the year ended 30 April 2010

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..... [3]



Q4 S2011 21

(iii) Working capital ratio (current ratio) on 30 April 2011

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..... [3]

(iv) Quick ratio (acid test) on 30 April 2011

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..... [3]

(b) Suggest **two** possible reasons for the change in the net profit between the two years.

1 [2]

2 [2]

(c) Suggest **two** possible reasons for the change in the bank balance in the year ended 30 April 2011.

1 [2]

2 [2]

[Total: 20]



Q4 S2011 22

- 4 Mary is in business buying and selling goods on credit. The following information was available at 30 April 2011.

	\$
Inventory 1 May 2010	5 500
Inventory 30 April 2011	7 500
Capital 30 April 2011	75 000
Operating expenses for the year	23 500
Purchases for the year	72 000
Mark up	50%

REQUIRED

- (a) Calculate for the year ended 30 April 2011:

- (i) Revenue (sales)

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[3]

- (ii) Rate of inventory turnover (correct to **one** decimal place)

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[3]

- (iii) Profit for the year (net profit)

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[2]



Q4 S2011 22

(iv) Percentage net profit /revenue (correct to **one** decimal place)

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 [3]

(v) Percentage net profit / capital (correct to **one** decimal place).

.....

 [3]

(b) Explain why businesses with a high rate of inventory turnover often have a low percentage net profit to revenue.

.....

 [2]

(c) Mary is considering ways in which she might increase her rate of inventory turnover.

For each of the options below, place a (✓) to indicate whether the option would increase **or** decrease the rate of inventory turnover.

	Increase rate of inventory turnover	Decrease rate of inventory turnover
(i) Hold a 'Sale' and reduce prices by 20%.		
(ii) Increase the inventory by \$20 000.		
(iii) Raise selling prices by 10%.		

[3]

[Total: 19]



Q4 W2011 21

4 The following information relates to the business of Samara, a wholesaler.

	\$
Revenue (sales) for year ended 30 September 2011	200 000
Inventory 1 October 2010	18 000
At 30 September 2011	
Inventory	36 000
Trade receivables	24 000
Bank overdraft	10 000
Trade payables	40 000
Mark up	25%
Net profit / sales	6%

REQUIRED

(a) Calculate for the year ended 30 September 2011:

(i) purchases

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[3]

(ii) expenses

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[3]



Q4 W2011 21

(b) Calculate at the 30 September 2011:

(i) working capital ratio (current ratio), correct to **one** decimal place

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..... [3]

(ii) quick ratio (acid test), correct to **one** decimal place.

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..... [3]

(c) Explain why the quick ratio (acid test) is a more accurate measure of the liquidity of a business than the working capital ratio (current ratio).

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..... [3]

(d) State **three** actions that Samara could take to improve his bank balance.

1

2

3

..... [3]
[Total:18]



Q4 W2011 22

4 The following information was extracted from the books of Anika.

	\$
Revenue (sales) for the year ended 30 September 2011	80 000
Purchases for the year ended 30 September 2011	58 000
Inventory at 1 October 2010	6 000
Inventory at 30 September 2011	8 000
Bank overdraft at 30 September 2011	2 000
Trade payables at 30 September 2011	14 000
Trade receivables at 30 September 2011	16 000

REQUIRED

(a) Calculate the following:

(i) cost of sales

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[3]

(ii) rate of inventory turnover.

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[3]

(b) (i) Calculate the gross profit/ sales percentage.

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[3]



Q4 W2011 22

- (ii) Anika's gross profit/sales percentage for the year ended 30 September 2010 was 40%.

Suggest **two** possible reasons for the change in the gross profit / sales percentage between 30 September 2010 and 30 September 2011.

1

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2

..... [2]

- (c) Calculate the working capital (current) ratio correct to **one** decimal place.

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..... [3]

Anika is considering taking the following actions to improve her working capital.

- 1 Obtain a long-term loan of \$10 000.
- 2 Hold a sale of 'slow moving' inventory with an original cost of \$4000, the sale to raise \$3200 in cash.
- 3 Purchase non-current assets of \$8000 and additional inventory of \$2000.
- 4 Pay accounts payable of \$5000, taking a cash discount of 4%.



Q4 W2011 22

REQUIRED

(d) Complete the following table showing the changes to working capital. The first transaction has been completed as an example.

Action	Working capital (Increase, decrease, unchanged)	Amount of change (\$)
1 Obtain a long term loan, \$10 000.	<i>Increased</i>	<i>\$10,000</i>
2 Sale of inventory (cost \$4000) for \$3200 cash.		
3 Purchase non-current assets \$8000 and inventory \$2000, on credit.		
4 Pay accounts payable, \$5000, taking cash discount of 4%.		

[6]

[Total: 20]



Q4 S2012 21

4 Ashok provided the following information for the year ended 31 March 2012:

	\$
Revenue (sales)	120 000
Inventory 1 April 2011	22 500
Inventory 31 March 2012	26 500
Gross profit/sales	20%
Net profit/sales	8%

REQUIRED

(a) Calculate for the year ended 31 March 2012:

(i) Cost of sales

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[3]

(ii) Purchases

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[3]

(iii) Expenses

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[3]



Q4 S2012 21

(b) Calculate to two decimal places the rate of inventory (stock) turnover for the year ended 31 March 2012.

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.....[3]

(c) Suggest **two** ways in which Ashok might increase his rate of inventory (stock) turnover.

1

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2

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.....[2]

Ashok is investigating a possible error in the valuation of the closing inventory on 31 March 2012. The revised valuation may be \$30 000.

(d) Calculate the profit for the year if the closing inventory is valued at \$30 000.

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.....[3]

(e) State **three** disadvantages of holding too much inventory.

1

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2

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.....[3]

[Total: 20]



Q4 W2012 22

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

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

REQUIRED

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

- (i) Profit for the year

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 [3]

- (ii) Rate of turnover of inventory

.....

 [3]

- (iii) Gross profit to sales percentage

.....

 [3]



Q4 W2012 22

(iv) Net profit to sales percentage

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.....

.....

..... [3]

(v) Working capital ratio (current ratio)

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.....

.....

..... [3]

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

1

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2

..... [2]

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

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..... [2]

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

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..... [1]

[Total: 20]



Q4 W 2012 21

4 The trial balance of Maya, after the calculation of the gross profit, was as follows:

Maya Trial Balance at 30 September 2012		
	Dr \$	Cr \$
Gross profit		120 000
Sundry expenses	57 000	
Non-current assets (cost)	400 000	
Non-current assets (provision for depreciation)		82 000
Trade receivables	55 000	
Trade payables		85 000
Inventory at 30 September 2012	125 000	
Cash	5 000	
Bank loan (repayable 31 October 2012)		35 000
Capital		<u>320 000</u>
	<u>642 000</u>	<u>642 000</u>

Additional information for the year ended 30 September 2012:

- 1 Mark-up on cost of sales, 25%.
- 2 Depreciation for the year on non-current assets, \$15 000.

REQUIRED

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

(i) Revenue (sales)

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..... [3]

(ii) Net profit/sales percentage

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..... [3]



Q4 W2012 21

(iii) Net profit/capital percentage

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..... [3]

(iv) Quick ratio (acid test)

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..... [3]

(b) Explain to Maya why the quick ratio (acid test) is a better measure of liquidity than the working capital ratio (current ratio).

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..... [2]

(c) Comment upon the adequacy of Maya's cash for the next three months. Give **one** reason for your comment.

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Reason

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..... [3]

(d) Suggest **three** ways in which Maya might increase the cash in the business.

1

2

3 [3]

[Total: 20]



Q4 S2013 22

4 Baljit provided the following information for the year ended 30 April 2013.

	\$
Inventory 1 May 2012	14 841
Inventory 30 April 2013	21 159
Cost of goods sold	90 000
Administration expenses	4 890
Selling expenses	7 485
Capital employed 1 May 2012	101 250
Mark up	25%

REQUIRED

(a) Calculate for the year ended 30 April 2013:

(i) Sales

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[2]

(ii) Purchases

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[2]

(iii) Profit for the year

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[2]



Q4 S2013 22

(d) Suggest **three** actions Baljit may take to improve her rate of inventory turnover.

1

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3

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.....[6]

[Total: 26]



Q4 W2013 22

- 4 Shaw's accounting year ends on 30 April. The following information is supplied for 2011, 2012 and 2013.

	2011	2012	2013
	\$	\$	\$
Revenue (Sales)	150 000	225 000	300 000
Gross profit	37 500	56 250	75 000
Profit for year (Net profit)	18 750	23 400	27 990
Capital	150 000	195 000	240 000
Gross profit margin	25%	25%	?
Net profit margin	12.50%	10.40%	?
Percentage of expenses to sales	12.50%	14.60%	15.67%
Return on capital employed	12.5%	12%	?

REQUIRED

- (a) Calculate, to two decimal places, the following ratios at 30 April 2013:

Gross profit margin

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.....

.....

Net profit margin

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Return on capital employed

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[3]



Q4 W2013 22

(b) Using the ratios calculated in (a) comment on the profitability over the three years.

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[8]

[Total: 11]



Q4 S2014 21

- 4 Demetris is a trader, buying and selling goods on credit. The following information was available on 31 March 2014.

	\$
Revenue	300 000
Inventory 31 March 2014	50 000
Purchases	170 000
Capital	100 000
Bank	5 000 Dr
Trade payables	60 000
Trade receivables	11 000
 Gross profit/sales	 20%

REQUIRED

- (a) Calculate the:

- (i) Cost of goods sold.

.....

 [2]

- (ii) Inventory at 1 April 2013.

.....

 [3]

- (b) Suggest **two** possible effects of holding too much inventory.

1.....

 2.....

 [2]



Q4 S2014 21

(c) Calculate, to **two** decimal places, the:

(i) Working capital ratio (current ratio)

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

(ii) Quick ratio (acid test ratio)

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

(d) Comment upon the sufficiency of the working capital ratio (current ratio).

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



Q4 S2014 21

During the year ended 31 March 2014, Demetris took the following actions.

- 1 Repaid a \$40 000 long term bank loan.
- 2 Purchased \$20 000 of non-current assets on credit.
- 3 Sold inventory for \$20 000 on credit (cost \$15 000).

REQUIRED

(e) Complete the following table showing the effect on the current assets, current liabilities and the working capital ratio (current ratio) for each of the actions **1 to 3** above. The first item has been completed as an example.

	Current assets	Current liabilities	Working capital ratio (current ratio)
1 Repaid a \$40 000 long term bank loan.	<i>Decreased \$40 000</i>	<i>No effect</i>	<i>Decreased</i>
2 Purchased \$20 000 of non-current assets on credit.			
3 Sold inventory for \$20 000 on credit (cost \$15 000).			

[6]

[Total: 21]



Q4 S2014 22

4 Najla provided the following information for the year ended 31 March 2014.

	\$
Revenue	168 000
Inventory 1 April 2013	20 000
Inventory 31 March 2014	16 000
Purchases	122 000
Trade receivables	24 500
Trade payables	35 000
Capital	100 000
Bank	1 500 Dr

REQUIRED

(a) Calculate the:

Cost of goods sold

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.....

Gross profit/sales percentage

.....
.....

Rate of inventory turnover

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Q4 S2014 22

Working capital ratio (current ratio)

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.....[10]



Q4 S2014 22

In the previous year, ended 31 March 2013, Najla calculated the following ratios:

Gross profit /sales percentage	20%
Rate of inventory turnover	6 times
Working capital ratio (current ratio)	1.7:1

REQUIRED

(b) Comment upon the performance of Najla under the following headings, using the information above and your answer in (a).

Controlling inventory

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

Ability to pay trade payables

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.....[4]

(c) Suggest **two** possible reasons for the change in gross profit/sales percentage.

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



Q4 S2014 22

Najla is considering the following proposals to improve his working capital.

- 1 Sell obsolete inventory costing \$1000 for cash \$500.
- 2 Sell non-current assets for \$3000 cash.
- 3 Allow trade receivables to pay debts of \$4000 less 5% cash discount.
- 4 Bring \$5000 additional capital into the business: Motor vehicle \$3000 and cash \$2000.

REQUIRED

- (d) Complete the following table showing the changes to working capital. The first proposal has been completed as an example.

Proposals	Working capital		Amount of change (\$)
	increase	decrease	
1		✓	\$500
2			
3			
4			

[6]

[Total: 22]



Q4 W2014 22

4 The following information relates to the business of Lili.

	\$
Revenue	200 000
Inventory 1 October 2013	15 500
Inventory 30 September 2014	24 500
Rate of inventory turnover	8 times
Net profit/sales	7%

REQUIRED

(a) Calculate the following.

	Workings	Answer
cost of sales		
purchases		
percentage gross profit to sales		
expenses		
profit for the year		

[14]



Q4 W2014 22

Lili's inventory of \$24 500 needs to be adjusted for the following.

- 1 5 items costing \$10 each had been omitted from the inventory.
- 2 10 items costing \$25 each were damaged and could only be sold for \$15 each.
- 3 4 items were included in the inventory at the list price of \$300 each, having been marked up by 50%.
- 4 1 item costing \$20 was recorded in error in the inventory as \$200.

REQUIRED

(b) Complete the following table showing the effect that **each** adjustment will have upon the inventory valuation at 30 September 2014. The first item has been completed as an example.

Adjustment	Effect on inventory value		Value \$
	increase	decrease	
1	✓		50
2			
3			
4			

[6]

[Total: 20]



Q4 W2014 21

4 Lai Yee provided the following information.

	\$
Profit from operations (before bank loan interest)	36 000
Capital	200 000
Trade payables	50 000
Trade receivables	45 000
8% Bank loan (repayable 2024)	100 000
Bank	60 000 Dr
Closing inventory	75 000
Cost of sales	480 000
Revenue	600 000

REQUIRED

(a) Calculate to **one** decimal place:

Ratio	Workings	Answer
Percentage gross profit/sales		
Percentage net profit/sales		
Return on capital employed (ROCE)		
Working capital ratio (Current ratio)		

[12]

(b) Comment upon the sufficiency of the working capital ratio (current ratio).

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.....

.....

.....[2]



Q4 W2014 21

Lai Yee is considering ways in which she might improve her return on capital employed (ROCE). She is considering the following proposals.

- 1 Introduce additional capital of \$10 000.
- 2 Repay half of the 8% bank loan.
- 3 Sell \$20 000 non-current assets, saving \$3000 in depreciation.
- 4 Convert \$25 000 of the 8% bank loan into a bank overdraft at 12% interest per annum.

REQUIRED

(c) Complete the following table, by placing a tick (✓) in the appropriate box, to show the effect on the profit for the year and the capital employed.

The first item has been completed as an example.

Proposals	Profit for the year			Capital employed		
	increase	decrease	no effect	increase	decrease	no effect
1			✓	✓		
2						
3						
4						

[6]

Lai Yee is also considering improving her profit for the year by:

- 1 revaluing her business premises to the market value of \$120 000 (cost \$100 000)
- 2 removing the provision for doubtful debts.

REQUIRED

(d) Name which accounting concept would not be complied with if Lai Yee implemented her proposals.

Proposal 1

Proposal 2 [2]

[Total: 22]



Q4 S2015 21

4 John provided the following information for the year ended 31 March 2015.

	\$
Revenue	900 000
Inventory 1 April 2014	65 000
Inventory 31 March 2015	35 000
Expenses	105 000
Owner's capital	300 000
Long term loan	150 000
Mark up	20%

REQUIRED

(a) Calculate for the year ended 31 March 2015:

(i) Cost of goods sold

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

(ii) Profit for the year

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



Q4 S2015 21

(b) Calculate the following ratios.

	Workings	31 March 2015	31 March 2014
Profit margin (profit for the year to revenue)			5%
Rate of inventory turnover			7 times
Return on capital employed (ROCE)			4%

[6]

(c) Give **two** comments on the performance of John's business over the two years.

1

.....

.....

2

.....

.....

..... [6]



Q4 S2015 21

John is considering the following proposals to improve his profit for the year.

- 1 Change the depreciation methods for non-current assets.
- 2 Remove the provision for doubtful debts from the financial statements.
- 3 Value the inventory at market price.
- 4 Place a value on the skill of the workforce in the financial statements.
- 5 Exclude expenses owing from the income statement.

REQUIRED

- (d) Name the accounting principle/concept which would **not** be complied with if each proposal was implemented. The first one has been completed as an example.

	Proposal	Accounting principle/ concept
1	Change the depreciation methods for non-current assets	<i>Consistency</i>
2	Remove the provision for doubtful debts from the financial statements	
3	Value the inventory at market price	
4	Place a value on the skill of the workforce in the financial statements	
5	Exclude expenses owing from the income statement	

[4]

[Total: 20]



Q4 S2015 22

4 Xever provided the following information for the year ended 31 March 2015.

	\$
Capital	40 000
Bank loan (repayable 1 Jan 2020)	10 000
Inventory 1 April 2014	15 000
Inventory 31 March 2015	35 000
Cost of sales	125 000
Trade receivables	25 000
Trade payables	70 000
Bank overdraft	30 000
Mark up 20%	
Profit margin (profit for the year to revenue)	5%

REQUIRED

(a) Calculate the following for the year ended 31 March 2015.

(i) Revenue

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..... [2]

(ii) Purchases

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(iii) Expenses for the year

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Q4 S2015 22

(b) Calculate the following ratios, correct to **two** decimal places. The previous year's ratios are shown in the last column.

	Workings	31 March 2015	31 March 2014
Gross profit margin (gross profit to revenue)			25.61%
Return on capital employed (ROCE)			12.00%
Rate of turnover of inventory			2.82 times
Quick ratio (acid test ratio)			0.91:1

[8]

(c) Comment on the changes to Xever's business over the two years under the following headings.

(i) Profitability

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[3]

(ii) Liquidity

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[Total:20]



Q4 W2015 21

- 4 Galenia buys and sells goods on credit. The following information was available on 30 September 2015.

	\$
Inventory 1 October 2014	11 000
Inventory 30 September 2015	37 000
Cost of goods sold	90 000
Profit for the year	18 900
Trade receivables	14 200
Trade payables	27 000
Bank	2 800 debit
Mark up	40%

REQUIRED

(a) Calculate the following for the year ended 30 September 2015.

(i) Revenue

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[2]

(ii) Purchases

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[2]

(iii) Expenses for the year

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[2]



Q4 S 2016 21

4 Lache's accounting year ends on 31 December. The following information is available.

	2015	2014
	\$	\$
Revenue	750 000	600 000
Expenses	200 000	175 000
Profit for the year	100 000	50 000
Capital	250 000	250 000
Bank loan repayable 30 December 2014	–	120 000
Bank loan repayable 30 December 2020	80 000	–
Inventory	60 000	260 000
Trade receivables	22 000	40 000
Trade payables	50 000	60 000
Other receivables	1 500	2 500
Other payables	8 500	3 500
Bank	28 000 Debit	40 000 Credit

REQUIRED

- (a) Calculate the following ratios for 2015. Comparative figures for 2014 are shown. Your answers should be calculated to **one** decimal place.

	Workings	Answer	2014
Gross profit to revenue (Gross profit margin)			37.5%
Return on capital employed (ROCE) based on profit for the year			20%
Current ratio (Working capital ratio)			2.9:1
Quick ratio (acid test ratio)			0.4:1

[12]



Q4 S 2016 21

(b) Using the ratios calculated in (a) and the information provided, comment on the:

(i) profitability over the two years

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[4]

(ii) liquidity over the two years.

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[4]

[Total: 20]



Q4 S 2016 21

4 Lache's accounting year ends on 31 December. The following information is available.

	2015	2014
	\$	\$
Revenue	750 000	600 000
Expenses	200 000	175 000
Profit for the year	100 000	50 000
Capital	250 000	250 000
Bank loan repayable 30 December 2014	–	120 000
Bank loan repayable 30 December 2020	80 000	–
Inventory	60 000	260 000
Trade receivables	22 000	40 000
Trade payables	50 000	60 000
Other receivables	1 500	2 500
Other payables	8 500	3 500
Bank	28 000 Debit	40 000 Credit

REQUIRED

- (a) Calculate the following ratios for 2015. Comparative figures for 2014 are shown. Your answers should be calculated to **one** decimal place.

	Workings	Answer	2014
Gross profit to revenue (Gross profit margin)			37.5%
Return on capital employed (ROCE) based on profit for the year			20%
Current ratio (Working capital ratio)			2.9:1
Quick ratio (acid test ratio)			0.4:1

[12]



Q4 S 2016 21

(b) Using the ratios calculated in (a) and the information provided, comment on the:

(i) profitability over the two years

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[4]

(ii) liquidity over the two years.

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[Total: 20]



Q4 W2016 21

4 Ng provided the following information for the year ended 30 September 2016.

	\$
Cost of sales	240 000
Trade payables	180 000
Trade receivables	120 000
8% Bank loan (repayable 2024)	30 000
Bank	20 000 Credit
Closing inventory	130 000
 Gross profit margin	 25%

REQUIRED

(a) Calculate the following for the year ended 30 September 2016. Comparative figures for the previous year are shown.

	Year ended 30 September 2016		Year ended 30 September 2015
	Workings	Answer	
Revenue			\$220 000
Working capital ratio (Current ratio) (to two decimal places)			1.93:1
Quick ratio (acid test ratio) (to two decimal places)			1.12:1

[8]



Q4 W2016 22

- 4 Zahin is a trader, buying and selling goods on credit. The following information is available on 31 August 2016.

	\$
Capital	60 000
Bank loan (repayable 2020)	20 000
Inventory	
1 September 2015	29 000
31 August 2016	31 000
Purchases	170 000
Percentage of gross profit to revenue (Gross profit margin)	25%
Percentage of profit for the year to revenue (Profit margin)	5%

REQUIRED

- (a) Calculate the following for the year ended 31 August 2016. Comparative figures for the previous year are shown.

	Year ended 31 August 2016		Year ended 31 August 2015
	Workings	Answer	
Revenue for the year			\$200 000
Percentage mark-up			27%
Expenses for the year			\$36 000
Return on capital employed (ROCE) based on profit for the year			21%

[10]



Q4 W2016 22

(b) Give **three** comments about the performance of Zahin's business over the two years.

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[6]

Zahin is considering changes to his accounting policies.

REQUIRED

(c) Complete the table naming **one** principle or concept which has **not** been complied with if **each** proposed action is implemented. The first item has been completed as an example.

Proposed action	Principle or concept
Revalue his premises, recording the increase in market value as a profit	<i>Historic cost</i>
Include a value for business reputation in his income statement	
Record his drawings in the income statement	
Stop charging depreciation on non-current assets for the year	
Do not provide for trade debts which are probably irrecoverable	

[4]

[Total: 20]



Q4 S2017 21

4 Jia provided the following information.

	\$
At 1 April 2016	
Opening inventory	27 000
For the year ended 31 March 2017	
Expenses	35 000
Revenue	240 000
At 31 March 2017	
Trade payables	20 000
Trade receivables	16 000
Bank	2 000 Debit
Closing inventory	21 000

Jia uses a mark-up of 25%.

REQUIRED

(a) Calculate the following for the year ended 31 March 2017.

(i) Cost of sales

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.....[2]

(ii) Profit for the year

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Q4 S2017 21

(b) Calculate the following ratios to **two** decimal places. The previous year's ratios are shown in the last column.

	Workings	31 March 2017	31 March 2016
Gross profit/sales (Gross profit margin)			15.00%
Rate of inventory turnover			5.33 times
Working capital ratio (Current ratio)			3.15:1
Quick ratio (acid test ratio)			0.32:1

[8]

(c) Comment on the change in the following ratios calculated in (b) over the two years.

(i) Gross profit/sales (Gross profit margin)

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(ii) Quick ratio (acid test ratio)

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[4]



Q4 S2017 21

Jia is considering ways in which she might improve her profit and working capital in the following year. She is considering the following proposals:

- Proposal 1 Introduce additional capital of \$20 000 in cash.
- Proposal 2 Charge depreciation on non-current assets at 15% per annum instead of 25% per annum.
- Proposal 3 Take out a 5-year 6% bank loan of \$30 000.

REQUIRED

(d) Complete the following table by placing a tick (✓) to show the effect of **each** proposal on Jia's profit for the year and working capital. The first item has been completed as an example.

	Profit for the year			Working capital		
	increase	decrease	no effect	increase	decrease	no effect
Proposal 1			✓	✓		
Proposal 2						
Proposal 3						

[4]

[Total: 20]



Q4 S2017 22

- 4 Irfan’s accounting year ends on 30 April. The following information is available for the years ended 30 April 2015, 2016 and 2017.

	2015	2016	2017
	\$	\$	\$
Revenue	128 000	155 000	200 000
Cost of sales	96 000	124 000	164 000
Opening inventory	10 200	13 800	11 000
Expenses	27 500	23 000	22 000
Capital	50 000	50 000	50 000
Bank loan (repayable May 2020)	40 000	30 000	20 000
Gross profit margin	25%	20%	?
Rate of inventory turnover	8 times	10 times	?
Return on capital employed (ROCE)	5%	10%	?

Additional information

Inventory on 30 April 2017 was valued at \$9500.

REQUIRED

- (a) Calculate the following ratios at 30 April 2017.

- (i) Gross profit margin

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.....[2]

- (ii) Rate of inventory turnover

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.....[2]



Q4 S2017 22

(iii) Return on capital employed (ROCE)

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(b) (i) Suggest **two** possible reasons for the change in the gross profit margin over the 3 years.

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.....[2]

(ii) Suggest **two** possible reasons for the change in the rate of inventory turnover over the 3 years.

1

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2

.....[2]

(iii) Suggest **two** possible reasons for the change in the return on capital employed (ROCE) over the 3 years.

1

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2

.....[2]

Irfan is considering ways in which he might improve his percentage return on capital employed (ROCE) in the following year. He is considering the following proposals:

- 1 Introduce additional capital of \$5000.
- 2 Sell non-current assets at book value, \$15000, saving \$1500 in depreciation.
- 3 Give customers cash discount for prompt payment.
- 4 Convert \$20000 of bank loan into a bank overdraft at the same rate of interest.



Q4 S2017 22

- (c) Complete the following table, by placing a tick (✓) in the appropriate box, to show the effect of **each** proposal on the profit for the year and the return on capital employed (ROCE).

The first item has been completed as an example.

Proposal	Profit for the year			Return on capital employed (ROCE)		
	increase	decrease	no effect	increase	decrease	no effect
1			✓		✓	
2						
3						
4						

[6]

Irfan has also considered improving his profit for the year by:

Proposal 5 Changing the method of depreciating his non-current assets to reduce the annual depreciation charge

Proposal 6 **Not** adjusting his financial statements for wages owing at the year end

REQUIRED

- (d) Name the accounting concept or principle which would **not** be complied with if Irfan implemented his proposals.

Proposal 5

Proposal 6 [2]

[Total: 20]



Q4 W2017 21

- 4 The trial balance of Juan, **after** preparing the trading account section of the income statement, was as follows:

Juan		
Trial Balance at 30 April 2017		
	Dr	Cr
	\$	\$
Gross profit		60 000
General expenses	25 000	
Non-current assets		
Cost	40 000	
Provision for depreciation		13 000
Bank		25 000
Trade receivables	15 000	
Trade payables		32 000
Inventory at 30 April 2017	60 000	
Capital		<u>10 000</u>
	<u>140 000</u>	<u>140 000</u>

Additional information for the year ended 30 April 2017

- 1 Mark-up on cost of sales was 20%.
- 2 Depreciation on non-current assets for the year was \$8000 and is yet to be provided.

REQUIRED

(a) Calculate the:

(i) Revenue

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.....[2]

(ii) Profit for the year

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.....[2]

(iii) Working capital

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Q4 W2017 21

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

	Workings	Answer
Percentage of profit for the year to revenue (profit margin)		
Working capital ratio (current ratio)		
Quick ratio (acid test ratio)		

[6]

(c) Explain to Juan why the quick ratio (acid test ratio) is a better measure of liquidity than the working capital ratio (current ratio).

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(d) Comment upon the sufficiency of Juan’s liquidity level. Explain the reason for your comment.

Comment

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Reason

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.....[3]

(e) Suggest **three** ways in which Juan might increase his bank balance.

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

[Total: 20]



Q4 S2019 21

- 4 Celia is in business buying and selling goods on credit.

The following information is available:

At 1 May 2018
Inventory \$ 17 500

For the year ended 30 April 2019
Cost of sales \$ 350 000

Percentage of gross profit to sales revenue is 30%

At 30 April 2019
Inventory \$ 22 500
Trade payables 90 000
Trade receivables 85 000
Bank overdraft 20 000

REQUIRED

- (a) Calculate the following on 30 April 2019. The previous year's figures are shown in the last column.

	Workings	30 April 2019	30 April 2018
Revenue for the year			\$320 000
Rate of turnover of inventory (to one decimal place)			12.0 times
Current ratio (working capital ratio) (to two decimal places)			1.80:1
Quick ratio (acid test ratio) (to two decimal places)			0.90:1

[8]



Q4 S2019 21

- (b) Comment on the changes in Celia’s business which have occurred between 30 April 2018 and 30 April 2019.

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[6]

Celia is concerned that her balance at the bank is an overdraft and she wishes to return to a positive bank balance as soon as possible. She has decided to increase the mark-up on goods sold and has made the following estimates for May:

	\$
Revenue	25 000
Purchases	7 500
Expenses paid	4 500
Trade payables 31 May 2019	84 000
Trade receivables 31 May 2019	75 000

All payments and receipts will be by cheque.

REQUIRED

- (c) Calculate the following:

	Workings	Answer \$
Receipts from trade receivables in May 2019		
Payments made to trade payables in May 2019		
Bank balance at 31 May 2019		

[6]

[Total: 20]



Q4 W2018 21

4 The following information was available from the books of Linrae.

Totals for the year ended 30 September 2017

	\$
Revenue	240 000
Cost of sales	180 000
Expenses (excluding depreciation)	35 000
Depreciation	10 000
Balance at 30 September 2017	
Linrae's capital	100 000

REQUIRED

(a) Calculate the following for the year ended 30 September 2017. Show your answers to **two** decimal places.

	Workings	Answer
Percentage mark-up		
Percentage profit for the year to revenue (profit margin)		
Return on capital employed (ROCE)		

[6]



Q4 W2018 22

During the month of September 2018 the summarised transactions were:

	\$
Credit purchases	35 000
Credit sales	60 000
Received from trade receivables by cheque	80 000
Paid to trade payables by cheque	27 000
Paid for expenses by cheque	15 000

Hema marks up all goods by 50% for resale.

REQUIRED

(c) Calculate the following balances at 30 September 2018.

	Workings	Answer \$
Inventory		
Trade receivables		
Trade payables		
Bank		

[9]



Q4 W2018 22

- (d) State the effect of **each** of the following on the working capital.
The first item has been completed as an example.

	Working capital \$
Sold non-current assets for cash \$1200.	+ 1200
Trade receivables paid \$485 in full settlement of debts of \$500.	
Converted \$2500 of the bank overdraft to a five year bank loan.	
Hema brought additional capital into the business: motor van \$900 and inventory \$600.	

[3]

[Total: 20]



Q4 W2019 21

- 4 Indu is in business buying and selling goods on credit.

The following information is available.

	\$
At 1 October 2018	
Inventory	35 000
For the year ended 30 September 2019	
Revenue	400 000
Expenses	52 000
At 30 September 2019	
Inventory	68 000
Owner's capital	150 000
5% bank loan – repayable 2025	50 000

Mark-up was 25%.

REQUIRED

- (a) Calculate the following for the year ended 30 September 2019. Comparative figures for the year ended 30 September 2018 are shown in the last column.

	Workings	Answer	Year ended 30 September 2018
Cost of sales			\$270 000
Purchases			\$260 000
Percentage of gross profit to revenue (gross profit margin)			25%
Percentage of profit for the year to revenue (profit margin)			10%
Return on capital employed (ROCE)			18%

[10]



Q4 W2019 21

(b) Suggest **four** possible reasons for the change in the profitability ratios of the business over the two years.

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[4]

Indu wishes to increase her profit for the year and has made some proposals. A friend has advised that each proposal may not comply with an accounting principle or concept.

REQUIRED

(c) Complete the table by placing a tick (✓) to indicate the effect on the profit for the year of **each** proposal. Name the accounting principle or concept **not** being applied. The first one has been completed as an example.

Proposal	Effect on profit for the year			Accounting principle or concept not applied
	Increase	Decrease	No effect	
Value closing inventory at cost price plus mark-up.	3			<i>Historic cost</i>
Remove provision for doubtful debts from financial statements.				
Place a value on the satisfaction and loyalty of customers.				
Make no adjustment for expenses prepaid at year end.				

[6]

[Total: 20]



Q4 W2019 22

4 Rani is in business buying and selling goods on credit.

She provided the following information.

At 1 October 2017	\$
Capital	75 000
Bank loan (repayable 2023)	40 000

For the year ended 30 September 2018	
Expenses	65 000
Profit for the year	15 000

Mark-up 25%

Rani did not make any drawings during the year.

REQUIRED

(a) Calculate the following for the year ended 30 September 2018.

	Workings	Answer
Revenue		
Percentage of profit for the year to revenue (to two decimal places)		
Percentage return on capital employed (to two decimal places) Use the capital employed at 30 September 2018		

[6]

Rani is concerned about the level of her profitability. She decided to increase the mark-up to 50% on her goods for the year ended 30 September 2019.

The following information is available for the year ended 30 September 2019.

	\$
Purchases	212 000
Expenses	60 000
Inventory at 1 October 2018	36 000
Inventory at 30 September 2019	28 000



Q4 W2019 22

(b) Calculate the following for the year ended 30 September 2019.

	Workings	Answer \$
Cost of sales		
Revenue		
Profit for the year		

[6]

(c) Comment on the profitability of Rani's business over the two years.

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[4]



Q4 W2019 22

(d) Name the accounting principle/concept being applied by Rani in the following situations.

	Principle/concept
Rani always ensures that her personal transactions are not recorded in the business accounting records.	
Rani does not calculate annual depreciation on low-value office equipment items such as staplers.	
Rani requires reports on the progress of the business at regular intervals.	
Rani's assets and expenses are recorded in the ledger accounts at their actual cost.	

[4]

[Total: 20]



Q1 S2020 21

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

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

REQUIRED

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

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

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

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



Q1 S2020 21

REQUIRED

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

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

Date	Details	\$	Date	Details	\$
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[8]



Q1 S2020 21

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

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

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

REQUIRED

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

ZED Sports Club
Bank Reconciliation Statement at 29 February 2020

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[5]

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

	Receipts and payments account	Income and expenditure account
1		
2		
3		

[3]

[Total: 20]



Q4 W2020 22

4 Carlos owns a business selling computer equipment.

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

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

REQUIRED

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

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

[1]

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

Profit margin

Workings	Year ended	
	31 July 2020	31 July 2019
		8.56%

Gross margin

Workings	Year ended	
	31 July 2020	31 July 2019
		34.26%

Return on capital employed (ROCE)

Workings	Year ended	
	31 July 2020	31 July 2019
		32.08%

[6]



Q4 W2020 22

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

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[6]



Q4 W2020 22

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

REQUIRED

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

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..... [5]

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

Interested party	The interest they would have

[2]

[Total: 20]



Q5 S 2020 21

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

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

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

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

MPT Limited provided the following balances at 30 April 2020.

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

REQUIRED

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

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[3]



Q5 S 2020 21

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

MPT Limited
Statement of Financial Position at 30 April 2020

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[7]

Q5 S 2020 21

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

REQUIRED

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

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

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..... [4]



Q5 S 2020 21

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

REQUIRED

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

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[5]

[Total: 20]



Q5 S2020 22

5 The directors of JKY Limited provided the following information.

For the year to 30 April 2020:

	\$
Revenue	209510
Purchases	121618

At 30 April 2020:

Inventory	11 050
Trade receivables	28 700
Bank overdraft	6 280

All sales and purchases were made on credit terms.

Inventory at 1 May 2019 was valued at \$8000

REQUIRED

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

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

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

[5]



Q5 S2020 22

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

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

REQUIRED

(b) Explain the effects of the change in:

(i) inventory turnover

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..... [3]

(ii) trade receivables turnover (days)

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Q5 S2020 22

The directors are concerned about the level of trade receivables. They are considering introducing cash discount of 1% for payment within 21 days **or** charging interest on amounts outstanding after 30 days.

REQUIRED

- (c) Advise the directors whether they should introduce the cash discount policy or the interest charge policy. Justify your answer by providing **one** advantage and **one** disadvantage of **each** policy.

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..... [5]

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

REQUIRED

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

- (i) comparability

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..... [2]



Q5 S2020 22

(ii) relevance

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..... [2]

[Total: 20]



Q5 W2020 23

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

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

REQUIRED

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

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

The first one has been completed as an example.

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

[8]

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

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

REQUIRED

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

- (i) Current ratio

1

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2

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[2]



Q5 W2020 23

(ii) Liquid (acid test) ratio

1

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2

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[2]

(iii) Return on capital employed (ROCE)

1

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2

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[2]

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

REQUIRED

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

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[1]





TOPIC 13 MANUFACTURING





Q6 W 2002

- 6 Justine is a manufacturer of beauty products. The following balances were extracted from her books on 31 December 2001 after the Manufacturing Account had been prepared.

	\$	\$
Stocks Raw Materials (31 December 2001)	3 530	
Work in Progress (31 December 2001)	1 450	
Finished Products (1 January 2001)	11 200	
Cost of products manufactured	103 780	
Sales of finished goods		137 560
Carriage on sales	1 230	
Advertising	3 410	
Sales staff's commission	8 970	
Office expenses	11 860	
Bank charges	60	
Plant and machinery	51 410	
Provision for depreciation on Plant and Machinery		9 030
Trade debtors	13 600	
Trade creditors		5 210
Provision for doubtful debts (1 January 2001)		310
Bad debts	460	
Cash in hand	90	
Bank overdraft		1 740
Capital		60 450
Drawings	3 250	
	214 300	214 300

The following additional information is available.

1. Stock of finished products at 31 December 2001 was valued at \$10 640.
 2. During the year, Justine took finished products valued at \$600 from the current year's production for personal use. No entries had been made in the books.
 3. Sales staff's commission outstanding amounted to \$390.
 4. The provision for doubtful debts is to be adjusted to 5% of debtors.
 5. \$50 for bank charges had not been recorded in the books.
- (a) Prepare Justine's Trading and Profit and Loss Accounts for the year ended 31 December 2001. [17]
- (b) Prepare the Balance Sheet as at 31 December 2001. [17]



Q4 W2003

- 4 The following information for the year ended 30 September 2003 was extracted from the books of Preserves Ltd, manufacturers of jam and fruit juices.

	1 October 2002	30 September 2003
	\$	\$
Stocks: – raw materials	6 800	6 400
– jars, lids and labels	10 400	10 000
– finished goods	21 000	21 600
Purchases: – raw materials		70 600
– jars, lids and labels		17 000
 Sales		 365 000
Factory wages		36 800
Factory light and power		29 200
Factory machines repairs		11 400
Carriage on raw materials		11 000
Depreciation of plant and machinery		12 600

REQUIRED:

- (a) Prepare, in good style, the Manufacturing Account for the year ended 30 September 2003.

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Q4 W2003

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[14]

(b) Prepare the Trading Account for the year ended 30 September 2003.

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[4]



Q4 S 2005

Q 4 Carter Ltd is a manufacturing business. The following information relates to the year ended 30 April 2005.

	\$
Direct material	146 300
Direct labour	175 400
Factory overheads	83 800
Work in progress, 1 May 2004	10 000
Work in progress, 30 April 2005	10 000

REQUIRED

(a) Calculate

(i) Prime cost

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.....[3]

(ii) Factory cost of production

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.....[3]



Q4 S 2005

(b) Explain the difference between direct costs and indirect costs.

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.....[4]

The directors of Carter Ltd ensure that they value work in progress following the accounting principles of going concern and prudence (conservatism).

REQUIRED

(c) (i) Explain **two** ways in which the going concern principle affects the value of work in progress.

(1)
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.....[2]

(2)
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.....[2]



Q4 S 2005

(ii) Explain **two** ways in which the prudence (conservatism) principle affects the value of work in progress.

(1)
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.....[2]

(2)
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.....[2]

[Total: 18]



Q4 W2007

- 4 The following information was extracted from the books of CookSmart Ltd, manufacturer of cooking oil, for the year ended 30 September 2007:

	1 Oct 2006	30 Sept 2007
	\$	\$
Stock – raw materials	18 700	18 100
Stock – containers and packing	34 100	33 800
Stock – work in progress	100	200
Stock – finished goods	56 200	50 300
Purchases – raw materials		111 400
Purchases – containers and packing		176 200
Carriage on raw materials		31 200
Direct factory wages		103 400
Depreciation of factory plant		96 200
Salary of factory supervisor		21 800
Sales		610 700



Q4 W2007

REQUIRED

Prepare, in good style, the manufacturing account for the year ended 30 September 2007. Show clearly the cost of raw materials consumed, prime cost and cost of production.

CookSmart Ltd
Manufacturing Account for the year ended 30 September 2007

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[17]

[Total: 17]



Q5 W2008

Answer Question 5 in this booklet or on separate sheets of paper.

- 5 Samma Rashid is a manufacturer. The following balances were extracted from the books on 31 October 2008:

	\$
Stock at 1 November 2007	
Raw materials	26 700
Work in progress	7 900
Finished goods	2 450
Purchases of raw materials	213 200
Purchases of finished goods	15 800
Purchases returns of finished goods	900
Sales	525 300
Discounts received	5 100
Direct factory wages	145 300
Factory manager's salary	14 800
Indirect factory expenses	23 200
Office salaries	36 200
Office expenses	18 600
Distribution costs	23 400
Factory plant and machinery at cost	80 000
Office equipment at cost	24 000
Provision for depreciation of factory plant and machinery	36 000
Provision for depreciation of office equipment	15 360
Debtors	44 250
Provision for doubtful debts	800
Creditors	19 600
Drawings	11 600
Bank	3 600 Cr
Capital	80 740

Additional information:

- 1 Stock at 31 October 2008 was valued as follows:

	\$
Raw materials	30 640
Work in progress	8 200
Finished goods	2 150

- 2 At 31 October 2008:

Direct factory wages, \$12 100, were accrued.
Distribution costs, \$1860, were prepaid.

- 3 Depreciation is to be charged on factory plant and machinery at 25 % per annum using the straight line method. The residual value of plant and machinery is estimated at \$8000.
- 4 Depreciation is to be charged on office equipment at 40 % per annum using the diminishing (reducing) balance method.

No purchases or sales of fixed assets took place within the year.



Q5 2008

- 5 A cheque for \$4800 was received from a debtor on 31 October 2008 but has been omitted, in error, from the above balances. This is to be entered in the books.
- 6 The provision for doubtful debts is to be maintained at 2 % of debtors.

REQUIRED

- (a) Prepare the manufacturing account for the year ended 31 October 2008.
Show clearly cost of raw materials consumed, prime cost and cost of production. [11]
- (b) Prepare the trading and profit and loss accounts for the year ended
31 October 2008. [14]
- (c) Prepare the balance sheet at 31 October 2008. [15]

[Total: 40]



Q5 W2008

A series of horizontal dotted lines for handwriting practice. A large, faint watermark reading 'MAMOON TAYYAB' is centered across the page.



Q5 S2010 22

- 5 Wang Yee is a manufacturer. The following balances were extracted from his books on 31 January 2010.

	\$
Inventories (stocks) 1 February 2009	
Raw materials	14 700
Work in progress	23 570
Finished goods	35 000
Purchases of raw materials	75 600
Purchases of finished goods	15 500
Direct factory wages	62 140
Rent	28 000
Factory management salaries	31 500
Office salaries	41 600
Revenue (sales)	342 500
Revenue (sales returns)	1 250
Distribution costs	28 650
Sundry office expenses	9 870
Non-current liability (8% loan – repayable 31 December 2015)	40 000
Finance costs (loan interest) paid	2 400
Property (land and buildings) (cost)	80 000
Plant and machinery (cost)	90 000
Office equipment (cost)	30 000
Provision for depreciation of plant and machinery	32 000
Provision for depreciation of office equipment	12 000
Provision for doubtful debts	1 550
Trade receivables (debtors)	45 000
Trade payables (creditors)	60 700
Cash (bank)	33 030 Cr
Capital	110 000
Drawings	17 000



Additional information:

- 1 Inventories (stocks) at 31 January 2010 were valued as follows:

	\$
Raw materials	16 250
Work in progress	18 780
Finished goods	32 500

- 2 At 31 January 2010

Direct factory wages, \$1 120, were accrued.
Sundry office expenses, \$630, were prepaid.

- 3 Rent is to be apportioned on the basis of area occupied. Three fifths ($\frac{3}{5}$) of the area is occupied by the factory and two fifths ($\frac{2}{5}$) by the offices.

- 4 Depreciation is charged on plant and machinery at 20% per annum using the diminishing (reducing) balance method.

- 5 Office equipment is depreciated using the straight-line method at 20% on cost.

Office equipment, \$24 000, was purchased on 31 July 2006.
Additional office equipment, \$6 000, was purchased on 30 September 2009.
No other changes in non-current (fixed) assets occurred in the year ended 31 January 2010.
Depreciation is calculated for the time assets are held in the business.

- 6 The provision for doubtful debts is to be maintained at 4% of trade receivables (debtors).

REQUIRED

- (a) Prepare the manufacturing account of Wang Yee for the year ended 31 January 2010. Show clearly the cost of raw materials consumed, prime cost and cost of production. [11]
- (b) Prepare the income statement (trading and profit and loss accounts) of Wang Yee for the year ended 31 January 2010. [15]
- (c) Prepare the balance sheet of Wang Yee at 31 January 2010. [14]

[Total: 40]



Q5 S2010 22

Answer Question 5 on the following pages

A series of horizontal dotted lines for writing an answer.



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



Q5 S2010 22

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



Handwriting practice area with horizontal dotted lines and a large watermark logo in the center.



Q5 S2010 22

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



Q5 S2011 21

Answer Question 5 on the following pages.

- 5 Yip Sin is a manufacturer. The following balances were extracted from the books on 30 April 2011.

	\$
Inventory at 1 May 2010	
Raw materials	20 900
Work in progress	30 800
Finished goods	40 750
Purchases of raw materials	147 200
Royalties paid	10 000
Direct factory wages	85 960
Factory indirect expenses	23 450
Rent	30 000
Factory management salaries	36 000
Office salaries	28 500
Revenue	450 000
Advertising	20 940
Distribution costs	18 650
General office expenses	11 300
6% Loan – repayable 31 December 2020	50 000
Loan interest paid	1 500
Plant and machinery (cost)	75 000
Office equipment (cost)	24 000
Provisions for depreciation	
Plant and machinery	25 000
Office equipment	9 000
Provision for doubtful debts	2 400
Trade receivables	64 000
Trade payables	61 750
Bank	4 200 Dr
Capital	100 000
Drawings	25 000



Q5 S2011 21

Additional information:

- 1 Inventory at 30 April 2011

	\$
Raw materials	28 100
Work in progress	34 250
Finished goods	42 350

- 2 At 30 April 2011
 - Direct factory wages, \$4 040, were accrued.
 - Advertising, \$1 700, was prepaid.

- 3 Rent is to be apportioned four fifths ($\frac{4}{5}$) to the factory and one fifth ($\frac{1}{5}$) to the administration.

- 4 A purchase of office equipment, \$2 000, had been debited in error to the general office expenses account. No entries have been made in the books to correct the error.

- 5 Depreciation is to be charged as follows:
 - Factory plant and machinery at 20% per annum using the diminishing (reducing) balance method.
 - Office equipment at 10% on cost using the straight-line method.
 - A full year's depreciation is to be charged on all non-current assets owned at the end of the year.

- 6 The provision for doubtful debts is to be maintained at 5% of trade receivables.

REQUIRED

- (a) Prepare the manufacturing account of Yip Sin for the year ended 30 April 2011. Show clearly the prime cost and cost of production. [14]
- (b) Prepare the income statement of Yip Sin for the year ended 30 April 2011. [13]
- (c) Prepare the balance sheet of Yip Sin at 30 April 2011. [13]

[Total: 40]

Q5 S2011 21

Answer Question 5 on the following pages.



The City School



Beaconhouse



HABIB PUBLIC SCHOOL

Handwriting practice area with 18 horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.



Q5 S2011 21

A series of horizontal dotted lines for handwriting practice, with a large, faint watermark in the center.



Q5 S2011 21

Dotted lines for handwriting practice.



The City School



Beaconhouse



HABIB PUBLIC SCHOOL

Q5 S2011 21

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



Q5 S2011 21

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



Q3 W2012 21

3 Sandar Manufacturing makes a single product.

The following balances were extracted from the books at the end of the financial year on 30 September 2012:

	\$
Inventory at 1 October 2011:	
Raw materials	17 500
Work in progress	24 000
Finished goods	50 000
Purchases of raw materials	82 600
Carriage	12 000
Production wages	75 000
Office wages	35 000
Sundry office expenses	14 500
Production manager's salary	20 500
Factory rent, rates and power	18 400
Royalties	9 000
General factory expenses	15 200
Premises maintenance	40 000
Factory machinery (at cost)	120 000
Factory machinery – provision for depreciation	70 000
Inventory at 30 September 2012:	
Raw materials	16 300
Work in progress	29 000
Finished goods	46 000

Additional information at 30 September 2012:

- 1 60% of the carriage relates to raw materials and 40% to goods sold.
- 2 General factory expenses owing \$400.
- 3 70% of the maintenance relates to the factory premises and 30% to the office premises.
- 4 Factory machinery is depreciated at the rate of 15% per annum using the diminishing (reducing) balance method.



Q3 W2012 21

REQUIRED

- (a) Prepare the manufacturing account for the year ended 30 September 2012. Clearly label the prime cost and cost of production.

Sandar Manufacturing
Manufacturing Account for the year ended 30 September 2012

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Q3 W2012 21

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..... [16]

(b) Explain the term direct cost. [2]

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..... [2]

(c) Give one example of a direct cost from the balances on page 7. [2]

..... [2]

[Total: 20]



Q5 W2012 22

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

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

Additional information at 31 July 2012:

- 1 Inventory was valued as follows:

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

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



Q5 W2012 22

REQUIRED

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

[Total: 40]

Q5 W2012 22

Answer Question 5 on the following pages.

A series of horizontal dotted lines for writing, with a large, faint watermark in the center.



Q5 W2012 22

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



Q5 W2012 22

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



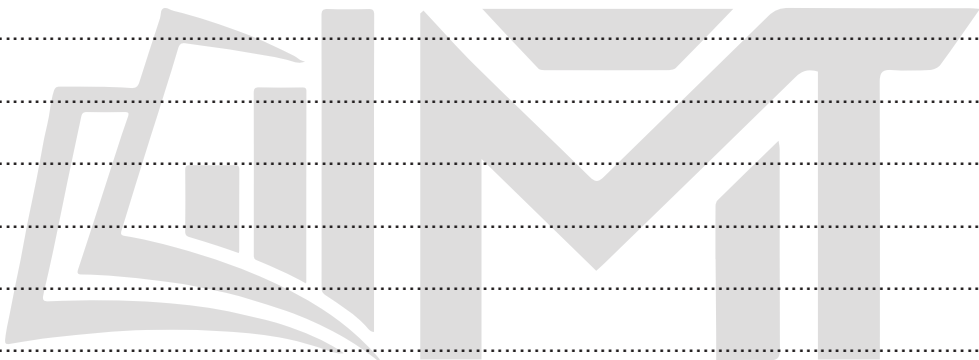
Q5 W2012 22

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



Q5 W2012 22

Handwriting practice lines consisting of multiple horizontal dotted lines.



Q5 W2012 22

Handwriting practice area with 15 horizontal dotted lines. A large, faint watermark of the Arabic word "الامم" (Al-Umm) is centered across the page.



Q5 S2013 21

- 5 The following balances were extracted from the books of Paul Lee, a manufacturer, on 31 May 2013.

	\$
Capital	220 000
Drawings	10 800
Factory machinery (cost)	210 000
Office equipment (cost)	60 000
Provision for depreciation:	
Factory machinery	75 600
Office equipment	21 600
Inventory at 1 June 2012:	
Raw materials	33 000
Work in progress	36 000
Finished goods	66 444
Purchases of raw materials	133 687
Revenue	426 088
Transport costs	29 400
Wages and salaries	140 600
Rent and rates	28 000
Indirect factory expenses	18 423
Lighting and heating	23 140
Selling and administration expenses	10 742
Bad debts	1 000
Loan interest paid	2 000
Trade payables	43 690
Trade receivables	34 400
Bank	658 Cr
6% Loan (repayable on 23 June 2018)	50 000

Additional information:

- Inventory values at 31 May 2013:

	\$
Raw materials	38 000
Work in progress	42 600
Finished goods	71 200
- Transport costs are allocated 65% to raw materials and 35% to delivery of finished goods.
- Wages and salaries include \$56 000 for production managers' salaries. The remaining balance is split 40% direct labour, 35% indirect labour and 25% office salaries.
- Rent and rates are apportioned factory 80% and office 20%.
- Lighting and heating are apportioned factory 70% and office 30%. On 31 May 2013 these were in arrears by \$860.
- On 31 May 2013 selling and administration expenses had been prepaid by \$230.
- A provision for doubtful debts, representing 4% of trade receivables, is to be created.
- Factory machinery is depreciated at 20% per annum using the diminishing (reducing) balance method. Office equipment is depreciated at 12% per annum on cost.



Q5 S2013 21

REQUIRED

- (a) Prepare the manufacturing account for the year ended 31 May 2013. [15]
- (b) Prepare the income statement for the year ended 31 May 2013. [13]
- (c) Prepare the balance sheet (statement of financial position) at 31 May 2013. [12]

[Total: 40]



Q5 S2013 21

Answer Question 5 on the following pages.

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HABIB PUBLIC SCHOOL

Q5 S2013 21

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Q5 S2013 21

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



Q3 S2014 22

- 3 Cadmore Limited is a manufacturing business. The following information is available for the month of April 2014.

	\$
Inventory at 1 April 2014:	
Raw materials	10 830
Work in progress	12 700
Finished goods	25 800
Factory wages	60 690
Office wages	24 750
Purchases of raw materials	80 670
Depreciation of factory machinery	7 000
Depreciation of office equipment	5 000
Rent of factory building	2 000
Rent of office building	1 000
Royalties	7 500
Factory management salaries	10 750
Office management salaries	32 000
Revenue	290 450
Insurance	1 250
General expenses	8 000

Additional information

- 1 Inventory at 30 April 2014:

Raw materials	12 400
Work in progress	9 980
Finished goods	24 700
- 2 Insurance is to be apportioned 80% to the factory, 20% to the office.
- 3 General expenses: \$5000 relate to the factory and \$3000 to the office.

REQUIRED

- (a) (i) Explain the term direct cost.

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[1]

- (ii) State **two** direct costs incurred by Cadmore Limited.

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[2]



Q3 S2014 22

One of the factory workers of Cadmore Limited worked a total of 220 hours in April 2014.

- 160 hours were paid at \$8 per hour
- 40 hours were paid at time and a half
- 20 hours were paid at double time

Tax and social security of \$240 was deducted from the factory worker's gross pay.

REQUIRED

(c) Calculate the factory worker's net pay for April 2014.

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Cadmore Limited must pay an additional 10% of the factory worker's gross pay for employer's tax and social security contributions.

REQUIRED

(d) Calculate the total employee's and employer's tax and social security payment to the tax authorities for the factory worker in April 2014.

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.....[3]

[Total: 20]



Q5 W 2014 21

5 Nikolas is a manufacturer. The following balances were extracted from his books on 31 July 2014.

	\$
Capital	80 000
Drawings	20 000
Machinery (cost)	125 000
Office fixtures (cost)	55 000
Provisions for depreciation:	
Machinery	75 000
Office fixtures	16 500
Bank	27 700 Dr
Purchases of raw materials	132 500
Inventory at 1 August 2013:	
Raw materials	15 000
Work in progress	31 400
Finished goods	40 000
Revenue	505 000
Royalties	15 000
Indirect factory expenses	12 750
Factory wages	90 800
Insurance	6 200
Rent	11 000
Production managers' salaries	38 250
Office wages and salaries	56 000
Selling expenses	19 600
Distribution costs	31 500
Sundry office expenses	19 800
8% Loan (repayable 31 May 2024)	60 000
Loan interest paid	3 500
Provision for doubtful debts	1 500
Trade receivables	58 000
Trade payables	71 000



Q5 W2014 21

Additional information at 31 July 2014

1 Inventory was valued as follows:

	\$
Raw materials	17 500
Work in progress	26 000
Finished goods	42 500

2 Sundry office expenses prepaid \$1400.

3 Insurance included a payment of \$4800 for the year ended 31 October 2014.

4 Insurance and rent are to be apportioned 80% to the factory and 20% to the office.

5 Depreciation is to be charged as follows:

- (i) machinery at 20% per annum using the diminishing (reducing) balance method
- (ii) office fixtures at 10% using the straight-line method.

6 Nikolas took \$7500 of finished goods for his own use.

7 A debt of \$3000 was considered irrecoverable. A provision for doubtful debts is to be maintained at 4%.



Q5 W 2014 21

(c) Prepare the statement of financial position at 31 July 2014.

Nikolas
Statement of Financial Position at 31 July 2014

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Q5 W 2014 21

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[Total: 40]



HABIB PUBLIC SCHOOL

Q5 S2015 21

5 The following balances were extracted from the books of Spiron Manufacturing on 30 April 2015.

	\$
Factory machinery (cost)	80 000
Office fixtures (cost)	20 000
Provision for depreciation	
Factory machinery	60 000
Office fixtures	8 000
Purchases of raw materials	85 000
Inventory at 1 May 2014	
Raw materials	10 150
Work in progress	15 000
Finished goods	21 200
Revenue	310 000
Purchases of finished goods	19 000
Factory managers' salaries	32 000
Office wages and salaries	41 900
Direct factory expenses	5 600
Indirect factory expenses	9 800
Factory wages	47 000
Rent	10 000
Insurance	8 000
Marketing expenses	12 400
Distribution costs	9 850
Financial expenses	7 650
Provision for doubtful debts	400
Trade receivables	23 900
Trade payables	14 350
Bank	7 700 Dr
Capital	90 000
Drawings	16 600



Q5 S2015 21

Additional information at 30 April 2015

1 Inventory was valued as follows:

	\$
Raw materials	12 750
Work in progress	16 200
Finished goods	18 700

2 Insurance and rent are to be apportioned 80% to the factory and 20% to the office.

3 Financial expenses owing were \$850.

4 Marketing expenses of \$600 were prepaid.

5 Depreciation is to be charged as follows:

- (i) Factory machinery at 25% per annum using the diminishing (reducing) balance method
- (ii) Office fixtures at 15% using the straight-line method.

6 A debt of \$1900 was considered irrecoverable. A provision for doubtful debts is to be maintained at 5%.



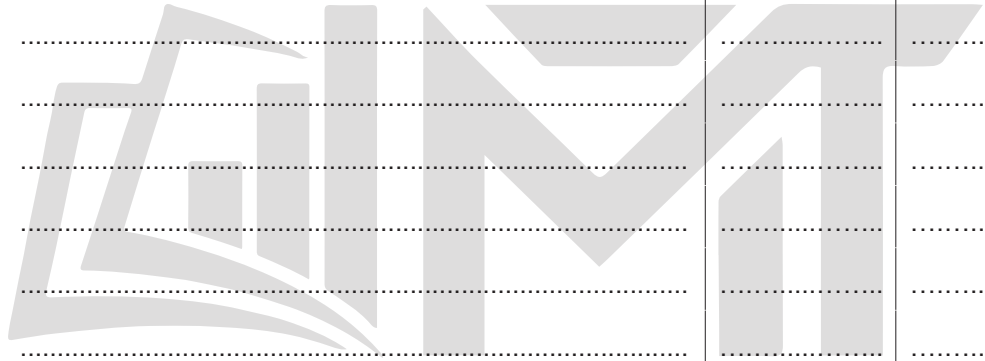
Q5 S2015 21

(b) Prepare the income statement for the year ended 30 April 2015.

Income Statement for the year ended 30 April 2015

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Q5 S2015 21

(c) Prepare the statement of financial position at 30 April 2015.

Statement of Financial Position at 30 April 2015

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Q5 S2017 22

5 The following balances were extracted from the books of Wang Manufacturing on 30 April 2017.

	\$
Inventory at 1 May 2016	
Raw materials	18 200
Work in progress	23 000
Finished goods	37 000
Purchases of raw materials	210 000
Purchases of finished goods	135 000
Manufacturing wages	102 000
Direct factory expenses	8 800
Factory management salaries	36 500
Buildings maintenance	31 000
Administration salaries	71 400
Revenue	755 000
Rent	24 000
Rent receivable	3 300
Insurance	9 800
Selling expenses	18 500
Other operating expenses	32 300
Factory machinery (cost)	120 000
Office fixtures and fittings (cost)	18 000
Provisions for depreciation	
Factory machinery	30 000
Office fixtures and fittings	12 500
Provision for doubtful debts	3 500
Capital	150 000
Drawings	45 000
Trade receivables	63 100
Trade payables	59 000
Bank	9 700 Debit

Additional information at 30 April 2017

- 1 Inventory

	\$
Raw materials	16 500
Work in progress	18 100
Finished goods	41 500
- 2 Manufacturing wages of \$2500 are owing.
- 3 Rent and insurance are to be apportioned 50% to the factory and 50% to administration.
- 4 \$25 000 of the buildings maintenance relates to the factory.
- 5 Selling expenses of \$1400 were prepaid.
- 6 Office fixtures and fittings costing \$5000 had been purchased by cheque. No entries had been made in the books.
- 7 Depreciation is to be charged as follows:
 - (i) Factory machinery at 25% per annum using the diminishing (reducing) balance method
 - (ii) Office fixtures and fittings at 10% using the straight-line method.
- 8 A debt of \$3100 was considered irrecoverable. The provision for doubtful debts is to be maintained at 5%.



Q5 S2017 22

(b) Prepare the income statement for the year ended 30 April 2017.

Wang Manufacturing
Income Statement for the year ended 30 April 2017

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Q5 S2017 22

(c) Prepare the statement of financial position at 30 April 2017.

Wang Manufacturing
Statement of Financial Position at 30 April 2017

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[10]

[Total: 40]



Q3 W2017 21

- 3 The following balances were extracted from the books of Digby Products for the year ended 31 March 2017.

	\$
Inventory at 1 April 2016	
Raw materials	27 000
Work in progress	67 000
Purchases of raw materials	101 900
Raw materials returned to supplier	6 650
Factory direct wages	78 800
Royalties	10 000
Factory indirect wages	20 800
Factory management salaries	49 000
Office wages and salaries	37 800
Rent	21 000
Electricity	2 200
Maintenance	15 000
Depreciation on factory equipment	17 100
Depreciation on office fixtures and fittings	9 000

Additional information at 31 March 2017

- | | | |
|---|--|--------|
| 1 | Inventory | \$ |
| | Raw materials | 23 450 |
| | Work in progress | 58 100 |
| 2 | Factory direct wages, \$3500, were accrued. | |
| 3 | Electricity, \$200, was prepaid. | |
| 4 | Rent and electricity are to be apportioned: 70% to the factory, 30% to administration. | |
| 5 | Maintenance is to be apportioned: 80% to the factory, 20% to administration. | |



Q3 W2017 21

Lian is an assembly worker paid on a time basis. In March 2017 he worked 160 hours at \$8 per hour, 25 hours at time and a half and 10 hours at double time. He paid income tax of \$350 and voluntary deductions of \$60.

REQUIRED

(b) Give **one** example of a voluntary deduction.

.....[1]

(c) Calculate the net pay of Lian for March 2017.

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Digby Products is considering the use of a piecework basis for the payment of assembly workers. A payment of \$3 would be made for each item that passed inspection. In March 2017 Lian completed 670 items of which 17 were rejected at inspection.

REQUIRED

(d) Calculate the gross pay if Lian had been paid using the piecework basis for March 2017.

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.....[2]

(e) State **two** disadvantages to Digby Products of paying assembly workers using the piecework basis.

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

[Total: 20]



Q4 S2019 22

- 4 Midhaven Products has a production line. The following information relates to the production line workers for the month of April 2019.

Total for the month	
Hours worked	1580
Production line bonus	\$860
Statutory deductions	\$2050
Voluntary deductions	\$850
Employer's national insurance	\$1800

Rate per hour \$8

REQUIRED

- (a) Name the following documents used in payroll recording.

purpose	document name
records the hours worked by a production line worker	
contains the gross pay, deductions and net pay of all production line workers	

[2]

- (b) Calculate the:

- (i) total labour cost to Midhaven Products of **all** the production line workers for April 2019

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- (ii) total net pay of **all** the production line workers for April 2019.

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..... [2]



Q4 S2019 22

The following additional information is available for the month of April 2019.

	\$
Inventory at 1 April 2019	
Raw materials	5 900
Work in progress	19 700
Production wages	Calculated in (b)
Office wages	8 750
Purchases of raw materials	20 250
Depreciation on factory machinery	9 000
Depreciation on office fixtures	3 400
Rent paid	36 000
Factory expenses	8 200
Factory management salaries	31 000
Office management salaries	38 600
Carriage on raw materials	1 900
Revenue	103 000
Insurance	4 600
General expenses	7 400

Additional information

- Inventory at 30 April 2019

Raw materials	\$6 300
Work in progress	\$20 350
- Rent and insurance are to be apportioned 75% to the factory, 25% to the office.
- \$4000 of the factory expenses are direct expenses.
- General expenses of \$2600 relate to the office and the remainder relate to the factory.



Q5 W2019 22

5 The following balances were extracted from the books of B Manufacturing on 30 September 2019.

	\$	
Inventory at 1 October 2018		
Raw materials	7 900	
Work in progress	18 000	
Finished goods	31 000	
Capital	160 000	
Drawings	50 000	
Revenue	475 000	
Purchases of raw materials	47 000	
Purchases of finished goods	71 000	
Production management salaries	29 500	
Administrative wages and salaries	117 550	
Factory wages	55 300	
Insurance	9 000	
Rent payable	30 000	
Commission receivable	8 750	
Direct expenses	10 100	
General expenses	12 000	
Building repairs	18 000	
Selling and distribution expenses	14 200	
Trade payables	21 900	
Bank	11 100	Debit
Non-current assets (at cost)		
Factory machinery	90 000	
Office fixtures	70 000	
Provisions for depreciation at 1 October 2018		
Factory machinery	26 000	
Office fixtures	36 000	
Provision for doubtful debts	6 000	
Trade receivables	42 000	



Q5 W2019 22

Additional information at 30 September 2019

1 Inventory

	\$
Raw materials	6 400
Work in progress	20 200
Finished goods	34 300

2 Expenses are to be apportioned to the factory and the office as follows:

	Factory	Office
Insurance	60%	40%
Rent payable	75%	25%
General expenses	10%	90%
Building repairs	70%	30%

3 Commission receivable of \$1200 was due.

4 Selling and distribution expenses prepaid were \$750.

5 Depreciation is to be charged on all non-current assets owned at the end of the year as follows.

factory machinery at 20% per annum using the diminishing (reducing) balance method
office fixtures at 10% per annum using the straight-line method.

6 The provision for doubtful debts is to be maintained at the rate of 5%.

7 A cheque, \$2800, paid to a trade payable had not been recorded in the books.



Q5 W2019 22

- (b) Prepare the income statement for the year ended 30 September 2019.

B Manufacturing
Income Statement for the year ended 30 September 2019

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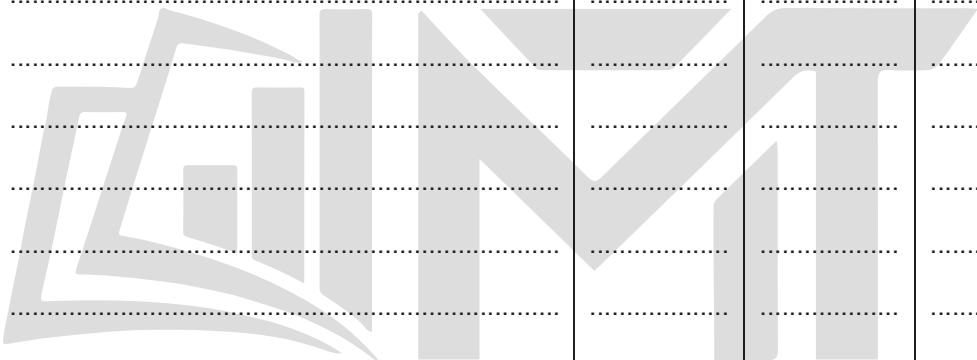


Q5 W2019 22

(c) Prepare the statement of financial position at 30 September 2019.

B Manufacturing
Statement of Financial Position at 30 September 2019

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HABIB PUBLIC SCHOOL

Q5 W2019 22

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[12]

[Total: 40]



Q3 S 2020 21

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

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

Additional information

- 1 Factory machinery is depreciated at 20% per annum using the reducing balance method.
- 2 Rent and insurance is to be split equally between the factory and the office.
- 3 The annual salary of the factory supervisor is \$28500.
- 4 Closing inventory at 30 April 2020 was:

	\$
Raw materials	3000
Work in progress	5590
Finished goods	7885



Q3 S 2020 21

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

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

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[4]

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

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

[2]

TOPIC 14

DEPARTMENTAL

ACCOUNTING





Q2 W2018 22

2 East Town Decorators have two separate departments, paints and wallpapers. The following information is available, for the 3-month period ended 30 September 2018.

		\$
Revenue	Paints	12 000
	Wallpapers	8 000
Purchases	Paints	2 000
	Wallpapers	2 500
Inventory 1 July 2018	Paints	2 300
	Wallpapers	1 800
Inventory 30 September 2018	Paints	3 100
	Wallpapers	1 600
Direct wages		6 000
Direct expenses		4 800

On inspection of the ledger the following errors were found.

- 1 The purchase of paint from P P Limited, \$5100, had been posted to the ledgers as \$1500.
- 2 Direct wages, \$600, paid in cash had been credited to the direct wages account and debited to the cash account.
- 3 Direct expenses included the purchase of an office computer, \$800.

REQUIRED

(a) Name the type of error in 1 to 3.

1.....

2.....

3.....

[3]

(b) Prepare journal entries to correct errors 1 to 3. Narratives are **not** required.

General Journal

	Debit	Credit
	\$	\$

[6]



Q2 W2018 22

The following additional information is available **after** the correction of all errors.

- 1 \$4000 of direct wages relate to the paints department.
- 2 Direct expenses are apportioned to the paints department and wallpapers department in proportion to sales made.

REQUIRED

- (c) Prepare the departmental trading account for the three months ended 30 September 2018 **after the correction of all errors**. Show the profit or loss for each department.

East Town Decorators
Departmental Trading Account for the 3 months ended 30 September 2018

	Paints department		Wallpapers department	
	\$	\$	\$	\$

[11]

[Total: 20]



Q3 W2019 21

- 3 The Primrose Garden Store has two departments: plants and tools. The following information is available for the year ended 30 September 2019.

		\$
Revenue	plants	252 000
	tools	130 000
Wages	plants	38 000
	tools	17 000
Direct expenses		5 730

Additional information

- 1 The mark-up on plants is 40%.
- 2 The profit margin on tools is 20%.
- 3 Direct expenses are apportioned to departments on the basis of revenue.

REQUIRED

(a) Calculate the cost of sales for:

(i) plants

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..... [2]

(ii) tools

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..... [2]



Q3 W2019 21

(b) Prepare the departmental trading account showing the profit or loss of each department.

Primrose Garden Store
Departmental Trading Account for the year ended 30 September 2019

	Plants		Tools	
	\$	\$	\$	\$

[8]

Q3 W2019 21

The following were the summarised wage details for September 2019.

	\$
Total gross wages	5400
Total deductions	
income tax	950
voluntary contributions	510

Wages were paid to the staff in cash.

On 9 October 2019 the \$950 income tax deducted from wages was paid to the tax authorities by cheque.

REQUIRED

(c) State **three** examples of voluntary deductions made from wages.

- 1
- 2
- 3 [3]

(d) Prepare the following ledger accounts showing the entries for September 2019. It is not necessary to total or balance the accounts.

(i) Wages account

Date	Details	\$	Date	Details	\$

[3]

(ii) Income tax account

Date	Details	\$	Date	Details	\$

[2]

[Total: 20]





TOPIC 15 PARTNERSHIP





Q2 S 2005

Q2. Asif and Iqbal are in partnership providing business services. They share profits in proportion to their capital account balances and do not use current accounts. The following list of balances was extracted from the accounts of Asif and Iqbal on 30 April 2005.

	\$	
Fee income	77 800	
Advertising expenses	12 400	
Heat and light	1 060	
Motor expenses	7 300	
Rent paid	12 800	
Office expenses	12 240	
Motor vehicles	40 000	
Equipment	12 000	
Capital – Asif	18 000	Cr
Capital – Iqbal	12 000	Cr
Drawings – Asif	8 000	
Drawings – Iqbal	2 000	

REQUIRED

(a) Prepare the Trial Balance for the partnership.

Trial Balance as at 30 April 2005

	Dr \$	Cr \$
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Q2 S 2005

(d) Draw up the capital account of each partner at 30 April 2005.

Asif Capital account

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Iqbal Capital account

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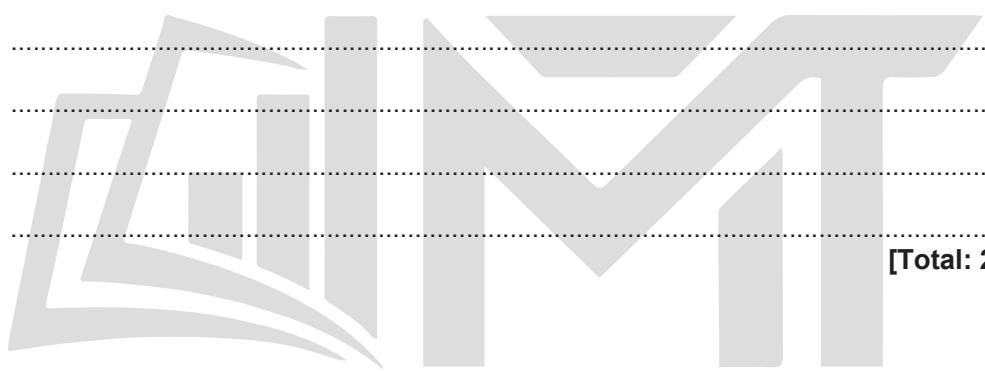
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.....[8]
[Total: 20]



Q5 S2006

- Q 5** Wall and Fence are in partnership sharing profits and losses in the ratio 2 : 1 respectively. The following trial balance was extracted from the books of the partnership on 30 April 2006:

	Dr \$	Cr \$
Sales		264 300
Purchases	121 200	
Rent, rates and insurance	14 600	
Wages and salaries	43 700	
Motor expenses	22 900	
Land and buildings at cost	110 600	
Motor vehicles at cost	48 000	
Provision for depreciation - motor vehicles		19 200
Stock at 1 May 2005	9 600	
Debtors	29 000	
Creditors		8 700
Bank	9 400	
Capital accounts 1 May 2005		
- Wall		80 000
- Fence		40 000
Current accounts 1 May 2005		
- Wall		12 600
- Fence		13 300
Drawings		
- Wall	12 800	
- Fence	16 300	
	<u>438 100</u>	<u>438 100</u>

Additional information:

- 1 Stock at 30 April 2006 was valued at \$10 100.
- 2 Wages and salaries of \$3700 were accrued at 30 April 2006.
- 3 A provision for doubtful debts of 2% of debtors at 30 April 2006 is to be created.
- 4 Motor vehicles are to be depreciated by 40 % per annum using the diminishing (reducing) balance method. Depreciation is not charged on land and buildings.
- 5 Fence is entitled to a partnership salary of \$10 600 per annum.
- 6 Interest on capital is allowed at 5 % per annum.

REQUIRED

- (a) Prepare the partnership Trading and Profit and Loss Accounts and Appropriation Account for the year ended 30 April 2006. [18]
- (b) Prepare the partnership Balance Sheet as at 30 April 2006. [17]

[Total: 35]



Q5 S2006

Handwriting practice lines consisting of multiple sets of horizontal dotted lines on a white background.



Q5 S2006

Handwriting practice lines consisting of multiple horizontal dotted lines. A large, faint watermark of the Arabic word 'مَامُون' (MAMOON) is centered across the middle of the page.



Q5 S 2006

- Q 5** Wall and Fence are in partnership sharing profits and losses in the ratio 2 : 1 respectively. The following trial balance was extracted from the books of the partnership on 30 April 2006:

	Dr \$	Cr \$
Sales		264 300
Purchases	121 200	
Rent, rates and insurance	14 600	
Wages and salaries	43 700	
Motor expenses	22 900	
Land and buildings at cost	110 600	
Motor vehicles at cost	48 000	
Provision for depreciation - motor vehicles		19 200
Stock at 1 May 2005	9 600	
Debtors	29 000	
Creditors		8 700
Bank	9 400	
Capital accounts 1 May 2005		
- Wall		80 000
- Fence		40 000
Current accounts 1 May 2005		
- Wall		12 600
- Fence		13 300
Drawings		
- Wall	12 800	
- Fence	16 300	
	<u>438 100</u>	<u>438 100</u>

Additional information:

- 1 Stock at 30 April 2006 was valued at \$10 100.
- 2 Wages and salaries of \$3700 were accrued at 30 April 2006.
- 3 A provision for doubtful debts of 2% of debtors at 30 April 2006 is to be created.
- 4 Motor vehicles are to be depreciated by 40 % per annum using the diminishing (reducing) balance method. Depreciation is not charged on land and buildings.
- 5 Fence is entitled to a partnership salary of \$10 600 per annum.
- 6 Interest on capital is allowed at 5 % per annum.

REQUIRED

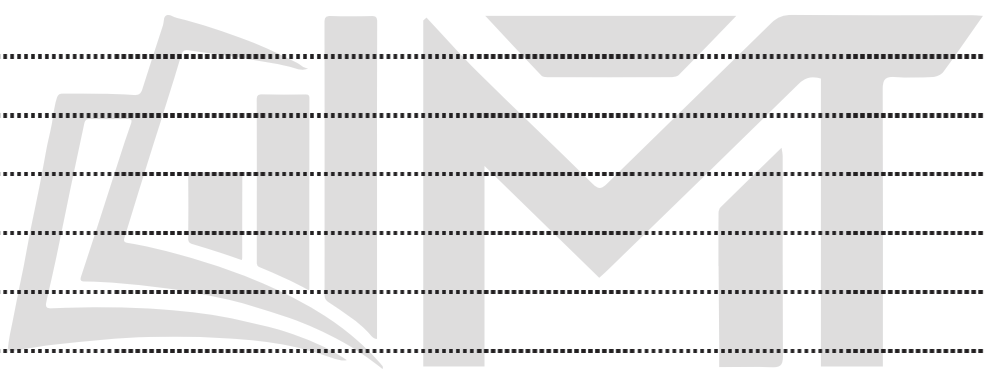
- (a) Prepare the partnership Trading and Profit and Loss Accounts and Appropriation Account for the year ended 30 April 2006. [18]
- (b) Prepare the partnership Balance Sheet as at 30 April 2006. [17]

[Total: 35]



Q5 S 2006

Handwriting practice area consisting of multiple sets of horizontal dotted lines on a white background.



Q5 S 2006

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



Q6 W 2007

Answer Question 6 in this booklet or on separate sheets of paper.

- 6 Caster and Wheel are in partnership sharing profits in the ratio 3 : 2 respectively. The following trial balance was extracted from the books on 30 September 2007:

Caster and Wheel Trial Balance at 30 September 2007		
	\$	\$
Purchases	119 600	
Sales		227 300
Wages and salaries	34 380	
Rent, rates and insurance	17 660	
General expenses	21 350	
Land and buildings at cost	52 100	
Fixtures and fittings at cost	21 500	
Provision for depreciation of fixtures and fittings		12 900
Debtors	18 500	
Creditors		9 140
Stock at 1 October 2006	10 300	
Cash at bank	2 480	
Capital accounts 1 October 2006		
Caster		33 000
Wheel		22 000
Current accounts 1 October 2006		
Caster		14 300
Wheel		12 600
Drawings		
Caster	17 130	
Wheel	16 240	
	<u>331 240</u>	<u>331 240</u>

Additional information:

- 1 Stock at 30 September 2007 was valued at \$9900.
- 2 At 30 September 2007:
 - (i) Wages and salaries, \$3530, were accrued.
 - (ii) Insurance, \$1120, was prepaid.
- 3 An invoice for \$1620 for goods bought on credit during September 2007 was received on 30 September 2007. This has not been recorded.
- 4 Fixtures and fittings are to be depreciated at 20 % per annum on cost.
- 5 A provision for doubtful debts of 3% of debtors at 30 September 2007 is to be created.

REQUIRED

- (a) Prepare the trading, profit and loss and appropriation accounts of Caster and Wheel for the year ended 30 September 2007. [18]
- (b) Prepare the balance sheet of Caster and Wheel at 30 September 2007. [17]

[Total: 35]



Q6 W 2007

Handwriting practice area with multiple sets of horizontal dotted lines for tracing and writing. A large, faint watermark of the letters 'MAM' is visible across the middle of the page.



Q4 S 2009

4 The information below relates to the partnership of Bell and Hayward.

	\$
Capital 1 May 2008	
Bell	40 000
Hayward	20 000
Current accounts 1 May 2008	
Bell	Nil
Hayward	1 500 Dr
Drawings for the year ended 30 April 2009	
Bell	6 000
Hayward	20 000

The partnership agreement includes the following terms:

- 1 Interest on capital is allowed at 6 % per annum.
- 2 Hayward receives a salary of \$12 000.
- 3 Interest on drawings is charged at 4 % per annum on total drawings for the year.
- 4 Profits and losses are shared equally.

Additional capital, \$10 000, was introduced by Bell on 1 August 2008.

Net profit for the year ended 30 April 2009 was \$20 500.

REQUIRED

(a) State two differences between a partnership and a limited company.

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[4]



Q4 S 2009

- (c) Prepare the current account of Hayward for the year ended 30 April 2009. Bring down the balance on 1 May 2009.

Hayward
Current account

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.....[4]

Bell and Hayward provided the following information.

	Year ended 30 April 2009
	\$
Opening stock	17 000
Closing stock	15 000
Purchases	238 000
Sales	300 000

REQUIRED

- (d) (i) Calculate the rate of stock turnover for the year ended 30 April 2009. Show your workings.

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.....[4]



Q4 S 2009

(ii) Calculate the gross profit to sales percentage. Show your workings.

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The figures for the previous year ended 30 April 2008 were as follows:

Rate of stock turnover	9 times
Gross profit to sales percentage	30 %

REQUIRED

(e) Suggest two possible reasons for the changes in the figures between 30 April 2008 and 30 April 2009.

1
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..... [4]

[Total: 28]



Q5 W2009

Answer Question 5 on the following pages.

- 5 Paul and Judi are partners in a retail business. The partnership agreement states that they share profits and losses in the ratio 3 : 2, after allowing interest on capital at the rate of 4 % per annum. The following balances were extracted from the books on 30 September 2009.

	\$
Capital accounts	
Paul	30 000
Judi	20 000
Current accounts	
Paul	2 300 Cr
Judi	650 Dr
Drawings	
Paul	11 000
Judi	10 000
Purchases	139 750
Sales	210 000
Returns inward	4 500
Stock at 1 October 2008	12 650
Staff wages	18 000
General expenses	9 650
Rent receivable	6 000
Advertising expenses	10 000
Rent	17 500
Fixtures and fittings (cost)	24 000
Provision for depreciation of fixtures and fittings	12 600
Creditors	8 900
Debtors	16 000
Provision for doubtful debts	550
Bank	16 650 Dr

Additional information

- Stock at 30 September 2009 was valued at \$15 400.
- Paul withdrew goods costing \$4000 from the partnership business during the year. This had not been recorded in the books.
- At 30 September 2009:
 - Advertising expenses, \$2850, were prepaid.
 - Rent receivable, \$2000, was due.
- Depreciation is charged on fixtures and fittings at 15 % per annum on cost using the straight line method.
- Additional fixtures and fittings, \$4000, were purchased on 31 January 2009. These are included in the balance at 30 September 2009. No other changes in fixed assets occurred during the year. Depreciation is calculated from the date of purchase.
- The provision for doubtful debts is to be maintained at 5 % of debtors.



Q5 W2009

REQUIRED

- (a) Prepare the trading and profit and loss and appropriation accounts of Paul and Judi for the year ended 30 September 2009. [19]
- (b) Prepare the balance sheet of Paul and Judi at 30 September 2009. [12]

The current accounts details may be included within the balance sheet or in account format outside the balance sheet.

[Total: 31]



Q5 W2009

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Q5 W2009

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Q5 W2009

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Q5 W009

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Q5 W2009

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Q5 W2009

A series of horizontal dotted lines for handwriting practice, with a large watermark in the center.



Q5 S 2008

5. East and West are in partnership sharing profits in the ratio 2 : 1 respectively. The following trial balance was extracted from the books on 31 May 2008.

East and West Trial Balance at 31 May 2008		\$	\$
Purchases	207 620		
Carriage on purchases	2 160		
Purchases returns			1 470
Sales			411 320
Sales returns	7 340		
Wages and salaries	93 700		
Motor expenses	14 600		
General expenses	41 640		
Land and buildings at cost	72 000		
Fixtures and fittings at cost	38 000		
Motor vehicles at cost	21 000		
Provision for depreciation of fixtures and fittings			14 000
Provision for depreciation of motor vehicles			15 750
Debtors	38 500		
Creditors			19 240
Stock at 1 June 2007	15 200		
Cash at bank	1 420		
Capital accounts 1 June 2007			
East			60 000
West			30 000
Current accounts 1 June 2007			
East			10 600
West			6 900
Drawings East	9 050		
West	7 050		
	<u>569 280</u>		<u>569 280</u>

Additional information:

- 1 Stock at 31 May 2008 was valued at \$16 100.
- 2 At 31 May 2008:
 - (i) Wages and salaries, \$7835, were accrued.
 - (ii) Motor expenses, \$800, were prepaid.
- 3 Repairs, \$2000, which have not added value to property, have been recorded in the land and buildings account in error.
- 4 Fixtures and fittings are to be depreciated using the straight line method over five years. The residual value is estimated at \$3000.
- 5 Motor vehicles are depreciated using the diminishing (reducing) balance method at 50 % per annum.
- 6 A provision for doubtful debts of 2% of debtors at 31 May 2008 is to be created.
- 7 Interest is allowed on capital at 5 % per annum. West is entitled to a partnership salary of \$3500.

REQUIRED

- (a) Prepare the trading, profit and loss and appropriation accounts of East and West for the year ended 31 May 2008.

[21]



Q5 S2008

- (b) Prepare the balance sheet of East and West at 31 May 2008. The partners' current accounts may be shown in account format or within the balance sheet. [19]

[Total: 40]

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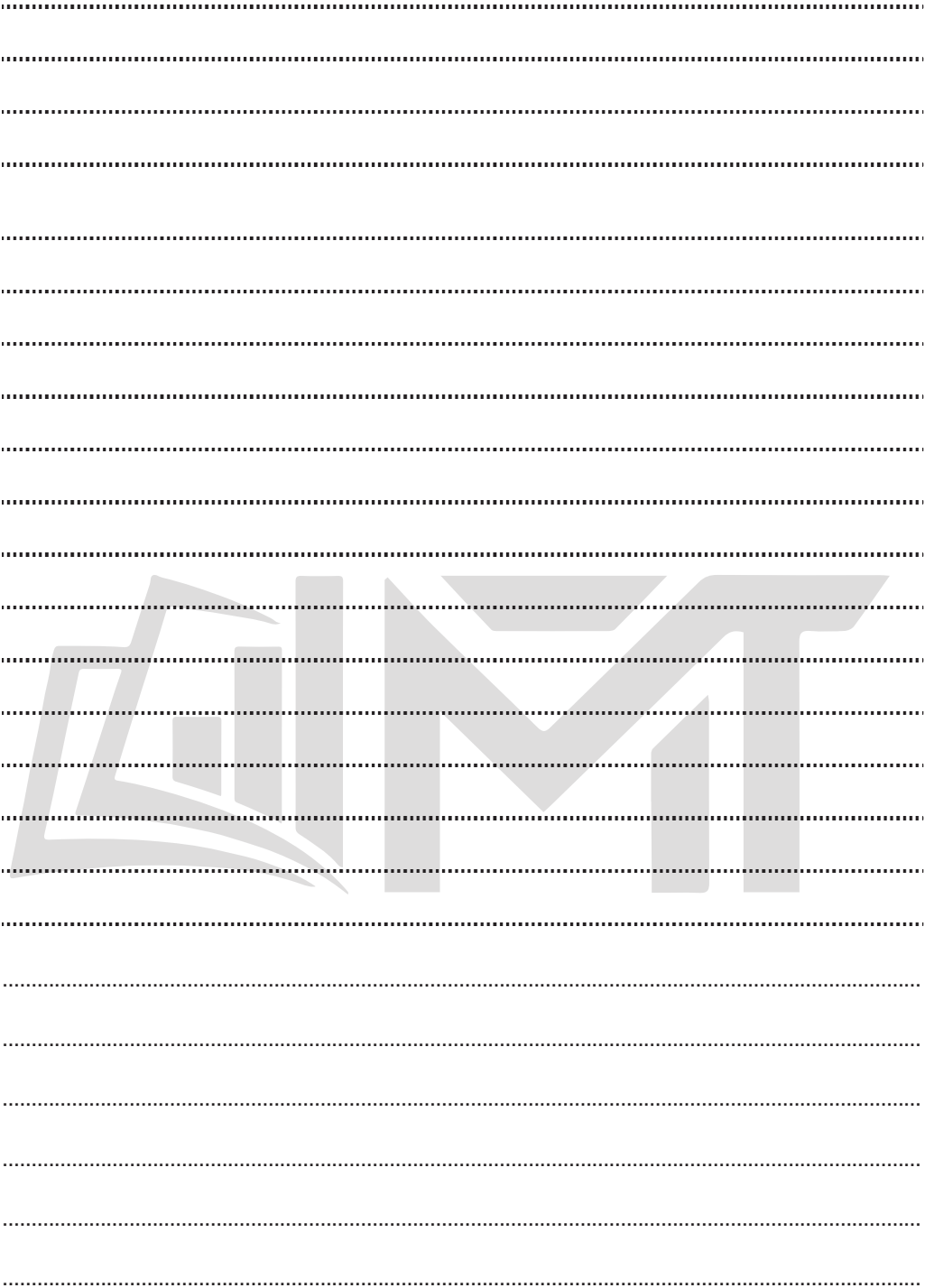
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Q5 S 2008



Q5 S 2008

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Q3 S2011 21

- 3 Choong and Tan are partners sharing profits and losses in the ratio 2:1. Interest is allowed on partners' capital at the rate of 5% per annum and Tan receives a salary of \$9 000 per annum. No interest is charged on drawings.

Balances remaining in the books at 30 April 2011 included the following:

	\$
Profit for the year	32 000
Capital accounts	
Choong	80 000
Tan	50 000
Current accounts	
Choong	1 200 Cr
Tan	1 500 Dr
Drawings	
Choong	14 700
Tan	16 000
Goodwill	90 000

REQUIRED

- (a) State **two** items, other than the profit sharing ratio, that might be included in a partnership agreement.

1

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2

..... [2]



Q3 S2011 21

On 1 May 2011, Choong and Tan agreed that goodwill would **not** be retained on the books.

REQUIRED

(d) State **one** reason why Choong and Tan may have decided **not** to retain goodwill on the books.

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..... [2]

(e) Prepare the capital accounts of Choong and Tan. Balance the accounts and bring down the balance on 1 May 2011 after writing off the goodwill.

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..... [4]

[Total: 20]



Q5 W2011 21

Answer Question 5 on the following pages.

- 5 Donney and Raj are in partnership sharing profits and losses in the ratio 2:1. Interest is allowed on capital at the rate of 4% per annum. Raj receives a salary of \$12 000 per annum.

The following balances were extracted from the books on 30 September 2011:

	\$
Capital accounts	
Donney	150 000
Raj	100 000
Current accounts	
Donney	15 000 Cr
Raj	3 500 Dr
Drawings	
Donney	15 000
Raj	15 000
Revenue (sales)	365 000
Inventory at 1 October 2010	53 500
Purchases	173 000
Returns inwards	9 200
Returns outwards	5 500
Carriage	16 500
Administration expenses	25 750
Advertising	23 480
Wages and salaries	66 700
Land and buildings	170 000
Motor vehicles (cost)	75 000
Fixtures and fittings (cost)	50 000
Provisions for depreciation	
Motor vehicles	25 000
Fixtures and fittings	24 000
Sundry expenses	10 250
Loan interest paid	2 000
8% Loan repayable 31 December 2025	50 000
Trade receivables	62 500
Provision for doubtful debts	2 000
Trade payables	30 500
Bank	4 380 Cr

Additional information:

- Inventory at 30 September 2011, \$61 450.
- Carriage is to be apportioned 30% to the collection of purchases and 70% to the delivery of goods to customers.
- At 30 September 2011:
Administration expenses, \$630, were prepaid.
Wages and salaries, \$2700, were accrued.
- Depreciation is to be charged on:
Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method.
Fixtures and fittings at the rate of 15% on cost using the straight-line method.



Q5 W2011 21

- 5 Trade receivables include a debt of \$2500 which is considered irrecoverable.
- 6 The provision for doubtful debts is to be maintained at 4% of trade receivables.

REQUIRED

- (a) Prepare the income statement and appropriation account of Donney and Raj for the year ended 30 September 2011. [23]
- (b) Prepare the balance sheet of Donney and Raj at 30 September 2011. The current accounts details may be included within the balance sheet or in account format outside the balance sheet. [17]

[Total: 40]



Q5 W2011 21

Answer Question 5 on the following pages.

A series of horizontal dotted lines for writing an answer.



Q5 W2011 21

A series of horizontal dotted lines for handwriting practice, with a large, faint watermark reading "MAMMOON TAYYAB" in the center.



Q5 W2011 21

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





Q5 W2011 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 W2011 21

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



Q5 W2011 21

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



Q3 W2015 21

3 Aina and Barry are in partnership. The partnership agreement states the following:

Interest is charged on drawings at the rate of 6% per annum

Interest is paid on capital at the rate of 4% per annum

Interest is paid on partners' loans at the rate of 5% per annum

Barry receives a salary of \$8000 per annum

Profits and losses are shared 3/5 Aina and 2/5 Barry.

The following information was available on 1 May 2014.

		\$
Capital account	Aina	50 000
	Barry	20 000
Current account	Aina	800 debit
	Barry	6 500 credit
Loan to partnership	Barry	40 000

Additional information for the year ended 30 April 2015

1 Barry increased his capital in the partnership by \$20 000 on 1 November 2014.

2 Drawings during the year were:

	\$
Aina	7 500
Barry	10 000

3 Profit for the year before loan interest was \$19 800.



Q3 W2015 21

- (b) Prepare the current accounts of the partners for the year ended 30 April 2015. Balance the accounts and bring down the balances on 1 May 2015.

Current accounts

Details	Aina \$	Barry \$	Details	Aina \$	Barry \$

[6]

- (c) State **two** advantages of a partnership.

1
 2

[2]

Additional information

Aina and Barry are considering ways to improve the profit for the year of the business. They suggest the following changes.

- 1 Remove the provision for doubtful debts from the income statement.
- 2 Increase the value of the premises from cost to the current market value.
- 3 Reduce the depreciation rate on computers from 30% to 10% per annum.
- 4 Record expenses paid without adjustment for amounts owing.



Q3 W2015 21

REQUIRED

- (d) Name the accounting principle/concept which would **not** be complied with if Aina and Barry implemented the suggestions.

Suggestions		Accounting principle/concept
1	Remove the provision for doubtful debts from the income statement.	
2	Increase the value of the premises from cost to the current market value.	
3	Reduce the depreciation rate on computers from 30% to 10% per annum.	
4	Record expenses paid without adjustment for amounts owing.	

[4]

[Total: 20]



Q5 W2013 21

- 5 Genet and Vass are in partnership. The following balances were extracted from their books on 31 January 2013.

	\$
Capital accounts 1 February 2012	
Genet	60 000
Vass	40 000
Current accounts 1 February 2012	
Genet	2 400 Cr
Vass	3 600 Dr
Drawings	
Genet	9 000
Vass	10 000
Inventory 1 February 2012	12 400
Purchases	66 200
Returns to suppliers	1 230
Revenue	148 200
Import duty	2 846
Transport costs	4 330
General expenses	16 822
Wages	9 600
Insurance premiums	10 400
Marketing expenses	12 200
Discounts received	2 428
Trade receivables	8 110
Trade payables	10 180
Loan interest paid	1 000
Storage expenses	9 612
Provision for doubtful debts	600
Leasehold property (cost)	80 000
8% Bank loan repayable 1 May 2018	15 000
Storage equipment (cost)	26 000
Motor vehicles (cost)	40 000
Provisions for depreciation:	
Leasehold property	12 000
Storage equipment	9 360
Motor vehicles	19 520
Bank	1 202 Cr

Additional information

- Inventory was valued at \$14 230 on 31 January 2013.
- Insurance premiums were paid up to 28 February 2013.
- General expenses, \$322, were owing at the year end.
- A bad debt, \$110, is to be written off.
- The costs of bringing goods into the business amounts to 80% of the transport costs.
- New storage equipment, \$6000, was purchased during the year. This had been recorded in the storage expenses account in error.
- The provision for doubtful debts is to be maintained at 5% of trade receivables.



Q5 W2013 21

- 8 A full year's depreciation charge is made on non-current assets in the year of purchase, but no charge is made in the year of sale. Depreciation is charged as follows:
- 1 Leasehold at \$2000 per annum.
 - 2 Storage equipment at 12% using the straight-line method of depreciation.
 - 3 Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method.
- 9 The partnership agreement states:
- Interest on capital is allowed at 4% per annum.
- Vass is to receive an annual salary of \$5000.
- Profits and losses are to be shared in the ratio of their capital.

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 31 January 2013. [24]
- (b) Draw up the current accounts of the partners for the year ended 31 January 2013. [5]
- (c) Prepare the balance sheet (statement of financial position) at 31 January 2013. [11]

[Total: 40]

Q5 W2013 21

Answer Question 5 on the following pages.

A series of horizontal dotted lines provided for writing the answer.



Q5 W2013 21

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



Q5 W2013 21

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



Q5 W2013 21

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



Q5 W2013 21

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Q5 W2013 21

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



Q5 W2013 22

- 5 Cain and Les are in partnership providing book-keeping and general administration services to small businesses. They share profits and losses in the ratio of 3:2 respectively. Interest on drawings is charged at 4%, while interest on capital is allowed at the rate of 5% per annum. Les receives an annual salary of \$16 000.

The following balances were extracted from their books on 30 September 2013:

	\$
Capital accounts 1 October 2012	
Cain	90 000
Les	60 000
Current accounts 1 October 2012	
Cain	700 Cr
Les	15 500 Dr
Drawings	
Cain	12 000
Les	15 000
Premises at cost	118 000
Office equipment at cost	60 000
Motor vehicles at cost	22 000
Provision for depreciation	
Premises	7 080
Office equipment	21 600
Motor vehicles	7 200
Fees (Revenue)	103 769
Staff salaries	14 170
General expenses	23 460
Heat and light	4 760
Communication expenses	7 680
Motor vehicle expenses	3 650
Discounts allowed	3 400
Discounts received	1 400
Bank loan interest paid	3 000
8% Bank loan (repayable 30 June 2019)	40 000
Trade payables	1 960
Trade receivables	10 720
Provision for doubtful debts	520
Bank	20 889 Dr

Additional information

- 1 Commission received, \$2400, had been credited to the communication expenses account in error.
- 2 Heat and light, \$150, were outstanding and general expenses \$1010 were prepaid on 30 September 2013.
- 3 Bank charges, \$123, had not been recorded in the books.
- 4 Motor vehicle expenses, \$2000, had been recorded in the motor vehicles account.
- 5 The provision for doubtful debts is to be maintained at 5% of trade receivables.
- 6 Depreciation is charged on premises and office equipment at the rate of 6% and 12% respectively using the straight line method.



Q5 W2013 22

- 7 Motor vehicles are depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.
- 8 On 1 October 2012 Cain reduced his capital account balance by \$10 000. This sum was to be left in the business as an interest free loan, to be repaid on 31 March 2018.

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 30 September 2013. [20]
- (b) Prepare the current accounts for the year ended 30 September 2013. [7]
- (c) Prepare the balance sheet (statement of financial position) at 30 September 2013. [13]

[Total: 40]

Q5 W2013 22

Answer Question 5 on the following pages.

Dotted lines for writing answers.



Q5 W2013 22

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Q5 W2013 22

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Q5 W2013 22

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Q5 W2013 22

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Q5 W2013 22

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Q5 W2014 22

- 5 Darius and Edgar are in partnership. The partnership agreement states that they share profits and losses in the ratio 3:2. Interest on capital is allowed at the rate of 5% per annum. Edgar is entitled to a salary of \$12 000 per annum. The following balances were extracted from the books on 31 July 2014.

	\$
Leasehold buildings (cost)	75 000
Motor vehicles (cost)	40 000
Fixtures and fittings (cost)	25 000
Provisions for depreciation:	
Leasehold buildings	18 000
Motor vehicles	10 000
Fixtures and fittings	15 000
Trade payables	55 900
Trade receivables	39 500
Provision for doubtful debts	1 900
8% Bank loan (repayable 31 March 2015)	40 000
Bank interest paid	1 600
Bank	31 400 Dr
Capital accounts:	
Darius	40 000
Edgar	40 000
Current accounts at 1 August 2013:	
Darius	500 Cr
Edgar	900 Cr
Drawings:	
Darius	12 000
Edgar	12 000
Purchases	148 300
Revenue	256 000
Returns inwards	5 200
Inventory at 1 August 2013	25 800
Heat and light	7 600
Other operating expenses	6 350
Wages and salaries	28 950
Motor vehicle expenses	11 000
Rent receivable	3 500
Rent payable	12 000

Additional information at 31 July 2014

- Inventory was valued at \$34 100.
- Other operating expenses prepaid \$1800.
- Rent receivable of \$1500 was outstanding.
- Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
 - an appropriate amount is to be charged on the leasehold buildings which are held on a 25 year lease
 - motor vehicles at the rate of 30% per annum using the diminishing (reducing) balance method
 - fixtures and fittings at the rate of 10% per annum using the straight-line method.



Q5 W2014 22

- 5 Trade receivables of \$4500 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.
- 6 On 31 January 2014 the partners had agreed to allow Edgar to increase his capital by \$20 000. Edgar paid a cheque into the partnership bank account on that date.

REQUIRED

(a) Prepare the income statement and appropriation account for the year ended 31 July 2014.

Darius and Edgar
Income Statement and Appropriation Account for the year ended 31 July 2014

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Q5 W2014 22



[23]



Q5 W2014 22

(b) Prepare the current accounts for the year ended 31 July 2014.

Current accounts

Details	Darius \$	Edgar \$	Details	Darius \$	Edgar \$

[4]

(c) Prepare the statement of financial position at 31 July 2014.

Darius and Edgar
Statement of Financial Position at 31 July 2014

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Q5 S2018 23

- 5 Athula and Bhulo are in partnership sharing profits and losses in the ratio 3:2 respectively. Interest is allowed on capital at the rate of 5% per annum and is charged on drawings (excluding partner's salary) at the rate of 8%. A salary is paid to Bhulo of \$7500 per annum.

The following balances were extracted from the books on 30 April 2018.

	\$
Capital accounts	
Athula	60 000
Bhulo	40 000
Current accounts	
Athula	3 800 Debit
Bhulo	1 800 Credit
Drawings (excluding partner's salary)	
Athula	12 000
Bhulo	7 000
5% Loan from Athula (repayable 2020)	40 000
8% Bank loan (repayable 2024)	80 000
Bank loan interest paid	4 000
Trade receivables	42 000
Trade payables	30 820
Bank	9 000 Debit
Provision for doubtful debts	2 100
Land and buildings (cost)	150 000
Equipment (cost)	60 000
Office fixtures (cost)	27 000
Provisions for depreciation on 1 May 2017:	
Land and buildings	12 000
Equipment	25 000
Office fixtures	17 000
Revenue	590 000
Inventory at 1 May 2017	42 000
Purchases	295 000
Returns from customers	15 800
Returns to suppliers	19 500
Carriage inwards	8 820
Wages and salaries	91 000
Advertising	30 000
General expenses	109 000
Equipment maintenance	11 800

Additional information

- Inventory at 30 April 2018 was valued at \$51000.
- At 30 April 2018
 - Advertising, \$1400, was prepaid
 - Equipment maintenance, \$2500, was accrued
 - The interest on the loan from Athula was accrued
 - Some bank loan interest is outstanding.
- The partner's salary had been paid to Bhulo. This had been posted to the wages and salaries account.
- Office fixtures costing \$6000 had been purchased by cheque on 20 March 2018. No entries had been recorded in the books.



Q5 S2018 23

- 5 Depreciation is charged on all non-current assets owned at the end of each year.
 - (i) Buildings at the rate of 2% per annum on cost. (The land, cost \$50 000, is not depreciated).
 - (ii) Equipment at the rate of 20% per annum using the diminishing (reducing) balance method.
 - (iii) Office fixtures at the rate of 10% per annum using the straight-line method.
- 6 Trade receivables include a debt of \$4000 which is considered irrecoverable. The provision for doubtful debts is to be increased by \$1300.

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 30 April 2018.

Athula and Bhulo
Income Statement and Appropriation Account for the year ended 30 April 2018

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Q5 S2018 23

(b) Prepare the current accounts for the year ended 30 April 2018. Balance the accounts and bring down the balances on 1 May 2018.

Date	Details	Athula	Bhulo	Date	Details	Athula	Bhulo
		\$	\$			\$	\$

[7]



Q5 S2018 23

(c) Prepare the statement of financial position at 30 April 2018.

Athula and Bhulo
Statement of Financial Position at 30 April 2018

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Q5 S2018 23

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[15]

[Total: 40]



Q5 S2011 22

Answer Question 5 on the following pages.

- 5 Fu, Li and Yang are partners in a retail business. The partnership agreement states that they share profits and losses in the ratio 2:2:1.

Interest on capital is allowed at the rate of 4% per annum and interest is charged on drawings at the rate of 5% per annum on the balances at 30 April 2011.

The following balances were extracted from the books on 30 April 2011.

	\$
Capital accounts	
Fu	40 000
Li	35 000
Yang	25 000
Current accounts	
Fu	2 500 Cr
Li	1 500 Cr
Yang	1 000 Dr
Drawings	
Fu	10 000
Li	10 000
Yang	12 000
Premises	44 750
Motor vehicles (cost)	16 000
Fixtures and fittings (cost)	30 000
Provisions for depreciation	
Motor vehicles	3 200
Fixtures and fittings	17 500
Trade payables	54 700
Trade receivables	45 000
Provision for doubtful debts	1 500
Bank	7 560 Dr
Purchases	111 200
Revenue (sales)	209 500
Returns outward	4 750
Inventory at 1 May 2010	30 650
Salaries and wages	42 100
Heat and light	3 890
General expenses	16 750
Discount received	5 300
Marketing expenses	12 050
Rent	7 500



Q5 S2011 22

Additional information at 30 April 2011:

- 1 Inventory was valued at \$28 100.
- 2 General expenses, \$4 200, were prepaid.
- 3 Rent, \$2 500, was accrued.
- 4 Depreciation is to be charged as follows:
 - Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method
 - Fixtures and fittings at the rate of 10% per annum on cost, using the straight line method.
- 5 The provision for doubtful debts is to be maintained at 5% of trade receivables.
- 6 On 30 April 2011 the partners agreed to allow Yang to reduce his capital balance by \$10 000. The sum was transferred to his current account on that date. The transfer took place after calculating the interest on capital for the year.

REQUIRED

- (a) Prepare the income statement and appropriation account of Fu, Li and Yang for the year ended 30 April 2011. [24]
- (b) Prepare the statement of financial position (balance sheet) of Fu, Li and Yang at 30 April 2011.
The current accounts details may be included within the statement of financial position (balance sheet) or in ledger account format. [16]

[Total: 40]

Q5 S2011 22

Answer Question 5 on the following pages.

A series of horizontal dotted lines for writing an answer.



Q5 S2011 22

Handwriting practice area with horizontal dotted lines and a large watermark logo.



Q5 S2011 22

Handwriting practice area with multiple sets of horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.



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Q5 S2011 22

Handwriting practice section with 12 rows of dotted lines and a large watermark 'MAMM'.



Q5 S2011 22

Handwriting practice area consisting of multiple horizontal dotted lines. A large, faint watermark of the letters 'MAM' is centered across the page.



Q5 S2011 22

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



Q5 S2014 21

- 5 Chan and Fong are in partnership sharing profits and losses in the ratio 2:1. Interest is allowed on capital at the rate of 5% per annum and is charged on drawings at the rate of 5% per annum. Fong receives a salary of \$10 000 per annum. The following balances were extracted from the books on 30 April 2014.

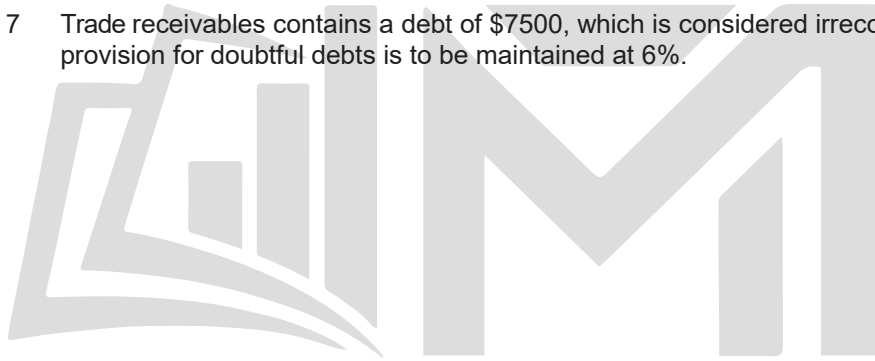
	\$
Revenue	480 500
Inventory at 1 May 2013	47 700
Purchases	209 000
Returns from customers	11 800
Returns to suppliers	10 500
Land and buildings (cost)	250 000
Motor vehicles (cost)	45 000
Fixtures and fittings (cost)	28 000
Provisions for depreciation:	
Motor vehicles	25 000
Fixtures and fittings	12 000
Office expenses	36 500
Motor vehicle expenses	13 600
Selling expenses	30 800
Wages and salaries	80 000
Heat and light	4 750
Bank loan interest paid	9 000
Capital accounts:	
Chan	60 000
Fong	40 000
Current accounts:	
Chan	1 500 Cr
Fong	4 000 Cr
Drawings:	
Chan	6 000
Fong	10 000
8% Loan repayable 30 March 2016	200 000
Trade receivables	55 000
Provision for doubtful debts	2 100
Trade payables	36 050
Bank	34 500 Dr



Q5 S2014 21

Additional information

- 1 Inventory at 30 April 2014, \$38 350.
- 2 The motor vehicle expenses are to be apportioned one quarter to collecting goods for resale and three quarters to delivery of goods to customers.
- 3 At 30 April 2014:
 - (i) Heat and light, \$750, was accrued
 - (ii) Office expenses, \$4000, were prepaid.
- 4 Half of Fong's \$10 000 salary had been paid to him and posted to the wages and salaries account.
- 5 Fixtures and fittings costing \$2000 purchased by cheque on 20 April 2014 had not been recorded in the books.
- 6 Depreciation is to be charged on all non-current assets owned at the end of the year:
 - (i) Motor vehicles at the rate of 25% per annum using the diminishing (reducing) balance method
 - (ii) Fixtures and fittings at the rate of 10% using the straight-line method.
- 7 Trade receivables contains a debt of \$7500, which is considered irrecoverable. The provision for doubtful debts is to be maintained at 6%.



Q5 S2014 21

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 30 April 2014.

Chan and Fong
Income Statement and Appropriation Account for the year ended 30 April 2014

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Q5 S2014 21



[22]



Q5 S2014 21

(b) Prepare the current accounts for the year ended 30 April 2014.

Current accounts

Details	Chan \$	Fong \$	Details	Chan \$	Fong \$

[4]

(c) Prepare the statement of financial position at 30 April 2014.

Chan and Fong
Statement of Financial Position at 30 April 2014



Q5 S2014 21



[14]

[Total: 40]



Q5 S2015 22

- 5 Farah and Hana are in partnership. The partnership agreement states that they share profits and losses equally. Interest on capital is allowed at the rate of 4% per annum. Interest is charged on drawings made during the year at the rate of 5% per annum. No salaries are paid to the partners.

The following balances were extracted from the books on 30 April 2015.

	\$
Premises (cost)	60 000
Delivery vehicles (cost)	30 000
Office fixtures (cost)	15 000
Provisions for depreciation	
Premises	3 600
Delivery vehicles	10 000
Office fixtures	11 000
Trade payables	7 900
Trade receivables	18 750
Provision for doubtful debts	500
Bank overdraft	12 200
Capital accounts:	
Farah	50 000
Hana	30 000
Current accounts at 1 May 2014:	
Farah	3 250 Cr
Hana	1 850 Cr
Drawings:	
Farah	6 000
Hana	6 000
Purchases	81 250
Revenue	190 000
Returns inwards	8 600
Inventory at 1 May 2014	15 600
Advertising expenses	11 000
Wages and salaries	31 450
Delivery vehicle expenses	14 900
Heat and light	9 750
Other operating expenses	12 000



Q5 2015 22

Additional information

The following information was available 30 April 2015.

- 1 Inventory was valued at \$13 650.
- 2 Advertising expenses prepaid were \$800.
- 3 Heat and light \$150 was outstanding.
- 4 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

Premises at the rate of 2% on cost per annum

Delivery vehicles at the rate of 20% per annum using the diminishing (reducing) balance method

Office fixtures at the rate of 10% per annum using the straight-line method.

- 5 The provision for doubtful debts is to be maintained at 4%.
- 6 A cheque payment of \$550, made to a credit supplier on 15 April, had not been recorded in the books.



Q5 2015 22

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[18]

(b) Prepare the current accounts for the year ended 30 April 2015.

Current accounts

Details	Farah \$	Hana \$	Details	Farah \$	Hana \$

[7]




Q5 S2015 22

(c) Prepare the statement of financial position at 30 April 2015.

Statement of Financial Position at 30 April 2015

Dotted lines for writing the statement of financial position.



HABIB PUBLIC SCHOOL

Q5 W2016 21

- 5 Li and Yang are in partnership sharing profits and losses in the ratio 3:2. Interest is allowed on capital at the rate of 4% per annum and is charged on drawings at the rate of 10% per annum. Partners are entitled to annual salaries, Li \$8000 and Yang \$5000.

The following balances were extracted from the books on 30 September 2016.

	\$	
Capital accounts		
Li	50 000	
Yang	50 000	
Current accounts		
Li	4 300	Credit
Yang	2 900	Credit
Drawings		
Li	15 000	
Yang	9 000	
Land and buildings (cost)	200 000	
Computing equipment (cost)	60 000	
Office fixtures (cost)	35 000	
Provisions for depreciation		
Land and buildings	22 000	
Computing equipment	20 000	
Office fixtures	10 000	
Provision for doubtful debts	2 000	
Revenue	625 000	
Inventory at 1 October 2015	52 600	
Purchases	295 000	
Returns from customers	15 750	
Returns to supplier	4 850	
General expenses	27 500	
Heat and light	5 300	
Marketing expenses	41 000	
Wages and salaries	153 000	
Administration expenses	16 800	
5% Bank loan (repayable 2021)	120 000	
Bank loan interest paid	4 000	
Trade receivables	69 200	
Trade payables	62 500	
Bank	25 600	Credit



Q5 W2016 21

Additional information

- 1 Inventory at 30 September 2016 was \$57 900.
- 2 A sale of goods made on credit on 26 September, \$2800, had not been recorded in the books.
- 3 At 30 September 2016
 - Marketing expenses, \$1100, were accrued
 - Administration expenses \$250, were prepaid.
- 4 The partners' salaries had been paid to Li and Yang. These had been posted to the wages and salaries account.
- 5 Office fixtures costing \$5000 and with an accumulated depreciation of \$3000 had been sold for \$2000. A cheque was received on 20 August 2016. No entries had been recorded in the books.
- 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. The buildings have a cost of \$100000. No depreciation is charged on land.
 - (ii) computing equipment at the rate of 30% per annum using the diminishing (reducing) balance method.
 - (iii) office fixtures at the rate of 20% per annum using the straight-line method.
- 7 Trade receivables include a debt of \$4000 which is considered irrecoverable. The provision for doubtful debts is to be maintained at 5%.



Q5 W2016 21

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 30 September 2016.

Li and Yang
Income Statement and Appropriation Account for the year ended 30 September 2016

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Q5 W2016 21

- (b) Prepare the current accounts for the year ended 30 September 2016. Balance the accounts and bring down the balances on 1 October 2016.

Current accounts

Date	Details	Li	Yang	Date	Details	Li	Yang
		\$	\$			\$	\$

[5]

- (c) Prepare the statement of financial position at 30 September 2016.

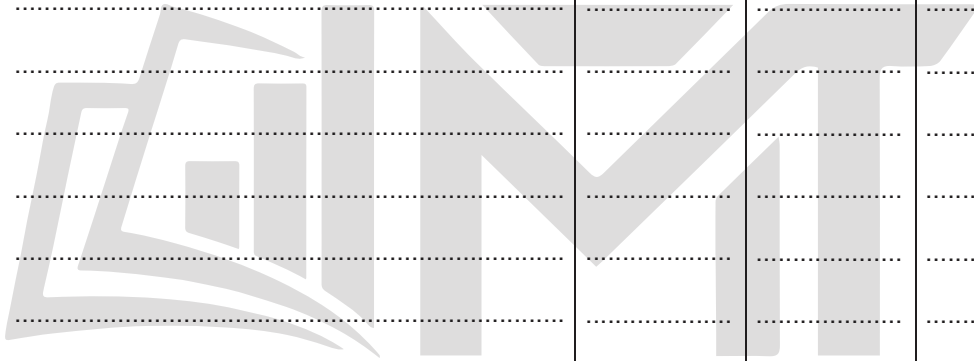
Li and Yang
Statement of Financial Position at 30 September 2016

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Q5 W2016 21

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[16]
[Total: 40]



Q5 W2017 22

- 5 Jian and Shen are in partnership sharing profits and losses in the ratio 3:1. Interest is allowed on capital at the rate of 5% per annum and is charged on drawings (excluding salaries) at the rate of 10%. A salary is paid to Shen of \$5000 per annum.

The following balances were extracted from the books on 30 June 2017:

	\$
Leasehold buildings (cost)	120 000
Motor vehicles (cost)	40 000
Office fixtures (cost)	18 000
Provisions for depreciation	
Leasehold buildings	30 000
Motor vehicles	10 000
Office fixtures	4 000
Capital accounts	
Jian	70 000
Shen	50 000
Current accounts	
Jian	500 Debit
Shen	900 Debit
Drawings	
Jian	8 000
Shen	6 000
8% Bank loan (repayable 2025)	50 000
Bank loan interest paid	2 500
Trade receivables	63 500
Trade payables	23 150
Bank overdraft	10 600
Provision for doubtful debts	2 000
Revenue	520 000
Inventory at 1 July 2016	37 800
Purchases	314 000
Returns from customers	10 300
Returns to suppliers	8 200
Carriage	12 550
Wages and salaries	87 500
Electricity and water	8 450
General expenses	28 850
Motor vehicle expenses	19 100



Q5 W2017 22

Additional information

- 1 Inventory at 30 June 2017 was valued at \$42900.
- 2 At 30 June 2017:
 - Electricity and water, \$1150, were accrued
 - Motor vehicle expenses, \$200, were prepaid
- 3 The partner's salary had been paid to Shen. This had been posted to the wages and salaries account.
- 4 The carriage included \$3000 for the collection of purchases. The remainder was for delivery to customers.
- 5 Office fixtures costing \$2000 and with an accumulated depreciation of \$1500 had been sold for \$500. A cheque was received on 20 June 2017. No entries had been recorded in the books.
- 6 Depreciation is to be charged on all non-current assets owned at the end of each year.
 - (i) Leasehold buildings are held on a 20-year lease. An appropriate amount is to be written off the lease.
 - (ii) Motor vehicles are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.
 - (iii) Office fixtures are depreciated at the rate of 10% per annum using the straight-line method.
- 7 Trade receivables include a debt of \$3500 which is considered irrecoverable. The provision for doubtful debts is to be increased to \$5000.



Q5 W2017 22

- (b) Prepare the current accounts for the year ended 30 June 2017. Balance the accounts and bring down the balances on 1 July 2017.

Current accounts

Date	Details	Jian	Shen	Date	Details	Jian	Shen
		\$	\$			\$	\$

[6]



Q5 W2017 22

(c) Prepare the statement of financial position at 30 June 2017.

Jian and Shen
Statement of Financial Position at 30 June 2017

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Q5 W2018 21

- 5 Aung and Khin are in partnership. The partnership agreement states that they share profits and losses in the ratio 3:2 respectively.

Interest is charged on drawings (excluding partnership salary) at the rate of 5%. A salary of \$9000 per annum is paid to Khin.

The following balances were extracted from the books on 30 September 2018.

	\$
Capital accounts	
Aung	50 000
Khin	50 000
Current accounts at 1 October 2017	
Aung	3 000 Debit
Khin	6 000 Credit
Drawings	
Aung	9 000
Khin	14 000
Land and buildings (at cost)	140 000
Motor vehicles (at cost)	42 000
Office equipment (at cost)	64 000
Provisions for depreciation at 1 October 2017	
Land and buildings	29 600
Motor vehicles	10 000
Office equipment	46 000
Provision for doubtful debts	500
8% Bank loan (repayable 31 March 2020)	60 000
Bank interest paid	3 600
Bank	5 200 Debit
Revenue	309 000
Purchases	174 000
Returns inwards	9 100
Trade payables	45 200
Trade receivables	31 000
Inventory at 1 October 2017	19 700
Marketing expenses	25 000
Other operating expenses	17 250
Wages and salaries	40 500
Motor vehicle expenses	9 200
Commission receivable	12 250
Rent paid	12 000



Q5 W2018 21

Additional information at 30 September 2018

- 1 Inventory was valued at \$36 000.
- 2 Marketing expenses prepaid were \$4000.
- 3 Commission receivable of \$1750 was due.
- 4 Depreciation is to be charged on all non-current assets as follows:
 - (i) Buildings at the rate of 4% per annum on cost. The land cost \$80 000 and is not depreciated.
 - (ii) Motor vehicles at the rate of 25% per annum using the diminishing (reducing) balance method
 - (iii) Office equipment at the rate of 10% per annum on cost.
- 5 The salary of Khin was paid and recorded in the wages and salaries account.
- 6 A payment of \$6800 made by cheque to a trade supplier, had not been recorded in the books.
- 7 Trade receivables of \$5000 were irrecoverable. The provision for doubtful debts is to be maintained at 5%.



Q5 W2018 21

REQUIRED

- (a) Prepare the income statement and appropriation account of Aung and Khin for the year ended 30 September 2018.

Aung and Khin
Income Statement and Appropriation Account for the year ended 30 September 2018.

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Q5 W2018 21

(b) Prepare the current accounts for the year ended 30 September 2018. Balance the accounts and bring down the balances on 1 October 2018.

Current accounts

Date	Details	Aung	Khin	Date	Details	Aung	Khin
		\$	\$			\$	\$

[5]

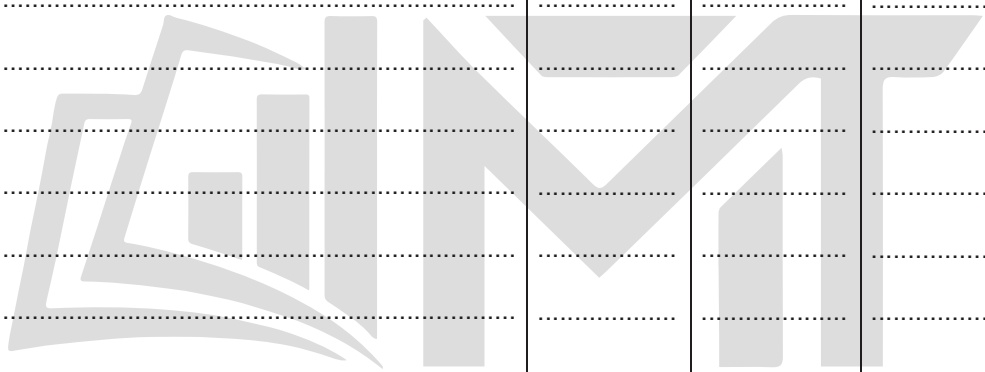


Q5 W2018 21

(c) Prepare the statement of financial position of Aung and Khin at 30 September 2018.

Aung and Khin
Statement of Financial Position at 30 September 2018

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Q5 W2018 21

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[15]

[Total: 40]



Q3 W2018 22

- 3 Lodini and Mathy were in partnership sharing profits and losses equally. They provided the following information on 1 August 2017.

	\$
Capital	
Lodini	25 000
Mathy	15 000

On 1 August 2017 Lodini and Mathy agreed to admit Nanda as a partner. On that date Lodini and Mathy valued their goodwill at \$30 000.
The new partnership agreement stated:

- 1 Goodwill would **not** be retained in the books of the new partnership.
- 2 Nanda would pay \$10 000 as capital into the business bank account on 1 August 2017.
- 3 Lodini would transfer \$8000 of her capital into a 5% loan account to the partnership on 1 August 2017.
- 4 Profits and losses would be shared Lodini two-fifths, Mathy two-fifths and Nanda one-fifth.
- 5 Interest would be allowed on partners' capital at 5% per annum.
- 6 Interest would be charged at 10% on partners' drawings.
- 7 There would be no salaries paid to the partners.

REQUIRED

- (a) State **two** possible **disadvantages** to Lodini and Mathy of admitting Nanda as a partner.

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[2]

- (b) Prepare, on the next page, the capital accounts on 1 August 2017 after the admission of Nanda. Balance the accounts and bring down the balances.

[8]



Capital accounts

Date	Details	Lodini	Mathy	Nanda	Date	Details	Lodini	Mathy	Nanda
		\$	\$	\$			\$	\$	\$

Q3 W2018 22



Q3 W2018 22

The partners have been advised that they must comply with the accounting entity principle.

REQUIRED

(d) Explain the accounting entity principle.

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.....[2]

[Total: 20]



Q5 S2019 22

- 5 Marcel and Naomi are in partnership. The partnership agreement states that the profits and losses are shared, Marcel three-fifths, Naomi two-fifths. Interest on capital is allowed at the rate of 4% per annum. Interest is charged on drawings (excluding salaries) made during the year at the rate of 5%. Marcel receives a salary of \$8000.

The following balances were extracted from the books on 30 April 2019.

	\$
Purchases	184 000
Revenue	328 000
Purchases returns	17 500
Inventory at 1 May 2018	31 300
Non-current assets (at cost)	
Premises	90 000
Motor vehicles	80 000
Fixtures and fittings	52 000
Wages and salaries	46 000
Motor vehicle expenses	17 450
Provisions for depreciation	
Premises	38 000
Motor vehicles	8 000
Fixtures and fittings	23 000
Provision for doubtful debts	600
General expenses	18 600
Marketing expenses	22 000
Trade payables	27 500
Trade receivables	36 000
Bank overdraft	28 500
Electricity and water	10 650
Insurance	6 500
Capital accounts	
Marcel	80 000
Naomi	60 000
Current accounts at 1 May 2018	
Marcel	300 Credit
Naomi	5 100 Credit
Drawings	
Marcel	10 000
Naomi	12 000



Q5 S2019 22

Additional information at 30 April 2019

- 1 Inventory was valued at \$36400.
- 2 The annual insurance premium of \$4600 was paid on 1 November 2018.
- 3 General expenses, \$1150, were outstanding.
- 4 Wages and salaries included the salary paid to Marcel.
- 5 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

Premises	2% per annum on cost
Motor vehicles	25% per annum using the diminishing (reducing) balance method
Fixtures and fittings	20% per annum using the straight-line method

- 6 The provision for doubtful debts is to be maintained at 5%.
- 7 A cheque payment of \$1300, made to a credit supplier on 15 April, had not been recorded in the books.



Q5 S2019 22

- (b) Prepare the current accounts for the year ended 30 April 2019 on the **next page**. Balance the accounts and bring down the balances on 1 May 2019.



Q5 S2019 22

Current accounts

Date	Details	Marcel	Naomi	Date	Details	Marcel	Naomi
		\$	\$			\$	\$

[6]



TOPIC 16 GOODWILL





Q3 W2002

- 3 Hill and Dale traded separately until 31 December 2001. At this date their Balance Sheets were as follows:

	Hill \$	Dale \$		Hill \$	Dale \$
Buildings	50 000	40 000	Capital	120 000	66 000
Equipment	35 000	22 000	Loan		20 000
Stock	23 000	14 500	Creditors	10 000	5 000
Debtors	16 000	18 500	Bank		4 000
Bank	6 000				
	130 000	95 000		130 000	95 000

The two traders agreed to merge the two businesses and become equal partners as from 1 January 2002. In order to do this it was agreed that:

1. The partnership should take over all the assets and liabilities of the two businesses except the buildings belonging to Hill and the loan owed by Dale.
 2. Goodwill was to be valued at \$15 000 for Hill and \$12 000 for Dale.
 3. Equipment should be revalued at \$30 000 for Hill and \$25 000 for Dale.
 4. \$500 should be written off Dale's debtors as bad debts.
 5. All other items were to be taken over by the partnership of Hill and Dale at their Balance Sheet values.
- (a) Draw up the individual capital accounts of each partner showing clearly how the final balances at 1 January 2002 are obtained.

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Q3 W2002

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(b) Prepare the partnership Balance Sheet of Hill and Dale at 1 January 2002.

.....[5]

(c) Give a brief explanation of the meaning of Goodwill.

.....[3]

Q1 S 2004

Q 1 Tyle purchased the business of Saxon on 31 December 2003 for \$25 000. He took over all assets and liabilities at Balance Sheet values. The Balance Sheet of Saxon on 31 December 2003 was as follows.

Saxon
Balance Sheet as at 31 December 2003

	\$		\$		\$
Equipment		9 300	Capital		20 000
Stock	4 100				
Debtors	5 300				
Bank	<u>3 200</u>	<u>12 600</u>	Creditors		<u>1 900</u>
		<u>21 900</u>			<u>21 900</u>



Q3 S 2007

3 Falcon, a successful business, agreed to take over Sparrow. Their summarised balance sheets at 30 April 2007 were as follows:

Balance Sheet at 30 April 2007

	Falcon	Sparrow	Falcon	Sparrow
	\$	\$	\$	\$
Fixed assets	75 000	12 000	100 000	15 000
Stock	14 500	2 500	19 000	1 500
Debtors	9 500	1 500		
Bank	<u>20 000</u>	<u>500</u>	<u>119 000</u>	<u>16 500</u>
	<u>119 000</u>	<u>16 500</u>		

It was agreed that Falcon would pay \$18 000 from the business bank account to take over all the assets and liabilities of Sparrow. The assets of Sparrow would be revalued as follows:

	\$
Fixed assets	12 500
Stock	2 400
Debtors	1 300

REQUIRED

(a) Calculate the goodwill paid by Falcon on the takeover of Sparrow.

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[5]



Q3 S 2010 22

- 3 Chan and David were sole traders with the following assets and liabilities on 31 March 2009.

	Chan \$	David \$
Intangible assets (goodwill)	30 000	–
Non-current (fixed) assets	23 000	10 000
Inventory (stock)	7 000	5 000
Trade receivables (debtors)	3 000	4 000
Trade payables (creditors)	5 000	6 000
Cash (bank)	–	2 000
Loans repayable within 12 months (bank overdraft)	8 000	–
Capital	50 000	15 000

On 1 April 2009 Chan and David formed a partnership, Newstart. They entered into the following agreement:

- 1 Intangible assets (goodwill) would **not** appear in the books of the new partnership.
- 2 No interest would be allowed on capital.
- 3 Interest would be charged on drawings at the rate of 5% of the balance at the end of the year.
- 4 Salaries would be paid at the rate of: Chan \$8000 per annum and David \$7000 per annum.
- 5 Profits and losses would be shared in the ratio Chan and David 2:1.

REQUIRED

- (a) Explain the term goodwill and give **one** example.

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..... [2]

- (b) State **two** accounting principles (concepts) which supports goodwill not being included in the balance sheet of a business.

(i)

(ii) [4]



Q 3 S 2010 22

(c) Calculate the capital of **each** partner, Chan and David, after writing off the goodwill on 1 April 2009.

(i) Chan
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..... [2]

(ii) David
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(d) Prepare the balance sheet of Newstart at 1 April 2009.

Newstart
Balance Sheet at 1 April 2009

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Q3 S2017 22

- 3 Aishah and Bolin had been sole traders for many years. On 1 May 2016 they formed a partnership combining their assets and liabilities.

Each partner brought the following assets and liabilities into the new partnership.

	Aishah \$	Bolin \$
Assets		
Goodwill	20 000	
Motor vehicle	8 000	
Fixtures and fittings		7 500
Inventory	9 000	4 500
Trade receivables	6 700	5 200
Bank	7 100	
Liabilities		
Trade payables	4 000	2 150
Bank overdraft		3 750

The partnership agreement states:

- 1 Goodwill will be **removed** from the books of the new partnership.
- 2 There will be **no** interest paid on capital.
- 3 Interest will be charged on drawings (excluding partnership salaries) at the rate of 6%.
- 4 Bolin will receive a salary of \$12 000 per annum.
- 5 Profits and losses will be shared between Aishah and Bolin in the ratio 3 : 2.



Q3 S2017 22

REQUIRED

(a) Calculate the opening capital of **each** partner.

Aishah

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[1]

Bolin

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Q3 S2017 22

- (b) Prepare the statement of financial position of the new partnership at 1 May 2016.

Aishah and Bolin
Statement of Financial Position at 1 May 2016

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- (c) (i) Explain the accounting term 'goodwill'.

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Q3 S2017 22

(e) State **two** disadvantages to Aishah, other than having to share profit, of forming a partnership.

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[Total: 20]



Q3 S2019 21

3 Caden and Shen had traded as sole traders for many years.

On 1 May 2018 they formed a partnership. The following assets and liabilities were recorded in the books of the sole traders.

	Caden	Shen
	\$	\$
Non-current assets	25 000	40 000
Inventory	8 000	14 000
Trade receivables	5 400	2 700
Bank	3 500 Credit	1 500 Debit
Trade payables	4 900	7 100

The partners agreed that the value of Shen’s non-current assets was \$30 000 and the trade receivables \$1600. They also agreed that Caden’s goodwill was to be valued at \$15 000.

REQUIRED

(a) Calculate the capital to be brought into the partnership by **each** partner.

Caden

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Q3 S2019 21

Shen

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(b) State **two** possible reasons why the business of Caden has goodwill but the business of Shen does not have goodwill.

1 [2]

2 [2]

Caden and Shen prepared a formal partnership agreement which included the following terms.

- 1 Goodwill would **not** be retained in the books of the partnership.
- 2 Profits and losses would be shared Caden three-fifths, Shen two-fifths.
- 3 Interest on capital would be 4% per annum.
- 4 Interest on drawings, excluding partner's salary, would be 8% per annum.
- 5 Shen would receive a salary of \$3000 per annum.

REQUIRED

(c) State **one** reason why it is important for partners to prepare a formal partnership agreement.

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..... [1]



Q3 S2019 21

(d) State **two** differences between a partner's capital account and a partner's current account.

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[2]

(e) Prepare the capital accounts of the partners at 1 May 2018 showing the removal of the goodwill. Balance the accounts and bring down the balances.

Capital accounts

Date	Details	Caden	Shen	Date	Details	Caden	Shen
		\$	\$			\$	\$

[4]



TOPIC 17 INCOMPLETE RECORDS





Q3 S 2005

Q3 Mary Goswing is a trader. She does not operate a full double entry system but she does keep books of prime entry from which control accounts are prepared. The following information relates to the year ended 30 April 2005.

	\$
Debtors' control account balance 1 May 2004	24 000
Debtors' control account balance 30 April 2005	48 000
Receipts from debtors	120 000
Receipts from cash sales	18 000
Bad debt written off	4 000
Discount allowed	6 000


REQUIRED

- (a)** Calculate the total sales for the year ended 30 April 2005. Show **all** workings.

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[7]



HABIB PUBLIC SCHOOL

Q3 S2005

(b) Explain **two** ways in which control accounts can be used by Mary Goswing in her business.

(i)
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.....[2]

(ii)
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.....[2]

(c) Suggest **two** limitations to the usefulness of control accounts in Mary Goswing's approach to record keeping.

(i)
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.....[2]

(ii)
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.....[2]

[Total: 15]



Q2 W2005

- 2 Kirsty Stoner lost many financial records in a robbery but is able to provide the following information.

	1 October 2004
	\$
Fixed assets after depreciation	48 600
Current assets	20 300
Current liabilities	12 900
	30 September 2005
	\$
Fixed assets before depreciation for the year	53 200
Current assets	19 600
Current liabilities	21 300

Additional information

- (i) Kirsty took \$13 700 drawings during the year ended 30 September 2005.
- (ii) She depreciates fixed assets by 25% on the end of year balance.
- (iii) The provision for doubtful debts is to be increased by \$200 at 30 September 2005.

REQUIRED

- (a) Prepare the Statement of Affairs (this may be in the form of a Balance Sheet) for Kirsty Stoner at 1 October 2004.

Statement of Affairs as at 1 October 2004

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.....[2]



Q2 W2005

- (b) Prepare the Statement of Affairs (this may be in the form of a Balance Sheet) for Kirsty Stoner, showing the net profit, or net loss, at 30 September 2005.

Statement of Affairs as at 30 September 2005

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.....[7]

- (c) Kirsty has decided to take out a long-term business loan for \$5000. The money is to be added to the bank account (dr balance). Identify the immediate effects that this would have on the following items by ticking the appropriate boxes.

The first item has been completed as an example.

	Increase	Decrease	No change
(i) Long-term liabilities	✓		
(ii) Current assets			
(iii) Profit/loss			
(iv) Working capital			
(v) Turnover			

[4]

[Total: 13]



Q3 S2006

Q 3. Johann Schmidt provided the following information:

	1 May 2005	30 April 2006
	\$	\$
Fixed assets at cost	36 000	44 000
Accumulated depreciation	18 000	To be calculated
Current assets	16 000	15 000
Current liabilities	10 000	9 000
Long term liabilities	2 000	4 000

Johann Schmidt depreciates his fixed assets at 25% per annum on cost using the straight line method. No fixed assets were disposed of during the year.

Johann took drawings of \$8000 during the year.

REQUIRED

(a) Calculate the depreciation on fixed assets for the year ended 30 April 2006.

..... [2]

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(b) Draw up a Statement of Affairs for Johann Schmidt as at 1 May 2005 and 30 April 2006.

(i) Statement of Affairs as at 1 May 2005

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Q3 S2006

(ii) Statement of Affairs as at 30 April 2006

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[4]

(c) Calculate Johann Schmidt's net profit or loss for the year ended 30 April 2006.

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[4]

(d) (i) Calculate the working capital of Johann Schmidt at 1 May 2005 and 30 April 2006.

Working capital at 1 May 2005

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[1]



Q3 S2006

Working capital at 30 April 2006

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[1]

(ii) Comment on the change or otherwise in each of the following items between 1 May 2005 and 30 April 2006.

Working capital

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[2]

Long-term funding

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[3]

Fixed assets

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[4]

[Total: 25]



Q3 S 2006

Q 3. Johann Schmidt provided the following information:

	1 May 2005	30 April 2006
	\$	\$
Fixed assets at cost	36 000	44 000
Accumulated depreciation	18 000	To be calculated
Current assets	16 000	15 000
Current liabilities	10 000	9 000
Long term liabilities	2 000	4 000

Johann Schmidt depreciates his fixed assets at 25% per annum on cost using the straight line method. No fixed assets were disposed of during the year.

Johann took drawings of \$8000 during the year.

REQUIRED

(a) Calculate the depreciation on fixed assets for the year ended 30 April 2006.

.....
 [2]

(b) Draw up a Statement of Affairs for Johann Schmidt as at 1 May 2005 and 30 April 2006.

(i) Statement of Affairs as at 1 May 2005

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 [4]



Q3 S 2006

Working capital at 30 April 2006

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[1]

(ii) Comment on the change or otherwise in each of the following items between 1 May 2005 and 30 April 2006.

Working capital

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[2]

Long-term funding

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[3]

Fixed assets

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[4]

[Total: 25]



Q2 W2008

- 2 Tina West, a trader, uses books of prime entry. She does not operate a full double entry system. The following information is extracted from her business records for the year ended 31 October 2008:

	\$
Debtors' control account balance 1 November 2007	33 200
Debtors' control account balance 31 October 2008	48 600
Receipts from debtors	135 000
Receipts from cash sales	56 000
Bad debt written off	5 500
Discount allowed	7 200

REQUIRED

- (a) Calculate the total sales for the year ended 31 October 2008. Show all workings.

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[7]

Tina West has a gross profit to sales ratio of 40 % and net profit to sales ratio of 5 %.

- (b) Calculate Tina West's gross profit and net profit.

Gross profit

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Net profit

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[2]



Q2 W2008

Tina West employs two part-time staff. Each works 50 weeks a year. One is employed for 25 hours each week at \$6 per hour. The other works 30 hours each week at \$8 per hour.

(c) (i) Calculate the total wages Tina West pays the part-time staff during the year.

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..... [3]

(ii) State one additional payroll cost Tina West would incur.

..... [1]

Both employees have asked for a 10 % increase in pay. Tina can use the information in her final accounts when considering this request.

(d) Explain three different ways in which the final accounts can help Tina decide about the pay rise.

1

2

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..... [6]

[Total: 19]



Q3 S 2010 21

- 3 Indira is a computer consultant. She does not keep a full set of double entry accounts but the following information is available for the year ended 31 March 2010.

Summarised Cash Book

	\$		\$
Balance 1 April 2009	3 500	Purchase of office equipment	5 500
Receipts of consultancy fees	74 000	Wages	23 600
Sale of office equipment	750	Drawings	20 000
		Loan interest and repayments	2 600
		General expenses	12 900
		Rent	9 000
		Balance 31 March 2010	<u>4 650</u>
	<u>78 250</u>		<u>78 250</u>

The sale of office equipment was at net book value.

Additional information:

	1 April 2009	31 March 2010
	\$	\$
Plant and equipment (Office equipment)	16 000	17 500
Trade receivables (debtors) for consultancy fees	14 200	11 000
Non-current liability (6% loan)	10 000	8 000
Other receivables (General expenses prepaid)	100	500
Other payables (Rent accrued)	400	600

REQUIRED

- (a) (i) Calculate the capital at 1 April 2009.

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Q3 S 2010 21

(ii) Calculate the consultancy fees for the year ended 31 March 2010.

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[3]

(b) Prepare the income statement (profit and loss account) for the year ended 31 March 2010.

Indira
Income Statement (Profit and Loss Account) for the year ended 31 March 2010

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[7]

(c) Indira does not keep a full set of double entry accounts. State **two** advantages to Indira of maintaining a full set of double entry accounts.

(i)
..... [2]

(ii)
..... [2]



Q3 W2012 22

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

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

Additional information at 30 September 2012:

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

REQUIRED

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

- 1
- 2 [2]



Q3 W2012 22

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

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..... [4]

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

REQUIRED

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

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

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[Total: 20]



Q3 W2014 22

- 3 Basir is the owner of the Korner Café. He does not maintain full double entry books, but has provided the following information for the year ended 30 September 2014.

		Bank account	
	\$		\$
Balance b/d	4 000	Rent of café	5 500
Takings banked	43 200	Payments to credit suppliers	17 800
		Operating expenses	13 600
		Fixtures and fittings	450
		Bank loan interest	250
		Balance c/d	<u>9 600</u>
	<u>47 200</u>		<u>47 200</u>
Balance b/d	9 600		

Additional information

- 1 All takings were in cash and were banked on the same day with the exception of:

	\$
Staff wages	14 900
Drawings	8 000
Cash purchases	950

- 2 Balances at:

	1 October 2013	30 September 2014
	\$	\$
Trade payables	1150	1430
Inventory	350	720
Rent of café prepaid	500	—
Rent of café accrued	—	1 000
7 % Bank loan	5000	5000
Bank loan interest accrued	—	100
Fixtures and fittings (at valuation)	2250	2200

REQUIRED

- (a) State **two** advantages of maintaining full double entry records.

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.....[2]



Q3 W2014 22

(b) Calculate the total purchases for the year ended 30 September 2014.

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(c) Calculate the revenue for the year ended 30 September 2014.

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Q3 S2016 22

3 Alif is a trader. He does not maintain a full set of accounting records but the following information is available.

1 Summarised bank transactions for the year ended 31 March 2016

Receipts	\$	Payments	\$
Trade receivables	32 000	Trade payables	29 000
Cash sales banked	7 400	Purchase of equipment	2 500
Interest receivable	600	Rent	8 000
		Other operating expenses	6 500

2 All cash sales were banked on the day of receipt with the exception of the following which were paid out of cash receipts.

	\$
Wages	9000
Drawings	11500

3 Balances at:

	1 April 2015	31 March 2016
	\$	\$
Equipment (net book value)	11 000	10 500
Inventory	12 000	11 500
Trade receivables	17 600	18 350
Trade payables	9 750	7 950
Wages owing	300	450
Rent prepaid	500	700
Bank	3 950 Debit	?
Capital	35 000	?



Q1 S2016 22

REQUIRED

(a) Calculate, for the year ended 31 March 2016, the value of the following:

(i) revenue (sales)

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.....[4]

(ii) purchases.

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Q3 S2011 22

3 Tanvir does not keep a full set of double entry accounts.

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

Summarised Bank account

	\$		\$
Receipts from customers	60 500	Balance b/d	100
Sale of non-current asset	750	Payments to suppliers	34 900
		Wages	15 000
		Lighting and heating	2 500
		Drawings	5 000
		Purchase of non-current asset	8 000
Balance c/d	10 250	General expenses	6 000
	<u>71 500</u>		<u>71 500</u>

Additional information:

	1 May 2010	30 April 2011
	\$	\$
Inventory	5 250	11 000
Trade receivables	9 750	8 400
Trade payables	10 500	9 300
Non-current assets (book value)	40 000	42 000
Lighting and heating	600 Prepaid	250 Accrued
6% Bank loan repayable 30 April 2016	20 000	20 000
Capital	25 000	?

The non-current asset sold during the year had a book value of \$1 000.

REQUIRED

(a) Calculate for the year ended 30 April 2011:

(i) Sales

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[3]



Q3 S2011 22

(ii) Purchases

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..... [3]

(b) Prepare the income statement for the year ended 30 April 2011.

Tanvir
Income Statement for the year ended 30 April 2011

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Q3 S 2016 21

3 Alif is a trader. He does not maintain a full set of accounting records but the following information is available.

1 Summarised bank transactions for the year ended 31 March 2016

Receipts	\$	Payments	\$
Trade receivables	32 000	Trade payables	29 000
Cash sales banked	7 400	Purchase of equipment	2 500
Interest receivable	600	Rent	8 000
		Other operating expenses	6 500

2 All cash sales were banked on the day of receipt with the exception of the following which were paid out of cash receipts.

	\$
Wages	9 000
Drawings	11 500

3 Balances at:

	1 April 2015	31 March 2016
	\$	\$
Equipment (net book value)	11 000	10 500
Inventory	12 000	11 500
Trade receivables	17 600	18 350
Trade payables	9 750	7 950
Wages owing	300	450
Rent prepaid	500	700
Bank	3 950 Debit	?
Capital	35 000	?



Q1 S 2016 21

REQUIRED

(a) Calculate, for the year ended 31 March 2016, the value of the following:

(i) revenue (sales)

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.....[4]

(ii) purchases.

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.....[2]



Q2 S2015 21

2 The following information was obtained from the books of Arden.

		\$
1 February 2015	Trade receivables balance	14 900 Dr
	Trade payables balance	17 160 Cr
28 February 2015	Cheques received from trade receivables	45 800
	Cheque from trade receivable later dishonoured	200
	Cheques paid to trade payables	32 500
	Discount allowed	2 700
	Discount received	910
	Purchases returns	3 800
	Bad debts	1 800
	Cash sales	10 500
1 March 2015	Trade receivables balance	12 600 Dr
	Trade payables balance	8 450 Cr

REQUIRED

(a) Prepare the purchases ledger control account showing the credit purchases made in the month of February 2015.

Purchases ledger control account

Date	Details	\$	Date	Details	\$

[6]



Q2 S2015 21

(b) Prepare the sales ledger control account showing the credit sales made for the month of February 2015.

Sales ledger control account

Date	Details	\$	Date	Details	\$

[7]

Additional information

1	Payments for February		
	Wages	\$ 15 200	
	General expenses	7 900	
2	Balances at	1 February 2015	28 February 2015
	Inventory	\$ 9 350	\$ 8 650
	Non-current assets (at valuation)	18 000	17 200
	General expenses owing	2 300	1 600



Q2 S2015 21

REQUIRED

- (c) Prepare the income statement for the month ended 28 February 2015.

Income Statement for the month ended 28 February 2015

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[6]

- (d) State **two** benefits to Arden of using Information Communication Technology (ICT) in his bookkeeping and accounting.
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[2]
[Total:20]



Q3 W2020 23

- 3 Haziq has not maintained full accounting records for his business.

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

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

Summary of bank account for the year ended 31 July 2020

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

Additional information

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



Q3 W2020 23

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

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[5]

[Total: 20]





TOPIC 18 CLUB ACCOUNTING





Q3 W2004

(b) Calculate the profit made on the sale of refreshments.

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[5]

(c) Calculate the subscriptions for the year ended 31 July 2004.

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[3]

(d) Identify **two** differences between a Receipts and Payments Account and an Income and Expenditure Account.

(i) Difference 1

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(ii) Difference 2

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[6]

[Total: 19]



Q3 W2004

(b) Calculate the profit made on the sale of refreshments.

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(c) Calculate the subscriptions for the year ended 31 July 2004.

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(d) Identify **two** differences between a Receipts and Payments Account and an Income and Expenditure Account.

(i) Difference 1

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.....

(ii) Difference 2

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[Total: 19]



Q3 W2008

3 The treasurer of Avalon Social Club did not keep proper accounting records. The following information was available at 31 October 2008:

- 1 Subscriptions paid in advance by members at 1 November 2007 amounted to \$210. The balance of subscriptions in arrears was \$130.
- 2 Receipts during the year ended 31 October 2008:

	\$	
Subscriptions - for the year ended 31 October 2007	130	(in arrears)
- for the year ended 31 October 2008	1490	
- for the year ended 31 October 2009	90	(in advance)
Sale of refreshments	4970	

3 Payments during the year ended 31 October 2008:

	\$	
Purchase of refreshments	3630	
Rent and rates	1400	
Insurance	300	
Sundry expenses	1300	

Additional information:

	1 November 2007	31 October 2008
	\$	\$
Stock of refreshments	340	290
Balance at bank	740 Dr	790 Dr

All receipts and payments were made through the bank account.

REQUIRED

(a) Calculate the accumulated fund at 1 November 2007.

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[2]



Q3 W2008

(b) Prepare the subscriptions account for the year ended 31 October 2008.

Avalon Social Club
Subscriptions account

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[5]

(c) Calculate the gross profit made on the sale of refreshments.

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[2]



Q3 W2008

- (d) Prepare the income and expenditure account for the year ended 31 October 2008.

Avalon Social Club
Income and Expenditure Account for the year ended 31 October 2008

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[4]

- (e) Explain how the matching/accruals concept should be used in calculating subscriptions for the year.

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[4]

[Total: 17]



Q2 S2006

Q2 The treasurer of Sands Social Club did not keep proper accounting records. The following information was available at 30 April 2006:

- 1 At 1 May 2005 subscriptions paid in advance amounted to \$210 and subscriptions in arrears were \$150.
- 2 Receipts during the year ended 30 April 2006:

	\$	
(i) Subscriptions – for year ended 30 April 2005	150 (in arrears)	
– for year ended 30 April 2006	1400	
– for year ended 30 April 2007	75 (in advance)	
(ii) Sale of refreshments	\$4620	
- 3 Payments during the year ended 30 April 2006:

	\$
(i) Purchase of refreshments	3250
(ii) Rent	1200
(iii) Insurance	240
(iv) Any other expenses are to be treated as sundry expenses.	

Additional information:

	1 May 2005	30 April 2006
	\$	\$
Stock of refreshments	270	330
Balance at bank	790	840

All receipts and payments were made through the bank account.

REQUIRED

- (a) Prepare the Subscriptions account for the year ended 30 April 2006.

	Sands Social Club Subscriptions account	
Dr		Cr
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[5]



Q2 S2006

(b) Calculate the profit made on the sale of refreshments.

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(c) Prepare the Receipts and Payments Account for the year ended 30 April 2006. [2]

Receipts and Payments Account for the year ended 30 April 2006

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(d) Explain why the figure for subscriptions in the Receipts and Payments Account might be different from the subscriptions figure in the Income and Expenditure Account.

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[4]
[Total: 18]



Q2 S 2006

Q2 The treasurer of Sands Social Club did not keep proper accounting records. The following information was available at 30 April 2006:

1 At 1 May 2005 subscriptions paid in advance amounted to \$210 and subscriptions in arrears were \$150.

2 Receipts during the year ended 30 April 2006:

	\$	
(i) Subscriptions – for year ended 30 April 2005		150 (in arrears)
– for year ended 30 April 2006		1400
– for year ended 30 April 2007		75 (in advance)

(ii) Sale of refreshments \$4620

3 Payments during the year ended 30 April 2006:

	\$	
(i) Purchase of refreshments		3250
(ii) Rent		1200
(iii) Insurance		240

(iv) Any other expenses are to be treated as sundry expenses.

Additional information:

	1 May 2005	30 April 2006
	\$	\$
Stock of refreshments	270	330
Balance at bank	790	840

All receipts and payments were made through the bank account.

REQUIRED

(a) Prepare the Subscriptions account for the year ended 30 April 2006.

Dr	Sands Social Club Subscriptions account	Cr
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[5]



HABIB PUBLIC SCHOOL

Q2 S 2006

(b) Calculate the profit made on the sale of refreshments.

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(c) Prepare the Receipts and Payments Account for the year ended 30 April 2006. [2]

Receipts and Payments Account for the year ended 30 April 2006

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[7]

(d) Explain why the figure for subscriptions in the Receipts and Payments Account might be different from the subscriptions figure in the Income and Expenditure Account.

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[4]

[Total: 18]



Q3 S 2009

- 3 The Ranford Sports Club keeps a full set of double entry accounts and prepares monthly accounts. The summarised receipts and payments account for the month of April 2009 was as follows.

Receipts and Payments Account			
	\$		\$
Balance b/d	1 680	Payments for café purchases	4 320
Café takings	9 850	General expenses	1 890
Donations	50	Repairs to café fixtures	165
Subscriptions	<u>530</u>	Balance c/d	<u>5 735</u>
	<u>12 110</u>		<u>12 110</u>

Additional information

- 1 Other balances

	1 April	30 April
	\$	\$
Café stock	1700	1230
Creditors for café purchases	1830	1470
Café fixtures	5450	5400

- 2 The café takings recorded in the receipts and payments account do not include the income, \$770, for a birthday party held on 20 April 2009.
- 3 The wages for the café manager have not been paid for the month of April.

The café manager worked a total of 138 hours in the month of which

120 hours were paid at \$5 per hour
 12 hours were paid at time and a half
 6 hours were paid at double time.

A total of 40 % of gross pay was deducted for tax and social security contributions.

The Ranford Sports Club must also pay an additional \$65 to the tax authority.

On 5 May 2009 the Ranford Sports Club paid the total tax and social security contributions to the tax authority.



Q3 W 2011 21

(b) Prepare the refreshments trading account for the year ended 31 October 2011.

Sandbury Sports Club
Refreshments Trading Account for the year ended 31 October 2011.

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(c) Prepare the income and expenditure account for the year ended 31 October 2011.

Sandbury Sports Club
Income and Expenditure Account for the year ended 31 October 2011.

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Q3 W2011 21

- (d) (i) State the section of Sandbury Sports Club's balance sheet on 31 October 2011 in which subscriptions paid in advance will appear. Give a reason for your answer.

Section:

Reason:

..... [2]

- (ii) State the section of Sandbury Sports Club's balance sheet on 31 October 2011 in which purchase of equipment will appear. Give a reason for your answer.

Section:

Reason:

..... [2]

[Total: 24]



Q3 S2012 21

- 1 The following balances were extracted from the books of Trinity Social Club on 30 April 2012:

	\$
Fixtures and fittings	1600
Donations income for the year	150
Subscriptions	1980
Rent	1400
Sales of refreshments	2500
General expenses	780
Purchases of refreshments	1150
Bank overdraft	100

REQUIRED

- (a) Complete the following trial balance at 30 April 2012 clearly showing the value of the accumulated fund.

Trinity Social Club
Trial Balance at 30 April 2012

	Debit	Credit
	\$	\$
Fixtures and fittings		
Donations income		
Subscriptions		
Rent		
Sales of refreshments		
General expenses		
Purchases of refreshments		
Bank overdraft		
Accumulated fund		

[5]



Q3 S2012 21

(c) Prepare an income and expenditure account for the year ended 30 April 2012.

Income and Expenditure Account for the year ended 30 April 2012

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(d) State **two** differences between a receipts and payments account and an income and expenditure account.

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[4]

[Total: 21]



Q3 S2014 21

- 3 The Millennium Social Club provides a meeting place for members. The club also runs a café for the sale of refreshments.

The treasurer of the Millennium Social Club does not maintain a full set of double entry records, but has produced the following information for the year ended 30 April 2014.

Receipts and Payments Account for the year ended 30 April 2014

	\$		\$
Receipts		Payments	
Balance b/d	2 250	General expenses	7 600
Subscriptions	5 800	Rent	4 000
Café takings	41 000	Payments to café suppliers	12 400
Donations	3 100	Wages and employment taxes of café manager	14 000
		Heat and light	1 000
		Bank loan	2 800
		Purchase of equipment and fixtures	700
		Balance c/d	<u>9 650</u>
	<u>52 150</u>		<u>52 150</u>
Balance b/d	9 650		

Additional information

1 Balances at:

	1 May 2013	30 April 2014
	\$	\$
Subscriptions in advance	750	400
Subscriptions in arrears	—	600
Trade payables for café supplies	1 250	1 100
Inventory of café supplies	930	790
Heat and light due	520	720
Equipment and fixtures (at valuation)	11 200	10 100
8% Bank loan	10 000	?
Café manager's wages and employment taxes due	—	?



Q3 S2014 21

- 2 The café manager's wages and employment taxes for the month of April 2014 were outstanding.

In April 2014 she had worked a total of 180 hours.

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

Employee's tax and social security of \$240 would be deducted from the gross pay. The Millennium Social Club would pay 10% of the café manager's gross pay as an employer's contribution to social security.

- 3 The 8% bank loan repayment included the interest due for the year.
4 Half of the heat and light relates to the café.
5 Half of the equipment and fixtures are used in the café.

REQUIRED

- (a) Calculate the café manager's net pay for April 2014.

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[3]



Q3 W2013 22

- 3 The receipts and payments account of Brown Lane Rovers Football Club for the year ended 30 June 2013 was as follows.

	\$		\$
Balance b/d	4 543	Match expenses	3 680
Subscriptions	7 200	New kits and equipment	4 656
Sale of old kits and equipment	1 008	General expenses	6 913
Match day revenue	1 233	Purchase of refreshments	2 078
Donation income	940	Groundsman's wages	1 940
Sale of refreshments	6 834	Balance c/d	2 491
	<u>21 758</u>		<u>21 758</u>

Additional information

1	1 July 2012	30 June 2013
	\$	\$
Subscriptions paid in advance	–	540
Subscriptions in arrears	240	–
Inventory of refreshments	250	300
Creditors (refreshment suppliers)	1034	1140
Kits and equipment at valuation	5000	8104

- 2 The kits and equipment sold during the year were valued at \$1230 on 1 July 2012.

REQUIRED

- (a) Calculate the depreciation on the kits and equipment for the year ended 30 June 2013.

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- (b) Calculate the profit or loss on the sale of the old kits and equipment.

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Q3 S2015 22

3 The following information is available for the Axton Chess Club.

Receipts and Payments Account for the year ended 31 March 2015

	\$		\$
Balance b/d 1 April 2014	230	Rent of clubroom	2000
Subscriptions	3260	Treasurer's salary	250
Competition entry fees received	1580	Purchase of fixtures and equipment	1100
Donations	350	Competition prizes	750
Balance c/d 31 March 2015	<u>1930</u>	Travelling expenses	1900
	<u>7350</u>	Other operating expenses	<u>1350</u>
			<u>7350</u>
		Balance b/d 1 April 2015	1930

Additional information

1 Balances at:

	1 April 2014	31 March 2015
	\$	\$
Subscriptions in advance	-	450
Subscriptions in arrears	530	750
Fixtures and equipment (valuation)	4000	4400
Rent of clubroom prepaid	-	50
Rent of clubroom accrued	70	-
Other operating expenses accrued	190	20
Accumulated fund	4500	?

- 2 \$280 of the subscriptions in arrears on 1 April 2014 were subsequently received.
- 3 Subscriptions not paid after 12 months were considered irrecoverable.

REQUIRED

(a) Prepare the subscriptions account for the year ended 31 March 2015, showing the transfer to the income and expenditure account. Balance the account and bring down the balances on 1 April 2015.

Subscriptions account

Date	Details	\$	Date	Details	\$

[5]



Q3 S2018 22

- 3 The W Sports Club provides sporting facilities for members. The club also runs a shop for the sale of sports clothing.

The following information is available.

Summarised Receipts and Payments Account
for the year ended 30 April 2018

	\$		\$
Balance b/d	700	Shop purchases of sports clothing	1400
Subscriptions	1820	Catering for special event	600
Sale of tickets for special event	1080	Wages	1500
Shop sales of sports clothing	2600	General expenses	1900
Other income	1250	Rent	1150
	<u>7450</u>	Balance c/d	<u>900</u>
Balance b/d	900		<u>7450</u>

Balances at:	1 May 2017	30 April 2018
	\$	\$
Subscriptions in arrears	75	45
Subscriptions in advance	60	50
Inventory – sports clothing	400	550
Trade payables – sports clothing	200	140
Other payables – special event	–	250
Non-current assets (at valuation)	6200	5900
Rent accrued	–	100

Additional information

- 1 The subscriptions received in the year included all subscriptions in arrears on 1 May 2017.
- 2 The wages include \$900 for the sports clothing shop and \$180 for the special event. The special event was organised in March 2018.
- 3 20% of the rent and \$130 of the general expenses relate to the sports clothing shop.

REQUIRED

- (a) Calculate the subscriptions for the year ended 30 April 2018.

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Q3 S2018 22

- (e) Explain why subscriptions paid in advance will be shown as a liability in the statement of financial position of the W Sports Club.

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[2]

[Total: 20]



Q2 S2020 22

- (e) Advise the club treasurer whether or not club members should be required to pay their subscriptions by direct debit. Justify your answer by providing **two** advantages and **two** disadvantages.

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[5]

[Total: 20]

Q2 W2020 22

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

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

Assets and liabilities

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

Receipts and Payments Account for the year ended 31 July 2020

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

Additional information

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



TOPIC 19 COMPANY ACCOUNTS





CHP 21

EXAMPLES OF FINANCIAL STATEMENTS OF LIMITED COMPANIES

EXAMPLE ONE

Based on June 2013 Paper 21 Question 4a-b

Question

The financial year of Sildean Ltd ends on 30 April.

The following balances appeared on the books after the preparation of the income statement for the year ended 30 April 2013.

	\$
Non-current assets at cost	206 000
Provision for depreciation of non-current assets	12 500
Ordinary share capital 280 000 shares of \$0.50 each	140 000
4% Debentures	40 000
Trade payables	14 156
Trade receivables	15 400
Inventory	16 300
Petty cash	200
Bank overdraft	7 982
Provision for doubtful debts	462
General reserve 1 May 2012	10 000
Retained earnings 1 May 2012	2 000

Additional information

- The profit for the year ended 30 April 2013 before debenture interest was \$24 800.
- During the year ended 30 April 2013 an interim ordinary share dividend of \$0.05 per share was paid.
- At 30 April 2013:
A whole year's interest on debentures was accrued
No final ordinary share dividend was proposed
It was proposed to transfer \$5000 to general reserve

(a) Calculate the retained earnings for the year ended 30 April 2013.

(b) Prepare the statement of financial position of Sildean Ltd at 30 April 2013.

Suggested answer

(a) Calculation of retained earnings in the year ended 30 April 2013

	\$	\$
Profit for the year		24 800
Less Debenture interest		<u>1 600</u>
		23 200
Less interim ordinary share dividend	14 000	
transfer to general reserve	<u>5 000</u>	<u>19 000</u>
Retained earnings in the year		<u>4 200</u>



CHP 21

(b)

Sildean Ltd
Statement of Financial Position at 30 April 2013

	\$	\$	\$
Assets			
Non-current assets	Cost	Depreciation to date	Book value
Non-current assets	<u>206 000</u>	<u>12 500</u>	<u>193 500</u>
Current assets			
Inventory			16 300
Trade receivables		15 400	
Less Provision for doubtful debts		<u>462</u>	14 938
Petty cash			<u>200</u>
			<u>31 438</u>
Total assets			<u>224 935</u>
Capital and liabilities			
Capital and reserves			
Share capital – ordinary shares of \$0.50 each			140 000
General reserve (10 000 + 5000)			15 000
Retained earnings (2000 + 4200)			<u>6 200</u>
Shareholders' funds			<u>161 200</u>
Non-current liabilities			
4% Debentures			<u>40 000</u>
Current liabilities			
Trade payables			14 156
Other payables			1 600
Bank overdraft			<u>7 982</u>
			<u>23 738</u>
Total liabilities			<u>224 935</u>



CHP 21

EXAMPLE TWO**Based on November 2014 Paper 21 Question 5a****Question**

Watson Limited provided the following information.

Trial Balance at 30 September 2014
(After the preparation of the Income Statement for the year ended 30 September 2014)

	\$	\$
Premises at cost	99 000	
Fixtures and fittings at cost	65 000	
Motor vehicles at cost	33 000	
Provision for depreciation of fixtures and fittings		23 000
Provision for depreciation of motor vehicles		11 000
Ordinary share capital		120 000
General reserve (1 October 2013)		20 000
Retained earnings (1 October 2013)		9 000
Profit for the year		38 000
Interim ordinary share dividend	6 000	
4% Debentures		10 000
Inventory (30 September 2014)	19 300	
Trade payables		16 300
Trade receivables	28 000	
Other payables		350
Other receivables	300	
Provision for doubtful debts		1 400
Bank		2 050
Cash	500	
	<u>251 100</u>	<u>251 100</u>

On 30 September 2014 it was proposed to pay a final ordinary share dividend of \$2000 and to transfer \$12 000 to general reserve.

Statement of Changes in Equity for the year ended 30 September 2014

	Share Capital \$	General Reserve \$	Retained Earnings \$	Total \$
Balance at 1 October 2013	120 000	20 000	9 000	149 000
Profit for the year			38 000	38 000
Dividend paid (interim)			(6 000)	(6 000)
Transfer to general reserve		12 000	(12 000)	-
Balance at 31 September 2014	120 000	32 000	29 000	181 000



CHP 21

Prepare the statement of financial position of Watson Limited at 30 September 2014.

Watson Limited			
Statement of Financial Position at 30 April 2013			
	\$	\$	\$
Assets			
Non-current assets			
	Cost	Depreciation to date	Book value
Premises	99 000	-	99 000
Fixtures and fittings	65 000	23 000	42 000
Motor vehicles	<u>33 000</u>	<u>11 000</u>	<u>22 000</u>
	<u>197 000</u>	<u>34 000</u>	<u>163 000</u>
Current assets			
Inventory			19 300
Trade receivables		28 000	
Less Provision for doubtful debts		<u>1 400</u>	26 600
Other receivables			300
Cash			<u>500</u>
			<u>46 700</u>
Total assets			<u>209 700</u>
Capital and liabilities			
Capital and reserves			
Share capital – ordinary shares			120 000
General reserve			32 000
Retained earnings			<u>29 000</u>
Shareholders' funds			<u>181 000</u>
Non-current liabilities			
4% Debentures			<u>10 000</u>
Current liabilities			
Trade payables			16 300
Other payables			350
Bank overdraft			<u>2 050</u>
			<u>18 700</u>
Total liabilities			<u>209 700</u>

[NB. The proposed ordinary share dividend will not appear in either the statement of changes in equity or the statement of financial position. It will appear in the statement of changes in equity for the year ended 30 September 2015.]



Q3 W2005

3 Donne Ltd has the following capital structure.

Authorised share capital

40 000 ordinary shares of \$1 each
40 000 5% preference shares of 25c each

Issued share capital

20 000 ordinary shares of \$1 each
40 000 5% preference shares of 25c each

Loan capital

\$10 000 6% debentures repayable 30 September 2008

REQUIRED

(a) Explain what is meant by authorised share capital.

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 [2]

(b) Explain what is meant by issued share capital.

.....

 [2]

(c) State **one** similarity and **one** difference between preference shares and debentures.

(i) Similarity

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(ii) Difference

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 [4]



Q3 W2005

The directors of Donne Ltd have proposed an ordinary share dividend of 5% for the year.

REQUIRED

(d) Calculate the following:

(i) Total dividends (in \$) proposed on ordinary shares for the year

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(ii) Total interest payable on the debentures for the year

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(iii) Total dividends (in \$) payable on preference shares for the year

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[6]

(e) State how Donne Ltd would value the following in its Balance Sheet.

(i) Fixed assets.....

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(ii) Stock.....

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(iii) Trade debtors.....

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[3]

[Total: 17]



Q5 S 2010 21

- 5 SGC Ltd is a trading company. The following balances were extracted from the books on 30 April 2010.

	\$
Inventory (stock) at 1 May 2009	48 500
Raw materials (Purchases)	178 000
Raw materials (Purchase) returns	9 000
Carriage inwards	16 500
Revenue (Sales)	370 000
Office expenses	19 750
Office salaries	59 300
Property (Land and buildings) at cost	250 000
Computer equipment (cost)	80 000
Office fixtures and fittings (cost)	40 000
Provision for depreciation of computer equipment	28 000
Provision for depreciation of office fixtures and fittings	15 000
Other operating (Sundry) expenses	9 800
Advertising and marketing costs	24 000
Finance costs (Debenture interest) paid	3 000
Authorised and issued share capital	
100 000 \$0.50 ordinary shares	50 000
200 000 \$1.00 8% preference shares	200 000
Non-current liabilities (12% debentures repayable 31 December 2020)	50 000
General reserve	40 000
Profit and loss account 1 May 2009	1 300
Trade receivables (debtors)	42 000
Provision for doubtful debts	1 500
Trade payables (creditors)	35 500
Cash (Bank)	3 450 Dr

Additional information:

- Inventory (stock) at 30 April 2010 was \$57 000.
- At 30 April 2010
 - Office expenses, \$450, were prepaid.
 - Office salaries, \$1800, were accrued.
- Depreciation is to be charged on:
 - computer equipment at 25% per annum using the diminishing (reducing) balance method;
 - office fixtures and fittings using the straight-line method at 20% on cost.
- The provision for doubtful debts is to be maintained at 5% of trade receivables (debtors).
- On 30 April 2010 the directors of SGC Ltd
 - Transferred \$20 000 to the general reserve.
 - Paid the full dividend on the preference shares.
 - Paid an ordinary share dividend of \$0.10 per share.



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Q5 S 2010 21

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Q3 S2015 21

3 ended 30 April 2015.

	\$
Profit for the year ended 30 April 2015	86 000
Authorised share capital:	
\$1 Ordinary shares	100 000
Called up share capital:	
\$1 Ordinary shares	100 000
Interim dividend paid	3 000
General reserve	20 000
Retained profits 1 May 2014	14 000

Additional information

The directors have:

- 1 transferred \$50 000 to the general reserve
- 2 paid a final ordinary shares dividend of \$0.15 per share.

REQUIRED

(a) Prepare the statement of changes in equity for the year ended 30 April 2015.

Warle Limited
Statement of Changes in Equity for the year ended 30 April 2015

	Share Capital \$	General Reserve \$	Retained Profits \$	Total \$
Balance at 1 May 2014	100 000	20 000	14 000	134 000
Profit for the year
Transfer to general reserve
Dividend paid (interim)
Dividend paid (final)
Balance at 30 April 2015

[6]



Q3 S2015 21

(e) State **two** reasons why large companies prepare their published financial statements in accordance with International Accounting Standards (IAS).

1

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2

..... [2]

[Total: 19]



Q3 S2017 21

- 3 B Limited had the following balances in the books at 30 April 2017.

	\$
Retained profits 1 May 2016	410 000
General reserve 1 May 2016	75 000
Debentures (repayable 30 June 2020)	80 000
Issued share capital ordinary shares \$1 each	200 000
Interim dividend paid on ordinary shares	10 000
Profit for the year ended 30 April 2017	90 000

Additional information

- On 1 May 2016 an additional 50 000 ordinary shares of \$1 each had been issued.
- On 30 April 2017 the directors:
 - transferred \$50 000 to the general reserve
 - paid a final ordinary dividend of \$0.10 per share.

REQUIRED

- (a) Prepare the statement of changes in equity for the year ended 30 April 2017.

B Limited
Statement of Changes in Equity for the year ended 30 April 2017

	Ordinary share capital	General reserve	Retained profits	Total
	\$	\$	\$	\$
Balance at 1 May 2016	150 000	75 000	410 000	635 000
Share issue				
Profit for the year				
Transfer to general reserve				
Dividend paid (interim)				
Dividend paid (final)				
Balance at 30 April 2017				

[8]



Q3 S2017 21

- (b) Prepare an extract from the statement of financial position to show the equity, reserves and non-current liabilities of B Limited at 30 April 2017.

**B Limited
Statement of Financial Position (extract) at 30 April 2017**

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[6]

- (c) Explain **two** differences between ordinary share capital and preference share capital.

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.....[4]

- (d) State **two** possible reasons why the directors of B Limited have transferred \$50 000 to the general reserve.

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.....[2]

[Total: 20]



Q3 W2016 22

3 Cam Limited provided the following information.

	\$
At 1 October 2015	
Issued share capital \$1 Ordinary shares	70 000
General reserve	40 000
Debentures (Repayable 2025)	50 000
Retained profits	92 000
For the year ended 30 September 2016	
Profit for the year	75 000
Interim dividend paid on ordinary shares	7 000

Additional information

- 1 On 1 November 2015 an additional 30 000 ordinary shares of \$1 each were issued.
- 2 On 30 September 2016 the directors:
transferred \$80 000 to the general reserve,
paid a final ordinary dividend of \$0.20 per share on all issued shares.

REQUIRED

(a) Complete the statement of changes in equity for the year ended 30 September 2016.

Cam Limited
Statement of Changes in Equity for the year ended 30 September 2016

	Share Capital \$	General Reserve \$	Retained Profits \$	Total \$
Balance at 1 October 2015	70 000	40 000	92 000	202 000
Share issue				
Profit for the year				
Transfer to general reserve				
Dividend paid (interim)				
Dividend paid (final)				
Balance at 30 September 2016				

[8]



Q3 W2016 22

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

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[4]

[Total: 20]



Q3 W2018 21

3 The following information is available for B Limited at 31 August 2018.

B Limited
Statement of Changes in Equity for the year ended 31 August 2018

	Ordinary Shares	General Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 September 2017	150 000	65 000	85 000	300 000
Profit for the year			75 000	75 000
Transfer to general reserve		25 000	(25 000)	–
Dividend paid (ordinary shares)			(21 000)	(21 000)
Balance at 31 August 2018	<u>150 000</u>	<u>90 000</u>	<u>114 000</u>	<u>354 000</u>

Other balances at 31 August 2018

	\$
Trade payables	73 000
6% Debentures (repayable 2024)	50 000
Debenture interest owing	4 800
General expenses owing	5 300
5% Bank loan (repayable 31 May 2019)	40 000

Additional information

B Limited had issued 300 000 ordinary shares.

REQUIRED

(a) Explain why the debentures are **not** included in the statement of changes in equity.

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(b) Calculate the dividend paid on ordinary shares for the year (in \$ per ordinary share).

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Q3 W2018 21

(e) Explain **two** differences between ordinary shares and preference shares.

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(f) Distinguish between cumulative preference shares and non-cumulative preference shares.

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(g) Complete the following table by placing a tick (✓) in the correct column to indicate where **each** item would appear in the financial statements.
The first one has been completed as an example.

	Income statement	Statement of changes in equity	Statement of financial position
Ordinary share dividend paid		✓	
Director’s salary			
Other receivables			

[2]

[Total: 20]



Q3 W2019 22

- 3 ABC Limited has ordinary share capital consisting of 150000 shares of \$1 each.

The following is an extract from the statement of changes in equity for ABC Limited for the year ended 31 August 2019.

ABC Limited
Statement of Changes in Equity for the year ended 31 August 2019

	Ordinary share capital	General reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance 1 September 2018	150 000	25 000	56 000	?
Profit for the year			32 000	32 000
Interim dividend for the year			(3 000)	(3 000)
Final dividend for the year			(4 500)	(4 500)
Transfer to general reserve		20 000	(20 000)	
Balance 31 August 2019	?	?	?	?

Additional balances at 31 August 2019

	\$
Trade payables	17 500
Current assets	72 500
Other payables	3 000
5% Debentures (repayable 2025)	50 000
Non-current assets	280 000
4% Bank loan (repayable 2022)	20 000
Bank overdraft	6 500

REQUIRED

- (a) State the difference between called-up share capital and paid-up share capital.

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..... [2]



Q3 W2019 22

(b) State **three** differences between debentures and ordinary shares.

1

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2

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3

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[6]

(c) Calculate the total:

(i) equity of ABC Limited on 1 September 2018

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..... [1]

(ii) dividend paid on ordinary shares in cents per share.

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..... [2]

(d) State **one** possible reason why ABC Limited would make a transfer to the general reserve.

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..... [1]



Q3 W2020 22

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

The following balances were available at that date.

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

Additional information

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



Q3 W2020 22

REQUIRED

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

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..... [2]

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

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Q3 W2020 22

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

The first one has been completed as an example.

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

[4]

[Total: 20]



Q4 W2020 23

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

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

Additional information

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

The following errors were later discovered.

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

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

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

REQUIRED

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

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..... [2]



Q4 W2020 23

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

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[4]

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

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

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2019
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On 30 September 2020
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[5]



Q4 W2020 23

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

DW Limited
Statement of Financial Position at 30 September 2020

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[9]

[Total: 20]



ELEMENTARY EXAMPLES OF STATEMENTS OF CHANGES IN EQUITY

QUESTION 1

Question

On 31 December 20-2 X Limited's statement of financial position included the following:

	\$
Ordinary share capital (\$1 shares)	60 000
General reserve	13 000
Retained earnings	9 000

During the year ended 31 December 20-3 X Ltd –
 Issued 40 000 additional ordinary shares of \$1 each
 Paid a final dividend of \$4000 from the previous year
 Paid an interim dividend of \$0.10 per share on shares held at the beginning of the year
 Made a profit for the year of \$28 000.

At 31 December 20-3 the directors –
 Transferred \$10 000 to general reserve
 Proposed a final dividend of \$0.20 per share

Prepare the statement of changes in equity for the year ended 31 December 20-3.

Suggested answer

X Limited
 Statement of changes in equity for the year ended 31 December 20-3

	Share Capital \$	General Reserve \$	Retained Earnings \$	Total \$
Balance at 1 January 20-3	60 000	13 000	9 000	82 000
Share issue	40 000			40 000
Profit for the year			28 000	28 000
Dividend paid (final)			(4 000)	(4 000)
Dividend paid (interim)			(6 000)	(6 000)
Transfer to general reserve		10 000	(10 000)	-
Balance at 31 December 20-3	100 000	23 000	17 000	140 000



QUESTION 2**(Based on IGCSE June 2013 Paper 12 Question 6(d))**

The equity section of Jarvis Limited's statements of financial position showed the following:

At 31 March	2012	2013
	\$	\$
Ordinary shares of \$.50 each	100 000	100 000
Retained earnings	29 000	31 000
General reserve	-	10 000

The profit for the year ended 31 March 2013 was \$26 000.

On 1 June 2013 the directors paid a dividend of \$0.03 per share which related to the previous year. On 15 January 2013 they paid an interim dividend of 8%.

Prepare the statement of changes in equity for the year ended 31 March 2013.

Suggested answer

Jarvis Limited
Statement of changes in equity for the year ended 31 March 2013

	Share Capital \$	General Reserve \$	Retained Earnings \$	Total \$
Balance at 1 April 2012	100 000	-	29 000	129 000
Profit for the year			26 000	26 000
Dividend paid (final)			(6 000)	(6 000)
Dividend paid (interim)			(8 000)	(8 000)
Transfer to general reserve		10 000	(10 000)	-
Balance at 31 March 2013	100 000	10 000	31 000	141 000

