

CANDIDATE
NAME

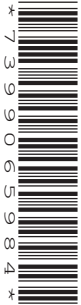
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CENTRE
NUMBER

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CANDIDATE
NUMBER

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PRINCIPLES OF ACCOUNTS

7110/22

Paper 2

October/November 2017

2 hours

Candidates answer on the Question Paper.

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your Centre number, candidate number and name on all the work you hand in.

Write in dark blue or black pen.

You may use an HB pencil for any diagrams or graphs.

Do not use staples, paper clips, glue or correction fluid.

DO NOT WRITE IN ANY BARCODES.

Answer **all** questions.

You may use a calculator.

Where layouts are to be completed, you may not need all the lines for your answer.

The businesses mentioned in this Question Paper are fictitious.

At the end of the examination, fasten all your work securely together.

The number of marks is given in brackets [] at the end of each question or part question.

This document consists of **22** printed pages and **2** blank pages.

The books of Keung show a total discount received of \$275 for the eleven months from 1 October 2016 to 31 August 2017.

REQUIRED

- (b) Prepare the discount received account for the year ended 30 September 2017. Show the year end transfer to the appropriate financial statement.

Discount Received account

Date	Details	\$	Date	Details	\$

[3]

- (c) Name the sub-division of the ledger which will contain the following accounts.

	Sub-division
Discount allowed	
Tansley	

[2]

Keung provided the following summary of his general expenses for the year ended 30 September 2017.

1 October 2016	Accrued general expenses	\$ 700
Year ended 30 September 2017	Total general expenses paid	4300
30 September 2017	Prepaid general expenses	1100

REQUIRED

- (d) State the amount of the general expenses which would be recorded in **each** of the following.

	\$
Trial balance before year end adjustment	
Income statement	
Statement of financial position at 30 September 2017	

[3]

(e) Name the following documents used by Keung.

	Document
A written acknowledgement of money received	
A demand for payment	
A summary of transactions for a period issued to a customer	

[3]

Keung prepares his ledger accounts using the T account format.

REQUIRED

(f) (i) Name an alternative format for the preparation of ledger accounts.

.....[1]

(ii) State **one** advantage of using this alternative format.

.....[1]

[Total: 20]

Question 2 is on the next page.

- (b) Prepare the suspense account showing the original difference in the trial balance.

Suspense account

Details	\$	Details	\$

[4]

Hannah had prepared draft financial statements **before** correcting the errors. Her draft profit was \$15 600.

REQUIRED

- (c) Complete the following table by calculating the effect of **correcting each** error on the draft profit for the year.

Calculate the revised profit for the year.

Revision of profit

			\$
Draft profit for the year			15 600
	Increase	Decrease	
	\$	\$	
1	Rent receivable, \$4900, had been debited to the rent payable account.		
2	General expenses paid, \$1200, had been correctly entered in the cash book, but had been recorded in the general expenses account as \$2100.		
3	No debit entry had been made for purchases on credit from Ploy, \$3400.		
Revised profit for the year			

[5]

(d) State the difference between the following types of errors which would **not** affect the balancing of the trial balance.

(i) Commission and principle

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.....
.....
.....
.....

(ii) Compensation and reversal

.....
.....
.....
.....
.....

[4]

[Total: 20]

3 The Puxton Social Club provides social facilities for the local community.

The treasurer provided the following information:

- 1 Balances on 1 October 2016
 - Subscriptions in arrears \$200
 - Subscriptions in advance \$320

- 2 Subscriptions received and banked during the year, \$7600

- 3 None of the subscriptions in arrears at 1 October 2016 were received. These were written off as irrecoverable.

- 4 Balances on 30 September 2017
 - Subscriptions in arrears \$280
 - Subscriptions in advance \$400

REQUIRED

(a) Prepare the subscriptions account for the year ended 30 September 2017. Balance the account and bring down the balances on 1 October 2017.

Subscriptions account

Date	Details	\$	Date	Details	\$

[6]

(b) State **two** differences between a receipts and payments account and an income and expenditure account.

1

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[4]

After the preparation of the income and expenditure account the following balances remained in the books at 30 September 2017:

	\$
Subscriptions in advance	400
Subscriptions in arrears	280
Trade payables	80
Treasurer's salary owing	250
Inventory of refreshments	350
Surplus	150
Heat and light prepaid	30
Equipment and fixtures (at valuation)	5800
8% Bank loan (repayable 31 December 2019)	3500
Bank	170 Debit

The Puxton Social Club depreciates the equipment and fixtures using the revaluation method.

REQUIRED

(d) State **two** advantages of the revaluation method of depreciation.

1

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2

.....

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[2]

[Total: 20]

4 Zara provided the following information:

	\$
At 1 August 2016	
Inventory	19 700
For the year ended 31 July 2017	
Cost of sales	240 000
Expenses	65 000
At 31 July 2017	
Capital	70 000
Inventory	33 500
Trade receivables	50 500
Bank loan (repayable October 2020)	50 000
Trade payables	25 000
Bank overdraft	15 000

Gross profit margin 25%

REQUIRED

(a) Calculate the:

(i) Revenue

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.....

.....[2]

(ii) Purchases

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.....[2]

(iii) Profit for the year

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.....[2]

(e) State **two** ways in which Zara could increase her working capital ratio (current ratio).

1

.....

2

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[2]

[Total: 20]

- 5 Jian and Shen are in partnership sharing profits and losses in the ratio 3:1. Interest is allowed on capital at the rate of 5% per annum and is charged on drawings (excluding salaries) at the rate of 10%. A salary is paid to Shen of \$5000 per annum.

The following balances were extracted from the books on 30 June 2017:

	\$
Leasehold buildings (cost)	120 000
Motor vehicles (cost)	40 000
Office fixtures (cost)	18 000
Provisions for depreciation	
Leasehold buildings	30 000
Motor vehicles	10 000
Office fixtures	4 000
Capital accounts	
Jian	70 000
Shen	50 000
Current accounts	
Jian	500 Debit
Shen	900 Debit
Drawings	
Jian	8 000
Shen	6 000
8% Bank loan (repayable 2025)	50 000
Bank loan interest paid	2 500
Trade receivables	63 500
Trade payables	23 150
Bank overdraft	10 600
Provision for doubtful debts	2 000
Revenue	520 000
Inventory at 1 July 2016	37 800
Purchases	314 000
Returns from customers	10 300
Returns to suppliers	8 200
Carriage	12 550
Wages and salaries	87 500
Electricity and water	8 450
General expenses	28 850
Motor vehicle expenses	19 100

Additional information

- 1 Inventory at 30 June 2017 was valued at \$42 900.
- 2 At 30 June 2017:
 - Electricity and water, \$1150, were accrued
 - Motor vehicle expenses, \$200, were prepaid
- 3 The partner's salary had been paid to Shen. This had been posted to the wages and salaries account.
- 4 The carriage included \$3000 for the collection of purchases. The remainder was for delivery to customers.
- 5 Office fixtures costing \$2000 and with an accumulated depreciation of \$1500 had been sold for \$500. A cheque was received on 20 June 2017. No entries had been recorded in the books.
- 6 Depreciation is to be charged on all non-current assets owned at the end of each year.
 - (i) Leasehold buildings are held on a 20-year lease. An appropriate amount is to be written off the lease.
 - (ii) Motor vehicles are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.
 - (iii) Office fixtures are depreciated at the rate of 10% per annum using the straight-line method.
- 7 Trade receivables include a debt of \$3500 which is considered irrecoverable. The provision for doubtful debts is to be increased to \$5000.

- (b) Prepare the current accounts for the year ended 30 June 2017. Balance the accounts and bring down the balances on 1 July 2017.

Current accounts

Date	Details	Jian	Shen	Date	Details	Jian	Shen
		\$	\$			\$	\$

[6]

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