



BOOKKEEPING

June 2021

Time allowed

Three hours

Instructions

- Write the question number next to each answer in your answer booklet.
- You are not required to rewrite the question in your answer booklet.
- Ensure that you pay particular attention to words in **bold**.

Information

- Different questions may carry a different number of marks.
- Marks for each question are shown in [].

Advice

- Read each question carefully before you start to answer it.
- Use the full time permitted and check all your answers.

Materials

- Notes or books are not permitted.
- Non-programmable calculators are permitted.



ICM

ANSWER ANY FIVE QUESTIONS FROM THE FOLLOWING EIGHT QUESTIONS

1. The following trial balance for a small business has been compiled on 28th February 2020:

	£ dr	£ cr
Sales		428,000
Purchases	162,000	
Accounts receivable	22,000	
Accounts payable		16,000
Stationery expenses	7,000	
Cash	1,000	
Bank	4,000	
Rent, rates and insurance	34,000	
Advertising expenses	19,000	
Inventory (01.03.2019)	23,000	
Payroll costs	110,000	
Communication expenses	17,000	
Energy costs	26,000	
Interest paid	2,000	
Drawings	27,000	
Premises	250,000	
Equipment at cost	80,000	
Depreciation a/c (01.03.2019)		30,000
Long-term loan		40,000
Capital a/c (01.03.2019)		270,000
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	784,000	784,000
	=====	=====

Notes at 28th February 2020:

- Inventory was valued at £28,000
- Insurance expenses prepaid amounted to £2,000
- Payroll costs owing amounted to £3,000
- Equipment is to be depreciated at 25% pa on cost

- (a) Prepare the income statement for the year ended 28th February 2020.
- (b) Prepare the position statement as at 28th February 2020.

[11 marks]

[9 marks]

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

Feb. 01	Put £45,000 into a business bank account.
Feb. 01	Paid rent £2,400 by cheque.
Feb. 02	Paid £16,000 for office equipment, paying by cheque.
Feb. 02	Bought goods for resale £8,500, paying by cheque.
Feb. 04	Bought stationery for £950, paying by cheque.
Feb. 06	Sold goods for £4,800, and immediately banked the cheque.
Feb. 08	Paid wages £1,900, paying by cheque.
Feb. 11	Bought goods for resale £9,000, paying by cheque.
Feb. 12	Paid insurance premium £2,600, paying by cheque.
Feb. 14	Sold goods for £6,800, and immediately banked the cheque.
Feb. 16	Paid wages £1,900, paying by cheque.
Feb. 19	Sold goods for £5,500, and immediately banked the cheque.

- (a) Record the above transactions in the relevant ledger account and balance the accounts off. [12 marks]
- (b) Prepare the trial balance as at the end of 19th February. [4 marks]
- (c) Explain the purpose of a trial balance. [4 marks]

3. The following are details regarding the sales and purchase ledgers of a business:

	£
Nov. 01 Total debtors (accounts receivable)	192,000
Total creditors (accounts payable)	97,000
Transactions in November:	
Credit sales	210,000
Cash sales	6,000
Credit purchases	105,000
Cash purchases	4,000
Returns to credit suppliers	1,700
Returns from credit customers	2,100
Contras (set offs)	2,600
Discounts allowed	3,100
Discounts received	1,600
Bad debts written off in November	800
Increase in provision for doubtful debts	600
Receipts from debtors	199,000
Payments to creditors	104,000

- (a) Prepare the sales ledger control account as at 30th November. [8 marks]
- (b) Prepare the purchase ledger control account as at 30th November. [7 marks]
- (c) Explain the principal purposes of control accounts. [5 marks]

4. K Winsor received a bank statement on 28th February 2020 showing a credit balance of £7,288. This did not agree with the debit balance in the cash book of £960 for the following reasons:

- Two cheques drawn in favour of Abacus Ltd £1,880 and H Sussex £1,888 had been entered in the cash book but not presented for payment
- Credit transfer from Bark Ltd was entered on the bank statement but is not yet in the cash book £1,640
- Interest received by K Winsor £2,000 has not yet been entered in the cash book
- A direct debit for insurance £840 and bank charges of £200 have not yet been entered in the cash book
- A cheque from MM Ltd for £1,240 was paid into the bank earlier in the month. The cheque has been dishonoured but no entry has yet been made in the cash book
- On 28th February 2020 K Winsor paid £1,200 into the bank; this has not yet been credited by the bank
- The bank statement showed that K Winsor had transferred £2,400 from the deposit account into the current account but no entry was made in the cash book

- (a) Update and balance off the cash book of K Winsor. [12 marks]
 (b) Prepare a bank reconciliation statement as at 28th February 2020. [8 marks]

5. The following credit purchases took place during January 2020:

Jan. 01	Invoice for goods £500 from Archie Limited
Jan. 02	Invoice for goods £600 from Brokenford
Jan. 04	Invoice for goods £700 from Carlton & Co
Jan. 06	Invoice for goods £400 from Brokenford
Jan. 10	Invoice for goods £500 from Archie Limited
Jan. 14	Invoice for goods £800 from Carlton & Co
Jan. 18	Invoice for goods £700 from Archie Limited
Jan. 21	Invoice for goods £1,100 from Carlton & Co
Jan. 25	Invoice for goods £900 from Brokenford
Jan. 27	Invoice for goods £800 from Archie Limited
Jan. 31	A cheque, amounting to £600 was posted to Archie Limited

All of the above purchase invoices need 20% VAT (sales tax) added to the goods' values. Archie Limited is a new supplier.

- (a) Record the above transactions in the purchase day book. [10 marks]
 (b) State the amount to be debited to the purchases account. [2 marks]
 (c) Explain the purpose of day books. [4 marks]
 (d) Write up the ledger account of Archie Limited for the month of January 2020. [4 marks]
6. (a) State **six** possible sources of finance available to a partnership. [6 marks]
 (b) Discuss the **three** different uses of accounting information for interested parties or stakeholders. [6 marks]
 (c) Explain the ways in which **four** major services provided by a bank to a business account holder operate. [8 marks]

7. (a) On 1st January 2017 a business purchased a vehicle for £20,000. The business has an accounting year which ends on 31st December each year. They depreciate vehicles at 25% pa on the reducing balance.
- (i) Explain what is meant by depreciation. [2 marks]
 - (ii) Calculate the depreciation amount for year ended 31st December 2017. [2 marks]
 - (iii) Calculate the depreciation amount for year ended 31st December 2018. [2 marks]
 - (iv) Calculate the depreciation amount for year ended 31st December 2019. [2 marks]
 - (v) Calculate the Net Book Value of the vehicle as at 31st December 2019. [3 marks]
 - (vi) State **three** examples of assets that can depreciate. [3 marks]
- (b) Explain **two** uses of a suspense account. ✓ [6 marks]
8. Describe any **four** of the following bookkeeping concepts:
- (a) Ordinary share capital
 - (b) Public finance
 - (c) Petty cash systems
 - (d) VAT
 - (e) Computerised accounting
 - (f) Working capital
- [20 marks]

END OF QUESTIONS