

SECTION A

Answer BOTH questions in this section

Source material for use with question 1 can be found on pages 2 and 3 of the source booklet.

1. (a) Record the transactions as appropriate in the following books of original entry:
- (i) purchases day book
 - (ii) sales day book
 - (iii) returns inwards day book
 - (iv) general journal.

Note 1: The day books in (i) to (iii) should be set out in three columns (Goods, VAT and Total).

(i) **Purchases Day Book**

(ii) **Sales Day Book**



(c) Prepare the following ledger accounts, including all relevant information:

- (i) Harmony account
- (ii) Superstrings account
- (iii) VAT account.

Note 2: Other ledger accounts are **not** required.

(i) **Harmony Account**

(ii) **Superstrings Account**

(iii) **VAT Account**

(12)



(d) (i) Why is it impossible for the cash account to have a credit balance b/d?

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(2)

(ii) Which account should Carlos use in order to complete the double entry for the transaction on 20 April?

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(2)

(Total 48 marks)

Q1

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Source material for use with question 5 can be found on page 8 of the source booklet.

5. (a) (i) With which accounting concept does the creation of a provision for doubtful debts comply?

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(2)

- (ii) Write up the bad debts account and the provision for doubtful debts account in Fazia's ledger on 31 March 2008.

Bad Debts Account

Provision for Doubtful Debts Account

(6)



Fazia's sales for the year ending 31 March 2008 were £200 000.

- (b) Calculate Fazia's debtors' collection period in days, based on net debtors at the end of the year.

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(4)

- (c) (i) Suggest **one** method which Fazia could use to encourage her debtors to pay their bills more quickly.

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(2)

- (ii) Describe **one** disadvantage to Fazia which might arise from using the method you have suggested in your answer to (c)(i) above.

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(4)

(Total 26 marks)

Q5

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The debentures are described as **8%** and **2015**.

(b) Explain the meaning of the terms in bold, in relation to debentures.

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(4)

The issued ordinary shares are described as **£1 each, fully paid**.

(c) Explain the meaning of the terms in bold, in relation to issued ordinary shares.

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(4)

Q6

(Total 26 marks)

TOTAL FOR SECTION B: 104 MARKS

TOTAL FOR PAPER: 200 MARKS

END

