

CANDIDATE
NAME

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CENTRE
NUMBER

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CANDIDATE
NUMBER

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PRINCIPLES OF ACCOUNTS

7110/21

Paper 2

October/November 2016

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 an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, 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 **19** printed pages and **1** blank page.

- 1 Gabi is in business buying and selling goods on credit. The following details relate to the account of her customer, Kacela, for the month of September 2016.

			\$
September	1	Opening balance owed by Kacela to Gabi	900
	9	Invoice sent to Kacela	730
	14	Credit note sent to Kacela	25
	30	Cheque received and banked by Gabi	860
	30	Discount allowed by Gabi	40

REQUIRED

- (a) Prepare the account of Kacela in the books of Gabi. Balance the account and bring down the balance on 1 October.

Kacela account

Date	Details	\$	Date	Details	\$

[6]

- (b) Name the sub-division of Gabi’s ledger which will contain the account of Kacela.

.....[1]

On 30 September 2016 the balance on the bank account in the books of Gabi was \$450 debit.

Gabi received a bank statement for September 2016. The differences between the bank account and the bank statement were as follows:

- 1 A cheque for \$50 paid to J Simpson had not been presented for payment.
- 2 Bank charges, \$230, had been charged to Gabi’s account but were not recorded in Gabi’s books.
- 3 The bank had received a dividend payment, \$120, which was not recorded in Gabi’s books.
- 4 The cheque received from Kacela, \$860, was not recorded on the bank statement.

REQUIRED

- (c) Update the bank account of Gabi. Balance the account and bring down the updated balance on 1 October.

Bank account

Date	Details	\$	Date	Details	\$
2016					
Sept 30	Balance b/d	450			

[3]

- (d) Prepare the bank reconciliation statement on 1 October 2016. Start with the updated bank account balance.

Bank Reconciliation Statement at 1 October 2016

\$

Balance on bank account

Plus

.....

Less

.....

Balance on bank statement

[4]

- (e) Complete the table for the transactions shown. Name the source document and the book of prime entry used by Gabi. The first item has been completed as an example.

	Source document	Book of prime entry
Sold goods on credit	<i>Sales invoice</i>	<i>Sales journal</i>
Paid wages in cash		
Purchased office fixtures on credit		
Goods returned by a credit customer		

[6]

[Total: 20]

Valda is considering the use of Information and Communications Technology (ICT) to prepare her books of account.

REQUIRED

(e) State **two** benefits to Valda of using Information and Communications Technology (ICT).

1

.....

2

.....

[2]

[Total: 20]

The following balances were extracted from the books of JT Manufacturing for the month of August 2016.

Inventory at 1 August 2016	\$
Raw materials	3 800
Work in progress	7 000
Purchases of raw materials	15 600
Raw materials returns outward	1 200
Rent	9 000
Direct factory expenses	800
Factory direct wages	9 350
Factory indirect labour	? (calculated in part(c))
Factory management salaries	14 550
Office wages and salaries	32 450
Power	4 000
Depreciation on factory machinery	6 000
Depreciation on office computers	9 000

Additional information at 31 August 2016

- | | | |
|---|------------------|-------|
| 1 | Inventory | \$ |
| | Raw materials | 5 350 |
| | Work in progress | 7 500 |
- 2 Rent and power are to be apportioned: 60% to the factory, 40% to the office.

- 4 Ng provided the following information for the year ended 30 September 2016.

	\$	
Cost of sales	240 000	
Trade payables	180 000	
Trade receivables	120 000	
8% Bank loan (repayable 2024)	30 000	
Bank	20 000	Credit
Closing inventory	130 000	
Gross profit margin	25%	

REQUIRED

- (a) Calculate the following for the year ended 30 September 2016. Comparative figures for the previous year are shown.

	Year ended 30 September 2016		Year ended 30 September 2015
	Workings	Answer	
Revenue			\$220 000
Working capital ratio (Current ratio) (to two decimal places)			1.93:1
Quick ratio (acid test ratio) (to two decimal places)			1.12:1

[8]

- 5 Li and Yang are in partnership sharing profits and losses in the ratio 3:2. Interest is allowed on capital at the rate of 4% per annum and is charged on drawings at the rate of 10% per annum. Partners are entitled to annual salaries, Li \$8000 and Yang \$5000.

The following balances were extracted from the books on 30 September 2016.

	\$	
Capital accounts		
Li	50 000	
Yang	50 000	
Current accounts		
Li	4 300	Credit
Yang	2 900	Credit
Drawings		
Li	15 000	
Yang	9 000	
Land and buildings (cost)	200 000	
Computing equipment (cost)	60 000	
Office fixtures (cost)	35 000	
Provisions for depreciation		
Land and buildings	22 000	
Computing equipment	20 000	
Office fixtures	10 000	
Provision for doubtful debts	2 000	
Revenue	625 000	
Inventory at 1 October 2015	52 600	
Purchases	295 000	
Returns from customers	15 750	
Returns to supplier	4 850	
General expenses	27 500	
Heat and light	5 300	
Marketing expenses	41 000	
Wages and salaries	153 000	
Administration expenses	16 800	
5% Bank loan (repayable 2021)	120 000	
Bank loan interest paid	4 000	
Trade receivables	69 200	
Trade payables	62 500	
Bank	25 600	Credit

Additional information

- 1 Inventory at 30 September 2016 was \$57 900.
- 2 A sale of goods made on credit on 26 September, \$2800, had not been recorded in the books.
- 3 At 30 September 2016

Marketing expenses, \$1100, were accrued
Administration expenses \$250, were prepaid.
- 4 The partners' salaries had been paid to Li and Yang. These had been posted to the wages and salaries account.
- 5 Office fixtures costing \$5000 and with an accumulated depreciation of \$3000 had been sold for \$2000. A cheque was received on 20 August 2016. No entries had been recorded in the books.
- 6 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
 - (i) buildings at the rate of 2% per annum. The buildings have a cost of \$100 000. No depreciation is charged on land.
 - (ii) computing equipment at the rate of 30% per annum using the diminishing (reducing) balance method.
 - (iii) office fixtures at the rate of 20% per annum using the straight-line method.
- 7 Trade receivables include a debt of \$4000 which is considered irrecoverable. The provision for doubtful debts is to be maintained at 5%.

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