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7110/21

May/June 2011

2 hours

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.

For Examiner's Use	
1	
2	
3	
4	
5	
Total	

This document consists of **13** printed pages, **6** lined pages and **1** blank page.

- 1 Joe's business had the following assets and liabilities on 31 March 2011:

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Use

	\$
Non-current assets	120 000
Liabilities due within one year	25 000
Current assets	35 000
Liabilities due in over one year	50 000

REQUIRED

- (a) Calculate the:

Capital

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Capital employed

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..... [2]

During the month of April 2011, Joe recorded the following transactions:

- 1 Bought goods on credit from Henry, \$200.
- 2 Sold goods costing \$300, to Mary for the selling price of \$500, on credit.
- 3 Sent Henry a cheque for \$190 in full settlement of his debt of \$200.
- 4 Mary returned goods with a selling price of \$50.

REQUIRED

- (b) Complete the grid below and show the amount and effect on capital of each transaction. The first transaction has been completed as an example.

Transaction	Book of prime entry	Accounts to be debited	Accounts to be credited	Effect on capital \$
1	<i>Purchases Journal</i>	<i>Purchases</i>	<i>Henry</i>	<i>\$ Nil</i>
2				
3				
4				

[12]

- (c) State the purpose of the three documents used in transactions 2 to 4 above.

- (i) Invoice

.....
 [2]

- (ii) Cheque counterfoil

.....
 [2]

- (iii) Credit note

.....
 [2]

[Total: 20]

- 2 Kya is a wholesaler. She prepares control accounts at the end of each month. The following information relates to the month ended 30 April 2011.

For
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Use

	\$
Sales ledger control account balance 1 April 2011	64 350
Cheques received from debtors	136 800
Discount allowed	5 250
Bad debts written off	7 900
Cash sales	10 750
Credit sales	153 400
Returns inwards	8 100

REQUIRED

- (a) State **two** ways in which control accounts can be used by Kya in her business.

- 1
-
- 2
- [2]

- (b) Prepare the sales ledger control account for the month ended 30 April 2011.

Balance the account and bring down the balance on 1 May 2011.

Sales ledger control account

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..... [8]

Later when preparing the trial balance, Kya discovered the following errors:

- 1 A receipt of \$485 from a debtor, D. Hulme, had been correctly entered in the cash book but had been credited to the account of D. Holm.
- 2 A purchase of office equipment, \$550, had been correctly entered in the cash book, but had been entered in error into the purchases account.

REQUIRED

- (c) (i) Prepare the journal entries to correct the errors in 1 and 2 above.
Narratives are **not** required.

Journal

Dr
\$Cr
\$

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..... [4]

- (ii) State the name of the accounting concepts (principles) which have **not** been followed in 1 and 2 above.

1

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2

..... [2]

Kya employs Rose as a receptionist. Rose works 35 hours per week at \$7 per hour and 10 hours per week at time and a half.

In addition, Kya has to pay an employers' tax at the rate of 10% of Rose's gross pay.

REQUIRED

- (d) Calculate the **total** cost to Kya of employing Rose for **one** week.

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..... [4]

[Total: 20]

- 3 Choong and Tan are partners sharing profits and losses in the ratio 2:1. Interest is allowed on partners' capital at the rate of 5% per annum and Tan receives a salary of \$9 000 per annum. No interest is charged on drawings.

Balances remaining in the books at 30 April 2011 included the following:

	\$
Profit for the year	32 000
Capital accounts	
Choong	80 000
Tan	50 000
Current accounts	
Choong	1 200 Cr
Tan	1 500 Dr
Drawings	
Choong	14 700
Tan	16 000
Goodwill	90 000

REQUIRED

- (a) State **two** items, other than the profit sharing ratio, that might be included in a partnership agreement.

1

.....

2

.....[2]

Appropriation Account for the year ended 30 April 2011.

.....[5]

Balance the accounts and bring down the balances on 1 May 2011.

..... [7]

On 1 May 2011, Choong and Tan agreed that goodwill would **not** be retained on the books.

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Use

REQUIRED

- (d) State **one** reason why Choong and Tan may have decided **not** to retain goodwill on the books.

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..... [2]

- (e) Prepare the capital accounts of Choong and Tan. Balance the accounts and bring down the balance on 1 May 2011 after writing off the goodwill.

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..... [4]

[Total: 20]

- 4 George is a trader who buys and sells goods on credit. He provided the following information:

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Use

	2010 \$	2011 \$
For the year ended 30 April		
Sales	220 000	180 000
Gross profit	110 000	72 000
Expenses	66 000	63 000
At 30 April	2010 \$	2011 \$
Inventory	46 000	35 000
Capital	160 000	180 000
Bank	20 000 (overdraft)	15 000
Trade receivables	50 000	40 000
Trade payables	60 000	60 000
Ratios/percentages	2010	2011
Percentage net profit/sales	?	5%
Percentage net profit/capital	?	5%
Working capital ratio (current ratio)	1.2:1	?
Quick ratio (acid test)	0.6:1	?

REQUIRED

- (a) Calculate the following to **one** decimal place.

- (i) Percentage net profit/sales for the year ended 30 April 2010

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..... [3]

- (ii) Percentage net profit/capital for the year ended 30 April 2010

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..... [3]

(iii) Working capital ratio (current ratio) on 30 April 2011

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..... [3]

(iv) Quick ratio (acid test) on 30 April 2011

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..... [3]

(b) Suggest **two** possible reasons for the change in the net profit between the two years.

1

..... [2]

2

..... [2]

(c) Suggest **two** possible reasons for the change in the bank balance in the year ended 30 April 2011.

1

..... [2]

2

..... [2]

[Total: 20]

Answer Question 5 on the following pages.For
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Use

- 5 Yip Sin is a manufacturer. The following balances were extracted from the books on 30 April 2011.

	\$
Inventory at 1 May 2010	
Raw materials	20 900
Work in progress	30 800
Finished goods	40 750
Purchases of raw materials	147 200
Royalties paid	10 000
Direct factory wages	85 960
Factory indirect expenses	23 450
Rent	30 000
Factory management salaries	36 000
Office salaries	28 500
Revenue	450 000
Advertising	20 940
Distribution costs	18 650
General office expenses	11 300
6% Loan – repayable 31 December 2020	50 000
Loan interest paid	1 500
Plant and machinery (cost)	75 000
Office equipment (cost)	24 000
Provisions for depreciation	
Plant and machinery	25 000
Office equipment	9 000
Provision for doubtful debts	2 400
Trade receivables	64 000
Trade payables	61 750
Bank	4 200 Dr
Capital	100 000
Drawings	25 000

Additional information:

For
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Use

1 Inventory at 30 April 2011

	\$
Raw materials	28 100
Work in progress	34 250
Finished goods	42 350

2 At 30 April 2011

Direct factory wages, \$4 040, were accrued.
Advertising, \$1 700, was prepaid.

3 Rent is to be apportioned four fifths ($\frac{4}{5}$) to the factory and one fifth ($\frac{1}{5}$) to the administration.

4 A purchase of office equipment, \$2 000, had been debited in error to the general office expenses account. No entries have been made in the books to correct the error.

5 Depreciation is to be charged as follows:

Factory plant and machinery at 20% per annum using the diminishing (reducing) balance method.

Office equipment at 10% on cost using the straight-line method.

A full year's depreciation is to be charged on all non-current assets owned at the end of the year.

6 The provision for doubtful debts is to be maintained at 5% of trade receivables.

REQUIRED

(a) Prepare the manufacturing account of Yip Sin for the year ended 30 April 2011. Show clearly the prime cost and cost of production. [14]

(b) Prepare the income statement of Yip Sin for the year ended 30 April 2011. [13]

(c) Prepare the balance sheet of Yip Sin at 30 April 2011. [13]

[Total: 40]

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