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0452/22

October/November 2016

1 hour 45 minutes

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO **NOT** WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **17** printed pages and **3** blank pages.

- 1 Amira's financial year ends on 30 September. She buys and sells on both cash and credit terms and maintains a full set of accounting records.

Control accounts are prepared at the end of each month.

REQUIRED

- (a) Name the book of prime (original) entry which Amira would use to obtain the following information when preparing her sales ledger control account.

	Book of prime (original) entry
Cheque refund to credit customer	
Bad debts written off	
Returns by credit customers	
Interest charged on customer's overdue account	

[4]

- (b) State **two** reasons why Amira prepares a purchases ledger control account.

- 1
-
- 2
- [2]

Amira provided the following information for September 2016.

		\$
September 1	Debit balances in purchases ledger	93
	Credit balances in purchases ledger	4210
September 30	Totals for the month	
	Credit purchases	5366
	Cash purchases	1469
	Cheques paid to credit suppliers	3705
	Cheques received from credit customers	6102
	Discount allowed	204
	Discount received	95
	Returns to credit suppliers	197
	Interest charged by supplier on overdue account	12
	Cash refund received from credit supplier	150
	Contra entry	494
October 1	Debit balances in purchases ledger	68
	Credit balances in purchases ledger	?

- 2 Diane is a trader. She buys goods on credit from Udomo. On 1 October 2016 Diane owed Udomo \$720.

Several transactions took place between the traders in October 2016.

REQUIRED

- (a) Complete the following table. Name the book of prime (original) entry in which **each** document would be recorded by **each** trader.

If the document is not entered in a book of prime (original) entry, write "No entry".

Date	Document	Book of prime entry used by Diane	Book of prime entry used by Udomo
Oct 8	Invoice \$560	.....	.....
12	Debit note \$115	.....	.....
16	Credit note \$100	.....	.....
24	Cheque \$720	.....	.....
31	Statement of account \$460	.....	.....

[10]

- (b) 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 12 October

Name of person issuing the document.....

Reason for the issue of the document.....

.....

..... [2]

- (ii) Credit note 16 October

Name of person issuing the document.....

Reason for the issue of the document.....

.....

..... [2]

(iii) Statement of account 31 October

Name of person issuing the document.....

Reason for the issue of the document.....

.....

..... [2]

- (c) Prepare the account of Diane as it would appear in the ledger of Udomo for October 2016. Balance the account and bring down the balance on 1 November 2016.

Udomo
Diane account

Date 2016	Details	\$	Date 2016	Details	\$
<i>Oct 1</i>	<i>Balance</i> <i>b/d</i>	<i>720</i>	.....	.....	.....
.....					
.....					
.....					
.....					
.....					
.....					

[4]

[Total: 20]

- 3 The Bolton Road Music Club was formed on 1 September 2015. The club has 60 members and the annual subscription is \$100. The club provides musical instruments for members to use. In addition the club also has a shop selling CDs.

The treasurer provided the following information for the year ended 31 August 2016.

Amounts received	\$	Amounts paid	\$
Subscriptions	6 300	Purchases of CDs for shop	12 422
Revenue from shop	15 520	Wages of shop assistant	1 850
Loan from Music4all received		Insurance	1 200
on 1 March 2016	20 000	Rent and rates	3 300
		Purchase of musical instruments	4 800
		Repairs to musical instruments	197
		General expenses of club	2 293

At 31 August 2016

- 1 The shop suppliers were owed \$1112.
- 2 Shop inventory was valued at \$1964.
- 3 Five members had paid their subscription for the following financial year.
- 4 Two members had not paid their subscription for the current financial year.
- 5 10% of the insurance relates to the shop.
- 6 Rent and rates accrued amounted to \$300. Half of the rent and rates relates to the shop.
- 7 A loan of \$100 to the shop assistant is included in the wages.
- 8 Interest of 4% per annum was accrued on the loan from Music4all.
- 9 Musical instruments are to be depreciated at 15% per annum on cost.

REQUIRED

- (a)**
- State the meaning of the following terms.

Subscriptions

.....

.....

Accumulated fund

.....

.....

Receipts and payments account

.....

..... [3]

- (b)**
- Prepare the shop income statement for the year ended 31 August 2016.

Bolton Road Music Club Shop
Income Statement for the year ended 31 August 2016

	\$	\$
.....		
.....		
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.....		

[8]

(c) Prepare the income and expenditure account for the year ended 31 August 2016.

Bolton Road Music Club
Income and Expenditure Account for the year ended 31 August 2016

[illegible]

[11]

[Total: 22]

Question 4 is on the next page.

- 4 The financial year of Nawaz ends on 31 August. He sells on credit terms and maintains a provision for doubtful debts.

REQUIRED

- (a) State the meaning of the following terms.

Bad debts

.....

.....

Bad debts recovered

.....

.....

Provision for doubtful debts

.....

..... [3]

- (b) Name **two** accounting principles which Nawaz is applying by maintaining a provision for doubtful debts.

1

2 [2]

- (c) Suggest **two** ways in which Nawaz could reduce the possibility of bad debts.

1

2 [2]

Nawaz provided the following information.

	\$
On 1 September 2015	
Provision for doubtful debts	1 450
During the year ended 31 August 2016	
Debts written off	2 064
On 31 August 2016	
Trade receivables	79 650

On 31 August 2016 it was decided to write off \$250 owed by Uzma. The provision for doubtful debts was adjusted to 2% of the remaining trade receivables.

REQUIRED

(d) Prepare journal entries on 31 August 2016 to record the following.

- 1 Writing off the bad debt
- 2 Closing the bad debts account
- 3 Adjusting the provision for doubtful debts.

Narratives are **not** required.

Nawaz
Journal

		Debit \$	Credit \$
1			
			
			
2			
			
			
3			
			
			

[6]

(e) Prepare an extract from the statement of financial position on 31 August 2016 to show the trade receivables.

Nawaz
Extract from Statement of Financial Position at 31 August 2016

Current assets

.....

.....

..... [2]

[Total: 15]

- 1 The company made a profit for the year of \$14 750.
- 2 An interim dividend of \$4 500 was paid on the ordinary shares.
- 3 A transfer of \$5 000 was made to general reserve.

(a) Complete the following statement of changes in equity for the year ended 30 September 2016.

Details	Share capital \$	General reserve \$	Retained earnings \$	Total \$
On 1 October 2015	150 000	14 000	31 000	195 000
Profit for the year				
Dividend paid				
Transfer to general reserve				
On 30 September 2016				

Sandton Limited provided the following information at 30 September 2016.

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REQUIRED

(b) Prepare a statement of financial position at 30 September 2016.

Sandton Limited
Statement of Financial Position at 30 September 2016

[illegible]

[14]

Sandton Limited sells and buys on both cash and credit terms. Credit customers are allowed 28 days in which to pay their accounts. The credit suppliers allow Sandton Limited 30 days in which to pay their accounts.

The following information was available for the year ended 30 September 2016.

	Sales	Purchases
	\$	\$
Cash	67 500	28 600
Credit	152 500	95 000

REQUIRED

- (c) (i) Calculate the collection period for trade receivables. Use the amount of trade receivables before the provision for doubtful debts.

Round up your answer to the next whole day.

.....

.....

..... [2]

- (ii) Calculate the payment period for trade payables.

Round up your answer to the next whole day.

.....

.....

..... [2]

- (iii) Comment on your answers to (c)(i) and (c)(ii).

.....

.....

.....

..... [2]

[Total: 24]

- 6 Daniel's financial year ends on 31 July.

He provided the following information for the year ended **31 July 2015**.

	\$
Cost of sales	285 000
Profit for the year	36 000

Gross profit was 30% of cost of sales.

REQUIRED

- (a) (i) Calculate the gross profit.

.....

.....

..... [1]

- (ii) Calculate the revenue.

.....

.....

..... [1]

- (iii) Calculate the percentage of gross profit to revenue. The calculation should be to **two** decimal places.

.....

.....

..... [2]

- (iv) Calculate the percentage of profit for the year to revenue. The calculation should be to **two** decimal places.

.....

.....

..... [2]

- (b) Suggest **two** reasons why the percentage of gross profit to revenue is higher than it was in the previous financial year.

1

.....

2

..... [2]

- (c) Suggest **two** reasons why the percentage of profit for the year to revenue is lower than it was in the previous financial year.

1

.....

2

..... [2]

After the preparation of the **draft financial statements** for the year ended **31 July 2016** the following errors were discovered.

- 1 No entry had been made for bank charges, \$110.
- 2 Rent receivable, \$780, had been recorded as \$870.
- 3 The total of a page of the wages account, \$10 050, had been carried forward as \$10 500.
- 4 A credit customer who owed \$500 had sent a cheque for 75 cents for each dollar owed. The balance should have been written off as a bad debt.
- 5 The provision for doubtful debts, \$650, should have been adjusted to 2% of the trade receivables who owed \$30 800.

REQUIRED

- (d) Complete the following statement to show the effect on the draft profit for the year of **correcting** errors 1–5. Calculate the corrected profit for the year.

The first correction has been completed as an example.

Daniel			
Statement of corrected profit for the year ended 31 July 2016			
			\$
Draft profit for the year before corrections			41 000
	Increase in profit \$	Decrease in profit \$	
Error 1		110	
Error 2			
Error 3			
Error 4			
Error 5			
	_____	_____	_____
	_____	_____	_____
Corrected profit for the year			_____
			[9]
			[Total: 19]

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