

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

May/June 2019

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 **21** printed pages and **3** blank pages.

1 Mikaela purchases goods from Steve. On 1 March 2019 Mikaela owed Steve \$900.

Mikaela provided the following information for the month of March 2019.

- March 5 Received an invoice from Steve, \$730
- 9 Received a refund by cheque from Steve, \$80, for overpayment made in February
- 18 Sent a cheque to Steve for the balance owing on 1 March after taking 2% discount
- 23 Received a credit note from Steve, \$45

REQUIRED

(a) Prepare the account of Steve in the books of Mikaela for the month of March. Balance the account and bring down the balance on 1 April 2019.

Steve account

Date	Details	\$	Date	Details	\$

[5]

(b) Name the book of prime (original) entry in which Mikaela would record the following transactions.

Date	Details	Book of prime (original) entry
March 5	Received an invoice from Steve, \$730	
9	Received a refund by cheque from Steve, \$80, for overpayment made in February	
18	Sent a cheque to Steve for the balance owing on 1 March after taking 2% discount	
23	Received a credit note from Steve, \$45	

[4]

(c) Name the subdivision of Mikaela’s ledger that would contain the account of Steve.

..... [1]

Mikaela extracted the following balances from her ledger on 31 March 2019. She was aware that there were a number of errors in the ledger.

	\$
Revenue	9900
Purchases	5500
Inventory	1750
Sales returns	150
Carriage inwards	600
Trade receivables	1750
Discount received	200
Purchases returns	150
Trade payables	1300
Non-current assets (book value)	4000
Bank overdraft	1150
6% bank loan	1500
Capital	4750
Drawings	2500
General expenses	3300

REQUIRED

(d) Prepare the trial balance at 31 March 2019, including a suitable balancing entry.

Mikaela
Trial Balance at 31 March 2019

	Debit	Credit
	\$	\$
Revenue		
Purchases		
Inventory		
Sales returns		
Carriage inwards		
Trade receivables		
Discount received		
Purchases returns		
Trade payables		
Non-current assets (book value)		
Bank overdraft		
6% bank loan		
Capital		
Drawings		
General expenses		

(e) State why some errors **will** affect the balancing of a trial balance and other errors will **not** affect the balancing of a trial balance.

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..... [2]

(f) Name **two** types of errors which will **not** affect the balancing of a trial balance.

1.....
2..... [2]

[Total: 20]

- 2 Khalid is a trader. On 18 April 2019 he was informed that Aiden, a credit customer who owed \$600, had ceased trading. Aiden paid Khalid \$240 by cheque. The remainder of Aiden’s balance was written off as irrecoverable.

REQUIRED

- (a) State the entries Khalid should make in his accounting records.

account to be debited	\$	account to be credited	\$

[4]

Khalid maintains a sales ledger control account.

The following information is available from his books.

Sales ledger balances	1 April 2019	1 May 2019
	\$	\$
Sonia	60 Credit	800 Debit
Jing	450 Debit	340 Debit
Mark	1200 Debit	2100 Debit
Aiden	600 Debit	Nil

For the month of April 2019

	\$
Credit sales	3315
Cash sales	970
Bank receipts from credit customers	1930
Dishonoured cheque (included in the bank receipts)	40
Sales returns	75
Refund paid to Sonia by cheque	60
Bad debt	360

REQUIRED

- (b) State **two** reasons for maintaining control accounts.

- 1.....

 2.....

[2]

Khalid's financial year ends on 30 April.

On 1 May 2018 he had a provision for doubtful debts of \$120. He decided to maintain the provision at 5% of trade receivables at the end of each year.

REQUIRED

- (e) Prepare the provision for doubtful debts account for the year ended 30 April 2019 showing the transfer to the income statement.
Balance the account and bring down the balance on 1 May 2019.

Provision for doubtful debts account

Date	Details	\$	Date	Details	\$

[3]

[Total: 20]

3 Jayden is in business buying and selling goods on credit. The following information is available for the month of March 2019.

	\$
Balance at 1 March 2019	
Inventory	40 000
 Total for the month of March 2019	
Cost of sales	77 000
 Balances at 31 March 2019	
Inventory	30 000
Bank overdraft	25 000
Trade payables	75 000
Trade receivables	60 000

REQUIRED

(a) Calculate the following ratios to **one** decimal place. The previous month's ratios are shown in the last column.

	Workings	March 2019	February 2019
Rate of turnover of inventory			1.4 times
Working capital ratio (current ratio)			1.3:1
Quick ratio (acid test ratio)			0.9:1

[6]

(b) Comment on the ability of Jayden to pay the trade payables.

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.....

..... [2]

On 1 April 2019 Jayden decided to introduce a new marketing policy. He decided to:

- decrease his mark-up to 50% to increase his sales revenue
- offer trade receivables a cash discount for early payment.

Jayden hoped to end the month with a positive bank balance.

The summarised transactions for the month of April 2019 were:

	\$
Credit purchases	115 000
Credit sales	180 000
Paid to trade payables by cheque	135 000
Paid for expenses by cheque	50 000
Received from trade receivables by cheque after deducting \$5000 cash discount	200 000

(c) Calculate the following at 30 April 2019.

	Workings	Answer \$
Inventory		
Trade receivables		
Trade payables		
Bank		

[8]

4 Midhaven Products has a production line. The following information relates to the production line workers for the month of April 2019.

Total for the month	
Hours worked	1580
Production line bonus	\$860
Statutory deductions	\$2050
Voluntary deductions	\$850
Employer's national insurance	\$1800

Rate per hour \$8

REQUIRED

(a) Name the following documents used in payroll recording.

purpose	document name
records the hours worked by a production line worker	
contains the gross pay, deductions and net pay of all production line workers	

[2]

(b) Calculate the:

(i) total labour cost to Midhaven Products of **all** the production line workers for April 2019

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.....
..... [2]

(ii) total net pay of **all** the production line workers for April 2019.

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..... [2]

The following additional information is available for the month of April 2019.

	\$
Inventory at 1 April 2019	
Raw materials	5 900
Work in progress	19 700
Production wages	Calculated in (b)
Office wages	8 750
Purchases of raw materials	20 250
Depreciation on factory machinery	9 000
Depreciation on office fixtures	3 400
Rent paid	36 000
Factory expenses	8 200
Factory management salaries	31 000
Office management salaries	38 600
Carriage on raw materials	1 900
Revenue	103 000
Insurance	4 600
General expenses	7 400

Additional information

- 1 Inventory at 30 April 2019

Raw materials	\$6 300
Work in progress	\$20 350
- 2 Rent and insurance are to be apportioned 75% to the factory, 25% to the office.
- 3 \$4000 of the factory expenses are direct expenses.
- 4 General expenses of \$2600 relate to the office and the remainder relate to the factory.

- 5 Marcel and Naomi are in partnership. The partnership agreement states that the profits and losses are shared, Marcel three-fifths, Naomi two-fifths. Interest on capital is allowed at the rate of 4% per annum. Interest is charged on drawings (excluding salaries) made during the year at the rate of 5%. Marcel receives a salary of \$8000.

The following balances were extracted from the books on 30 April 2019.

	\$
Purchases	184 000
Revenue	328 000
Purchases returns	17 500
Inventory at 1 May 2018	31 300
Non-current assets (at cost)	
Premises	90 000
Motor vehicles	80 000
Fixtures and fittings	52 000
Wages and salaries	46 000
Motor vehicle expenses	17 450
Provisions for depreciation	
Premises	38 000
Motor vehicles	8 000
Fixtures and fittings	23 000
Provision for doubtful debts	600
General expenses	18 600
Marketing expenses	22 000
Trade payables	27 500
Trade receivables	36 000
Bank overdraft	28 500
Electricity and water	10 650
Insurance	6 500
Capital accounts	
Marcel	80 000
Naomi	60 000
Current accounts at 1 May 2018	
Marcel	300 Credit
Naomi	5 100 Credit
Drawings	
Marcel	10 000
Naomi	12 000

Additional information at 30 April 2019

- 1 Inventory was valued at \$36 400.
- 2 The annual insurance premium of \$4600 was paid on 1 November 2018.
- 3 General expenses, \$1150, were outstanding.
- 4 Wages and salaries included the salary paid to Marcel.
- 5 Depreciation is to be charged on all non-current assets owned at the end of the year as follows:

Premises	2% per annum on cost
Motor vehicles	25% per annum using the diminishing (reducing) balance method
Fixtures and fittings	20% per annum using the straight-line method

- 6 The provision for doubtful debts is to be maintained at 5%.
- 7 A cheque payment of \$1300, made to a credit supplier on 15 April, had not been recorded in the books.

- (b) Prepare the current accounts for the year ended 30 April 2019 on the **next page**.
Balance the accounts and bring down the balances on 1 May 2019.

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