



# ICM

JUNE 2017

BOOKKEEPING

**Instructions to candidates:**

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
  - b) Answer any FIVE questions
  - c) All questions carry equal marks. Marks for each question are shown in [ ]
  - d) Non-programmable calculators are permitted in this examination
1. You work as an accountant to a small business called Sungananie. The following trial balance has been compiled on 31 May 2017:

	£dr	£cr
Capital (01 06 16)		359,000
Long-term loan		45,000
Accounts payable		13,000
Accounts receivable	26,000	
Cash	1,000	
Bank	3,000	
Rent, rates and insurance	36,000	
Purchases	98,000	
Sales		422,000
Advertising expenses	19,000	
Cleaning expenses	7,000	
Inventory (01 06 16)	32,000	
Payroll costs	116,000	
Communication expenses	25,000	
Energy costs	37,000	
Interest paid	2,000	
Drawings	32,000	
Premises	350,000	
Equipment at cost	80,000	
Depreciation a/c (01 06 16)		25,000
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	864,000	864,000
	=====	=====

**NOTES as at 31 May 2017:**

- Inventory was valued at £29,000
- Advertising expenses prepaid amounted to £2,000
- Payroll costs owing amounted to £5,000
- Equipment is to be depreciated at 25% pa on cost

**TASKS**

- a) Prepare the income statement (trading and profit and loss account) for the year ended 31 May 2017. [11]
- b) Prepare the position statement (balance sheet) as at 31 May 2017. [9]

*continued overleaf*

2. The following are the first 12 transactions of a new business:

May 01 Put £50,000 into a business bank account  
 May 01 Paid rent £1,800 by cheque  
 May 02 Paid £18,000 for fixed assets, paying by cheque  
 May 03 Bought goods for resale £5,000, paying by cheque  
 May 06 Bought stationery for £800, paying by cheque  
 May 06 Sold goods for £3,000, and immediately banked the cheque  
 May 08 Paid wages £1,800, paying by cheque  
 May 10 Bought goods for resale £5,000, paying by cheque  
 May 13 Paid insurance premium £2,300, paying by cheque  
 May 15 Sold goods for £5,000, and immediately banked the cheque  
 May 15 Paid wages £1,800 paying by cheque  
 May 19 Sold goods for £7,000, and immediately banked the cheque

#### TASKS

- Record the above transactions in the relevant ledger account, and balance the accounts off. [12]
- Prepare the trial balance as at the end of 19 May 2017. [4]
- Explain the purposes of a trial balance. [4]

3. The following fixed asset transactions took place during the period 1 January 2014 to 31 December 2016:

01 01 2014 Machine A purchased for £18,000  
 01 01 2014 Machine B purchased for £20,000  
 13 04 2016 Machine C purchased for £24,000  
 25 04 2016 Machine A was sold for £11,000

#### NOTES

- Machines are depreciated at 25% per year using the straight line method
- In the year of purchase a full year of depreciation is to be provided
- In the year of disposal no depreciation is to be provided

#### TASKS

- Write up the machines at cost account for the period ended 31 12 16. [4]
- Write up the provision for machine depreciation account for the period ended 31 12 16. [8]
- Write up the machine disposal account. [4]
- Explain the importance of depreciating fixed assets. [4]

4. You have the following details regarding the sales and purchase ledgers of a business:

	£
May 1 Total accounts receivable (debtors)	196,000
Total accounts payable (creditors)	93,000
Transactions in May:	
Credit sales	202,000
Cash sales	7,000
Credit purchases	121,000
Cash purchases	1,900
Returns to credit suppliers	1,400
Returns from credit customers	2,600
Contras (set offs)	2,900
Discounts allowed	3,400
Discounts received	1,800
Bad debts written off in May	700
Increase in provision for doubtful debts	600
Receipts from debtors	199,000
Payments to creditors	124,000

#### TASKS

- Prepare the sales ledger control account as at 31 May. [8]
- Prepare the purchase ledger control account as at 31 May. [7]
- Explain the principal purposes of a bank reconciliation statement. [5]

- Fully distinguish between capital and revenue expenditure. [6]
  - Explain the services that a bank may provide for a current account holder (customer). [6]
  - Explain the sources of finance available to a business. [8]

*continued overleaf*

6. a) Explain THREE 'interested parties', i.e. three 'users' of financial statements/information. [6]  
 b) Explain the accounting treatment of provision for doubtful debts. [4]  
 c) The following were the balances on the total debtors control account:  
     31 Dec. 2013               £40,000  
     31 Dec. 2014               £39,000  
     31 Dec. 2015               £42,000  
     31 Dec. 2016               £46,000  
     The policy is to make a provision for doubtful debts of 5% of closing debtors.  
     The balance on the provision for doubtful debts account on 31 Dec. 2012 was £1,850.  
     TASK  
     Prepare the provision for doubtful debts account for the period 01 Jan. 2013 to 31 Dec. 2016. [10]
7. The following credit sales took place during May 2017:  
 May 01    Invoice for goods £600 to A  
 May 02    Invoice for goods £700 to B  
 May 05    Invoice for goods £800 to C  
 May 08    Invoice for goods £500 to B  
 May 10    Invoice for goods £600 to A  
 May 14    Invoice for goods £800 to C  
 May 18    Invoice for goods £600 to A  
 May 21    Invoice for goods £300 to B  
 May 25    Invoice for goods £600 to A  
 May 29    Invoice for goods £800 to C  
 May 31    A cheque, amounting to £720 was received from A  
 All the above sales invoices need 20% VAT (sales tax) added to the goods values.  
 A is a new customer.  
 TASKS  
 a) Fully record the above transactions in the sales day book. [10]  
 b) Write up the ledger account of A for the month of May. [4]  
 c) Explain the principal purposes of bookkeeping. [6]
8. Write short notes on FOUR of the following:  
 a) Cost accounting  
 b) Ordinary (equity) shares  
 c) Petty cash systems  
 d) Public finance  
 e) Computerised accounting packages  
 f) Working capital  
 g) VAT [5 each]