

- **Test from Paper 2**
- **Time allowed: 1 hour and 20 minutes**
- **Marks: 80 marks**

- 1 Wilson maintains a three column cash book in his business. On 1 March 2019 the following balances were available.

	\$
Cash	10
Bank overdraft	35

During March the following transactions occurred.

- March 3 Cash sales, \$570
- 10 Paid wages, \$65, and general expenses, \$19, in cash
- 12 Banked cash, \$420
- 18 Cheque, \$40, received from Glover in February was returned by the bank marked 'refer to drawer'
- 20 Settled Lou's account of \$250 by cheque after deducting 4% cash discount
- 25 Drawings taken \$50 in cash, and \$300 by cheque
- 30 Received a cheque, \$285, from Fred after he had deducted 5% cash discount. This was paid into the bank.

### REQUIRED

- (a) Prepare the three column cash book for March 2019 on the next page. Balance the cash book and bring down the balances on 1 April 2019.



(b) Complete the table by placing a tick (✓) in the appropriate box to indicate how the cash book can be classified.

as a ledger account only	as a book of prime (original) entry only	as a ledger account and a book of prime (original) entry

[1]

(c) Name the type of entry made in the cash book on 12 March.

..... [1]

(d) State **two** possible reasons why the bank returned the cheque from Glover on 18 March.

- 1 .....
- .....
- 2 .....
- .....

[2]

(e) State the purpose of allowing Fred cash discount on 30 March.

.....  
 ..... [1]

Wilson received a bank statement which showed a credit bank balance of \$345 on 31 March 2019.

Wilson compared the entries in the bank statement with those in his cash book and found that the following were **not** recorded on the bank statement.

- 1 the cheque paid to Lou on 20 March
- 2 the cheque for drawings paid on 25 March
- 3 the cheque received from Fred and banked on 30 March





(b) Name the type of error in 1 – 3.

1 .....

2 .....

3 .....

[3]

(c) Prepare the suspense account after the correction of errors 1 – 5.  
Show the original difference recorded in the trial balance.

Suspense account

Date	Details	\$	Date	Details	\$

[3]

Catherine completed a number of transactions relating to her motor vehicles.

**REQUIRED**

(d) Complete the table by placing a tick (✓) to show whether **each** of the following transactions is revenue expenditure, a revenue receipt, capital expenditure or a capital receipt.  
The first item has been completed as an example.

	revenue expenditure	revenue receipt	capital expenditure	capital receipt
purchased fuel for motor vehicle	✓			
paid for delivery of new motor vehicle				
charged customers for hire of motor vehicle				
banked proceeds from sale of an old motor vehicle for scrap				
paid insurance for motor vehicle				

[4]

[Total: 20]





- 3 Leo is in business as a sole trader. The following balances were extracted from his books on 31 March 2019.

	\$
Capital	80 000
Drawings	25 000
Non-current assets (at cost)	
Land and buildings	150 000
Computer equipment	46 000
Fixtures and fittings	12 000
Provisions for depreciation	
Land and buildings	9 000
Computer equipment	18 000
Fixtures and fittings	6 600
Wages and salaries	87 000
Computer repairs	21 600
Commission receivable	12 300
Trade payables	31 850
Trade receivables	42 000
Revenue	475 000
Purchases	255 000
Returns outwards	7 900
Inventory at 1 April 2018	31 000
Rent and rates	22 750
Provision for doubtful debts	3 700
Marketing expenses	12 600
5% bank loan (repayable June 2019)	20 000
4% bank loan (repayable May 2023)	60 000
Bank loan interest paid	2 100
Heat and light	9 750
General expenses	14 300
Bank overdraft	6 750

Additional information at 31 March 2019

- 1 Inventory was valued at \$26 400.
- 2 Leo had taken goods valued at \$3200. No entries had been made in the books.
- 3 A computer costing \$8000 had been recorded in the computer repairs account.
- 4 Computer repairs of \$2100, paid by cheque, had not been recorded in the books.
- 5 Rent of \$2000 was owing and rates of \$450 were prepaid.
- 6 Marketing expenses included a payment of \$700 for a six-months' campaign ending 30 June 2019.
- 7 The 5% bank loan was taken out in 2016. The 4% bank loan was taken out on 1 August 2018.
- 8 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

Land costing \$75 000	not depreciated
Buildings	2% per annum on cost
Computers	20% per annum using diminishing (reducing) balance method
Fixtures and fittings	10% per annum using the straight-line method

- 9 Trade receivables of \$4000 are irrecoverable. The provision for doubtful debts is to be maintained at 5%.









	\$	\$	\$
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[20]  
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