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.

For Examiner's Use

1
2
3
4
5
Total
1 (a) Give two reasons why it is important for a business to prepare final accounts or financial statements each year.

(i) ........................................................................................................................................
........................................................................................................................................

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

(b) Give an example of:

(i) a current asset ......................................................................................................................

(ii) a current liability .................................................................................................................... [2]

(c) Which accounting principle is being applied when a provision for depreciation of a fixed asset is made?

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

(d) To which account will the unexplained difference on a trial balance be transferred?

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

(e) In which section of the balance sheet will accrued expenses be shown?

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

(f) Explain what is meant by a bad debt.

....................................................................................................................................................
....................................................................................................................................................
.................................................................................................................................................... [2]
(g) Marco maintains his petty cash on the imprest system. At the end of April he has vouchers for expenditure of $70 and a balance in hand of $30.

(i) What is the amount of the imprest?

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

(ii) How much will Marco draw from the bank to restore his imprest?

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

(h) (i) Define working capital.

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(ii) Explain why a business needs sufficient working capital.

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

[Total: 15]
Emilie has a shop and sells goods for cash and on credit. She keeps the cash book herself but her accountant writes up her ledger each month.

Emilie puts her cash receipts in a till and enters them into her three-column cash book each week. She offers a cash discount of 3% to her debtors for payment within 15 days.

She buys stock in bulk from a wholesaler for cash and receives trade discount of 5% for orders in excess of $1000.

She pays wages each week in cash.

On 1 March 2008 Emilie’s cash book showed cash in hand of $1700 and cash at bank of $3000.

Emilie had the following transactions in one week in March 2008.

<table>
<thead>
<tr>
<th>Transaction</th>
<th>Description</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 3</td>
<td>Cheque received from Jules for goods sold on 20 February</td>
<td>194</td>
</tr>
<tr>
<td>4</td>
<td>Sold goods on credit to Henri</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>Paid cash to Andre for goods purchased</td>
<td>1200</td>
</tr>
<tr>
<td>6</td>
<td>Cheque received from Michel for goods sold on 29 January</td>
<td>85</td>
</tr>
<tr>
<td>7</td>
<td>Cash sales for the week</td>
<td>1850</td>
</tr>
<tr>
<td>7</td>
<td>Wages paid for the week</td>
<td>330</td>
</tr>
</tbody>
</table>

**REQUIRED**

(a) Make the necessary entries in Emilie’s cash book to record the above transactions for the week ended 7 March 2008.
<table>
<thead>
<tr>
<th>Bank</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>Disc.</td>
<td></td>
</tr>
<tr>
<td>Details</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td></td>
</tr>
<tr>
<td>Disc.</td>
<td></td>
</tr>
<tr>
<td>Details</td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td></td>
</tr>
</tbody>
</table>

Emilie – Cash Book March 2008
(b) Calculate Emilie’s total sales for the week ended 7 March 2008. Show all workings.

Emilie had a stock of goods at 1 March 2008 of $1700 and her stock at 7 March was $1650.

REQUIRED

(c) Complete the following extract from Emilie’s trading account for the week.

Emilie
Trading Account for the week ended 7 March 2008
$                 $

Sales

Stock at 1 March

Purchases

Stock at 6 March

Cost of goods sold

Gross profit

[6]

[Total: 20]
Question 3 is on the next page
3 Ah Sung has a business buying and selling parts for machines.

You are given the following information about part Q.

At 1 April there were 200 units in stock which cost $3.20 each. In the month of April purchases were:

<table>
<thead>
<tr>
<th>April</th>
<th>Units</th>
<th>Cost per unit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>100</td>
<td>3.20</td>
</tr>
<tr>
<td>10</td>
<td>150</td>
<td>3.00</td>
</tr>
<tr>
<td>27</td>
<td>100</td>
<td>3.00</td>
</tr>
</tbody>
</table>

At 30 April there were 300 units in stock and the net realisable value of each unit was $3.00.

REQUIRED

Calculate the following for part Q. Show all workings.

(a) The value of stock at 1 April.

(b) The total cost of purchases for April.

(c) The value of stock at 30 April.
(d) The number of units sold in April.

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(e) The cost of goods sold for the month of April.

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

[Total: 18]
4 Solomon is a sole trader and his trial balance at 31 March 2008 was as follows:

Solomon
Trial Balance at 31 March 2008

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>4 050</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td>36 000</td>
</tr>
<tr>
<td>Cash</td>
<td>250</td>
<td></td>
</tr>
<tr>
<td>Carriage outwards</td>
<td>720</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td></td>
<td>2 400</td>
</tr>
<tr>
<td>Debtors</td>
<td>4 000</td>
<td></td>
</tr>
<tr>
<td>Drawers</td>
<td>24 000</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>1 800</td>
<td></td>
</tr>
<tr>
<td>Motor car</td>
<td>9 600</td>
<td></td>
</tr>
<tr>
<td>Motor expenses</td>
<td>1 380</td>
<td></td>
</tr>
<tr>
<td>Provision for depreciation</td>
<td></td>
<td>4 800</td>
</tr>
<tr>
<td>Purchases</td>
<td>28 800</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>6 000</td>
<td></td>
</tr>
<tr>
<td>Sales</td>
<td>47 500</td>
<td></td>
</tr>
<tr>
<td>Stock at 1 April 2007</td>
<td>1 500</td>
<td></td>
</tr>
<tr>
<td>Wages</td>
<td>8 600</td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>90 700</strong></td>
<td><strong>90 700</strong></td>
</tr>
</tbody>
</table>

The following additional information is available:

1 Stock at 31 March 2008 was $1800.

2 A bonus of $400 is to be accrued in the wages account.

3 Depreciation of $2400 is to be provided for the year.

4 Rent includes $1200 paid in advance.
REQUIRED

(a) Prepare Solomon’s trading and profit and loss account for the year ended 31 March 2008.

Solomon Trading and Profit and Loss Account
for year ended 31 March 2008

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100,000</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td>60,000</td>
</tr>
<tr>
<td>Profit before Income Tax</td>
<td>40,000</td>
</tr>
<tr>
<td>Income Tax</td>
<td>10,000</td>
</tr>
<tr>
<td>Profit after Income Tax</td>
<td>30,000</td>
</tr>
</tbody>
</table>

[15]
(b) Write up Solomon’s capital account for the year ended 31 March 2008.

Solomon
Capital account

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

(c) Suggest two ways in which Solomon could reduce his loss or increase his profit.

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

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

(d) Suggest two ways in which Solomon could increase the credit balance on his capital account.

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

[Total: 23]
Tina decides to start a business driving a taxi. She buys a suitable motor car on 1 April 2008 but has to spend more money installing a meter. Each year she has to pay for a taxi licence and for taxi insurance.

REQUIRED

(a) In the table below, place a tick (√) under the correct heading for each item of expenditure incurred by Tina.

<table>
<thead>
<tr>
<th></th>
<th>Capital expenditure</th>
<th>Revenue expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of taxi</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Installing meter</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxi licence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxi insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Filling taxi with fuel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Servicing engine</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Tina has spent $18 000 on her taxi and decides to charge depreciation using the reducing balance method at 30% per annum.

REQUIRED

(b) Calculate the depreciation to be charged in Tina’s accounts for each of the following years.

(i) Year ending 31 March 2009.

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

(ii) Year ending 31 March 2010.

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

(c) Calculate what the net book value of the taxi will be on 31 March 2010.

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

[Total: 14]