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0452/11

October/November 2018

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 **20** printed pages.

There are 10 parts to Question 1.

For **each** of the parts **(a)** to **(j)** below there are four possible answers, **A**, **B**, **C** and **D**. Choose the **one** you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 (a) Which task would an accountant perform?

- A** drawing up a trial balance
- B** entering transactions in the ledger
- C** preparing financial statements
- D** writing up the cash book

☐
☐
☐
☐

[1]

(b) Amina returned goods to Nadia.

Which document did Amina issue?

- A** credit note
- B** debit note
- C** invoice
- D** statement of account

☐
☐
☐
☐

[1]

(c) Arissa purchased a motor vehicle costing \$23 000 on 1 August 2016. She decided to depreciate the motor vehicle using the straight line (equal instalment) method at 20% per annum.

Depreciation on the motor vehicle of \$4600 was charged to the income statement for the year ended 31 July 2017.

How much was charged to the income statement for the year ended 31 July 2018 for depreciation on the motor vehicle?

- A** \$3680
- B** \$4600
- C** \$8280
- D** \$9200

☐
☐
☐
☐

[1]

(d) A trader provided the following information on 1 October 2018.

	\$
Non-current assets	121 000
Inventory	35 000
Bank overdraft	9 000
Trade receivables	29 000
Trade payables	25 000
Loan repayable 30 September 2020	70 000

How much was the capital employed?

- A** \$30 000
B \$81 000
C \$151 000
D \$185 000

☐
☐
☐
☐

[1]

(e) Which is an intangible asset?

- A** goodwill
B inventory
C office fixtures
D trade receivables

☐
☐
☐
☐

[1]

(f) Mahendra designs computer systems. He provided the following information.

	\$
Fees prepaid by clients at the start of the year	2 120
Fees received from clients during the year	42 150
Fees owing by clients at the end of the year	2 840

How much would be entered for fees in the income statement?

- A** \$37 190
B \$41 430
C \$42 870
D \$47 110

☐
☐
☐
☐

[1]

- (g) Amy and John are in partnership. Amy is entitled to an annual partnership salary of \$9000. Profits and losses are shared 2:1. The profit for the year ended 31 August 2018 was \$14 700.

On 1 September 2017 Amy's current account had a debit balance of \$2100.

What was the credit balance on Amy's current account on 1 September 2018?

A \$10 700

☐

B \$14 900

☐

C \$16 700

☐

D \$20 900

☐

[1]

- (h) A sports club purchased sports equipment.

Where will this be entered in the financial statements at the year end?

	receipts and payments account	income and expenditure account	statement of financial position
A	✓	✓	✓
B	✓	✓	
C		✓	✓
D	✓		✓

☐
☐
☐
☐

[1]

- (i) How is cost of production calculated?

A direct material + direct labour

☐

B direct material + direct labour + factory overheads

☐

C direct material + direct labour + factory overheads + increase in work in progress

☐

D direct material + direct labour + factory overheads – increase in work in progress

☐

[1]

(j) A business provided the following information.

	year 1	year 2
percentage of gross profit to revenue	30%	25%
percentage of profit for the year to revenue	12%	8%

The revenue was the same in both years.

Which statements are correct?

- 1 Cost of sales was higher in year 2.
- 2 Cost of sales was lower in year 2.
- 3 Expenses were higher in year 2.
- 4 Expenses were lower in year 2.

A 1 and 3

B 1 and 4

C 2 and 3

D 2 and 4

☐
☐
☐
☐

[1]

[Total: 10]

- 2 (a) State the meaning of the term 'owner's equity'.

.....
 [1]

- (b) Complete the following table stating the double entry necessary to record **each** transaction in the ledger of Evie, who sells computers and computer accessories.

transaction	account to be debited	account to be credited
obtained loan from bank		
purchased office fixtures by cheque		
sold computer for cash		
took printer for personal use		

[8]

- (c) State **one** reason why a trial balance is prepared.

.....
 [1]

- (d) Complete the following table, indicating with a tick (✓) where **each** account would appear in a trial balance.

	debit column	credit column
capital		
drawings		
provision for depreciation		
carriage inwards		
carriage outwards		
rent received		
stationery		
sales returns		

[4]

- (e) Give **one** example of **each** of the following errors which will **not** be revealed by a trial balance.

Error of commission

.....

Error of omission

.....

Compensating error

..... [3]

- (f) Complete the following sentences.

Money spent on purchasing or improving non-current assets is known as

.....

Money spent on the day-to-day running of a business is known as

.....

[2]

- (g) Complete the following table by placing a tick (✓) to indicate where **each** item will appear in the financial statements of Anwar, who owns a food store.

	Income Statement	Statement of Financial Position
purchase of motor vehicle		
charge for delivering motor vehicle		
insurance for motor vehicle		
fuel for motor vehicle		

[4]

[Total: 23]

- 3** Lefika is a trader. He maintains a three column cash book.

Lefika had the following transactions in August 2018.

- | | |
|----------|---|
| August 5 | Received a cheque from Tabia, \$441, in settlement of her account less 2% cash discount |
| 8 | Paid Tebago's account of \$280 by cheque after deducting a cash discount of 2½% |
| 16 | Received a cheque from Nyack, \$282, in full settlement of his debt of \$290 |
| 28 | Cash sales, \$243, of which \$153 was paid directly into the bank |
| 30 | Received \$250 cash from the disposal of a non-current asset |
| 31 | Lefika took cash, \$200, for personal use |
| 31 | Paid all the cash into the bank except \$20 |

REQUIRED

- (a)** Complete Lefika's cash book on the page opposite.

Balance the cash book and bring down the balances on 1 September 2018.

[12]

Lefika

[illegible]

On 31 August Lefika's bank statement showed a bank overdraft of \$812. He compared the cash book with the bank statement and found that the bank had not recorded the transactions entered in the bank columns of the cash book on the following dates.

August 8
16
28
31

REQUIRED

- (b) Prepare a bank reconciliation statement at 31 August 2018.

Lefika
Bank Reconciliation Statement at 31 August 2018

.....

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.....

.....

.....

.....

.....

.....

..... [6]

Lefika's ledger is divided into a sales ledger, a purchases ledger and a nominal (general) ledger.

REQUIRED

- (c) State **one** advantage of dividing the ledger into these three sections.

.....

..... [1]

- (d) Name the ledger in which **each** of the following accounts would appear.

- (i) Nyack (a credit customer) account ledger
- (ii) Purchases account ledger
- (iii) Discount received account ledger
- (iv) Tebago (a credit supplier) account ledger

[4]

[Total: 23]

- 4 Ava operates a secretarial agency. Her financial year ends on 31 July.

She provided the following information on 31 July 2018.

- 1 A cheque for \$194 was received from Wilma, a credit customer, whose account had been written off in 2016.
- 2 Gary, a credit customer, paid one third of the amount he owed in cash. The balance is regarded as irrecoverable and should be written off.
- 3 The provision for doubtful debts should be increased by \$150.
- 4 The discount allowed for July 2018 of \$144 should be transferred to the discount allowed account.
- 5 The office equipment cost \$16 000 and is being depreciated using the straight line (equal instalment) method at 20% per annum. No office equipment had been bought or sold during the year.

REQUIRED

- (a) Record this information in the following accounts in Ava's ledger at 31 July 2018.

Close the accounts by balancing or by making a transfer to an appropriate account.

Some entries have already been made in the accounts during the year.

Ava Bad debts recovered account

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

Bad debts account

Date	Details	\$	Date	Details	\$
<i>2018</i>					
<i>July 1</i>	<i>Total to date</i>	<i>218</i>			
.....					
.....					
.....					

Gary account

Date	Details	\$	Date	Details	\$
2018 July 1	Balance b/d	270			
.....					
.....					
.....					

Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
.....			2017 Aug 1	Balance b/d	310
.....					
.....					
.....					
.....					

Discount allowed account

Date	Details	\$	Date	Details	\$
2018 July 1	Total to date	1495			
.....					
.....					
.....					

Provision for depreciation of office equipment account

Date	Details	\$	Date	Details	\$
.....			2017 Aug 1	Balance b/d	9600
.....					
.....					
.....					
.....					

[14]

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

1

2 [2]

Ava allows her trade receivables a credit period of 30 days. She provided the following information.

	At 31 July 2017	At 31 July 2018
Trade receivables collection period	32 days	28 days

REQUIRED

(c) Comment on Ava's collection period for trade receivables.

.....

 [2]

Ava is proposing to ask clients to pay cash instead of offering credit terms.

(d) Suggest **two** effects of this proposal.

1

.....

2

..... [2]

[Total: 20]

- 5 Khalid is a furniture wholesaler. His financial year ends on 30 September. All purchases and sales are made on credit terms.

Khalid does not maintain a full set of accounting records but was able to provide the following information.

	\$
On 1 October 2017	
Inventory	3 100
Trade receivables	4 620

During the year ended 30 September 2018

Cheques received from trade receivables	47 970
Discount allowed	1 230
Bad debts written off	115
Total purchases	39 200

On 30 September 2018

Trade receivables	3 305
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After the warehouse was closed on 30 September a fire broke out and a quantity of the inventory was destroyed. The undamaged inventory was valued at \$1500.

The profit mark-up is 25%.

REQUIRED

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

.....

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.....

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.....

.....

.....

.....

..... [6]

- (b) Prepare an income statement (trading account section) to calculate the value of the inventory which was destroyed.

Khalid
Income Statement (Trading Account section) for the year ended 30 September 2018

	\$	\$	\$
.....			
.....			
.....			
.....			
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.....			
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[7]

- (c) (i) Calculate the rate of inventory turnover. The calculation should include the total inventory before the fire broke out on 30 September 2018.

The calculation should be correct to **two** decimal places.

.....

.....

.....

..... [2]

- (ii) State what is measured by the rate of inventory turnover.

.....

.....

..... [1]

Khalid decided that in future he would maintain a full set of double entry records and prepare control accounts at the end of each month.

REQUIRED

- (d) Complete the table by using a tick (✓) to show where **each** of the following items would appear in Khalid's purchases ledger control account.

	debit	credit
opening balance owed to credit suppliers		
credit purchases		
cheques paid to credit suppliers		
cash discount received		
contra between sales and purchases ledgers		

[5]

[Total: 21]

- 6 The financial year of FW Limited ends on 30 September.

The following information is available.

At 1 October 2017

	\$
Ordinary share capital of \$1 shares	100 000
5% Debentures (repayable 2024)	40 000
General reserve	15 000
Retained earnings	7 000

On 30 September 2018

	\$
Issue of \$1 ordinary shares	50 000
Profit for the year	28 000
Transfer to general reserve	5 000
Payment of ordinary share dividend	9 000

REQUIRED

- (a) Prepare an extract from the statement of financial position at 30 September 2018 to show the equity and reserves and non-current liabilities.

FW Limited
Extract from Statement of Financial Position at 30 September 2018

.....

.....

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.....

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.....

.....

.....

.....

..... [7]

(b) Define **each** of the following terms.

(i) Shareholders

.....

.....

..... [1]

(ii) Limited liability

.....

.....

..... [1]

(c) (i) State **one** difference between ordinary shares and preference shares.

ordinary shares	preference shares
.....	
.....	

[2]

(ii) State **two** similarities between preference shares and debentures.

1

.....

2

..... [2]

The directors of FW Limited want to raise \$60 000 to purchase additional premises.

The directors are considering two proposals:

Proposal 1 Issuing 5% debentures (repayable 2030)

Proposal 2 Issuing ordinary shares

It is anticipated that the ordinary share dividend will be 6% per annum.

REQUIRED

- (d) State how **each** proposal would affect the profit of FW Limited in the next financial year (if at all). Give a reason for your answer in **each** case.

Proposal 1

Effect on profit

Reason

..... [2]

Proposal 2

Effect on profit

Reason

..... [2]

The following information was available on 30 September 2018.

	\$
Inventory	42 000
Trade receivables	34 000
Trade payables	35 000
Cash at bank	36 000
Loan repayable on 1 January 2019	30 000

REQUIRED

- (e) Calculate the current ratio.

The calculation should be correct to **two** decimal places.

.....

.....

..... [2]

- (f) Complete the table by placing a tick (✓) in the correct column to indicate the effect **each** would have on the current ratio.

	effect on current ratio		
	increase	decrease	no effect
use the bank balance to repay the loan			
purchase non-current assets on credit			
sell half the inventory at cost price to cash customers			
pay amount owed to trade payables by cheque			

[4]

[Total: 23]

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