

Certificate in Book-keeping and Accounts

ASE2007

Level 2

Thursday 21 November 2013

Time allowed: 3 hours

Information

- There are 5 questions in this question paper.
 - 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.
 - 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.
 - No marks will be awarded for extra questions answered.
 - 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

Wen and Yi have been in partnership for several years, sharing profits and losses in the ratio 2 : 1 respectively.

Their Balance Sheet at 31 December 2012 was as follows:

	£	£
Fixed Assets		
Premises		70,000
Vehicles		8,000
Equipment		<u>23,450</u>
		101,450
Current Assets		
Stock	21,075	
Debtors	<u>5,475</u>	
	26,550	
Creditors: Falling Due Within One Year		
Creditors	4,400	
Bank	<u>3,225</u>	
	(7,625)	
Net Current Assets		<u>18,925</u>
		<u>120,375</u>
Capital Accounts		
Wen		75,000
Yi		<u>43,750</u>
		118,750
Current Accounts		
Wen	5,050	
Yi	<u>(3,425)</u>	
		<u>1,625</u>
		<u>120,375</u>

Additional information at 31 December 2012:

- (1) Wen and Yi decided to retire and sold their business to Chen plc. Chen plc took over all the assets and liabilities of the business excluding the motor vehicles and the bank overdraft.
- (2) Goodwill of the partnership was valued at £11,250.
- (3) The motor vehicles were taken over by the partners at their net book values of £4,000 each.
- (4) The purchase price was £10,000 in cash plus 100,000 shares in Chen plc with a market value of £1.05 each. The shares were allocated to the partners in their profit sharing ratio.

Required

Prepare, in the books of Wen and Yi, the:

- (a) Goodwill Account (3 marks)
- (b) Realisation Account (8 marks)
- (c) Partners' Capital Accounts (7 marks)
- (d) Bank Account (4 marks)
- (e) Chen plc Account. (3 marks)

(Total 25 marks)

Question 2

Abacus Tennis Club has a year end of 31 December. The Receipts and Payments Account of the club for the year ended 31 December 2012 was as follows:

	£		£
Balance b/d	2,105	Wages	18,050
Subscriptions received -		Insurance	1,825
for 2011	1,035	Maintenance	4,050
for 2012	28,160	New equipment	9,050
for 2013	150	General expenses	715
Equipment hire receivable	305	Purchase of refreshments	2,600
Tennis court hire fees	4,090	Balance c/d	4,605
Donation	500		
Sale of refreshments	<u>4,550</u>		
	<u>40,895</u>		<u>40,895</u>
Balance b/d	4,605		

Balances at:

(1)	31 December 2011	31 December 2012
	£	£
Subscriptions in arrears	1,105	905
Subscriptions in advance	125	?
Land and buildings	56,000	?
Equipment	11,800	?
Stock of refreshments	140	270
Amounts owing to suppliers of refreshments	310	200

Additional information at 31 December 2012:

- (2) Land and buildings are not depreciated.
- (3) Equipment is depreciated at 20% per annum.
- (4) The policy of the club is to credit donations to the Accumulated Fund.
- (5) Subscriptions are written off when they have been outstanding for 12 months.
- (6) The payment of wages includes £2,000 relating to the sale of refreshments.

Required

- (a) Calculate the Accumulated Fund at 1 January 2012. (4 marks)
- (b) Prepare for the year ended 31 December 2012 the:
 - (i) Subscriptions Account (3 marks)
 - (ii) Refreshments Trading Account (4 marks)
 - (iii) Income and Expenditure Account. (6 marks)
- (c) Prepare the Balance Sheet at 31 December 2012. (8 marks)

(Total 25 marks)

Question 3

Wai Ki Chan prepared a Trial Balance at 31 December 2012 which did not balance. He posted the difference to a Suspense Account. Subsequently, he found the following errors:

- (1) A payment by Wai Ki Chan of £39 for general expenses had been credited in the Bank Account, but the double entry had not been completed.
- (2) A motor vehicle costing £12,500 for use in his business, had been posted to the Motor Vehicle Expenses Account.
- (3) A payment of £135 for rent payable had been posted to that account as £153. The Bank Account entry was correct.
- (4) Wai Ki Chan had paid £5,700 by cheque for stock, but no entries had been made in the books.
- (5) A payment of £275 from a debtor Po Wa Li had been debited to the account of Lai Wo Lo in error. The Cash Book entry was correct.
- (6) The total of £20 for discount received had been posted to the debit side of the Discount Allowed Account.
- (7) A balance of £185 for insurance had been omitted from the Trial Balance.
- (8) A sale had been recorded as £760 in the Sales Day Book, but recorded incorrectly as £670 in the Personal Account of Man Yin Yip. Control Accounts are not in use.

Required

Prepare the:

- (a) Journal entries to correct the errors in (1) to (8) above. Narratives are **not** required. (18 marks)
- (b) Suspense Account, showing the amount of the original difference. (7 marks)

(Total 25 marks)

Question 4

The following information relates to the business of Po Ping Ng.

Balances in the books at 1 July 2012:

		£
Purchases Ledger	Debit	2,458
	Credit	112,129
Sales Ledger	Debit	197,326
	Credit	6,580

The following figures were extracted from the books for the month ended 31 July 2012:

	£
Cash purchases	58,309
Credit purchases	317,773
Returns outwards	6,499
Payments by cheque to creditors	290,440
Carriage charged to debtors	15,805
Transfers of debit balances in sales ledger to purchases ledger	13,825
Interest charged to debtors	2,467
Credit sales	598,804
Returns inwards	9,721
Bad debts written off	4,840
Discount received	8,728
Cash sales	44,446
Debtors' cheques dishonoured	12,877
Discount allowed	17,647
Payments from debtors by cheque	652,690
Allowance to Sung, a debtor, for damaged goods	3,250

Additional information:

Balances in the books at 31 July 2012:

		£
Purchases Ledger	Debit	4,535
	Credit	?
Sales Ledger	Debit	?
	Credit	11,693

Required

- (a) Prepare the following for the month ended 31 July 2012:
- (i) Purchases Ledger Control Account (9 marks)
 - (ii) Sales Ledger Control Account (14 marks)
- (b) Name **two** other instances where control accounts would be used. (2 marks)

(Total 25 marks)

Question 5

The Balance Sheet at 31 March 2011 of Wai Hui included the following entry:

	£
Debtors	39,500
Less provision for doubtful debts	<u>1,215</u>
	<u>38,285</u>

Additional information:

- (1) The debtors' figures before the deduction of provision for doubtful debts were:

	£
At 31 March 2012	44,400
At 31 March 2013	40,150

- (2) The bad debts figures were:

	£
For the year ended 31 March 2012	1,500
For the year ended 31 March 2013	2,300

- (3) The bad debts were written off throughout the year.
- (4) At the end of financial years 2012 and 2013, Wai Hui made provision for doubtful debts at 4% of debtors.

Required

- (a) Prepare the following for the year ended 31 March 2012 and 31 March 2013:
- (i) Bad Debts Account (4 marks)
 - (ii) Provision for Doubtful Debts Account (7 marks)
- (b) Prepare the Balance Sheet extract showing Wai Hui's debtors at 31 March 2013. (4 marks)
- (c) Define the following terms, and explain how they are treated in the Final Accounts:
- (i) Bad debts (2 marks)
 - (ii) Provision for doubtful debts (2 marks)
- (d) In April 2013, a bad debt of £500, from Lee, which was incurred in 2012, was recovered. Show **all** the required Journal entries. Narratives are **not** required. (6 marks)

(Total 25 marks)