



# ICM

JUNE 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 a small business called Filiz. The following trial balance has been compiled on 31 May 2016:

	£dr	£cr
Capital (01 06 15)		353,000
Accounts receivable (debtors)	26,000	
Accounts payable (creditors)		17,000
Cash	1,000	
Bank	6,000	
Rent, rates and insurance	45,000	
Purchases	126,000	
Sales		424,000
Energy costs	28,000	
Returns inwards	2,000	
Inventory (stock 01 06 15)	23,000	
Payroll costs	134,000	
Communication expenses	23,000	
Advertising expenses	19,000	
Interest paid	2,000	
Drawings	29,000	
Premises	300,000	
Equipment at cost	90,000	
Depreciation a/c (01 06 15)		20,000
Long-term loan		40,000
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	854,000	854,000
	=====	=====

NOTES as at 31 May 2016:

- Inventory (stock) was valued at £22,000
- Advertising expenses prepaid amounted to £2,500
- Payroll costs owing amounted to £4,500
- Equipment is to be depreciated at 20% pa (straight line method)

TASKS

- a) Prepare the income statement (trading and profit and loss account) for the year ended 31 May 2016.
- b) Prepare the position statement (balance sheet) as at 31 May 2016.

[11]  
[9]

*continued overleaf*

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

May 01	Put £25,000 into a business bank account.
May 01	Paid rent £1,600 by cheque.
May 02	Paid £12,000 for office equipment, paying by cheque.
May 02	Bought goods for resale £6,000, paying by cheque.
May 03	Bought stationery for £600, paying by cheque.
May 06	Sold goods for £5,200, and immediately banked the cheque.
May 08	Paid wages £1,400, paying by cheque.
May 10	Bought goods for resale £5,500, paying by cheque.
May 12	Paid insurance premium £1,700, paying by cheque.
May 14	Sold goods for £6,500, and immediately banked the cheque.
May 16	Paid wages £1,400, paying by cheque.
May 18	Sold goods for £2,500, and immediately banked the cheque.

TASKS

- a) Record the above transactions in the relevant ledger account, and balance the accounts off. [12]
- b) Prepare the trial balance as at the end of 18 May 2016. [4]
- c) Outline the functions of a **suspense account**. [4]

3. The following fixed asset transactions took place during the period 1 January 2013 to 31 December 2015.

01 01 2013	Vehicle A purchased for £15,000.
01 03 2013	Vehicle B purchased for £17,000.
06 03 2014	Vehicle C purchased for £19,000.
10 03 2015	Vehicle A was sold for £6,000.

NOTES

- Vehicles are depreciated at 25% per year using the straight line method
- 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 12 15. [4]
- b) Write up the provision for vehicle depreciation account for the period ended 31 12 15. [9]
- c) Write up the machine disposal account. [4]
- d) List THREE examples (other than vehicles) of a **fixed asset**. [3]

4. The following balances relate to a small business:

	£
1 May – Total debtors	35,300
Transactions in May:	
Credit sales	29,400
Cash sales	1,600
Credit purchases	10,900
Discounts allowed	700
Returns inwards	300
Contras (set offs)	500
Discounts received	200
Bad debt written off	100
Receipts from debtors	34,900
Increase in provision for doubtful debts	350
Payments to creditors	13,400

TASKS

- a) Write up the sales ledger control account for May. [8]
- b) Explain the sources of long-term finance available to a limited company. [8]
- c) Briefly explain what **VAT** is. [4]

5. The following petty cash transactions took place in May 2016:

	£	
May 01	Opening balance	200
May 03	Paid for stamps	16
May 03	Paid taxi fares	15
May 04	Paid for office tea/coffee	7
May 09	Paid taxi fares	18
May 10	Paid for stamps	16
May 17	Paid taxi fares	14
May 23	Paid taxi fares	12
May 26	Paid for stamps	16
May 27	Paid for office tea/coffee	7
May 27	Paid for stamps	16
May 29	Paid taxi fares	14
May 29	Paid taxi fares	10
May 30	Received from the main cashier the amount required to make up the imprest to £200.	

TASKS

- a) Record the above transactions in the petty cash book – use the following three headings; **stamps**; **taxi fares**; and **office tea/coffee**. [14]
- b) Sketch a typical petty cash voucher. [6]

6. The following credit sales took place during May 2016:

May 01	Invoice for goods £800 to Aliz
May 03	Invoice for goods £500 to Bubba
May 04	Invoice for goods £200 to Ceris
May 08	Invoice for goods £400 to Bubba
May 10	Invoice for goods £700 to Aliz
May 14	Invoice for goods £600 to Bubba
May 19	Invoice for goods £800 to Ceris
May 21	Invoice for goods £700 to Bubba
May 24	Invoice for goods £900 to Aliz
May 28	Invoice for goods £300 to Bubba

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

Bubba is a new customer, and sent in a cheque for £1,080 on 30 May 2016.

TASKS

- a) Fully record the above transactions in the sales day book. [10]
  - b) Write up the ledger account of Bubba for the month of May 2016. [4]
  - c) Explain who needs accounting information. [6]
- 7.
- a) Explain the process of checking a purchase invoice. [6]
  - b) Explain the services that a bank may offer a business customer. [8]
  - c) Explain the purpose of a trial balance. [6]
8. Write short notes on FOUR of the following:
- a) Hire purchase (HP)
  - b) Factor finance
  - c) Current assets
  - d) The prudence concept
  - e) The accruals (matching) concept
  - f) The role of a financial accountant [5 each]