



ICM

DECEMBER 2016

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 Cesay and the following trial balance has been extracted on 30 November 2016:

	£dr	£cr
Sales		480,000
Purchases	145,000	
Rent, rates and insurances	32,000	
Returns	2,000	1,000
Carriage inwards	4,000	
Advertising expenses	25,000	
Energy costs	29,000	
Inventory as at 01 12 15	23,000	
Payroll costs	129,000	
Communication expenses	43,000	
Discounts allowed	2,000	
Discounts received		1,000
Interest paid	2,000	
Owner's drawings	26,000	
Equipment at cost	70,000	
Land and buildings	250,000	
Depreciation (equip at 01 12 15)		25,000
Capital		250,000
Long-term loan		35,000
Accounts receivable (debtors)	32,000	
Accounts payable		16,000
Bank overdraft		6,000
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	814,000	814,000
	=====	=====

Notes at 30 November 2016:

- Inventory was valued at £25,000
- Payroll costs owing amounted to £6,000
- Rates prepaid amounted to £2,000
- Equipment is to be depreciated at 20% on cost

TASKS

- a) Prepare the income statement (trading and profit and loss account) of Cesay for the year ended 30 November 2016. [11]
- b) Prepare the position statement (balance sheet) of Cesay as at 30 November 2016. [9]

continued overleaf

2. The following credit purchases (excluding VAT) took place during November 2016:

		£	
Nov. 01	Invoice for goods	400	from Axel
03	Invoice for goods	600	from Betual
04	Invoice for goods	700	from Cari
06	Invoice for goods	800	from Axel
10	Invoice for goods	700	from Betual
15	Invoice for goods	900	from Cari
21	Invoice for goods	300	from Axel
23	Invoice for goods	1,000	from Betual
26	Invoice for goods	1,500	from Axel
27	Invoice for goods	1,200	from Betual

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

TASKS

- a) Fully record the above transactions in the purchase day book. [10]
- b) State the amount which should be posted to the purchases account. [2]
- c) State the amount which should be posted to the VAT account, AND state whether it should be recorded as a debit or credit. [2]
- d) Explain the differences between trade and settlement (cash) discount. [6]

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

		£
Nov. 01	Accounts payable	153,000
	Accounts receivable	214,000

Transactions in Nov.:

Cash sales	8,000
Credit sales	244,000
Credit purchases	91,600
Cash purchases	5,000
Discounts received	1,800
Discounts allowed	2,600
Returns to suppliers	3,100
Returns from customers	1,600
Set offs (contras)	4,700
Bad debts written off in the month	1,100
Increase in provision for bad debts	600
Payments to creditors (a/cs payable)	142,500
Receipts from debtors (a/cs receivable)	219,300

TASKS

- a) Prepare the sales ledger control account as at 30 November. [8]
- b) Prepare the purchase ledger control account as at 30 November. [7]
- c) Explain the purpose of maintaining control accounts. [5]

4. The following are the first month's transactions of a new business:

Nov. 01	Put £34,000 into a business bank account, and £2,000 into a business cash box.
Nov. 01	Bought a vehicle for £12,000, paying by cheque.
Nov. 02	Purchased goods costing £7,000 for resale, paying by cheque.
Nov. 04	Paid rent £800, paying cash.
Nov. 06	Paid insurance premium £1,900, paying by cheque.
Nov. 09	Sold goods for £5,000, receiving a cheque for the full amount.
Nov. 13	Paid wages £900, paying by cheque.
Nov. 18	Purchased goods costing £5,900 for resale, paying by cheque.
Nov. 21	Bought stationery costing £800, paying by cheque.
Nov. 25	Sold goods for £2,200, receiving full payment in cash.
Nov. 27	Paid wages £900, paying by cheque.
Nov. 29	Sold goods for £2,700, receiving a cheque for the full amount.
Nov. 30	Banked £2,100 of the cash.

TASKS

- a) Write up the above transactions in the appropriate ledger accounts. [10]
- b) Prepare a trial balance as at 30 November. [4]
- c) The above business carried out a stock check at the close of business on 30 November, and valued closing stock at £6,300. Calculate the gross profit for the first month of trading. [3]
- d) Explain briefly the principal function of a trial balance. [3]

5. The following fixed asset transactions took place during the period 1 December 2012 to 31 November 2016:

01 December 2012 purchased machine X for £18,000

15 December 2014 purchased machine Y for £20,000

12 December 2015 purchased machine Z for £22,000

18 December 2015 sold machine X for £4,750

NOTES

- Machines are depreciated at 20% 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 machines at cost account for the period ended 30 November 2016. [4]
- b) Write up the provision for depreciation account for the period ended 30 November 2016. [9]
- c) Write up the machine disposal account. [4]
- d) Explain the **matching (accruals) concept**. [3]
6. a) Discuss the need of THREE 'users' of accounting information – sometimes referred to as interested parties or stakeholders. [6]
- b) Explain the possible sources of finance available to a sole trader business. [8]
- c) Outline how a **petty cash system** operates. [6]
7. a) Explain the term **current account**. [5]
- b) Distinguish between ordinary and preference shares. [5]
- c) Explain the functions of a **bank reconciliation statement**. [5]
- d) Explain the principal contents of a **partnership agreement**. [5]
8. Write notes on FOUR of the following:
- a) Unpresented cheques
- b) Capital expenditure
- c) Working capital
- d) The use of a suspense account
- e) VAT
- f) The role of a financial accountant
- g) Public finance [5 each]