



ICM

JUNE 2018

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 Unix. The following trial balance has been compiled on 31 May 2018:

	£ dr	£ cr
Sales		428,000
Purchases	162,000	
Accounts receivable	22,000	
Accounts payable		16,000
Stationery expenses	7,000	
Cash	1,000	
Bank	4,000	
Rent, rates and insurance	34,000	
Advertising expenses	19,000	
Inventory (01 06 17)	23,000	
Payroll costs	110,000	
Communication expenses	17,000	
Energy costs	26,000	
Interest paid	2,000	
Drawings	27,000	
Premises	250,000	
Equipment at cost	80,000	
Depreciation a/c (01 06 17)		30,000
Long-term loan		40,000
Capital a/c (01 06 17)		270,000
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	784,000	784,000
	=====	=====

NOTES as at 31 May 2018:

- Inventory was valued at £28,000
- Insurance expenses prepaid amounted to £2,000
- Payroll costs owing amounted to £3,000
- Equipment is to be depreciated at 25% pa on cost

TASKS

- a) Prepare the income statement for the year ended 31 May 2018.
- b) Prepare the position statement as at 31 May 2018.

[11]

[9]

continued overleaf

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

- May 01 The business owner paid £36,000 into the business bank account.
- May 01 Paid rent £2,500 by cheque.
- May 01 Paid £14,000 for a vehicle, paying by cheque.
- May 02 Bought goods for resale £9,000, paying by cheque.
- May 05 Bought stationery for £800, paying by cheque.
- May 06 Sold goods for £6,000, and immediately banked the cheque.
- May 08 Paid wages £1,300, paying by cheque.
- May 10 Bought goods for resale £8,000, paying by cheque.
- May 13 Paid insurance premium £2,200, paying by cheque.
- May 14 Sold goods for £5,000, and immediately banked the cheque.
- May 17 Paid wages £1,300, paying by cheque.
- May 19 Sold goods for £4,000, and immediately banked the cheque.

TASKS

- a) Record the above transactions in the relevant ledger accounts, and balance the accounts off. [12]
- b) Prepare the trial balance as at the end of 19 May 2018. [4]
- c) Explain the **matching (accruals) concept**. [4]

3. The following fixed asset transactions took place during the period 1 January 2015 to 31 December 2017:

- 01 01 2015 Machine A purchased for £24,000.
- 01 01 2016 Machine B purchased for £28,000.
- 16 02 2017 Machine C purchased for £30,000.
- 18 02 2017 Machine A was sold for £11,500.

NOTES

- Machines are depreciated at 20% 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 machines at cost account for the period ended 31 12 17. [4]
- b) Write up the provision for machine depreciation account for the period ended 31 12 17. [8]
- c) Write up the machine disposal account. [4]
- d) Explain briefly the accounting treatment of depreciation. [4]

4. You have the following details regarding the sales and purchase ledgers of a business:

	£
May 1 Total debtors (accounts receivable)	221,000
Total creditors (accounts payable)	133,000
Transactions in May:	
Credit sales	235,000
Cash sales	9,000
Credit purchases	121,000
Cash purchases	4,000
Returns to credit suppliers	1,600
Returns from credit customers	1,900
Contras (set offs)	2,200
Discounts allowed	3,400
Discounts received	1,300
Bad debts written off in May	800
Increase in provision for doubtful debts	600
Receipts from debtors	224,000
Payments to creditors	138,000

TASKS

- a) Prepare the sales ledger control account as at 31 May. [8]
- b) Prepare the purchase ledger control account as at 31 May. [7]
- c) Explain the principal purposes of control accounts. [5]

5. The following credit purchases took place during May 2018:

May 01 Invoice for goods £500 from Amankawah
May 02 Invoice for goods £600 from Bongiwe
May 04 Invoice for goods £700 from Charity
May 06 Invoice for goods £400 from Bongiwe
May 10 Invoice for goods £500 from Amankawah
May 14 Invoice for goods £800 from Charity
May 18 Invoice for goods £700 from Amankawah
May 21 Invoice for goods £1,100 from Charity
May 25 Invoice for goods £900 from Bongiwe
May 27 Invoice for goods £800 from Amankawah
May 31 A cheque, amounting to £600 was posted to Amankawah
All the above purchase invoices need 20% VAT (sales tax) added to the goods' values.
Amankawah is a new supplier.

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 Amankawah for the month of May 2018. [4]
6. a) The final accounts of a business are of importance to a number of 'interested parties' (stakeholders).
i State FOUR such stakeholders. [4]
ii Explain the principal reasons why the four stakeholders you refer to require information contained in the final accounts. [8]
b) Outline the principal sources of finance available to a sole trader. [8]
7. a) A business had the following closing debtors (accounts receivable):
- | | £ |
|---------------------|--------|
| On 31 December 2015 | 16,000 |
| On 31 December 2016 | 14,000 |
| On 31 December 2017 | 20,000 |
- The policy is to make a provision for doubtful debts of 5% of closing debtors.
The balance on the provision for doubtful debts as on 1 January 2015 was £750.
- TASK**
Prepare the provision for doubtful debts account for the period 1 January 2015 to 31 December 2017. [8]
b) List FOUR functions (duties) typically carried out in an accounts (finance) department. [4]
c) State FOUR features of a petty cash voucher. [4]
d) Outline TWO functions of a trail balance. [4]
8. a) A business buys a vehicle on 1 January 2015 for £20,000.
It provides for depreciation at 20% pa using the reducing balance method.
- TASK**
Prepare the relevant provision for depreciation account for the period 1 January 2015 to 31 December 2017 inclusive. [8]
b) Explain the purpose of a suspense account. [6]
c) List SIX services that a bank can provide to a business. [6]