



BOOKKEEPING

Tuesday 7th March 2023

Time allowed

- You have 3 hours

Instructions

- Ensure that you pay particular attention to words in **bold**.
- Write the question number next to each answer in your answer booklet.
- You are **not** required to rewrite the question in your answer booklet.

Information

- Different questions may carry a different number of marks.
- Marks for each question are shown in [].

Advice

- Read each question carefully before you start to answer it.
- Use the full time permitted and check all your answers.

Materials

- Notes or books are **not** permitted.
- Non-programmable calculators are permitted.



ICM

ANSWER ANY FIVE QUESTIONS FROM THE FOLLOWING EIGHT QUESTIONS

1. Table 1 shows a trial balance at 31st January 2023 for a sole trader:

Table 1: Trial balance at 31st January 2023

	Dr	Cr
	£	£
Sales		425,000
Purchases	220,000	
Inventory at 1 st February 2022	52,000	
General Expenses	5,000	
Rent	27,000	
Business rates and insurance	12,000	
Carriage outwards	12,000	
Discounts allowed	2,000	
Wages and salaries	84,000	
Fixtures at cost	20,000	
Fixtures – accumulated depreciation		5,000
Delivery vans at cost	30,000	
Delivery vans – accumulated depreciation		8,000
Trade receivables	114,000	
Trade payables		62,000
Capital		86,000
Drawings	25,000	
Bank overdraft		20,000
Interest on bank overdraft	1,000	
Cash	2,000	
Totals	606,000	606,000

Notes at 31st January 2023:

- Closing inventory £42,000
- Wages owing £2,000
- Insurance prepaid £1,000
- Rent prepaid £3,000
- Depreciation to be provided on all non-current assets at 20% per annum on cost

- (a) Prepare the income statement for the year ended 31st January 2023, using the information provided in Table 1. [10 marks]

- (b) Prepare the statement of financial position at 31st January 2023, using the information provided in Table 1. [10 marks]

2. (a) An invoice was sent out to a limited company on 1st January 2023 for a purchase on the following terms:

Invoice terms:

- Purchase (list) price £4,000 less trade discount 20%
- Cash discount of 5% is allowed if payment is made within 7 days from 1st January 2023
- VAT on the goods purchased is 17.5%

- (i) Calculate the total of the invoice. [4 marks]

- (ii) Calculate the amount of the cheque if payment was made on 5th January 2023. [2 marks]

- (b) Outline **seven** reasons organisations must maintain accounting records. [14 marks]

3. (a) Outline **five** purposes of using subsidiary books. [10 marks]
 (b) State **three** sources of information required for the construction of a trial balance. [3 marks]
 (c) Explain the difference between capital and revenue expenditure. Use examples to support your explanation. [7 marks]

4. (a) Outline **five** advantages of completing a bank reconciliation statement. [10 marks]
 (b) A cash book showed a bank overdraft of £590 on 31st January 2023.

Additional information:

- Cheques amounting to £938 had not been presented to the bank for payment
- A standing order for loan interest amounting to £83 had not been entered in the cash book
- Lodgements to the bank totalling £206 had not been credited by the bank
- A direct debit for business rates of £120 had not been entered in the cash book
- A credit transfer of £66 from Charlie has been omitted from the cash book

- (i) Prepare an updated cash book using the additional information provided. [5 marks]
 (ii) Prepare a bank reconciliation statement at 31st January 2023. [5 marks]

5. Table 2 is a statement of financial position that contains errors and missing items (indicated by 'X'):

Table 2: Statement of financial position for the year ended 31st January 2023

	£	£
Non-current assets:		
Land and buildings at cost	400,000	
Motor vehicles at cost	160,000	
Depreciation expense for motor vehicles for the year	20,000	580,000
Current assets:		
Inventory at 1 st February 2022	25,000	
Cash	2,000	
Bank (credit balance)	4,000	
Profit for the year	27,000	58,000
Total assets		638,000
Current liabilities:		
Trade payables	18,000	
Trade receivables	30,000	
Sales	300,000	
Prepayments	4,000	
Accruals	6,000	
Bad debt	1,000	344,000
Capital – balance at 1st February 2022		X
Drawings		15,000
Long-term bank loan		100,000
		X

Notes at 31st January 2023:

- Inventory £30,000
- Provision for doubtful debts £2,000
- Provision for depreciation for motor vehicles £60,000

- (a) Prepare the corrected statement of financial position using the information provided in Table 2. [14 marks]
 (b) Analyse the use of a suspense account in a trial balance and the statement of financial position. [6 marks]

6. (a)

Case Study: New equipment

A company purchased new equipment on 1st January 2023. Part payment was made by trading in an old equipment for £9,000.

Details of the old equipment are:

- Cost was £22,000 on 1st January 2020
- Depreciation had been calculated using the straight-line method on a yearly basis, based on an expected basis life of eight years and an estimated scrap value of £4,000.

- Calculate the profit or loss on the disposal of the old equipment.
- Prepare a disposal account for the equipment.

[6 marks]

[4 marks]

- Table 3 shows ledger account totals and additional information for a sole trader:

Table 3: Ledger accounts and balances:

	£
Machinery at cost	80,000
Delivery van at cost	25,000
Accumulated depreciation:	
- Machinery	30,000
- Delivery van	5,000
Rent receivable	12,000
Wages	38,000
Insurance	3,000

Notes:

- Depreciation to be provided as follows:
 - Machinery at 10% per annum using straight line method
 - Delivery van at 20% per annum using reducing balance method
- Rent receivable account balance above is for the year ending 28th February 2023
- Wages are paid one month in arrears and the amount due for the year ended is £2,300
- Insurance account includes £600 covering payment for the six months ending 31st April 2023

- Calculate the amounts to be included in the Income Statement for the year ended 31st January 2023.
- State the effects of these changes on the profit of the sole trader.

[6 marks]

[4 marks]

7. Table 4 shows the accounting records for an individual for the month ended 31st January 2023:

Table 4: Accounting records

	£
Credit sales	45,000
Cash sales	22,000
Credit purchases	40,000
Cash purchases	20,000
Returns outwards / purchase returns	6,000
Returns inwards / sales returns	7,000
Discounts allowed	2,000
Discounts received	3,000
Payments to credit suppliers	26,000
Receipts from credit customers	32,000
Bad debts	2,000
Contras (set offs)	1,000
Sales ledger debit balances at 1 st January 2023	20,000
Purchase ledger balances at 1 st January 2023	13,000

- (a) (i) Prepare the sales ledger control account for the month of January 2023. [8 marks]
- (ii) Prepare the purchase ledger control account for the month of January 2023. [7 marks]
- (b) A bad debt written off in a previous accounting period has now been repaid in the current accounting period.
- Explain the way a bookkeeper must deal with this payment, making reference to the following:
- The accounting concept involved
 - The accounting entries (in terms of the double entries involved) [5 marks]

8. Alex sells kitchen appliances, and the following information is for February 2023:

- (a) Purchased kettles and toasters on credit from Kitchens plc for £4,000
- (b) Withdrew £400 cash from the bank for personal use
- (c) Shop fittings purchased for £1,200 and paid by cheque
- (d) Paid £2,000 to Quinn Ltd, a supplier
- (e) Paid business rates of £1,000 by bank transfer
- (f) Sold kettles and toasters to SD Care Homes Group for £800 on credit
- (g) Alex returned goods to Kitchens plc for £400
- (h) £4,000 paid into the business bank account from their personal savings
- (i) Alex makes a bank transfer to Kitchens plc for £1,900 with a cash discount received of £100
- (j) Received a cheque for £750 from SD Care Homes Group in full settlement of debt for £800

State the double entries required for the transactions provided. Copy and complete the following table into your answer booklet:

Transaction	Account to be debited	Account to be credited
(a)		
(b)		
(c)		
(d)		
(e)		
(f)		
(g)		
(h)		
(i)		
(j)		

[20 marks]

END OF QUESTIONS