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7110/02

October/November 2007

1 hour 45 minutes

Candidates answer on the Question Paper.
Additional Materials: Multi-column Accounting Paper.

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.

Question 6 should be answered on pages 15 and 16 or on multi-column accounting paper. If you use multi-column accounting paper, attach your answer to Question 6 to this booklet.

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	
6	
Total	

This document consists of **13** printed pages, **2** lined pages and **1** blank page.

- 1 The following is the bank account of Pat Rice for the week ended 30 September 2007. This has been prepared by an inexperienced bookkeeper and contains errors.

Bank account

2007		\$	2007		\$
25 Sept	Balance b/d	12 400	26 Sept	Office equipment	1 500
27 Sept	Cash sales	1 200	28 Sept	Insurance	900
			29 Sept	Drawings	300
			30 Sept	Balance c/d	<u>10 900</u>
		<u>13 600</u>			<u>13 600</u>
1 Oct	Balance b/d	10 900			

- Pat Rice offers a trade discount of 25 % and an additional 10 % discount for cash sales. Neither discount has been applied in the cash sales transaction recorded in the bank account on 27 September.
- The transaction on 26 September for office equipment relates to a computer costing \$1500 that Pat Rice bought for her personal use. This was recorded incorrectly in the books. (Depreciation is **not** charged on fixed assets until they have been owned for one financial year).
- Insurance paid on 28 September was for the period 1 October 2007 to 31 December 2007. This has been treated correctly in the profit and loss account.

Pat Rice's net profit for the year ended 30 September 2007 was \$14 200 before taking into account items 1 to 3 above.

REQUIRED

- (a) Calculate the correct sales figure for the transaction on 27 September 2007, allowing for both of the discounts which have been omitted.

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..... [3]

(b) (i) Explain the effect items 1, 2 and 3 would have on net profit.

1

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2

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..... [3]

(ii) Calculate the correct profit for the year ended 30 September 2007.

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..... [3]

(c) Explain how the incorrect treatment of the office equipment on 26 September 2007, as given in item 2, affected **each** of the following:

(i) bank balance

.....

(ii) fixed assets

..... [2]

[Total: 11]

- 2 The following is the summarised balance sheet of Khan Ltd at 30 September 2006:

Summarised Balance Sheet at 30 September 2006

	\$
Net assets	<u>64 600</u>
40 000 ordinary shares at \$1 each	40 000
Profit and loss account	<u>24 600</u>
	<u>64 600</u>

At 30 September 2007, the net assets of Khan Ltd amounted to \$60 300. No changes had occurred in share capital.

REQUIRED

- (a) (i) State at 30 September 2006:

Capital

.....

Capital employed

..... [2]

- (ii) Explain the difference between capital and capital employed.

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..... [2]

- (b) Explain what the change in total net assets indicates about Khan Ltd during the year ended 30 September 2007.

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

- (c) Suggest **three** ways in which Khan Ltd could increase capital employed in the next year.

1
.....
2
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3
..... [3]

[Total: 10]

- 3 Jake Tippet provided the following information about his stock for the last two years:

	At 30 September 2006	At 30 September 2007
Stock valuation at cost	\$26 400	\$28 300
Stock valuation at net realisable value	\$26 500	\$28 100
Rate of stock turnover	12 times	10 times

Jake Tippet values stock at cost in his final accounts.

REQUIRED

- (a) Explain the difference between cost and net realisable value.

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..... [2]

- (b) Explain how the gross profit and the net profit of Jake Tippet would be affected if he valued closing stock at net realisable value in his final accounts for the year ended 30 September 2007.

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..... [2]

(c) Explain **two** reasons for the change in Jake Tippet's rate of stock turnover.

- 1
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- 2
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..... [4]

(d) Suggest **two** courses of action that Jake Tippet could take to improve his rate of stock turnover.

- 1
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- 2
..... [2]

[Total: 10]

- 4 The following information was extracted from the books of CookSmart Ltd, manufacturer of cooking oil, for the year ended 30 September 2007:

	1 Oct 2006	30 Sept 2007
	\$	\$
Stock – raw materials	18 700	18 100
Stock – containers and packing	34 100	33 800
Stock – work in progress	100	200
Stock – finished goods	56 200	50 300
Purchases – raw materials		111 400
Purchases – containers and packing		176 200
Carriage on raw materials		31 200
Direct factory wages		103 400
Depreciation of factory plant		96 200
Salary of factory supervisor		21 800
Sales		610 700

Prepare, in good style, the manufacturing account for the year ended 30 September 2007. Show clearly the cost of raw materials consumed, prime cost and cost of production.

[17]

[Turn over
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- 5 Fatima Haider extracted the following figures from her balance sheet at 1 October 2006:

	\$
Plant and machinery at net book value	48 000
Stock at cost	14 300
Debtors	9 300
Cash at bank	6 400
Creditors	8 700
Capital	69 300

At the end of Fatima Haider's financial year on 30 September 2007 the balances of stock, debtors and creditors had each increased by 10 %.

The summarised cash book for Fatima Haider for the year ended 30 September 2007 was as follows:

Summarised Cash Book			
	\$		\$
Balance b/d	6 400	Payments for purchases	95 400
Receipts from sales	112 070	Sundry expenses	19 600
Balance c/d	<u>11 530</u>	Drawings	<u>15 000</u>
	<u>130 000</u>		<u>130 000</u>

REQUIRED

- (a) A debtors account to calculate Fatima Haider's sales for the year ended 30 September 2007.

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..... [3]

- (b) A creditors account to calculate Fatima Haider's purchases for the year ended 30 September 2007.

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..... [3]

(c) Calculate Fatima Haider's working capital:

(i) at 1 October 2006

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..... [3]

(ii) at 30 September 2007.

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- (d) Explain how the liquidity of Fatima Haider's business has changed during the year ended 30 September 2007.

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..... [3]

[Total: 17]

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Question 6 is on the following page.

Answer Question 6 in this booklet or on separate sheets of paper.

- 6 Caster and Wheel are in partnership sharing profits in the ratio 3 : 2 respectively. The following trial balance was extracted from the books on 30 September 2007:

Caster and Wheel Trial Balance at 30 September 2007		
	\$	\$
Purchases	119 600	
Sales		227 300
Wages and salaries	34 380	
Rent, rates and insurance	17 660	
General expenses	21 350	
Land and buildings at cost	52 100	
Fixtures and fittings at cost	21 500	
Provision for depreciation of fixtures and fittings		12 900
Debtors	18 500	
Creditors		9 140
Stock at 1 October 2006	10 300	
Cash at bank	2 480	
Capital accounts 1 October 2006		
Caster		33 000
Wheel		22 000
Current accounts 1 October 2006		
Caster		14 300
Wheel		12 600
Drawings		
Caster	17 130	
Wheel	16 240	
	<u>331 240</u>	<u>331 240</u>

Additional information:

- 1 Stock at 30 September 2007 was valued at \$9900.
- 2 At 30 September 2007:
 - (i) Wages and salaries, \$3530, were accrued.
 - (ii) Insurance, \$1120, was prepaid.
- 3 An invoice for \$1620 for goods bought on credit during September 2007 was received on 30 September 2007. This has not been recorded.
- 4 Fixtures and fittings are to be depreciated at 20 % per annum on cost.
- 5 A provision for doubtful debts of 3 % of debtors at 30 September 2007 is to be created.

REQUIRED

- (a) Prepare the trading, profit and loss and appropriation accounts of Caster and Wheel for the year ended 30 September 2007. [18]
- (b) Prepare the balance sheet of Caster and Wheel at 30 September 2007. [17]

[Total: 35]

[illegible]

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