PAPER 2 TEST 2 MARKS: 100

**TIME: 1 HOUR AND 45 MINUTES** 

**NOTE:**SOFP of last question is not included in test.

But, make sure to practice it after test

		Inventory Trade receivable – Jaafar Other payables – Electricity Bank 5% Bank loan (30 September 2020) Motor vehicle	\$ 2850 600 200 450 5000 4500	Credit
RE	QUIRED			
(a)	Calculate Faa	ıra's capital.		
				[1]

Faara had the following assets and liabilities on 1 May 2015.

1

The following transactions related to the account of Jaafar for the month ended 31 May 2015.

- May 4 Sold goods to Jaafar, list price \$1500, allowed 15% trade discount.
  - 5 Jaafar returned goods purchased on 4 May, list price \$120.
  - 16 Jaafar paid the amount owing on 1 May by cheque and was allowed 2% cash discount.

#### **REQUIRED**

**(b)** Prepare the ledger account of Jaafar for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

#### Jaafar account

Date	Details	\$ Date	Details	\$

		[၁]
(c)	State <b>two</b> possible reasons why Faara allowed trade discount to Jaafar.	
	1	
	2	[2]

The following information related to the electricity account for the month ended 31 May 2015.

- May 17 Paid for electricity by cheque \$440.
  - Prepared the income statement. It was estimated that \$55 was owed for electricity at that date.

#### **REQUIRED**

(d) Prepare the electricity account for the month of May 2015. Balance the account and bring down the balance on 1 June 2015.

#### Electricity account

Date	Details	\$ Date	Details	\$

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(e)	Name the accounting concept applied to the calculation of electricity expense when preparing
	the income statement at 31 May 2015.

(f)	Complete the following table for the transactions shown. Name the source document prepared
	by Faara and the book of prime entry used, and state the effect of the transaction on her
	capital. The first item has been completed as an example.

		Source document	Book of prime entry	Effect on owner's capital (\$)
May 9	Sold goods on credit for \$900, (cost \$600).	Sales invoice	Sales journal	+300
14	Customer returned goods, bought by him on 9 May for \$300.			
21	Paid wages in cash \$150.			

- Q2) Alif is a trader. He does not maintain a full set of accounting records but the following information is available.
  - 1 Summarised bank transactions for the year ended 31 March 2016

Receipts	\$	Payments	\$
Trade receivables	32 000	Trade payables	29 000
Cash sales banked	7 400	Purchase of equipment	2500
Interest receivable	600	Rent	8 000
		Other operating expenses	6500

2 All cash sales were banked on the day of receipt with the exception of the following which were paid out of cash receipts.

	\$
Wages	9 000
Drawings	11 500

3 Balances at:

	1 April 2015	31 March 2016
	\$	\$
Equipment (net book value)	11 000	10 500
Inventory	12 000	11 500
Trade receivables	17 600	18 350
Trade payables	9 750	7 950
Wages owing	300	450
Rent prepaid	500	700
Bank	3 950 Debit	?
Capital	35 000	?

# REQUIRED

a)	Cald	calculate, for the year ended 31 March 2016, the value of the following:		
	(i)	revenue (sales)		
		[4]		
	(ii)	purchases.		
		[2]		

**(b)** Prepare the income statement for the year ended 31 March 2016.

# Alif Income Statement for the year ended 31 March 2016

[8]

(c) Prepare the statement of financial position at 31 March 2016.

# Alif Statement of Financial Position at 31 March 2016 ..... .....

.....[6]

[Total: 20]

3) GHB Limited maintains a full set of accounting records and prepares monthly control accounts.

The following information was provided for November 2019.

	\$
Purchases ledger control account balance at 1 November	?
Totals for November:	
Purchases journal	14200
Purchases returns journal	1160
Cash purchases	5390
Commission receivable	2110
Cash discount received	650
Cash discount allowed	710
Cheques paid to trade payables	11 420
Sales ledger contras	250
Interest charged by trade payables	95
Cheque refunds from trade payables	330
Purchases ledger control account balance at 30 November	13 195

#### **REQUIRED**

a) Prepare the purchases ledger control account for GHB Limited for November 2019.

Balance the account on 30 November 2019 and bring down the balance on 1 December 2019.

GHB Limited
Purchases ledger control account

Date	Details	\$ Date	Details	\$

A delivery vehicle was purchased by cheque during November 2019.

# REQUIRED

	b)	State <b>two</b> reasons why the purchase of the delivery vehicle was <b>not</b> recorded in the purchasesledger control account.
1		
		[2]
	c)	(i) State the <b>most appropriate</b> method of depreciation for the new delivery vehicle.
(ii)	Sta	te <b>three</b> reasons for your answer to <b>(c) (i)</b> .
	1	
	2	
	3	
		[3]

The directors of GHB Limited are planning to finance a major expansion of the fleet of delivery vehicles. \$250 000 will be required for this expansion. The directors are considering whether to issue additional ordinary shares or to obtain a long-term bank loan.

#### **REQUIRED**

Advise the directors which of these two methods of finance is more appropriate.
Justify your answer with <b>one</b> advantage and <b>one</b> disadvantage of <b>each</b> option.
[5
[Total: 20

Q4) Ahmed owns a printing business and has recently incurred various expenditures relating to her premises.

#### **REQUIRED**

(a) Complete the table by inserting a tick ( $\checkmark$ ) to show how **each** item of expenditure should be classified. The first one has been completed as an example.

	Capital expenditure	Revenue expenditure
Building new extension to warehouse	<b>√</b>	
Rates on new extension		

Carriage costs for roof tiles for new extension	
Legal costs for new extension	
Repairs to office roof	

Ahmed's business is expanding rapidly and she needs more warehousing space.				
Ahmed can rent an additional warehouse. The rent for the first six months would be \$40 000.				
Alternatively, Ahmed can purchase a warehouse for \$900000. She can obtain a long-term loan				
of \$700 000.				
REQUIRED				
(b) Advise Ahmed whether she should rent or purchase a warehouse. Justify your answer.				

.....

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.....

.....

.....[5]

An extract from Ahmed's statement of financial position at 31 December 2019 showed the following:

Cost	Accumulated	Net book
	depreciation	value
\$	\$	\$
115000	77.625	37 375

**Fixtures** 

During the year ended 31 December 2020 the following transactions took place.

On 1 January 2020 fixtures, \$30,000, were purchased by cheque.

On 30 June 2020 fixtures were sold for \$6000, which was received by cheque. These fixtures had originally been purchased on 1 January 2018 for \$20000.

Ahmed depreciates fixtures on a straight-line basis. She assumes fixtures will have a useful life of four years, at which time the residual value will be 10% of original cost. Depreciation is charged for each part of the year for which the fixtures are owned.

#### **REQUIRED**

(c) Prepare the following accounts for the year ended 31 December 2020. Balance **each** account and bring down the balance on 1 January 2021.

# Ahmed Fixtures account

Date	Details	\$	Date	Details	\$
2020					
Jan 1	Balance b/d	115000			

# Provision for depreciation of fixtures account

Date	Details	\$ Date	Details	\$
		2020		
		 Jan 1	Balance b/d	77 625

(d) Prepare the fixtures disposal account for the year ended 31 December 2020.

Ahmed Fixtures disposal account

Date	Details	\$ Date	Details	\$
	•••••	 	•••••	

Workings:

[8]

[3]

Q5 Suria is in business as a sole trader. The following balances were extracted from her books on 31 March 2016.

	\$	
Revenue	287 000	
Purchases	143 800	
Returns inwards	3 1 5 0	
Inventory at 1 April 2015	15 340	
Capital	70 000	
Drawings	28 000	
Leasehold premises at cost (25 year lease)	100 000	
Computers at cost	44 000	
Office furniture at cost	15 500	
Provisions for depreciation:		
Leasehold premises	7 000	
Computers	16 600	
Office furniture	12 000	
Wages and salaries	26 500	
Computer maintenance	12 200	
Commission receivable	4 900	
Rent and rates	10 000	
Provision for doubtful debts	910	
6% Bank loan (repayable 30 June 2016)	40 000	
Bank interest paid	1 500	
Heat and light	7 300	
Advertising	12600	
General expenses	8 700	
Cash and bank	520	Debit
Trade payables	18 600	
Trade receivables	27 900	

#### Additional information at 31 March 2016

- 1 Inventory was valued at \$17990.
- 2 Commission receivable of \$1400 was outstanding.
- 3 Advertising included a payment of \$5700 for a series of advertisements being published in the six months ending 31 July 2016.
- 4 General expenses accrued were \$2400.
- 5 A computer costing \$8000 had been recorded in the computer maintenance account.
- 6 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
  - (i) an appropriate amount on the leasehold premises
  - (ii) computers at the rate of 25% per annum using the diminishing (reducing) balance method
  - (iii) office furniture at the rate of 10% per annum using the straight-line method.
- 7 Trade receivables of \$1900 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.

# **REQUIRED**

(a) Prepare the income statement of Suria for the year ended 31 March 2016.

Suria Income Statement for the year ended 31 March 2016			
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[20]

(b) Prepare the statement of financial position at 31 March 2016. Not included for test

Suria Statement of Financial Position at 31 March 2016
[16]

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