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7110/22

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 Kulbir commenced trading on 1 January 2013 with cash \$350, bank \$3000, motor vehicle \$6500 and a loan from Sanjay of \$5000.

For
Examiner's
Use

REQUIRED

- (a) Prepare Kulbir's opening entries in the general journal and show her capital at 1 January 2013. A narrative is required.

General Journal

	Debit \$	Credit \$
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[3]

On 28 January 2013 Kulbir sold her motor vehicle to Aktar Allam on credit for \$6500. On the same day she purchased on credit from Aston Motors Limited a new vehicle for \$10 000.

- (b) Show the entries in the general journal to record the sale of the old motor vehicle and the purchase of the new motor vehicle.

General Journal

	Debit \$	Credit \$
.....		
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.....		
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[6]

(c) Give **two** other uses of the general journal.

1

.....

2

..... [2]

(d) Kulbir operates on a mark-up of 25%. The table below contains transactions carried out by Kulbir in her first week of trading. Complete the table for each transaction. The first transaction has been completed as an example.

2013	Transaction	Source document	Book of prime entry	Effect on profit
Jan 4	Goods sold, cost price \$400, on credit to Keen	<i>Invoice</i>	<i>Sales journal</i>	<i>Increase \$100</i>
Jan 5	Keen returned goods, selling price \$80			
Jan 6	Payment made to J Singh, \$323 in cash, after deducting \$17 cash discount			
Jan 7	Kulbir withdrew \$200 from the bank for personal use			

[9]

[Total: 20]

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Use

- | | | |
|-------|----------------------------------|--------|
| 2013 | | \$ |
| May 1 | Trade receivables | 5 687 |
| 31 | Credit sales | 72 641 |
| | Receipts from credit customers | 64 500 |
| | Credit notes issued to customers | 8 242 |
| | Cash discounts allowed | 1 894 |
| | Bad debts | 800 |
| | Contra entry | 300 |

REQUIRED

- Sales ledger control account

.....[9

(b) State **three** benefits of using control accounts.

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- 2
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- 3
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- [6]

(c) State **two** sources of information for the sales ledger control account.

- 1
- 2 [2]

Ann was informed that John Lee was unable to pay his outstanding balance of \$2300. It was agreed that he would pay 40 cents for each dollar owed and he sent a cheque on 26 June 2013 in settlement. The balance was written off as a bad debt.

REQUIRED

(d) Prepare the general journal entry to write off the bad debt. A narrative is required.

General Journal

	Debit \$	Credit \$
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.....		
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[3]

[6]

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- 3 The receipts and payments account of Brown Lane Rovers Football Club for the year ended 30 June 2013 was as follows.

	\$		\$
Balance b/d	4 543	Match expenses	3 680
Subscriptions	7 200	New kits and equipment	4 656
Sale of old kits and equipment	1 008	General expenses	6 913
Match day revenue	1 233	Purchase of refreshments	2 078
Donation income	940	Groundsman's wages	1 940
Sale of refreshments	6 834	Balance c/d	2 491
	<u>21 758</u>		<u>21 758</u>

Additional information

1	1 July 2012	30 June 2013
	\$	\$
Subscriptions paid in advance	—	540
Subscriptions in arrears	240	—
Inventory of refreshments	250	300
Creditors (refreshment suppliers)	1 034	1 140
Kits and equipment at valuation	5 000	8 104

- 2 The kits and equipment sold during the year were valued at \$1230 on 1 July 2012.

REQUIRED

- (a) Calculate the depreciation on the kits and equipment for the year ended 30 June 2013.

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..... [5]

- (b) Calculate the profit or loss on the sale of the old kits and equipment.

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..... [3]

- (c) Prepare the subscriptions account for the year ended 30 June 2013. Balance the account and bring the balance down on 1 July 2013.

For
Examiner's
Use

Subscriptions account

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..... [4]

- (d) Prepare the refreshments income statement for the year ended 30 June 2013.

Brown Lane Rovers Football Club Refreshments Income Statement for the year ended 30 June 2013

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..... [4]

- Brown Lane Rovers Football Club
Income and Expenditure account for the year ended 30 June 2013

[5]

-[2]

[Turn over
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- 4 Shaw's accounting year ends on 30 April. The following information is supplied for 2011, 2012 and 2013.

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Use

	2011	2012	2013
	\$	\$	\$
Revenue (Sales)	150 000	225 000	300 000
Gross profit	37 500	56 250	75 000
Profit for year (Net profit)	18 750	23 400	27 990
Capital	150 000	195 000	240 000
Gross profit margin	25%	25%	?
Net profit margin	12.50%	10.40%	?
Percentage of expenses to sales	12.50%	14.60%	15.67%
Return on capital employed	12.5%	12%	?

REQUIRED

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

Gross profit margin

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Net profit margin

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Return on capital employed

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[3]

[8]

[Turn over
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- 5 Cain and Les are in partnership providing book-keeping and general administration services to small businesses. They share profits and losses in the ratio of 3:2 respectively. Interest on drawings is charged at 4%, while interest on capital is allowed at the rate of 5% per annum. Les receives an annual salary of \$16 000.

The following balances were extracted from their books on 30 September 2013:

	\$
Capital accounts 1 October 2012	
Cain	90 000
Les	60 000
Current accounts 1 October 2012	
Cain	700 Cr
Les	15 500 Dr
Drawings	
Cain	12 000
Les	15 000
Premises at cost	118 000
Office equipment at cost	60 000
Motor vehicles at cost	22 000
Provision for depreciation	
Premises	7 080
Office equipment	21 600
Motor vehicles	7 200
Fees (Revenue)	103 769
Staff salaries	14 170
General expenses	23 460
Heat and light	4 760
Communication expenses	7 680
Motor vehicle expenses	3 650
Discounts allowed	3 400
Discounts received	1 400
Bank loan interest paid	3 000
8% Bank loan (repayable 30 June 2019)	40 000
Trade payables	1 960
Trade receivables	10 720
Provision for doubtful debts	520
Bank	20 889 Dr

Additional information

- 1 Commission received, \$2400, had been credited to the communication expenses account in error.
- 2 Heat and light, \$150, were outstanding and general expenses \$1010 were prepaid on 30 September 2013.
- 3 Bank charges, \$123, had not been recorded in the books.
- 4 Motor vehicle expenses, \$2000, had been recorded in the motor vehicles account.
- 5 The provision for doubtful debts is to be maintained at 5% of trade receivables.
- 6 Depreciation is charged on premises and office equipment at the rate of 6% and 12% respectively using the straight line method.

- 7 Motor vehicles are depreciated at the rate of 20% per annum using the diminishing (reducing) balance method.
- 8 On 1 October 2012 Cain reduced his capital account balance by \$10 000. This sum was to be left in the business as an interest free loan, to be repaid on 31 March 2018.

REQUIRED

- (a) Prepare the income statement and appropriation account for the year ended 30 September 2013. [20]
- (b) Prepare the current accounts for the year ended 30 September 2013. [7]
- (c) Prepare the balance sheet (statement of financial position) at 30 September 2013. [13]

[Total: 40]

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