

Test

1 John Paul is a trader who buys and sells mainly on credit terms.

(a) Complete the table below.

(12)

Transaction	Source document	Book of original entry	Account to be debited	Account to be credited
Sold goods on credit to E Paige				
Returned goods to T Williams, a credit supplier				
Purchased fixtures and fittings on credit from Fixashop				

On 30 November 2018 John Paul prepared the following incorrect sales ledger control account.

Sales Ledger Control Account

Date	Narrative	£	Date	Narrative	£
Nov 30	Credit sales	132 789	Nov 1	Balance b/f	24 100
	Credit purchases	87 045	Nov 30	Payments received	122 900
	Cash sales	32 865		Bad debts	600
	Discount allowed	876		Credit customer returns	5 213
				Balance c/d	100 762
		<u>253 575</u>			<u>253 575</u>
Dec 1	Balance b/d	100 762			

- (b) Prepare the sales ledger control account for the month of November 2018.
Balance the account on 30 November 2018 and bring the balance down to
1 December 2018.

(8)

Sales Ledger Control Account

Date	Narrative	£	Date	Narrative	£

2 On 31 December 2017 Dipesh provided the following information.

Date 2017	Transaction
January 1	Started in business by depositing £5 000 in a business bank account. In addition, he brought into the business a motor vehicle that was valued at £6 000
May 1	He withdrew stock from the business, £500 (selling price), for his own use. Stock is marked up by 25%.
October 1	He withdrew cash, £1 450, for personal use.
Profit for the year ended 31 December 2017 was £25 000	

(a) Prepare the following accounts for the year ended 31 December 2017. Balance the accounts where appropriate on 31 December 2017 and bring the balance down to 1 January 2018.

(i)

Capital Account

(7)

Date	Details	£	Date	Details	£

(ii)

Drawings Account

(5)

Date	Details	£	Date	Details	£

(b) State which accounting concept has **not** been complied with in **each** of the following situations.

(3)

Situation	Concept
The owner has charged the purchase of a stapler as a fixed asset.	
The owner has changed the method of depreciation of a fixed asset.	
The owner has charged the cost of a family holiday as a business expense.	

3 Stavros has been in business for some years as a sole trader. He has recently been approached by a friend who wishes to join him in business and form a partnership.

(a) State **two** advantages and **two** disadvantages for Stavros of forming a partnership.

(4)

Advantages

1

.....

2

.....

Disadvantages

1

.....

2

.....

(b) Describe the changes that Stavros will need to make to his accounting system if he decides to proceed with forming a partnership.

(6)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

4 On 28 February 2017 the following balances remained in the books of R Hopkins after the preparation of the trading and profit and loss account for the year.

	£
Capital	10 000
Cash at bank	3 126
Cash in hand	289
Creditors	5 288
Debtors	7 429
Drawings	5 321
Fixtures and fittings (net book value)	1 900
Motor vehicles (net book value)	15 400
Net profit	23 698
Stock	5 521

R Hopkins' policy is to depreciate motor vehicles at the rate of 25% on a reducing balance basis, with a full year's depreciation being charged in the year of purchase.

(d) Calculate the additional amount of depreciation to be charged on motor vehicles after the above errors and omissions have been corrected.

(3)

.....

.....

.....

.....

.....

(e) State **two** accounting concepts that are relevant to the calculation of depreciation.

(2)

1

2

5 Adam and Bob are in partnership. Their partnership agreement provides for Adam to receive a salary of £20 000 per annum.

(a) State **two** advantages of forming a partnership.

(2)

1

.....

2

.....

(b) Explain why it is advisable to maintain individual current accounts for each partner.

(2)

.....

.....

.....

.....

During the year ended 31 October 2016 Adam withdrew goods costing £2 490 and Bob withdrew cash of £ 3 100.

(c) Update the current accounts to show the partners' salaries and drawings for the year. It is not necessary to balance the accounts.

(2)

Current Accounts

Date	Narrative	Adam (£)	Bob (£)	Date	Narrative	Adam (£)	Bob (£)
2015 Nov 1	Balance b/f		235	2015 Nov 1	Balance b/f	2780	

(d) State **two** other entries you may find in a partnership current account.

(2)

1

.....

2

.....

(e) Explain the meaning of the balance on Bob's current account on 1 November 2015.

(2)

.....

.....

.....

.....

Adam and Bob are considering dissolving their partnership and forming a limited company.

- (f) Evaluate this proposal and explain the implications for the partners of this change of business structure.

(5)

.....

.....

.....

.....

.....

.....

.....

.....

.....

- 6 The following information was extracted from the books of Mihai Manufacturing on 31 December 2016 at the end of the first year of business.

	£
Raw materials	55 213
Work-in-progress	12 543
Finished goods	82 134
Production cost	236 112
Purchases of finished goods	96 022

Mihai Manufacturing marks up its cost of sales by 50%.

- (a) Prepare the trading account for the year ended 31 December 2016.

(6)

**Mihai Manufacturing
Trading Account
Year ended 31 December 2016**

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

- (b) Suggest **one** reason why Mihai Manufacturing purchased finished goods.

(1)

.....

.....

Mihai Manufacturing sells all goods on credit, with debtors being allowed 30 days credit.

On 31 December 2016 total debtors were £56 515.

(c) Calculate the debtors' collection period.

(2)

.....

.....

.....

.....

(d) Explain the implications for the business of the debtors' collection period.

(3)

.....

.....

.....

.....

.....

.....

.....

.....

.....

.....

(e) Suggest **three** steps that Mihai Manufacturing could take to improve the debtors' collection period.

(3)

1

.....

2

.....

3

.....