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.
Annie Rongsen maintains both a three column cash book and a petty cash book. She maintains the petty cash book on the imprest system with an imprest amount of $90. She supplied the following information for the month ending 31 March 2013.

<table>
<thead>
<tr>
<th>Date</th>
<th>Transaction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 1</td>
<td>Petty cash balance</td>
<td>$23</td>
</tr>
<tr>
<td></td>
<td>Petty cash restored to imprest amount</td>
<td>?</td>
</tr>
<tr>
<td>4</td>
<td>Paid postage</td>
<td>$19</td>
</tr>
<tr>
<td>8</td>
<td>Paid taxi fares</td>
<td>$16</td>
</tr>
<tr>
<td>13</td>
<td>An employee returned a loan paid out of petty cash in February</td>
<td>$20</td>
</tr>
<tr>
<td>19</td>
<td>Paid parcel post</td>
<td>$4</td>
</tr>
<tr>
<td>23</td>
<td>Paid R Singh, a credit supplier</td>
<td>$24</td>
</tr>
<tr>
<td>29</td>
<td>Paid window cleaner</td>
<td>$12</td>
</tr>
</tbody>
</table>

(a) State **two** reasons for maintaining a petty cash book in addition to a main cash book.

1. ..........................................................................................................................
   ..........................................................................................................................

2. ..........................................................................................................................
   ..........................................................................................................................

(b) State **one** advantage of using the imprest system of petty cash.

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

(c) Enter the above transactions in Annie Rongsen’s petty cash book on the page opposite.

Balance the book on 31 March 2013 and carry down the balance.

Make the entry on 1 April 2013 to restore the petty cash to the imprest amount.

(d) Explain how the double entry will be completed for the items shown in the postage column of the petty cash book.

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<table>
<thead>
<tr>
<th>Details</th>
<th>Date</th>
<th>Total paid</th>
<th>Total received</th>
<th>Ledger accounts</th>
<th>Sundries</th>
<th>Travel</th>
<th>Postage</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
</tbody>
</table>
At the end of each month Annie Rongsen reconciles the bank columns in her main cash book with the statement received from the bank.

(e) Suggest two items which may appear in the cash book but not on the bank statement.
1 .................................................................................................................................
2 ................................................................................................................................. [2]

(f) Suggest two items which may appear on the bank statement but not in the cash book.
1 .................................................................................................................................
2 ................................................................................................................................. [2]

[Total: 21]
Question 2 is on the next page.
2 Ashraf Zayed started a manufacturing business on 1 March 2012.

The following information is available after the preparation of the manufacturing account for the year ended 28 February 2013.

<table>
<thead>
<tr>
<th>Description</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of production</td>
<td>267,100</td>
</tr>
<tr>
<td>Revenue from sales of finished goods</td>
<td>323,000</td>
</tr>
<tr>
<td>Purchases of finished goods</td>
<td>4,300</td>
</tr>
<tr>
<td>Inventory at 28 February 2013 – raw materials</td>
<td>11,300</td>
</tr>
<tr>
<td>Work in progress</td>
<td>2,100</td>
</tr>
<tr>
<td>Finished goods</td>
<td>19,600</td>
</tr>
</tbody>
</table>

(a) Prepare the trading account section of the income statement to show the gross profit for the year ended 28 February 2013.

Ashraf Zayed
Income Statement for the year ended 28 February 2013

(b) Suggest two reasons why it was necessary for Ashraf Zayed to purchase finished goods.

1

2

[5]

[2]
(c) Prepare journal entries to record the following transfers to the profit and loss section of the income statement on 28 February 2013. Narratives are required.

Carriage outwards on finished goods, $1130

Creation of a provision for doubtful debts of $600

<table>
<thead>
<tr>
<th>Ashraf Zayed Journal</th>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

On 1 June 2012 Ashraf Zayed purchased a motor vehicle for delivering finished goods to customers. On that date he paid one year’s motor insurance, $720, by cheque. Half of this represented insurance on his private motor car.

(d) Write up the motor insurance account as it would appear in Ashraf Zayed’s ledger for the year ended 28 February 2013. Balance the account and bring down the balance on 1 March 2013.

Ashraf Zayed
Motor insurance account

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[5]
(e) Explain how the accruals (matching) principle has been applied in the preparation of the motor insurance account.

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(f) Ashraf Zayed forgot to enter the motor insurance in the profit and loss section of his income statement for the year ended 28 February 2013.

Complete the following table to indicate how this error would affect the profit for the year.

<table>
<thead>
<tr>
<th></th>
<th>Overstated $</th>
<th>Understated $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year ended 28 February 2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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(g) Explain why it is important for Ashraf Zayed to keep his personal expenses separate to those of the business.

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[Total: 24]
Question 3 is on the next page.
Sanath Jaffer is a trader. His financial year ends on 31 January. He provided the following information on 31 January 2013.

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td>53,000</td>
</tr>
<tr>
<td>Drawings</td>
<td>6,100</td>
</tr>
<tr>
<td>Revenue</td>
<td>66,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>43,350</td>
</tr>
<tr>
<td>Purchases returns</td>
<td>1,150</td>
</tr>
<tr>
<td>Inventory 1 February 2012</td>
<td>3,700</td>
</tr>
<tr>
<td>Inventory 31 January 2013</td>
<td>4,100</td>
</tr>
<tr>
<td>Bank overdraft</td>
<td>3,050</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>5,320</td>
</tr>
<tr>
<td>Trade payables</td>
<td>3,450</td>
</tr>
<tr>
<td>General expenses</td>
<td>17,850</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>50,400</td>
</tr>
</tbody>
</table>

(a) Complete the following trial balance for Sanath Jaffer at 31 January 2013. Show any difference you find as a balance on an appropriate account.

<table>
<thead>
<tr>
<th></th>
<th>Debit $</th>
<th>Credit $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Drawings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases returns</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank overdraft</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>General expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
(b) After the preparation of the trial balance some errors were discovered.

Complete the following table to show the entries required to correct each error. The first one has been completed as an example.

<table>
<thead>
<tr>
<th>Error</th>
<th>Entry required to correct the error</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>Cheque, $100, paid to a credit supplier not recorded</td>
</tr>
<tr>
<td></td>
<td>trade payable 100 bank 100</td>
</tr>
<tr>
<td>(ii)</td>
<td>Motor expenses, $400, treated as capital expenditure</td>
</tr>
<tr>
<td></td>
<td>.................. ........ .......... ........</td>
</tr>
<tr>
<td>(iii)</td>
<td>Petty cash balance, $80, omitted from the trial balance</td>
</tr>
<tr>
<td></td>
<td>.................. ........ .......... ........</td>
</tr>
<tr>
<td>(iv)</td>
<td>Purchases returns journal undercast by $100</td>
</tr>
<tr>
<td></td>
<td>.................. ........ .......... ........</td>
</tr>
<tr>
<td>(v)</td>
<td>Refund of water rates, $25, debited to both cash book and general expenses</td>
</tr>
<tr>
<td></td>
<td>.................. ........ .......... ........</td>
</tr>
</tbody>
</table>

(c) Select one of the above errors and explain why it did not affect the balancing of the trial balance.

Error number ...........
Reason ..........................................................................................................................
..........................................................................................................................
..........................................................................................................................
..........................................................................................................................

(d) Sanath Jaffer did not reduce the value of his business when his highly experienced manager retired. Name the accounting principle he applied.

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(e) Sanath Jaffer records credit sales when the goods are invoiced to customers rather than when the customers order goods. Name the accounting principle he is applying.

..........................................................................................................................
Sanath Jaffer divides his ledger into three sections – general ledger, sales ledger and purchases ledger.

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

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

(ii) Give **one** example of an account which may appear in **each** section of the ledger.

General ledger ....................................................................................................................

Sales ledger .........................................................................................................................

Purchases ledger .................................................................................................................[3]

[Total: 23]
Question 4 is on the next page.
The financial year of Sildean Ltd ends on 30 April.

The following balances appeared on the books after the preparation of the income statement for the year ended 30 April 2013.

\[
\begin{array}{lcl}
\text{Non-current assets at cost} & $206\,000 \\
\text{Provision for depreciation of non-current assets} & 12\,500 \\
\text{Ordinary share capital 280 000 shares of $0.50 each} & 140\,000 \\
\text{4\% Debentures} & 40\,000 \\
\text{Trade payables} & 14\,156 \\
\text{Trade receivables} & 15\,400 \\
\text{Inventory} & 16\,300 \\
\text{Petty cash} & 200 \\
\text{Bank overdraft} & 7\,982 \\
\text{Provision for doubtful debts} & 462 \\
\text{General reserve 1 May 2012} & 10\,000 \\
\text{Retained profits 1 May 2012} & 2\,000 \\
\end{array}
\]

Additional information

1. The profit for the year ended 30 April 2013 before debenture interest was $24\,800.
2. During the year ended 30 April 2013 an interim ordinary share dividend of $0.05 per share was paid.
3. At 30 April 2013:
   - A whole year’s interest on debentures was accrued
   - No final ordinary share dividend was proposed
   - It was proposed to transfer $5000 to general reserve

(a) Calculate the retained profit for the year ended 30 April 2013.

\[
\text{Retained profit for the year ended 30 April 2013} = \text{Profit for the year} - \text{Debenture interest}
\]

(b) Prepare the balance sheet of Sildean Ltd at 30 April 2013.
Sildean Ltd  
Balance Sheet at 30 April 2013

<table>
<thead>
<tr>
<th>Account</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash in hand</td>
<td></td>
</tr>
<tr>
<td>Bank in hand</td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td></td>
</tr>
<tr>
<td>Plant and machinery</td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
</tr>
<tr>
<td><strong>Non-current Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td></td>
</tr>
<tr>
<td>Profits</td>
<td></td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net Worth</strong></td>
<td></td>
</tr>
</tbody>
</table>
(c) (i) Calculate the current ratio at 30 April 2013. The calculation should be correct to two decimal places.

(ii) Calculate the quick ratio at 30 April 2013. The calculation should be correct to two decimal places.

(iii) Explain the importance of the quick ratio to Sildean Ltd.

(iv) Suggest two ways in which Sildean Ltd could increase the quick ratio.

1. ..................................................................................................................

2. ..................................................................................................................

(d) Explain two features of ordinary shares.

1. ..................................................................................................................

2. ..................................................................................................................
(e) Explain **two** features of debentures.

1 ........................................................................................................................................

2 ........................................................................................................................................

[Total: 26]
Tom and Gill Kayumba are in partnership. Their financial year ends on 31 March.

The income statement for the year ended 31 March 2013 showed a profit for the year of $22,500.

The following errors were then discovered.

1. No entry had been made for stationery, $260, purchased on credit.
2. The income statement includes $1800 for an advertising campaign covering 18 months to 30 September 2013.
3. No entry had been made for goods, $1000, taken by Gill Kayumba for her own use.
4. No adjustment had been made for motor vehicle expenses, $320, accrued on 1 April 2012.

(a) Prepare a statement of corrected profit for the year ended 31 March 2013.

Tom and Gill Kayumba
Statement of corrected profit for the year ended 31 March 2013

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Tom and Gill Kayumba supplied the following information.

1. Capitals at 1 April 2012 –
   Tom Kayumba $60,000  Gill Kayumba $40,000
   On 1 October 2012 Tom Kayumba invested a further $20,000.
   Interest on capital is allowed at the rate of 5% per annum.

2. Gill Kayumba was entitled to an annual partnership salary of $10,000. This was increased to $14,000 per annum on 1 October 2012.

3. For the year ended 31 March 2013 interest on drawings was charged –
   Tom Kayumba $1040  Gill Kayumba $1300

4. Tom Kayumba is entitled to the first $2000 of the profit after interest and partnership salary and the remainder of the profit is shared equally.
(b) Using the corrected profit for the year calculated in (a), prepare the profit and loss appropriation account of Tom and Gill Kayumba for the year ended 31 March 2013.

Tom and Gill Kayumba
Profit and Loss Appropriation Account for the year ended 31 March 2013
(c) (i) State one reason why the partners receive interest on capital.

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(ii) State one reason why the partners are charged interest on drawings.

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

Tom and Gill Kayumba calculated the following ratios.

<table>
<thead>
<tr>
<th></th>
<th>For the year ended 31 March</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>20.20%</td>
</tr>
<tr>
<td>Net profit margin</td>
<td>8.30%</td>
</tr>
</tbody>
</table>

(d) Suggest two reasons for the change in the gross profit margin.

1 ...........................................................................................................................................................................

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

2 ...........................................................................................................................................................................

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

(e) State the year in which the partners had better control of the expenses. Give a reason for your answer.

Year ended 31 March ...............  
Reason ..........................................................................................................................................................................

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

[Total: 26]