

ACCOUNTS TEST

Time: 1 hour and 45 minutes

Marks: 100

Please attempt all questions

- 1 BC a sole trader prepared the following trial balance from his accounts on 31 August 2022.

	Dr \$	Cr \$
Purchases	120 000	
Revenue		231 500
Sales returns	3 600	
Inventory 1 September 2021	11 100	
Capital		111 900
Bank		4 100
Non-current assets at cost		
Premises	98 000	
Machinery	52 000	
Provision for depreciation of non-current assets		
Machinery		28 400
Commission receivable		2 200
Trade receivables	19 200	
Trade payables		7 300
Discount allowed	600	
Discount received		1 400
Insurance	9 600	
Repairs	12 400	
Salaries	53 900	
Rates	6 000	
Carriage inwards	400	
	<u>386 800</u>	<u>386 800</u>

Additional information

- The closing inventory at 31 August 2022 was valued at \$12 000.
- Commission received of \$800 was owing at 31 August 2022.
- The balance shown for salaries covers the 11 months to 31 July 2022. Salaries for August 2022 are due and unpaid. There have been no salary increases over the previous 12 months and an equal amount is paid each month.
- At 31 August 2022 rates were prepaid by \$300.
- The insurance included \$700 covering a private insurance premium for BC.
- The repairs included \$4 000 that related to a new attachment for machinery.
- Machinery is to be depreciated at the rate of 20% per annum by the reducing balance method. A full year's depreciation is charged regardless of the date of any purchases. There were no disposals during the year. Premises are not depreciated.

- 2 MC is a trader who maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

- (a) Complete the table to name the book of prime entry which MC would use to obtain information when preparing control accounts.

Item	Book of prime entry
Discount received from credit suppliers	
Purchases returns	
Contra entries	
Interest charged by credit suppliers	

[4]

- (b) Explain how a contra entry is treated in the ledger accounts.

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MC has provided the following information for the month of July 2022.

	\$
On 1 July 2022	
Purchases ledger control account credit balance b/d	21 400
Purchases ledger control account debit balance b/d	130
Totals for the month	
Credit purchases	259 600
Credit purchases returns	9 800
Cash purchases	240
Cheques paid to credit suppliers	228 200
Discount received	12 900
Cash paid to credit suppliers	500
Interest charges by credit suppliers	150
Contra sales ledger	2 260

At 31 July 2022 the purchases ledger control account had a credit balance c/d of \$180.

- 3 MG has been in business for a number of years as a furniture manufacturer. On 31 August 2022 the bank column of his cash book showed the business had \$25 600 in the bank account. The bank statement on this date showed a credit balance of \$24 815.

The following transactions were included only in the cash book.

	\$
Cheque paid to JW	680
Cheque received from TH	910

In addition, an error had been identified. A standing order for rates of \$205 had incorrectly been recorded in the cash book as \$255.

The following transactions were included only on the bank statement.

	\$
Dishonoured cheque received from RJ	420
Insurance paid by direct debit	110
Bank charges	75

REQUIRED

- (a) Update the cash book of MG. Bring down the updated balance on 1 September 2022.

MG
Cash book (bank columns only)

Date	Details	\$	Date	Details	\$
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(b) Prepare a bank reconciliation statement at 31 August 2022.

MG
Bank reconciliation statement at 31 August 2022

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(c) State **two** reasons why a business would prepare a bank reconciliation statement.

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2
..... [2]

(d) State **two** possible reasons why the cheque from RJ was dishonoured.

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2
..... [2]

(e) Explain the differences between a direct debit and a standing order.

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..... [2]

- 4 PG a trader sells electrical components. She has provided the following information for the year ended 31 July 2022.

	\$
Sales journal for the year ended 31 July 2022	360 000
Sales returns journal for the year ended 31 July 2022	13 300
Trade receivables at 1 August 2021	28 500
Provision for doubtful debts at 1 August 2021	1 140

Cash book extract of totals for the year ended 31 July 2022

	Discount Allowed	Cash	Bank		Bank
	\$	\$	\$		\$
Trade receivables	6 500		335 100	Trade receivables (dishonoured cheques)	4 000
Sales		17 000			

Additional information

- 1 \$900 of trade receivables were written off as irrecoverable debts on 31 July 2022. There were no other irrecoverable debts during the year.
- 2 The provision for doubtful debts is to be set at 4% of trade receivables at 31 July 2022.

REQUIRED

- (a) Prepare the following ledger accounts for the year ended 31 July 2022. Where appropriate show the balance brought down on 1 August 2022.

PG
Sales account

Date	Details	\$	Date	Details	\$
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Provision for doubtful debts account

Date	Details	\$	Date	Details	\$
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[13]

(b) Prepare a relevant extract from PG’s statement of financial position at 31 July 2022.

PG
Extract from statement of financial position at 31 July 2022

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(c) List **three** ways in which PG could reduce the possibility of irrecoverable debts.

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(d) State **two** factors PG should consider when setting the provision for doubtful debts.

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[Total: 20]

5 Sian and Tom are in partnership sharing profits and losses in proportion to capital invested. The partnership agreement states the following:

- 1 interest on capital is allowed at 6% per annum
- 2 Sian is allowed a salary of \$20 000 per annum
- 3 interest on drawings is charged at 3% per annum, charged for each proportion of the year

The profit for the year before appropriation for the year ended 31 March 2022 was \$59 190.

Drawings made during the year were:

	Sian \$	Tom \$
1 April 2021	8 000	10 000
1 October 2021	6 000	12 000

The capital account balances on 1 April 2021 were:

	\$
Sian	150 000
Tom	100 000

(c) Explain the significance of a debit balance in a partner's current account.

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Sian and Tom prepare their financial statements on a going concern basis.

(d) Explain the accounting principle of going concern.

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[Total: 20]

