

# Certificate in Book-keeping and Accounts

ASE2007

Level 2

Thursday 8 November 2012

Time allowed: 3 hours

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## Information

- There are 5 questions in this examination.
  - All questions carry equal marks.
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## Instructions

- Do NOT open this paper until you are told to do so by the supervisor.
  - Answer **any 4** questions.
  - Study the “**REQUIRED**” section of each question carefully and extract the data required for your answers from the information supplied.
  - Write your answers in blue or black ink/ballpoint. You can only use pencil for graphs, charts, diagrams, etc.
  - Please ensure your answers are written clearly, or marks may be lost.
  - Begin your answer to each question on a new page.
  - All answers must be correctly numbered but need not be in numerical order.
  - Workings must be shown.
  - You may use a calculator provided the calculator gives no printout, has no word display facilities, is silent and cordless. The provision of batteries and their condition is your responsibility.
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## QUESTION 1

Craft Ltd manufactures parts for knitting machines. It also purchases some parts for resale. The following information is available:

	31 January 2011	31 January 2012
	£	£
Stock:		
raw materials	62,000	62,800
work in progress	17,000	15,100
finished goods	16,280	16,500

Some of the balances for the year ended 31 January 2012 were as follows:

	£
Sales of finished goods	922,000
Purchases of raw materials	358,100
Purchases of finished goods	61,700
Carriage on raw materials	2,400
Carriage on finished goods	400
Machine operators' wages	153,500
Factory supervisor's salary	28,100
Administrative and sales wages	52,100
Depreciation of factory machinery	22,800
Depreciation of office equipment	17,600
Rent	16,000
Light and heat	9,800

### Additional Information:

- (1) Goods from the factory are transferred to finished goods stock at production cost plus 10%
- (2) At 31 January 2012 prepaid rent was £1,000 and accrued light and heat was £700
- (3) Rent and light and heat are apportioned 50% to the factory and 50% to administration
- (4) All finished goods stocks are manufactured goods.

### REQUIRED

Prepare for the year ended 31 January 2012 the:

- (a) Provision for Unrealised Profit Account (3 marks)
  - (b) Manufacturing Account (12 marks)
  - (c) Trading and Profit & Loss Account. (10 marks)
- (Total 25 marks)**

## QUESTION 2

On 1 January 2011 Yen had two vehicles for use in his business. Vehicle X was bought several years earlier for £7,500 and vehicle Y was purchased in 2010 for £10,500.

On 31 December 2011, he sold vehicle X for £3,600 and replaced it with, vehicle Z, paid for by cheque.

Yen's policy is to provide depreciation on vehicles at 25% per annum, on the reducing balance method. A full year's depreciation is charged in the year of purchase and none in the year of disposal.

The balances in Yen's accounts were as follows:

	31 December 2010	31 December 2011
	£	£
Vehicles at cost	18,000	22,000
Provision for depreciation	6,961	7,469

### REQUIRED

- (a) Prepare the Motor Vehicles Account for the year 31 December 2011 (4 marks)
- (b) Calculate the depreciation charge for:
- (i) Vehicle Y for year 2010 and 2011 (2 marks)
  - (ii) Vehicle Z for year 2011 (2 marks)
  - (iii) total depreciation charge for 2011. (1 mark)
- (c) Prepare for the year ended 31 December 2011 the:
- (i) Provision for Depreciation of Motor Vehicles Account (4 marks)
  - (ii) Disposal of Motor Vehicles Account. (4 marks)

### Additional information:

	£
Debtors at 31 December 2010	9,650
Debtors at 31 December 2011	9,300

### For the year ended 31 December 2011

Gross profit	15,900
Bad debts written off	100
Other expenses	5,100

Yen provides for doubtful debts of debtors, at the rate of 4% of debtors.

### REQUIRED

For the year ended 31 December 2011:

- (d) Prepare the Provision for Doubtful Debts Account (3 marks)
- (e) Calculate Yen's net profit. (5 marks)

**(Total 25 marks)**

### QUESTION 3

Zhong's book-keeper prepared a Trial Balance on 31 October 2012.

The book-keeper was unable to make the Trial Balance totals agree and therefore opened a Suspense Account. Control accounts are not in use.

A subsequent examination of the books revealed the following errors:

- (1) The Sales Journal had been overcast by £900
- (2) Zhong had taken goods amounting to £1,200 at cost for his own use. No entries had been made in the books
- (3) A motor vehicle had been sold during the year for which Zhong had received a cheque for £5,000. This had been entered on the wrong side of the Cash Book although treated correctly in the Disposal Account
- (4) A credit note from Tam, a supplier, for £120 was incorrectly entered in the Purchases Returns Journal as £80
- (5) An insurance payment of £380 was correctly entered in the Cash Book but entered in the Insurance Account as £580
- (6) Cash of £400 was received from a tenant for rent received. This had been correctly entered in the Cash Book but no other entry had been made.
- (7) Discount allowed of £60 had been incorrectly credited to the Discount Received Account.

### REQUIRED

- (a) Prepare Journal entries to correct the errors in (1) to (7) above.  
Narratives are **not** required. (15 marks)
- (b) Prepare the Suspense Account. (8 marks)
- (c) Explain the term error of principle, giving an example to support your answer. (2 marks)

**(Total 25 marks)**

#### QUESTION 4

The following balances were extracted from the books of Sandy Ltd on 1 September 2012:

	<b>Dr</b> <b>£</b>	<b>Cr</b> <b>£</b>
Purchases Ledger	2,500	57,200
Sales Ledger	88,120	1,450

In the month of September 2012, the following transactions occurred:

Debit balance on Sales Ledger transferred to Purchases Ledger	3,300
Cash purchases	8,240
Debtor's cheque dishonoured	1,200
Legal fees for debt collection charged to customer's account	200
Credit sales	89,700
Credit purchases	64,430
Returns outwards to credit suppliers	2,530
Returns inwards from credit customers	1,060
Discount allowed	870
Discount received	600
Bad debts written off	315
Payments to credit suppliers	54,360
Receipts from credit customers	84,910
Refund to credit customer for overpayment	500
Cash sales	13,200

#### Additional information at 1 October 2012:

Purchases Ledger debit balances	480
Sales Ledger credit balances	620

#### REQUIRED

- (a) Prepare for the month of September 2012 the:
- (i) Purchases Ledger Control Account (9 marks)
  - (ii) Sales Ledger Control Account. (13 marks)
- (b) State **three** functions of Control Accounts. (3 marks)

**(Total 25 marks)**

## QUESTION 5

The following is a summary of the receipts and payments of the Lynton Sports and Social Club for the year ended 30 June 2012:

	£
<b>Receipts</b>	
Restaurant takings	210,600
Annual subscriptions	115,400

	£
<b>Payments</b>	
Wages of restaurant staff	40,890
Restaurant purchases	100,740
Sports equipment	30,025
Club treasurer's fee	6,000
Rent and rates	100,800
Light and heat	30,080
General expenses	9,160
Bank charges	900
Sports club manager's salary	15,360

### Additional information:

(1) Balances at:	1 July 2011	30 June 2012
	£	£
Stock of restaurant supplies	11,090	6,050
Light and heat accrued	550	690
Rent and rates paid in advance	4,000	-
Rent and rates in arrears	-	5,070
Cash in hand	650	650
Cash at bank	30,890	?
Sports equipment at net book value	119,400	144,700
Creditors for restaurant supplies	6,010	8,050
Subscriptions in arrears	4,850	5,010
Subscriptions paid in advance	3,005	3,010
Accumulated fund	161,315	?

(2) Rent and rates is to be apportioned 50% to the restaurant.

### REQUIRED

Prepare the:

- (a) Restaurant Account for the year ended 30 June 2012 (6 marks)
- (b) Income and Expenditure Account for the year ended 30 June 2012 (10 marks)
- (c) Balance Sheet at 30 June 2012. (9 marks)

**(Total 25 marks)**