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# BOOKKEEPING

September 2021

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## 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 of a small business has been compiled on 31<sup>st</sup> May 2021:

	£DR	£CR
Sales		591,000
Purchases	159,000	
Capital (1 <sup>st</sup> June 2020)		369,000
Bank	5,000	
Cash	1,000	
Accounts receivable (debtors)	33,000	
Accounts payable (creditors)		19,000
Business rates, rent and insurance	68,000	
Energy costs	46,000	
Communication expenses	18,000	
Advertising expenses	24,000	
Distribution costs	19,000	
Inventory (stock) at 1 <sup>st</sup> June 2020	21,000	
Payroll costs	154,000	
Interest paid	3,000	
Drawings	38,000	
Land and buildings	360,000	
Equipment at cost	180,000	
Depreciation a/c at 1 <sup>st</sup> June 2020		70,000
Long-term loan		80,000
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	1,129,000	1,129,000
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**Notes at 31<sup>st</sup> May 2021:**

- Inventory (stock) was valued at £23,000
- Insurance costs prepaid amounted to £3,000
- Advertising expenses owing amounted to £1,500
- Payroll costs owing amounted to £5,500
- Equipment is to be depreciated at 25% per annum on cost

- (a) Prepare the income statement (trading and profit and loss account) for the year ended 31<sup>st</sup> May 2021. [12 marks]
- (b) Prepare the position statement (balance sheet) as at 31<sup>st</sup> May 2021. [8 marks]
2. (a) Explain the purposes of a trial balance. [6 marks]
- (b) Explain the **three** internal control checks which must be carried out on a purchase invoice before approval and posting to the ledger. [6 marks]
- (c) A business buys machinery for £30,000 on 1<sup>st</sup> January 2017. The business provides for depreciation at 20% per year on cost. Prepare the provision for depreciation account for this machine for the period 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2020 inclusive. [8 marks]



3. The following credit sales took place during May 2021:

1 <sup>st</sup> May	Invoice for goods £800 to Abel
1 <sup>st</sup> May	Invoice for goods £500 to Bosley
4 <sup>th</sup> May	Invoice for goods £400 to Chris
6 <sup>th</sup> May	Invoice for goods £700 to Abel
9 <sup>th</sup> May	Invoice for goods £300 to Abel
12 <sup>th</sup> May	Invoice for goods £800 to Chris
16 <sup>th</sup> May	Invoice for goods £500 to Bosley
19 <sup>th</sup> May	Invoice for goods £600 to Chris
28 <sup>th</sup> May	Invoice for goods £1,000 to Bosley
30 <sup>th</sup> May	Invoice for goods £900 to Abel

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

On 1<sup>st</sup> May 2021 the following balances were in the ledger:

	£
Sales account	25,000 cr
VAT account	2,600 cr
Abel	1,400 dr

On 21<sup>st</sup> May 2021 a cheque amounting to £2,360 was received from Abel.

- (a) Record all of the above transactions in the sales day book. [10 marks]
- (b) Record the above transactions in the following ledger accounts:
- (i) Sales [3 marks]
- (ii) VAT [3 marks]
- (iii) Abel's [4 marks]

4. A company has many credit customers. The company is using the following balances to prepare its annual final accounts:

	£
1 <sup>st</sup> May 2021 total debtors (accounts receivable)	144,000
1 <sup>st</sup> May 2021 opening debit balance – Winsor	1,200
1 <sup>st</sup> May credit balance – provision for doubtful debts	3,900

Transactions in May 2021:	£
Cash sales	8,700
Credit sales	158,000
Discounts allowed	2,600
Returns inwards	1,900
Bad debt of Winsor written off in May	1,200
Receipts from debtors (accounts receivable)	147,500
Contras (set offs)	3,200
Increase in provision for doubtful debts	400

- (a) Write up the sales ledger control account for May 2021. [8 marks]
- (b) Write up the account for Winsor as at the end of May 2021. [4 marks]
- (c) Write up the provision for doubtful debts as at the end of May 2021. [4 marks]
- (d) State **four** sources of long-term finance available to a medium-sized limited company. [4 marks]

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

1 <sup>st</sup> May	The business owner paid £40,000 into the business account
1 <sup>st</sup> May	Bought goods for resale £7,000 paying by cheque
1 <sup>st</sup> May	Bought a vehicle for £15,000 paying by cheque
2 <sup>nd</sup> May	Paid rent £3,000 paying by cheque
3 <sup>rd</sup> May	Paid insurance £2,200 paying by cheque
4 <sup>th</sup> May	Bought goods for resale £6,000 paying by cheque
5 <sup>th</sup> May	Sold goods for £4,500 and immediately banked the cheque
6 <sup>th</sup> May	Paid wages £2,400 paying by cheque
7 <sup>th</sup> May	Bought goods for resale £8,000 paying by cheque
8 <sup>th</sup> May	Sold goods for £6,500 immediately banking the cheque
10 <sup>th</sup> May	Paid business rates £3,900 paying by cheque
11 <sup>th</sup> May	Sold goods for £2,000 immediately banking the cheque

- (a) Write up the above transactions in the appropriate ledger accounts. [12 marks]  
 (b) Prepare a trial balance as at the close of business on 11<sup>th</sup> May. [4 marks]  
 (c) The above business carried out a stocktake at the end of business on 11<sup>th</sup> May. The value of inventory (stock) was £10,000. Calculate the gross profit for the first 11 days of trading. [4 marks]

6. (a) A business has agreed to sell the following:

10 units at £2.00 each  
 50 units at £4.00 each  
 20 units at £12.00 each

The business allows a trade (quantity) discount of 10%  
 VAT is to be charged at 20%

Calculate the invoice total. You must show all your workings. [6 marks]

- (b) State **five** services of a bank. [5 marks]  
 (c) A business had the following closing debtors (accounts receivable):

	£
31 <sup>st</sup> May 2019	12,000
31 <sup>st</sup> May 2020	14,000
31 <sup>st</sup> May 2021	18,000

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 1<sup>st</sup> June 2018 was £650.

Prepare the provision for doubtful debts account for the period 1<sup>st</sup> June 2018 to 31<sup>st</sup> May 2021 inclusive. [9 marks]



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

	£
Total sales (outputs)	60,000
Total purchases (inputs)	35,000

**Note:**

Both these figures are net of 20% VAT

Calculate the VAT liability at the end of the period. You must show all your workings.

[6 marks]

- (b) State the **five** principal day books.

[5 marks]

- (c) Describe the function of each of the following documents:

(i) Petty cash voucher

[3 marks]

(ii) GRN

[3 marks]

(iii) Bank reconciliation statement

[3 marks]

8. (a) Discuss the needs of **four** users of accounting information (interested parties or stakeholders).

[8 marks]

- (b) Explain the features of Hire Purchase (HP).

[8 marks]

- (c) State **four** duties which are carried out by a financial accountant.

[4 marks]

**END OF QUESTIONS**