



- 1 Sabelo is a trader. His financial year ends on 30 April.

He maintains a three column cash book and a petty cash book. The imprest amount is \$120. All payments under \$90 are made from petty cash.

Sabelo had the following transactions in April 2019.

2019

- April 1 Petty cash imprest restored from the business bank account
- 3 Paid Kenneth, a credit supplier, \$58
- 8 Elijah, a credit customer, paid his account of \$350 by bank transfer after deducting 2% cash discount
- 11 Paid for taxi fare, \$14
- 15 Bought stationery, \$24
- 19 Paid for office expenses by cheque, \$115
- 24 Paid for bus fare, \$9
- 27 Paid Ziningi, a credit supplier, \$585, by cheque, after deducting 2½% cash discount
- 28 Received a cheque for \$100 from a tenant for rent
- 29 Cash sales, \$820, of which \$800 was paid directly into the bank

REQUIRED

- (a) Record these transactions in the following books which appear on the next two pages. Balance the books and bring down the balances on 1 May 2019.
- (i) Petty cash book [9]
- (ii) Three-column cash book [10]

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0452/21/M/J/19

[Turn over

Sabelo's bank statement showed an overdraft of \$1118 on 30 April 2019. He found that the bank had not recorded the transactions entered in the bank column of the cash book on the following dates.

April 19
27
28
29

The bank statement showed a debit of \$240 for Sabelo's home insurance which should have been debited to his personal bank account.

REQUIRED

(b) Prepare a bank reconciliation statement at 30 April 2019.

Sabelo
Bank Reconciliation Statement at 30 April 2019

[7]

- (c) Advise Sabelo whether **each** of the following will affect his financial statements for the year ended 30 April 2019.

Give reasons for your answers.

- 1 Received an order for goods to be supplied in May 2019.

Affecting the financial statements? (Yes or No)[1]

Reason
.....[1]

- 2 Decided to close the business with effect from 31 May 2019.

Affecting the financial statements? (Yes or No)[1]

Reason
.....[1]

[Total: 30]

- 2 Jade is a customer of Adil. On 1 April 2019 Jade owed Adil \$440. They exchanged the following documents in April 2019.

2019

- April 4 Cheque to settle account less 2½% cash discount
- 12 Invoice for goods, \$560, less 25% trade discount
- 17 Debit note relating to some goods supplied on 12 April, list price \$120
- 20 Credit note relating to some goods supplied on 12 April, list price \$100
- 30 Statement of account

REQUIRED

- (a) Name the person who issued **each** of the following documents.

In **each** case suggest **one** reason for the issue of that document.

- (i) Debit note 17 April

Name of person issuing the document

Reason for the issue of the document

.....

.....[2]

- (ii) Credit note 20 April

Name of person issuing the document

Reason for the issue of the document

.....

.....[2]

- (iii) Statement of account 30 April

Name of person issuing the document

Reason for the issue of the document

.....

.....[2]

- (b) Prepare the account of Adil as it would appear in the books of Jade for April 2019.
Balance the account and bring down the balance on 1 May 2019.

Jade
Adil account

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

[6]

Jade's year ends on 30 April. She provided the following information.

	\$
For the year ended 30 April 2019	
Credit sales	29 600
Cash sales	26 400
Credit purchases	30 300
Cash purchases	5 200
At 30 April 2019	
Total trade receivables	2 800
Total trade payables	2 350

Jade allows her credit customers 28 days credit and is allowed 30 days credit by her credit suppliers.

On 30 April 2018 Jade calculated that the trade receivables collection period was 29 days and that the trade payables payment period was 35 days.

REQUIRED

- (c) Calculate the trade receivables collection period for the year ended 30 April 2019.
Round up your answer to the next whole day.

.....

.....

.....

.....[2]

- (d) Suggest **one** advantage to Jade of the change in the trade receivables collection period.

.....

.....[1]

- (e) Suggest **one** disadvantage to Jade of the change in the trade receivables collection period.

.....

.....[1]

- (f) Calculate the trade payables payment period for the year ended 30 April 2019.
Round up your answer to the next whole day.

.....

.....

.....

.....[2]

- (g) State whether the trade payables would be satisfied with the change in the trade payables payment period. Give a reason for your answer.

Satisfied?

Reason

.....

.....[2]

[Total: 20]

- 3** Min started a business selling office machinery on 1 January 2018. He did not maintain a full set of accounting records.

All purchases and sales were made on credit terms. All payments were made through the bank and all money received was banked.

Min was able to provide the following information.

	\$
On 1 January 2018	
Capital deposited in business bank account	65 000
During the year ended 31 December 2018	
Non-current assets purchased	64 000
Interest-free loan from parents	5 000
Credit sales	21 640
Amounts paid to credit suppliers	14 625
Cash discount received	375
Cash discount allowed	338
Returns to credit suppliers	2 140
Returns from credit customers	2 042
Bad debts written off	380
At 31 December 2018	
Amount owed to credit suppliers	1 434
Amount owed by credit customers	1 980
Cash at bank	5 392

REQUIRED

- (a)** Calculate the credit purchases for the year ended 31 December 2018.

.....[5]

- (b)** Calculate the amount received from credit customers during the year ended 31 December 2018.

[6]

- (c) Prepare the bank account for the year ended 31 December 2018. Insert the missing figure which represents the expenses for the year.

Min
Bank account

[illegible]

[7]

Min has been advised to start maintaining double entry records and to prepare annual financial statements.

REQUIRED

(d) State **three** advantages to Min of maintaining double entry records.

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

(e) (i) Suggest **two** reasons why Min's bank manager may be interested in his financial statements.

- 1
-
- 2
-[2]

(ii) Suggest **two** reasons why Min's credit suppliers may be interested in his financial statements.

- 1
-
- 2
-[2]

[Total: 25]

PLEASE TURN OVER

- 4 Liam and Mia are in partnership. Their financial year ends on 31 January. They share profits and losses in the ratio 2 : 1.

The following information is available.

	Liam \$	Mia \$
Capital accounts at 1 February 2018	160 000	60 000
Current accounts at 1 February 2018	44 500 credit	2 140 debit
Drawings during the year ended 31 January 2019	19 100	8 500

On 1 August 2018 Liam transferred \$14 000 from his current account to his capital account. On the same date he transferred his personal motor vehicle, valued at \$6 000, to the business.

The following is an extract from the profit and loss appropriation account of Liam and Mia for the year ended 31 January 2019.

Liam and Mia
Extract from Profit and Loss Appropriation Account
for the year ended 31 January 2019

		\$	\$
Profit for the year			24 240
Interest on drawings	Liam	955	
	Mia	<u>425</u>	<u>1 380</u>
			25 620
Interest on capital	Liam	10 200	
	Mia	<u>3 600</u>	
		13 800	
Salary	Mia	<u>15 000</u>	<u>28 800</u>
			(3 180)

REQUIRED

- (a) (i) Calculate the percentage rate of interest charged on drawings.

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

- (ii) Calculate the percentage rate of interest allowed on capital.

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

- (b)** Complete the current accounts of the partners for the year ended 31 January 2019. Balance the accounts and bring down the balances on 1 February 2019.

Liam and Mia
Current accounts

[illegible]

[9]

Liam and Mia provided the following information at 31 January 2019.

	\$
Inventory	38 440
Trade payables	36 250
Trade receivables	42 060
Bank overdraft	14 150

REQUIRED

- (c) Calculate the current ratio. The calculation should be correct to **two** decimal places.

.....

.....

.....

.....[2]

- (d) Calculate the quick (acid test) ratio. The calculation should be correct to **two** decimal places.

.....

.....

.....

.....[2]

Liam and Mia would like to improve the liquidity of their business.

Liam has suggested that both the current ratio and the quick (acid test) ratio could be improved if they introduce extra capital.

REQUIRED

- (e) (i) Suggest **one** other way in which they could increase **both** the current ratio and the quick (acid test) ratio.

Give a reason for your answer.

.....

.....

.....

.....[2]

- (ii) State why selling inventory at cost price would increase the quick (acid test) ratio but would not affect the current ratio.

Give a reason for your answer.

.....

.....

.....

.....[2]

Liam and Mia are considering inviting their brother, Darren, to become a partner in the business.

REQUIRED

- (f) Suggest **four** factors they should consider before inviting Darren to become a partner.

1

.....

2

.....

3

.....

4

.....[4]

[Total: 23]

PLEASE TURN OVER FOR QUESTION 5.

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- 5 Nadia is a trader. She has a limited knowledge of book-keeping, but attempted to prepare a set of draft financial statements at the end of her first year of trading.

She prepared the following draft statement of financial position, which contains errors.

Nadia	
Draft Statement of Financial Position at 31 March 2019	
	\$
Premises at cost	31 000
Other non-current assets at cost	9 600
Inventory	3 170
Trade receivables	3 000
Cash	200
Drawings	<u>10 350</u>
	57 320
Less Bank overdraft	<u>1 410</u>
	<u>55 910</u>
Trade payables	2 680
Capital at 1 April 2018	50 000
Draft profit for the year	<u>3 330</u>
	56 010
Less Suspense account	<u>100</u>
	<u>55 910</u>

The following errors were later discovered.

- 1 No entries had been made for bank charges, \$21.
- 2 Cash sales, \$100, had been debited to the cash book and credited to the account of Zahoor, a credit customer.
- 3 The purchases returns were overstated by \$10.
- 4 The inventory at 31 March 2019 was overstated by \$199.
- 5 A provision for doubtful debts of 2% of trade receivables should have been created.
- 6 Expenses, \$90, paid in cash had been credited in the cash book but no other entry had been made.
- 7 The draft income statement had been charged with insurance, \$2800, which was for a period of 14 months.
- 8 The non-current assets (excluding premises) should have been depreciated by 10% on cost.

REQUIRED

- (a) Prepare journal entries to correct errors 1 and 2. Narratives are **not** required.

Nadia
Journal

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

[4]

- (b) Complete the following statement to show the effect on the profit for the year of **correcting** errors 1–8. Calculate the corrected profit for the year.

Nadia
Statement of corrected profit for the year ended 31 March 2019

			\$ 3330
Draft profit for the year before corrections			
	Increase in profit \$	Decrease in profit \$	
Error 1	.....	.....	
Error 2	.....	.....	
Error 3	.....	.....	
Error 4	.....	.....	
Error 5	.....	.....	
Error 6	.....	.....	
Error 7	.....	.....	
Error 8	.....	.....	
			
Corrected profit for the year			.....

[9]

