Nadia Dhari is a trader. Her financial year ends on 30 June. She does not maintain many accounting records but was able to provide the following information at 30 June 2012.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixtures and fittings at book value (cost $7000)</td>
<td>5600</td>
</tr>
<tr>
<td>Motor vehicle at book value (cost $12,000)</td>
<td>6600</td>
</tr>
<tr>
<td>Bank</td>
<td>4120 debit</td>
</tr>
<tr>
<td>Trade payables</td>
<td>3100</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>3500</td>
</tr>
<tr>
<td>Inventory</td>
<td>2800</td>
</tr>
<tr>
<td>Other receivables</td>
<td>220</td>
</tr>
<tr>
<td>Other payables</td>
<td>350</td>
</tr>
<tr>
<td>Loan repayable 31 December 2020</td>
<td>3000</td>
</tr>
</tbody>
</table>

The following adjustments are required on 30 June 2012.

1. A bad debt, $70, should be written off.
2. The fixtures and fittings should be depreciated at 20% per annum using the reducing (diminishing) balance method.
3. The motor vehicle should be depreciated at 15% per annum on cost.

REQUIRED

(a) Draw up a statement of affairs for Nadia Dhari at 30 June 2012.

The statement of affairs should show the different types of assets and liabilities and the total capital at that date.
On 1 July 2011 Nadia Dhari’s capital was $8200. On 1 December 2011 she introduced a further $5000 as capital which was paid into the business bank account.

During the year ended 30 June 2012 Nadia Dhari made the following drawings:

<table>
<thead>
<tr>
<th></th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>2800</td>
</tr>
<tr>
<td>Goods</td>
<td>350</td>
</tr>
</tbody>
</table>

REQUIRED

(b) Using the capital you calculated in (a) and the information above, calculate Nadia Dhari’s profit or loss for the year ended 30 June 2012.

Your answer may be in the form of either an arithmetic calculation or a capital account.

................................................................. [7]

All Nadia Dhari’s sales and purchases are made on credit terms. She allows her credit customers a period of 30 days in which to pay their accounts.

The credit sales for the year ended 30 June 2012 amounted to $28 900.

REQUIRED

(c) Calculate the collection period for trade receivables. Your answer should be rounded up to the next whole day.

Show your workings.

................................................................. [2]
(d) State whether Nadia Dhari will be satisfied with the ratio you calculated in (c).

[1]

(e) Explain how Nadia Dhari’s payment period for trade payables may be affected by the collection period for trade receivables.

[2]

[Total: 25]
Sajeev Kumar opened a retail store on 1 August 2010. On that date he purchased fixtures, $2600, paying by cheque. On 1 December 2011 he purchased additional fixtures, $1440, on credit from A1 Supplies.

He decided to depreciate the fixtures at 25% per annum using the straight line (equal instalment) method, calculated from the date of purchase. No depreciation is to be charged in the year of disposal.

**REQUIRED**

**(a)** Prepare the following accounts in the ledger of Sajeev Kumar for each of the years ended 31 July 2011 and 31 July 2012:

(i) Fixtures account

(ii) Provision for depreciation of fixtures account.

Where traditional “T” accounts are used they should be balanced at the end of each year and the balance brought down on the first day of the following financial year.

Where three column running balance accounts are used the balance column should be updated after each entry.

(i) Fixtures account

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixtures purchased</td>
<td>$2600 (Aug 2010)</td>
</tr>
<tr>
<td>Fixtures purchased</td>
<td>$1440 (Dec 2011)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$650 (Aug 2011)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$510 (July 2012)</td>
</tr>
<tr>
<td>Balancing figure</td>
<td>$3600</td>
</tr>
</tbody>
</table>

[3]
(ii) Provision for depreciation of fixtures account

<table>
<thead>
<tr>
<th>Account to be Debit</th>
<th>Account to be Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transferring the accumulated depreciation on the fixtures from the ledger</td>
<td></td>
</tr>
<tr>
<td>Transferring the original cost of the fixtures from the ledger</td>
<td></td>
</tr>
<tr>
<td>Recording the proceeds of the sale of the fixtures</td>
<td></td>
</tr>
</tbody>
</table>

On 30 September 2012 Sajeev Kumar decided to sell some of the fixtures purchased on 1 August 2010 and to replace them with more modern fixtures. He sold the old fixtures for cash.

He decided to open an account in the ledger to record the disposal of the fixtures.

**REQUIRED**

(b) Complete the following table to name the ledger accounts to be debited and credited to record the disposal of the fixtures.
(c) Explain the difference between capital expenditure and revenue expenditure.

(2)

After the preparation of the financial statements for the year ended 31 July 2012 Sajeev Kumar discovered that the premises account has been debited with $3000, of which $300 was for repairs to the premises and $2700 was for improvements.

No depreciation is charged on premises.

REQUIRED

(d) State the effect of the error on each of the following. Give a reason for each of your answers.

The first one has been completed as an example.

Non-current assets at 31 July 2012

Effect Overstated by $300

Reason The value shown for premises includes repairs, which is an expense not an asset.

(i) Profit for the year ended 31 July 2012

Effect

Reason

(ii) Capital employed at 31 July 2012

Effect

Reason

[2]
After correcting the above error, Sajeev Kumar compared his results for the year ended 31 July 2012 with those of the previous financial year. He discovered that:

The gross profit as a percentage of revenue had increased.
The net profit as a percentage of revenue had decreased.

REQUIRED

(e) (i) Suggest one reason why the gross profit as a percentage of revenue increased.

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

(ii) Suggest one reason why the net profit as a percentage of revenue decreased.

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

(iii) State whether the efficiency of the business has increased or decreased.
Give a reason for your answer.

Increased or decreased .......................................................................................................................... [2]

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

[Total: 26]
Daisy Matumo provides secretarial services for small businesses. Her financial year ends on 31 October. She provided the following information for the year ended 31 October 2012.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees from clients</td>
<td>$35,120</td>
</tr>
<tr>
<td>Assistant’s wages</td>
<td>$18,750</td>
</tr>
<tr>
<td>Office expenses</td>
<td>$11,265</td>
</tr>
<tr>
<td>Cost of new office equipment</td>
<td>$3,000</td>
</tr>
<tr>
<td>Proceeds of sale of old office equipment</td>
<td>$200</td>
</tr>
<tr>
<td>Rent received from tenant</td>
<td>$2,750</td>
</tr>
<tr>
<td>Drawings</td>
<td>$6,200</td>
</tr>
</tbody>
</table>

Additional information:

1. The rent received from the tenant includes $150 which was outstanding on 1 November 2011.
3. On 31 October 2012 fees due from clients amounted to $520.
4. The office equipment sold during the year had cost $3,450 and had been depreciated by $3,025 at the date of sale.
5. The new office equipment was purchased on 1 August 2012.
   Office equipment is depreciated at the rate of 20% per annum. Depreciation is calculated from the date of purchase.
6. Daisy Matumo’s capital on 1 November 2011 was $60,000.

REQUIRED

(a) Prepare the income statement of Daisy Matumo for the year ended 31 October 2012.
(b) Prepare the capital account of Daisy Matumo for the year ended 31 October 2012.

Where a traditional “T” account is used it should be balanced and the balance brought down on 1 November 2012.

Where a three column running balance account is used the balance column should be updated after each entry.

Daisy Matumo
Capital account
(c) Using the capital on 31 October 2012 calculate the return on capital employed (ROCE). The calculation should be correct to two decimal places.

Show your workings.

[2]

After the preparation of the financial statements for the year ended 31 October 2012 the following errors were discovered.

1 Office expenses, $100, paid from petty cash had not been transferred to the office expenses account.
2 No entry had been made for $2000 withdrawn from the bank for personal use.
3 No entry had been made for the purchase of a motor vehicle, $9100, on credit.

REQUIRED

(d) Indicate the effect of each error on the return on capital employed. Give a reason for each of your answers.

The first one has been completed as an example.

Error 1 Effect on return on capital employed (ROCE)
Increase Decrease No effect
Reason The profit for the year decreases but the capital has not changed so the return on capital decreases.

(i) Error 2 Effect on return on capital employed (ROCE)
Increase Decrease No effect
Reason ..................................................................................................................

[2]

(ii) Error 3 Effect on return on capital employed (ROCE)
Increase Decrease No effect
Reason ..................................................................................................................

[2]

[Total: 22]
Question 4 is on the next page.
The Parnell Sports Club was formed some years ago. The treasurer provided the following information relating to the year ended 31 July 2012.

All receipts were paid into the bank and all payments were made by cheque.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank balance at 1 August 2011</td>
<td>$3,200</td>
</tr>
<tr>
<td>Purchase of new equipment</td>
<td>$9,530</td>
</tr>
<tr>
<td>Proceeds of sale of old equipment</td>
<td>$320</td>
</tr>
<tr>
<td>Subscriptions – for the year ended 31 July 2011</td>
<td>$180</td>
</tr>
<tr>
<td>for the year ended 31 July 2012</td>
<td>$12,000</td>
</tr>
<tr>
<td>Rent of clubhouse</td>
<td>$2,400</td>
</tr>
<tr>
<td>General expenses</td>
<td>$2,760</td>
</tr>
<tr>
<td>Insurance for 15 months to 31 October 2012</td>
<td>$1,800</td>
</tr>
<tr>
<td>Payments for shop supplies</td>
<td>$2,840</td>
</tr>
<tr>
<td>Cash from shop sales</td>
<td>$3,450</td>
</tr>
</tbody>
</table>

**REQUIRED**

(a) Prepare the receipts and payments account of the Parnell Sports Club for the year ended 31 July 2012.

Parnell Sports Club

Receipts and Payments Account for the year ended 31 July 2012

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[11]
(b) State the section of the balance sheet prepared on 31 July 2012 in which the bank balance will appear. [1]

(c) Explain the meaning of the term “subscriptions”. [1]

(d) Explain why the purchase of the new equipment will not be entered in the Club’s income and expenditure account for the year ended 31 July 2012. [2]

(e) Explain why the total amount paid for insurance will not be entered in the Club’s income and expenditure account for the year ended 31 July 2012. [2]
The Parnell Sports Club has a shop which sells sports equipment. Members select goods from a catalogue and the goods are then ordered from the supplier. No inventory is held by the club.

All sales are made on cash terms. All purchases are made on credit terms.

The amount owing to suppliers on 1 August 2011 was $750. The amount owing on 31 July 2012 was $670.

**REQUIRED**

(f) Calculate the purchases for the year ended 31 July 2012.

Your answer may be in the form of an arithmetic calculation or a ledger account.

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

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

(g) Calculate the profit of the shop for the year ended 31 July 2012.

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

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

(h) Calculate the percentage mark-up of the shop for the year ended 31 July 2012.

Show your workings.

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

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

**Total: 24**
5 Tun and Min are in partnership. Their financial year ends on 30 September.

On 1 October 2011 the credit balances on their capital accounts were:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tun</td>
<td>40 000</td>
</tr>
<tr>
<td>Min</td>
<td>50 000</td>
</tr>
</tbody>
</table>

On 1 October 2011 the following transactions took place:

Tun introduced a motor vehicle, $7000, into the business.

Min transferred the debit balance on his current account, $3000, to his capital account.

REQUIRED

(a) Prepare journal entries to record the above transactions. Narratives are required.
After the preparation of the income statement and appropriation account for the year ended 30 September 2012 the current accounts of the partners were as follows.

Tun Current account

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 30</td>
<td>Drawings</td>
<td>2 000</td>
</tr>
<tr>
<td></td>
<td>Interest on drawings</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>Sept 30 Interest on capital</td>
<td>1 880</td>
</tr>
<tr>
<td></td>
<td>Share of loss</td>
<td>2 500</td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td>4 560</td>
</tr>
<tr>
<td>Oct 1</td>
<td>Balance b/d</td>
<td>1 180</td>
</tr>
</tbody>
</table>

Min Current account

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 1</td>
<td>Balance b/d</td>
<td>3 000</td>
</tr>
<tr>
<td>2012</td>
<td>Drawings</td>
<td>5 000</td>
</tr>
<tr>
<td>Sept 30</td>
<td>Interest on drawings</td>
<td>150</td>
</tr>
<tr>
<td></td>
<td>Share of loss</td>
<td>2 500</td>
</tr>
<tr>
<td>2012</td>
<td>Balance c/d</td>
<td>230</td>
</tr>
<tr>
<td>Oct 1</td>
<td>Balance b/d</td>
<td>230</td>
</tr>
</tbody>
</table>

REQUIRED

(b) Prepare a relevant extract from the balance sheet of Tun and Min at 30 September 2011 showing the total funds provided by the partners.

It is not necessary to show full details of the current accounts.

Tun and Min
Balance Sheet extract at 30 September 2012
(c) Explain the significance of the balance on Tun’s current account on 1 October 2012.

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

(d) Suggest one reason why Min has been credited with a salary.

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

(e) Explain why interest is charged on partners’ drawings.

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

(f) Calculate the percentage rate of interest on capital which has been allowed.

Show your workings.

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

Tun and Min are interested in comparing their results with those of another business and have obtained the financial statements of some other businesses in the same city.

REQUIRED

(g) Explain two factors which Tun and Min should bear in mind when attempting to compare their results with the financial statements they have obtained relating to other businesses.

1 .................................................................................................................................................. [4]

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

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

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

[Total: 23]