



ICM

MARCH 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 a small business called Sami's. The following trial balance has been compiled on 29 February 2016:

	£dr	£cr
Sales		496,000
Purchases	112,000	
Accounts receivable (debtors)	28,000	
Accounts payable (creditors)		16,000
Bank	3,000	
Cash	1,000	
Rent, rates and insurance	46,000	
Energy costs	41,000	
Stationery expenses	16,000	
Distribution costs	13,000	
Advertising expenses	18,000	
Inventory (stock) at 01 03 15	24,000	
Payroll costs	138,000	
Communication expenses	21,000	
Discounts allowed	3,000	
Interest paid	2,000	
Drawings	29,000	
Premises	300,000	
Equipment at cost	140,000	
Depreciation a/c at 01 03 15		40,000
Long-term loan		60,000
Capital a/c at 01 03 15		323,000
	-----	-----
	935,000	935,000
	=====	=====

NOTES as at 29 February 2016:

- Inventory was valued at £27,000
- Rent prepaid amounted to £2,000
- Payroll costs owing amounted to £6,000
- Distribution costs owing amounted to £3,000
- Equipment is to be depreciated at 20% pa on cost

TASKS

- Prepare the income statement (trading and profit and loss account) for the year ended 29 February 2016.
- Prepare the position statement (balance sheet) as at 29 February 2016.

[11]
[9]

continued overleaf

2. The following are the first 12 transactions of a new business:
- Feb. 01 Put £48,000 into a business bank account.
 - Feb. 01 Paid rent £1,400 by cheque.
 - Feb. 01 Paid £22,000 for equipment, paying by cheque.
 - Feb. 02 Bought goods for resale £7,500, paying by cheque.
 - Feb. 03 Bought stationery for £600, paying by cheque.
 - Feb. 06 Sold goods for £4,600, and immediately banked the cheque.
 - Feb. 08 Paid wages £900, paying by cheque.
 - Feb. 13 Bought goods for resale £5,500, paying by cheque.
 - Feb. 15 Paid insurance premiums £1,750, paying by cheque.
 - Feb. 16 Sold goods for £6,000, and immediately banked the cheque.
 - Feb. 17 Paid wages £850, paying by cheque.
 - Feb. 21 Sold goods for £3,000 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 February 2016. [4]
- c) Explain the principal functions of a trial balance. [4]

3. The following transactions need to be written up in a three column cash book:
- 01 02 16 Debit balances brought forward – bank £4,000 cash £500.
 - 03 02 16 Paid rent £1,000 (cheque).
 - 05 02 16 Received the following cheques: Axel £285, Bella £475 and Carlos £665.
All three debtors have ALREADY been allowed a 5% cash discount.
 - 06 02 16 Cash sales £2,800.
 - 09 02 16 Paid wages £1,000 (cash).
 - 10 02 16 Paid cheques to the following suppliers: Dumas £190, Eros £475 and Fria £570.
All three suppliers have ALREADY allowed a 5% cash discount.
 - 13 02 16 Bought equipment £14,000 (cheque).
 - 20 02 16 Cash sales £4,200.
 - 24 02 16 Paid £2,900 of the cash into the bank.
 - 28 02 16 Paid wages £1,000 (cash).
 - 29 02 16 Paid rent £1,000 (cheque).

Note: The balance on the discounts allowed account as at 1 February was £810, and the balance on the discounts received account as at 1 February was £900.

TASKS

- a) Write up the three column cash book to record the above transactions. [15]
- b) Update the discounts allowed and discounts received accounts. [5]

4. The following credit purchases took place during February 2016:

- Feb. 01 Invoice for goods £600 from Ahmed
- Feb. 01 Invoice for goods £500 from Benni
- Feb. 04 Invoice for goods £400 from Calista
- Feb. 06 Invoice for goods £700 from Ahmed
- Feb. 09 Invoice for goods £300 from Ahmed
- Feb. 13 Invoice for goods £800 from Calista
- Feb. 18 Invoice for goods £500 from Benni
- Feb. 19 Invoice for goods £800 from Calista
- Feb. 28 Invoice for goods £1,000 from Benni
- Feb. 29 Invoice for goods £800 from Ahmed

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

On 1 February 2016 there was £1,250 owing to Ahmed.

On 28 February a cheque, amounting to £1,970 was sent to Ahmed.

TASKS

- a) Fully record the above transactions in the purchase day book. [10]
- b) State the amount to be debited to the purchases account. [2]
- c) Explain the purpose of day books. [4]
- d) Write up the ledger account of Ahmed for the month of February. [4]

5. The following balances relate to the accounts of Sapphire who has many credit customers, and will shortly be preparing the annual final accounts:

	£
1 February total debtors (accounts receivable)	132,000
1 February opening debit balance – Vijay	950
1 February credit balance – provision for doubtful debts	6,800

Transactions in February:

Cash sales	9,450
Credit sales	137,000
Cash purchases	8,700
Credit purchases	66,000
Discounts received	4,500
Discounts allowed	2,300
Returns inwards	1,600
Returns outwards	800
Bad debt (Vijay) written off in February	950
Receipts from debtors (accounts receivable)	111,000
Payments to creditors (accounts payable)	54,000
Contras (set offs)	2,800
Increase in provision for doubtful debts	700

TASKS

- a) Write up the sales ledger control account for February. [8]
- b) Write up the account for Vijay as at the end of February. [3]
- c) Write up the provision for doubtful debts as at the end of February. [4]
- d) Explain why it is important for businesses to maintain a provision for doubtful debts account. [5]
6. A business started trading on 1 January 2015. During the period to 31 December 2015 it made the following payments in respect of business rates and insurance:
- | | £ |
|--|-------|
| Business rates: | |
| 14 January payment for the period 01 01 15 to 30 04 15 | 1,800 |
| 14 May payment for the period 01 05 15 to 31 08 15 | 2,000 |
| 23 September payment for the period 01 09 15 to 28 12 15 | 2,000 |
| Insurance: | |
| 01 January payment for the period 01 01 15 to 31 03 15 | 800 |
| 06 April payment for the period 01 04 15 to 30 06 15 | 800 |
| 07 August payment for the period 01 07 15 to 30 09 15 | 800 |
- TASKS
- a) Write up the business rates account for the period ending 31 December 2015. [5]
- b) Write up the insurance account for the period ending 31 December 2015. [5]
- c) Explain the use of a bank reconciliation statement. [5]
- d) LIST FIVE 'users' of accounting information, i.e. five 'interested parties' or stakeholders. [5]
7. a) Explain the sources of finance available to a sole trader business. [10]
- b) Explain the term **depreciation of fixed assets**. [5]
- c) Explain the term **hire purchase**. [5]
8. Write short notes on FOUR of the following:
- a) Share capital
- b) VAT
- c) Working capital
- d) A petty cash system
- e) The role of a bookkeeper
- f) Public finance [5 each]