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7110/21

October/November 2013

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.

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

- 1** Mary buys goods on credit from Kim. Mary receives 14% trade discount on all purchases and takes advantage of the 5% cash discount offered for payment within 14 days. The following information is available:

2013

June 1 Mary owed Kim \$680 for goods purchased on 29 May 2013.

June 4 Kim sold goods to Mary, list price \$800.

June 5 Mary sent Kim a cheque for the balance owing on 1 June.

June 8 Mary returned goods purchased on 4 June, list price \$100, to Kim.

June 28 Kim sold further goods to Mary, list price \$300.

June 29 Kim received a cheque from Mary for goods purchased on 4 June.

June 30 Mary received details from Kim of her transactions during the month.

REQUIRED

- (a)** Name the document and book of prime entry used by Kim on the dates below:

Date	Business document	Book of prime entry
4 June		
8 June		

[4]

- (b)** State the name of the document Mary received on 30 June.

.....[2]

- (c) Write up the ledger account of Mary in Kim's books. Balance the account and bring down the balance on 1 July 2013.

For
Examiner's
Use

Mary account

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..... [10]

- (d) Indicate with a tick (✓) the ledger in which the following accounts would appear. The first item has been completed as an example.

Account	Sales ledger	Purchase ledger	General ledger
Sales			✓
Drawings			
Kline Ltd (Supplier)			
Millar and Son (Customer)			
Insurance			

[4]

- (e) State **three** advantages of a computerised system of accounting.

1

.....

2

.....

3

..... [6]

[Total: 26]

- | | | |
|------------------------------|-------------|-------------|
| 1 | 31 May 2012 | 31 May 2013 |
| | \$ | \$ |
| Trade receivables | 18 800 | 19 200 |
| Provision for doubtful debts | 940 | ? |

- | | |
|-----------|-----|
| | \$ |
| R B Brown | 502 |
| L Wong | 90 |
| P Singh | 288 |

-[6

- | | Increase | Decrease | No effect |
|---------------------|----------|----------|-----------|
| Gross profit | | | |
| Profit for the year | | | |
| Trade receivables | | | |

REQUIRED

- [9]

The information below relates to an employee of Raja for the month of May 2013.

For
Examiner's
Use

Hours worked	Rates of pay
140	\$8 per hour
10	Time and half

Tax and social security deductions	
Employee rate	20% of gross pay
Employer rate	10% of gross pay

REQUIRED

(d) Calculate the employee's net pay for May 2013.

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..... [5]

(e) Calculate the total amount Raja owes the tax and social security authorities for May 2013.

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..... [3]

[Total: 26]

3 Rod's trial balance at 30 September 2013 failed to agree.

(a) Name **two** types of errors not shown by a trial balance.

1

2 [2]

Rod later discovered the following errors:

- 1 the sales journal had been over added by \$279;
- 2 the total of the discount allowed column in the cash book, \$123, had been credited to the discount received account;
- 3 a payment to B Kaur, \$105, had been correctly entered in the bank account but posted to the creditor's account as \$150.

(b) Complete the following table showing the effect and amount **each** of the above errors would have on B Kaur's profit for the year if left uncorrected. The first item has been completed as an example.

	Overstated	Understated	No effect	Amount \$
1	✓			279
2				
3				

[4]

(c) Write up the journal entries to correct these errors. Narratives are **not** required.

For
Examiner's
Use

Journal

		Debit \$	Credit \$
1			
			
			
2			
			
			
3			
			
			

[7]

[Total: 13]

- 4 Wenger's trial balance on 30 April 2013 was as follows:

Trial Balance
at 30 April 2013

Account	Debit	Credit
	\$	\$
Bank	1 750	
Capital		113 500
Cash	250	
Inventory	20 000	
Long-term loan		30 000
Non-current assets	122 500	
Other payables		6 860
Other receivables	1 400	
Trade payables		12 140
Trade receivables	16 600	
	<u>162 500</u>	<u>162 500</u>

For
Examiner's
Use

REQUIRED

- (a) Calculate the following correct to **two** decimal places, at 30 April 2013:

Working capital (current) ratio;

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Quick (acid test) ratio.

For
Examiner's
Use

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.....[3]

Wenger's working capital (current) ratio and quick (acid test) ratio at 30 April 2012 were 4:1 and 2:1 respectively.

REQUIRED

(b) (i) Comment on the change in the ratios between 2012 and 2013.

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.....[2]

(ii) State **three** possible causes for any changes that have taken place.

1

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.....[6]

(c) Advise Wenger on **two** measures he may take to improve his working capital.

For
Examiner's
Use

1

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2

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..... [4]

[Total: 15]

- 5 Genet and Vass are in partnership. The following balances were extracted from their books on 31 January 2013.

For
Examiner's
Use

	\$
Capital accounts 1 February 2012	
Genet	60 000
Vass	40 000
Current accounts 1 February 2012	
Genet	2 400 Cr
Vass	3 600 Dr
Drawings	
Genet	9 000
Vass	10 000
Inventory 1 February 2012	12 400
Purchases	66 200
Returns to suppliers	1 230
Revenue	148 200
Import duty	2 846
Transport costs	4 330
General expenses	16 822
Wages	9 600
Insurance premiums	10 400
Marketing expenses	12 200
Discounts received	2 428
Trade receivables	8 110
Trade payables	10 180
Loan interest paid	1 000
Storage expenses	9 612
Provision for doubtful debts	600
Leasehold property (cost)	80 000
8% Bank loan repayable 1 May 2018	15 000
Storage equipment (cost)	26 000
Motor vehicles (cost)	40 000
Provisions for depreciation:	
Leasehold property	12 000
Storage equipment	9 360
Motor vehicles	19 520
Bank	1 202 Cr

Additional information

- Inventory was valued at \$14 230 on 31 January 2013.
- Insurance premiums were paid up to 28 February 2013.
- General expenses, \$322, were owing at the year end.
- A bad debt, \$110, is to be written off.
- The costs of bringing goods into the business amounts to 80% of the transport costs.
- New storage equipment, \$6000, was purchased during the year. This had been recorded in the storage expenses account in error.
- The provision for doubtful debts is to be maintained at 5% of trade receivables.

- 8 A full year's depreciation charge is made on non-current assets in the year of purchase, but no charge is made in the year of sale. Depreciation is charged as follows:

- 1 Leasehold at \$2000 per annum.
- 2 Storage equipment at 12% using the straight-line method of depreciation.
- 3 Motor vehicles at the rate of 20% per annum using the diminishing (reducing) balance method.

- 9 The partnership agreement states:

Interest on capital is allowed at 4% per annum.

Vass is to receive an annual salary of \$5000.

Profits and losses are to be shared in the ratio of their capital.

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 31 January 2013. [24]
- (b) Draw up the current accounts of the partners for the year ended 31 January 2013. [5]
- (c) Prepare the balance sheet (statement of financial position) at 31 January 2013. [11]

[Total: 40]

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