



BOOKKEEPING

March 2022

muhammad omar MBARAK

Time allowed

Three hours

Instructions

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

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 is the trial balance for a small business as at 28th February 2022:

Trial Balance	£dr	£cr
Sales		561,000
Purchases	153,000	
Capital (1 st March 2021)		374,000
Bank	3,000	
Cash	1,000	
Accounts receivable (debtors)	31,000	
Accounts payable (creditors)		17,000
Business rates and rent	48,000	
Energy costs	42,000	
Communication expenses	17,000	
Marketing expenses	21,000	
Distribution costs	16,000	
Inventory (stock) at 1 st March 2021	23,000	
Payroll costs	157,000	
Insurances	29,000	
Discounts allowed	3,000	
Interest paid	2,000	
Drawings	36,000	
Premises	350,000	
Equipment at cost	150,000	
Depreciation a/c at 1 st March 2021		60,000
Long-term loan		70,000
	1,082,000	1,082,000

Notes at 28th February 2022:

- Inventory (stock) was valued at £26,000 *BIS*
- Rent prepaid amounted to £2,000 *PIL*
- Payroll costs owing amounted to £5,000 *PIL*
- Distribution costs owing amounted to £4,000 *PIL*
- Equipment is to be depreciated at 20% pa on cost *BIS*

*583
- 475
108*

- (a) Prepare the income statement (trading and profit and loss account) for the year ended 28th February 2022.
- (b) Prepare the position statement (balance sheet) as at 28th February 2022.

[11 marks]

[9 marks]

2. The following balances were brought down from a cash book on 1st February 2022:

- Cash £235 debit
- Bank £2,900 debit

The transactions that took place in February 2022 were as follows:

Date	Transaction
1 st February	Cash sales £620
1 st February	Paid rent £1,400 by cheque
1 st February	Paid a cheque of £95 to ZYX Ltd – having been allowed a discount of £5
2 nd February	Bought goods for resale £1,300, paying by cheque
3 rd February	Bought stationery for £55, paying by cash
6 th February	Cash sales £780
8 th February	Paid wages £510, paying by cash
13 th February	Paid a cheque of £190 to WVU Ltd – having been allowed a discount of £10
14 th February	Received a cheque for £185 from CBA Ltd – having allowed a discount of £15
15 th February	Paid wages £510, paying by cash
16 th February	Cash sales £790
17 th February	Banked £600 of the cash

- (a) Prepare the three column cash book as at the end of 17th February 2022. [12 marks]
- (b) On 31st January 2022 the balance on the cash sales account was £5,600. Update the cash sales account for the period ending 17th February 2022 and balance off the account ignoring VAT. [5 marks]
- (c) State **three** advantages of computerised accounting. [3 marks]

3. The following balances relate to the accounts of Megan, who has many credit customers, to prepare the annual final accounts:

Account balances	£
1 st February total debtors (accounts receivable)	136,000
1 st February opening debit balance – William	1,000
1 st February opening credit balance – provision for doubtful debts	4,800

Transactions in February:	£
Cash sales	9,550
Credit sales	139,000
Discounts allowed	2,400
Returns inwards	1,800
Bad debt (William) written off in February	1,000
Receipts from debtors (accounts receivable)	137,500
Contras (set offs)	3,000
Increase in provision for doubtful debts	500

- (a) Prepare the sales ledger control account for February. [8 marks]
- (b) Prepare the account for William as at the end of February. [4 marks]
- (c) Prepare the provision for doubtful debts as at the end of February. [4 marks]
- (d) RECAL is a mnemonic often used in respect of the five accounting groups. State **four** of these accounting groups. [4 marks]

4. The following credit sales took place during February 2022:

Date	Sales
1 st February	Invoice for goods £600 to Harry
1 st February	Invoice for goods £500 to William
4 th February	Invoice for goods £400 to Kate
6 th February	Invoice for goods £700 to Harry
9 th February	Invoice for goods £300 to Harry
13 th February	Invoice for goods £800 to Kate
17 th February	Invoice for goods £500 to William
18 th February	Invoice for goods £800 to Kate
27 th February	Invoice for goods £1,000 to William
28 th February	Invoice for goods £800 to Harry

Note:

All the above sales invoices need 20% VAT (sales tax) added to the goods values.

On 1st February 2022 the following balances were in the ledger:

	£
Sales account	27,400 cr
VAT account	2,300 cr
Harry	1,200 dr

Note:

On 26th February a cheque amounting to £1,920 was received from Harry

- (a) Record the above transactions in the sales day book. [10 marks]
- (b) Record the relevant transactions in the following ledger accounts:
- (i) Sales account [3 marks]
- (ii) VAT account [3 marks]
- (iii) Harry's account [4 marks]
5. (a) State **two** methods of depreciation. [2 marks]
- (b) On 1st July 2017 a business buys a vehicle for £20,000. It provides for depreciation at 20% per year on cost.
Prepare the relevant provision for depreciation account for the period 1st July 2017 to 30th June 2021 inclusive. [8 marks]
- (c) State **five** sources of finance available to a new small business. [5 marks]
- (d) State **five** reasons for accurately recording all business transactions. [5 marks]

6. On 28th February 2022 a trader had the following assets and liabilities:

Assets and Liabilities	£
Premises	40,000
Vehicle	10,000
Equipment	4,000
Inventory (stock)	3,000
Accounts receivable (debtors)	1,000
Mortgage on premises	30,000
Bank overdraft	500
Accounts payable	1,500

- (a) Prepare an opening journal entry showing the assets, liabilities, and capital as at 28th February 2022.

[10 marks]

- (b) State **five** errors that may not be disclosed in a trial balance.

[5 marks]

- (c) The trader has agreed to sell the following:

- 20 units at £2.50 each
- 50 units at £5.00 each
- 10 units at £10 each

Note:

- A trade (quantity) discount of 10% is allowed
- VAT is to be charged at 20%

Calculate the invoice total. Show all your workings.

[5 marks]

7. (a) During a VAT period the following transactions occurred:

Transactions	£
Total sales (outputs)	40,000
Total purchases (inputs)	25,000

Note:

Both these figures are net of 20% VAT

Calculate the VAT liability at the end of the period. Show all your workings.

[6 marks]

- (b) State **three** methods that a business can use to make payments to creditors through the bank.

[3 marks]

- (c) State **five** types of day books.

[5 marks]

- (d) A new business decides to make a provision for doubtful debts of 5% of the outstanding debtors (accounts receivable) at the end of the financial year. The total outstanding debtors at the end of the first year of trading was £50,000.

- (i) Calculate the provision for doubtful debts.

[3 marks]

- (ii) Calculate the amount to be included as debtors (accounts receivable) in the position statement (balance sheet).

[3 marks]

8. The following insurance premiums were paid by a business which started on 1st January 2021:
- 1st January 2021 £600 annual premium paid for public liability
 - 30th June 2021 £1,000 annual premium paid for employer's liability
- (a) Prepare the insurance account for the year ending December 2022. [5 marks]
- (b) On 1st February 2022 a cashier had a petty cash float of £100. A spot check is made and the total value of petty cash vouchers paid out is £45.40. Calculate the cash balance. [2 marks]
- (c) Define what is meant by each of the following terms:
- (i) GRN [3 marks]
 - (ii) Statement [3 marks]
 - (iii) Cash or settlement discount [3 marks]
- (d) Outline **two** classes of shares. [4 marks]

END OF QUESTIONS