



ICM

SEPTEMBER 2016

BOOKKEEPING

Instructions to candidates:

- Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
 - Answer any FIVE questions
 - All questions carry equal marks. Marks for each question are shown in []
 - Non-programmable calculators are permitted in this examination
1. You work as an accountant to Yanef and the following trial balance has been extracted on 31 August 2016:

	£dr	£cr
Sales		662,000
Purchases	238,000	
Rent, rates and insurances	55,000	
Returns	2,000	1,000
Carriage inwards	4,000	
Marketing expenses	38,000	
Energy costs	37,000	
Stock (inventory) at 01 09 15	24,000	
Payroll costs	166,000	
Communication expenses	23,000	
Discounts allowed	3,000	
Interest paid	3,000	
Owner's drawings	32,000	
Equipment at cost	50,000	
Premises at cost	300,000	
Depreciation (equip at 01 09 15)		25,000
Capital (at 01 09 15)		248,000
Long-term loan		50,000
Accounts receivable (debtors)	49,000	
Accounts payable (creditors)		35,000
Bank overdraft		3,000
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	1,024,000	1,024,000
	=====	=====

Notes at 31 August 2016:

- Stock (inventory) was valued at £27,000
- Payroll costs owing amounted to £5,000
- Rent prepaid amounted to £2,000
- Equipment is to be depreciated at 20% on cost

TASKS

- Prepare the income statement (trading and profit and loss account) of Yanef for the year ended 31 August 2016. [11]
- Prepare the position statement (balance sheet) as at 31 August 2016. [9]

continued overleaf

2. The following credit sales (excluding VAT) took place during August 2016:

		£	
Aug.01	Invoice for goods	500	to Alex
02	Invoice for goods	700	to Bahita
05	Invoice for goods	400	to Candida
08	Invoice for goods	600	to Bahita
11	Invoice for goods	900	to Candida
16	Invoice for goods	1,100	to Alex
21	Invoice for goods	900	to Candida
24	Invoice for goods	800	to Alex
28	Invoice for goods	300	to Candida
30	Invoice for goods	1,200	to Bahita

All the above invoices are subject to VAT at the standard rate (20%)

TASKS

- Fully record the above transactions in the sales day book. [10]
- State the amount which should be posted to the sales account. [2]
- State the amount which should be posted to the VAT account, AND state whether it should be recorded as a debit or credit. [2]
- Explain the purposes of double entry bookkeeping. [6]

3. You have the following details regarding the sales and purchase ledgers of a medium-sized business.

	£
August 1 Total creditors (accounts payable)	159,000
Total debtors (accounts receivable)	283,000

Transactions in August:

Cash sales	13,000
Credit sales	272,000
Credit purchases	95,000
Cash purchases	6,000
Discounts received	3,000
Discounts allowed	5,000
Returns to suppliers	2,000
Returns from customers	2,800
Set offs (contras)	1,600
Bad debts written off in the month	800
Increase in provision for bad debts	600
Payments to creditors	155,000
Receipts from debtors	286,000

TASKS

- Prepare the sales ledger control account as at 31 August. [8]
- Prepare the purchase ledger control account as at 31 August. [7]
- Explain the purposes of control accounts. [5]

4. The following are the first month's transactions of a new business:
- Aug. 01 Put £45,000 into a business bank account, and £1,000 into a business cash box.
 - Aug. 01 Bought equipment for £21,000 paying by cheque.
 - Aug. 02 Purchased goods costing £7,000 for resale, paying by cheque.
 - Aug. 05 Paid rent £700, paying cash.
 - Aug. 09 Paid an insurance premium £1,200, paying by cheque.
 - Aug. 12 Sold goods for £4,300, receiving a cheque for the full amount.
 - Aug. 14 Paid wages £1,500, paying by cheque.
 - Aug. 17 Purchased goods costing £7,500 for resale, paying by cheque.
 - Aug. 24 Bought stationery costing £600 paying by cheque.
 - Aug. 27 Sold goods for £6,400 receiving full payment in cash.
 - Aug. 28 Paid wages £1,600, paying cash.
 - Aug. 29 Sold goods for £4,300, receiving a cheque for the full amount.
 - Aug. 30 Banked £4,000 of the cash.
- TASKS:
- a) Write up the above transactions in the appropriate ledger accounts. [10]
 - b) Prepare a trial balance as at 31 August. [4]
 - c) The above business carried out a stock check at the close of business on 31 August and valued closing stock (inventory) at £2,100. Calculate the gross profit for the first month of trading. [2]
 - d) Explain briefly the principal function of a suspense account. [4]
5. a) Explain the principal sources of finance that are available to a sole trader. [10]
- b) The following were the balances on the total debtors control account:
- | | |
|--------------|---------|
| 31 Aug. 2013 | £46,000 |
| 31 Aug. 2014 | £54,000 |
| 31 Aug. 2015 | £50,000 |
| 31 Aug. 2016 | £58,000 |
- The policy is to make a provision for doubtful debts equal to 5% of closing debtors.
The balance on the provision for doubtful debts account as at 1 September 2013 was £2,100.
- TASK
- Prepare the provision for doubtful debts account for the period 1 September 2012 to 31 August 2016 inclusive. [10]
6. The following fixed asset transactions took place during the period January 2012 to 31 December 2015:
- 1 January 2012 purchased vehicle A for £16,000.
 - 1 January 2014 purchased vehicle B for £20,000.
 - 2 April 2015 purchased vehicle C for £22,000.
 - 20 May 2015 sold vehicle A for £3,600.
- NOTES
- Vehicles are depreciated at 25% on cost per year
 - 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
- a) Write up the vehicles at cost account for the period ended 31 December 2015. [4]
 - b) Write up the provision for vehicle depreciation account for the period ended 31 December 2015. [9]
 - c) Write up the vehicle disposal account. [4]
 - d) Explain briefly the term **depreciation**. [3]
7. Explain the following:
- a) A current account at the bank
 - b) VAT
 - c) The role of a bookkeeper
 - d) Trial balance [5 each]
8. Write notes on FOUR of the following:
- a) Public finance
 - b) Share capital
 - c) Working capital
 - d) The prudence concept
 - e) The users of accounting data
 - f) The distinction between an overdraft and a long-term loan [5 each]