Answers

Section A

1	**D**	**6**	**C**	**11**	**C**	**16**	**A**
2	**B**	**7**	**B**	**12**	**B**	**17**	**D**
3	**A**	**8**	**A**	**13**	**D**	**18**	**B**
4	**B**	**9**	**B**	**14**	**B**	**19**	**B**
5	**C**	**10**	**B**	**15**	**C**	**20**	**A**

Workings

9

Ledger balance	$76,961	Total listing	$81,649
Standing order	($1,606)		($1,606)
Invoice			($4,688)
Corrected totals	$75,355		$75,355

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Cost of inventory			$38,750
Cost of damaged goods		$3,660	
Selling price	$1,500		
Repairs	($450)		
Net realisable value		$1,050	
Write down			$2,610
Inventory value			$36,140

18

Profit	$16,000		
Salary	($8,000)		
Residual profit	$8,000	Albert 3/5	$4,800

20 Receivables

	$		$
Opening balance	16,528	Cash	29,860
b.f. Sales	29,197	Closing balance	15,865
	45,725		45,725

Section B | **Marks**

			Marks
1	**(a)**	The main purpose of a trial balance is to provide a basic check on the accuracy of postings.	1
		The trial balance checks the accuracy of postings by confirming whether the total value of the debit balances equals the total value of the credit balances.	1
			2
	(b)	A bad debt is an amount which evidence shows cannot be collected.	1
		It is therefore written off by a debit entry (charge) to the income statement and a credit entry to the receivables account.	1
		A doubtful debt is a debt which evidence suggests may not be collected.	1
		While the potential cost is recognised by a debit entry in the income statement, the debt remains in the customer's account. Therefore the credit entry is made in the allowance for doubtful debts account.	1
			4
	(c)	Accounting policies are the basic rules which are used to reflect transactions in the final accounts.	**2**
	(d)	Both a debit and credit entry are used to reflect the dual aspect of each transaction. This means that the firm	2
		is affected in two equal but opposite ways by each transaction.	1
		For example, if goods for resale are bought for cash, the firm has been affected as follows:	1
		Purchases have increased – therefore a debit entry is required Cash has reduced – therefore a credit entry is required	
			4
	(e)	The asset register and the physical presence of assets may be different due to: – the purchase of an asset not yet recorded in the register – an asset sold, but not removed from the register – an asset stolen – an error in the entries in the register	
		1 mark per valid point, to a MAXIMUM of	**3**

2 **(a)** The following corrections must be made, with the resulting balances as shown:

			Revised balance
(i)	Debit Carriage inwards	$264	$1,238 Dr
	Credit Returns inwards	$264	$111 Dr
(ii)	Debit Sales	$90	$90,470 Cr
	Credit Receivables	$90	$12,790 Dr
(iii)	Debit Telephone	$297	$1,150 Dr
	Credit Payables and accruals	$297	$6,858 Cr

Three errors: for each account correctly identified: $2 \times {}^1/_2 = 1$
for each balance correctly calculated: $2 \times {}^1/_2 = 1$
= 3 errors × 2 marks **6**

(b) (i)

	$	$		Marks
Sales from (a) above	90,470		½	
less Returns inward	111		½	
		90,359		
Cost of Sales Opening inventory	12,560		½	
Purchases	72,674		½	
Carriage inwards	1,238		½	
	86,472			
Closing inventory	11,875		½	
		74,597		
Gross Profit		15,762	½	
Expenses Telephone	1,150		½	
Wages	4,684		½	
Rent	3,200		½	
Stationery	382		½	
Travel	749		½	
General Expenses	753		½	
		10,918		
Net Profit		4,844	½	7

(ii)

	$		
Opening capital	30,217	½	
Profit	4,844	½	
Drawings	(12,500)	½	
Closing balance	22,561	½	2

3 (a) Machine traded in

	$		
Cost	35,000	½	
Depreciation to date (W1)	20,664	1	
NBV	14,336		
Proceeds	14,000	½	
Loss	336	1	3

W1 Cost $35,000	Depn Year 1 $7,000	($35,000 × 20%)
	Year 2 $5,600	($28,000 × 20%)
	Year 3 $4,480	($22,400 × 20%)
	Year 4 $3,584	($17,920 × 20%)
	$20,664	

(b)

Cost of assets		$155,900	½	
Depreciation to date:				
Opening balance	($140,900–$94,570)	$46,330	½	
	eliminated	$(20,664)	½	
Balance before current year charge		$25,666		

NBV = $130,234 ($155,900–$25,666)

Depreciation = NBV × 20% = charge	$26,047	½	2

Marks

(c) (i) **Machinery Cost Account**

	$		$
Balance brought forward	140,900	Disposal account (cost)	35,000
Disposal account (proceeds)	14,000		
Payables	36,000	Balance carried forward	155,900
	190,900		190,900

$\frac{1}{2}$ mark per entry	$2\frac{1}{2}$	
Account balanced off	$\frac{1}{2}$	
Narratives for entries	1	4

(ii) **Accumulated Depreciation Account**

	$		$
Disposal account	20,664	Balance brought forward	46,330
Balance carried forward	51,713	Depreciation charge account	26,047
	72,377		72,377

$\frac{1}{2}$ mark per entry	2	
Narratives for entries	1	3

(d)

Depreciation	$26,047	
Loss	$336	
Total	$26,383	1

(e) **Non Current Assets**

Cost	$155,900		
Accumulated depreciation ($25,666 + $26,047)	$51,713		
Net book value	$104,187	1	
Current liabilities			
Payables	$36,000	1	2

Note to candidates: In parts (a), (b), (d) and (e) marks were awarded for other valid methods of calculation.

4 (a) **Receivables control account**

		$			$
	Balance as given	39,982	(ii)	Discount omitted	9
(vi)	Invoice error	178	(iii)	Credit note:	
				remove error	120
				correct entry	120
			(v)	Direct payment	325
				Corrected balance	39,586
		40,160			40,160

Mark allocation:

Opening/closing balances	$\frac{1}{2}$ mark each × 2	1	
Correcting entries	1 mark each × 5	5	6

				Marks
(b)		$		
	Total of listing as given	39,614		
	(i) Invoice omitted	288		
	(ii) Discount omitted	(9)		
	(iii) Credit note	(240)		
	(iv) Addition error	27		
	(vii) Credit balance	(94)		
		39,586		

Mark allocation:

Total of listing as given		1	
Errors corrected	1 mark each × 5	5	
Total agreed to balance on ledger account		1	**7**

(c)	The corrected ledger account balance of $39,586 will be	1	
	reported as a Current Asset	1	**2**