

1 Paul is preparing his financial statements. He provided the following information.

1 April 2015 Balances b/d Insurance \$500 Dr

Cash book entries 1 April 2015 to 31 March 2016:

Insurance paid by cheque \$4000

On 31 March 2016:

Insurance of \$150 was prepaid

**REQUIRED**

(a) Prepare the following ledger account, for the year ended 31 March 2016, showing the transfer to the income statement. Balance the accounts and bring down the balance.

Insurance account

Date	Details	\$	Date	Details	\$

[4]

Paul also provided the following transactions which took place in March 2016.

2016

March 1 Win owed \$3 000 to Paul.

March 17 Win purchased goods from Paul with a list price of \$1 000. Paul allowed Win 20% trade discount.

March 20 Win returned goods purchased on 17 March, list price of \$200.

March 30 Win informed Paul that he had ceased trading and was unable to pay his debt in full. Win offered Paul \$650 in full settlement, which Paul accepted.

**REQUIRED**

(b) Prepare the account of Win in the ledger of Paul.

Win account

Date	Details	\$	Date	Details	\$

[7]

(c) Name the document which Win will issue on March 20.

..... [1]

(d) State two reasons why a trader should reconcile the cash book balance with the balance shown on the bank statement at the end of each month.

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

Paul provided the following details of his cash book (bank columns only) for the month of March

Paul  
Cash book (bank columns only)

2016	\$	2016	\$
Mar 1 Capital	10 000	Mar 1 Rent (3 months)	3 000
10 Cash sales	1 600	7 Fixtures and fittings	4 000
18 Freddie	180	8 Amitav	605
28 Ling	195	21 Arun	402
		29 Charles	780
		31 Balance c/d	3 188
	11 975		11 975
Apr 1 Balance b/d	3 188		

His bank statement for the same period was as follows.

Date	Details	Debit	Credit	Balance
2016		\$	\$	\$
Mar 1	Opening deposit		10 000	10 000 Cr
1	Standing order (12 months' insurance)	720		9 280 Cr
5	Cheque 0002	4 000		5 280 Cr
10	Deposit		1 600	6 880 Cr
11	Cheque 0001	3 000		3 880 Cr
12	Cheque 0003	605		3 275 Cr
20	Deposit		180	3 455 Cr

**REQUIRED**

(e) Update the cash book and bring down the amended balance.

Paul  
Cash book (bank columns only)

Date	Detail	\$	Date	Detail	\$

[3]





- 2 Wasim is a trader. His financial year ends on 31 March. He prepared trial balance on the same date, the totals of his trial balance on 31 March 2016 did not agree. The difference was a shortage on the debit side of \$685. This was entered in a suspense account.

The following errors were later discovered.

- 1 The total of a page of the purchases account, \$3842, had been recorded as \$3824.
- 2 A cheque received from DEC Limited, \$150, had been credited to the account of DDE Limited.
- 3 The balance of the cash, \$100, had been omitted from the trial balance.
- 4 Repairs to motor vehicle, \$283, had been debited to the motor vehicles account.
- 5 Purchase of fixtures, \$2200, on credit from Office Supplies Company, had been debited to Office Supplies Company and credited to fixtures account.
- 6 The total of the discount allowed column in the cash book, \$250, had been credited to the discount received account in the ledger.
- 7 The stationery purchased recorded in cash book, \$67, had not been transferred to the stationery account in nominal ledger.

**REQUIRED**

(a) Prepare the suspense account. Start with the balance arising from the difference on the trial balance.

Suspense Account

Date	Details	\$	Date	Details	\$

[5]

(b) Prepare journal entries to correct **two** of the errors which do **not** require correcting by means of suspense account. Narratives are **Not** required.

Wasim  
Journal

Error No.	Detail	Debit \$	Credit \$

[4]

(c) Complete the following statement to show the effect on the profit for the year of **correcting errors 1–7**. Where there is no effect on profit, do mention '**No Effect**'. Calculate the revised profit for the year.

The first correction has been completed as an example.

Wasim

Statement of corrected profit for the year ended 31 March 2016

	Increase in Profit \$	Decrease in Profit \$	Total \$
Profit before error correction			28920
Error 1		18	
Error 2			
Error 3			
Error 4			
Error 5			
Error 6			
Error 7			
Revised Profit for the year			

[7]

[Total: 16]

- b Jonathan started a trading business but did not keep complete accounting records. He was able to provide the following information for the month ended 31 October 2016  
On 1 October 2016 Jonathan introduced capital \$80000.

During the month ended 31 October 2016

	\$
Non-current assets purchased	20 000
Credit purchases	?
Cheques received from credit customers	61 230
Cheques paid to credit suppliers	60140
Cash discount allowed	1570
Cash discount received	1 860
Returns to credit suppliers	1 110
Returns by credit customers	2 070
Refund from credit suppliers	180

On 31 October 2016

Amount owing by credit customers	\$ 16 190
Amount owing to credit suppliers	\$ 7 040
Cash in hand	\$ 15710
Cash at bank	\$ 42990
Inventory	\$ 12110
Rent paid (covering 3 months)	\$ 3000
Insurance (covering 12 months)	\$ 720

Depreciation at the rate of 15% per annum on the straight line basis is provided monthly.

**REQUIRED:**

- (a) Prepare purchase ledger control account and calculate credit purchases for the month ended 31 October 2016.

Purchase ledger control Account

Date	Detail	\$	Date	Detail	\$

[7]







(c) Calculate Jonathan's profit for the month of October 2016. Use the capital you calculated in part (b).

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..... [3]

**[Total: 20]**

4 George buys and sells goods on credit. The following information was available on 30 September 2016.

	\$
Inventory 1 October 2015	11 000
Inventory 30 September 2016	37 000
Cost of Sales	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 2016.

(i) Revenue

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..... [2]

(ii) Purchases

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..... [2]

(iii) Expenses for the year

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..... [2]

(b) Calculate the following ratios to **two** decimal places. Comparative figures for the previous year are shown in the last column.

	Workings	30 September 2016	30 September 2015
Profit margin (profit for the year to revenue)			12.13%
Rate of inventory turnover			2.00 times
Working capital ratio (current ratio)			2.60:1
Quick ratio (acid test ratio)			1.10:1

[8]



(c) Comment on the performance of George’s business over the two years under the following headings.

(i) Inventory turnover

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..... [3]

(ii) Ability to pay trade payables

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..... [3]

**[Total: 20]**

5 Marshal is a sole trader. The following balances were extracted from his books on 30 September 2016.

	\$
Revenue	315000
Purchases	165000
Return outward	2600
Return inward	1750
Wages & salaries	34800
Motor vehicle expenses	17200
Commission receivable	12500
Rent	15500
Provision for doubtful debts	1000
6% bank loan repayable 30 March 2017	30000
Bank interest	1200
Heat & light	6500
Inventory at 1 October 2015	36800
General expenses	7100
Cash and bank	19500
Trade payables	25000
Trade receivables	34000
Drawings	17990
Motor vehicle at cost	50000
Fixture & fittings at cost	24000
Provision for Depreciation:	
Motor Vehicle	10000
Fixture & fitting	18000
Capital	17240

**Additional Information:**

1. Inventory was valued at \$29980.
2. On 26 September 2016 inventory purchased for \$3000 cash. The transaction had not been recorded in books.
3. Rent included a payment of \$6000 for the six months ending 31 December 2016.
4. General expenses were outstanding \$1100.
5. Commission receivable of \$2500 was outstanding.
6. A motor vehicle costing \$10000 had been recorded in motor vehicle expense.
7. Trade receivable of \$2000 are irrecoverable. Provision for doubtful debts were to be provided at 5% per annum on remaining trade receivables.
8. Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
  - (i) Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method
  - (ii) Fixtures and fittings at the rate of 15% per annum, using the straight-line method.

**REQUIRED**

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|--|--------------------|
| (a) Prepare income statement for the year ended 30 September 2016.   | [22]               |
| (b) Prepare Statement of financial position as at 30 September 2016. | [18]               |
|  | <b>[Total: 40]</b> |

**Answer Question 5 on the following pages**

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