ACCOUNTING

Paper 2

 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 a soft pencil for any diagrams or graphs.
Do not use staples, paper clips, highlighters, 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.

<table>
<thead>
<tr>
<th>For Examiner's Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

This document consists of 15 printed pages and 1 blank page.
1 (a) What is the name of the document sent to a customer by a supplier at the end of the month showing the amount payable for credit sales?

(b) Give one example of a prepaid expense.

(c) In which specialist area of the ledger would you find the machinery account?

(d) What is meant by a trial balance?

(e) In which final account would interest on drawings be shown?

(f) Give two examples of adjustments made in a bank reconciliation statement.

(i) ........................................................................................................................................
(ii) ........................................................................................................................................ [2]

(g) State one type of error which does not affect the trial balance.

........................................................................................................................................ [1]
(h) In the following table, place a tick (√) under the most appropriate heading for each item.

<table>
<thead>
<tr>
<th></th>
<th>Capital expenditure</th>
<th>Revenue expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of retail shop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Replace broken glass in shop window</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of cash register for shop</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising goods for sale in the shop</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(i) Cherry had sales of $80 000 in the month of October. She achieves a percentage of gross profit to sales of 40%.

Her expenses were $20 000.

What is Cherry's percentage of net profit to sales for the month? Give your answer to two decimal places and show your workings.

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

[4]

[Total: 16]
2 (a) Insert the missing words and figures in the following trading and profit and loss account.

Shin Lee
Trading and Profit and Loss Account
for the year ended 31 March 2007

<table>
<thead>
<tr>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Less: sales returns</td>
</tr>
<tr>
<td>Stock at (ii)</td>
</tr>
<tr>
<td>Add: purchases (iii)</td>
</tr>
<tr>
<td>carriage (iv)</td>
</tr>
<tr>
<td>Less: Stock at 31 March 2007 (v)</td>
</tr>
<tr>
<td>Gross profit (vi)</td>
</tr>
<tr>
<td>Provision for depreciation (vii)</td>
</tr>
</tbody>
</table>

- Sales: 130 000
- Less: sales returns: (i)
- Stock at (ii) 42 000
- Add: purchases (iii)
- carriage (iv) 2 000
- Less: Stock at 31 March 2007 (v) 36 000
- Gross profit (vi)
- Provision for depreciation (vii)

- Rent: 1 200
- Electricity: 600
- Water charges: 350
- Wages (vi)

Provision for depreciation (vii) 1 450

(viii) 9 200

[8]
(b) From the information in part (a) calculate to two decimal places Shin Lee’s rate of stock turnover for the year ended 31 March 2007.

Show your workings.

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

(c) Give one example of a business with:

(i) A high rate of stock turnover;

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

(ii) A low rate of stock turnover.

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

[Total: 16]
3 The following extract shows transactions recorded in Ramon’s cash book for the month of April 2007.

<table>
<thead>
<tr>
<th>Date</th>
<th>Details</th>
<th>Cash</th>
<th>Bank</th>
<th>Date</th>
<th>Details</th>
<th>Cash</th>
<th>Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>April</td>
<td>Balance b/d</td>
<td>1100</td>
<td>2450</td>
<td>1</td>
<td>Rent</td>
<td>900</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Cash sales</td>
<td>500</td>
<td></td>
<td>6</td>
<td>Electricity</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Ahmed</td>
<td>1200</td>
<td></td>
<td>21</td>
<td>Drawings</td>
<td>800</td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Ahmed</td>
<td>650</td>
<td></td>
<td>29</td>
<td>Wages</td>
<td>700</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>30</td>
<td>Balance c/d</td>
<td>100</td>
<td>3280</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1600</td>
<td>4300</td>
<td></td>
<td></td>
<td>1600</td>
<td>4300</td>
</tr>
</tbody>
</table>

Additional information:
1. The balance on Ahmed’s account in the ledger on 1 April was $2850 Dr.
2. Rent of $900 is payable quarterly in advance.
3. An electricity bill for $60 was accrued at 30 April.

REQUIRED
(a) Write up the accounts shown below in Ramon’s ledger for the month of April 2007.

Show the amounts transferred to Ramon’s trading or profit and loss account for the month and any balances at 1 May.

Sales account

........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
Ahmed account

Rent account

Electricity account

Drawings account

Wages account
(b) Suggest two ways in which Ramon may encourage Ahmed to pay his outstanding account more quickly.

(i) ........................................................................................................................................
........................................................................................................................................
........................................................................................................................................
(ii) ........................................................................................................................................
........................................................................................................................................
........................................................................................................................................ ...
........................................................................................................................................ [4]
[Total: 20]
Paula has a restaurant business for which she bought a new cooker on 1 April 2005 for $1200. She provides for depreciation on the cooker at 15% per annum on the straight-line basis.

She bought a new motor van on 1 April 2006 at a cost of $6000. She provides for depreciation on the motor van at 25% on the straight-line basis.

**REQUIRED**

(a) Show the entries in the provision for depreciation accounts for each of these assets in Paula’s ledger for the two years ended 31 March 2007.

Use the space below for your workings.

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Provision for depreciation account - cooker

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[5]
Use the space below for your workings.

Provision for depreciation account – motor van

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

(b) State the net book value at 31 March 2007 of

(i) the cooker $ .................................................................

(ii) the motor van $ ............................................................. [2]
(c) Complete the following extract from Paula’s balance sheet at 31 March 2007.

Paula
Balance Sheet at 31 March 2007 (extract)

<table>
<thead>
<tr>
<th>Fixed assets</th>
<th>Cost $</th>
<th>Provision for depreciation $</th>
<th>Net book value $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>[6]</td>
</tr>
</tbody>
</table>

[Total: 16]
5 (a) Give one reason for preparing a trial balance.

The following list of balances was taken from the books of Ismail Khan, a sole trader, on 30 April 2007.

<table>
<thead>
<tr>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
</tr>
<tr>
<td>Stock</td>
</tr>
<tr>
<td>Purchases</td>
</tr>
<tr>
<td>Bank (overdraft)</td>
</tr>
<tr>
<td>Machinery</td>
</tr>
<tr>
<td>Debtors</td>
</tr>
<tr>
<td>Creditors</td>
</tr>
<tr>
<td>Expenses</td>
</tr>
<tr>
<td>Capital</td>
</tr>
<tr>
<td>Drawings</td>
</tr>
</tbody>
</table>
REQUIRED

(b) Prepare Ismail's trial balance at 30 April 2007. Include a suspense account to show any difference.

Ismail Khan
Trial Balance at 30 April 2007

<table>
<thead>
<tr>
<th>Dr $</th>
<th>Cr $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
After the trial balance had been prepared, the following errors were found.

1. Cash sales of $2000 had been paid into the bank but had not been posted to the sales account.
2. Drawings of $900 had been correctly entered in the cash book but posted to the drawings account as $500.
3. The cash account of $500 had been omitted from the list of balances.

**REQUIRED**

(c) Give the journal entries, with narratives, required to correct each error.

<table>
<thead>
<tr>
<th></th>
<th>Dr $</th>
<th>Cr $</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| (iii) |      |      | [3]

[3]
(d) State the balance on the suspense account after these journal entries have been posted to the ledger.

Use the space below for your workings.

[Total: 22]