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1 (a)

	Book of prime (original) entry	
Cheque refund to credit customer	Cash book	**(1)**
Bad debts written off	Journal	**(1)**
Returns by credit customers	Sales returns journal	**(1)**
Interest charged on customer's overdue account	Journal	**(1)**

[4]

(b) To assist in the location of errors
To provide instant total of trade payables
To prove the arithmetical accuracy of the purchases ledger
To enable a statement of financial position to be prepared quickly
To provide a summary of transactions relating to trade payables
To help reduce fraud
Any 2 reasons (1) each **[2]**

(c) Amira
Purchases ledger control account

Date 2016	Details		$	Date 2016	Details		$
Sep 1	Balance b/d	**(1)**	93	Sep 1	Balance b/d	**(1)**	4210
30	Bank	**(1)**	3705	30	Purchases	**(1)**	5366
	Dis. Received	**(1)**	95		Interest	**(1)**	12
	Returns	**(1)**	197		Cash	**(1)**	150
	Contra	**(1)**	494		Balance c/d		68
	Balance c/d		5222				____
			9806				9806
2016				2016			
Oct 1	Balance b/d	**(1)**	68	Oct 1	Balance b/d	**(1)OF**	5222

+ (1) dates

[12]

(d) May be able to take advantage of cash discount
Improve the relationship with suppliers
Avoid paying interest
Or other suitable comment
Any 1 advantage (1) **[1]**

(e) The business is deprived of the use of the money earlier than necessary
Or other suitable comment
Any 1 disadvantage (1) **[1]**

[Total: 20]

2 (a)

Date	Document	Book of prime entry used by Diana		Book of prime entry used by Udomo	
Oct 8	Invoice $560	Purchases	**(1)**	Sales	**(1)**
12	Debit note $115	No entry	**(1)**	No entry	**(1)**
16	Credit note $100	Purchases returns	**(1)**	Sales returns	**(1)**
24	Cheque $720	Cash book	**(1)**	Cash book	**(1)**
31	Statement of account $460	No entry	**(1)**	No entry	**(1)**

[10]

(b) (i) Debit note 12 October
Diane **(1)**
To request a reduction in the invoice **(1)** **[2]**

(ii) Credit note 16 October
Udomo **(1)**
To notify of a reduction of the invoice **(1)** **[2]**

(iii) Statement of account 31 October
Udomo **(1)**
To notify the customer of the amount owing at the month end **(1)** **[2]**

(c) Udomo
Diane account

Date 2016	Details		$	Date 2016	Details		$
Oct 1	*Balance c/d*		*720*	Oct 16	Returns	**(1)**	100
8	Sales	**(1)**	560	24	Bank	**(1)**	720
			____	31	Balance c/d		460
			1280				1280
2016 Nov 1	Balance b/d **(1)**		460				

[4]

[Total: 20]

3 (a) Subscriptions
Amount paid by members of a club to use the facilities provided by the club **(1)**

Accumulated fund
Surpluses which accumulate over the years/equivalent to capital of a business **(1)**

Receipts and payments account
Account summarising the money received and paid by a club during a financial year **(1)**

[3]

(b) Bolton Road Music Club
Shop Income Statement for the year ended 31 August 2016

	$	$
Revenue		15 520 **(1)**
Less Cost of sales		
Purchases (12 422 **(1)** + 1112 **(1)**)	13 534	
Less Closing inventory	1 964 **(1)**	
	11 570	
Shop wages (1850 – 100)	1 750 **(1)**	
Shop insurance (1200 × 10%)	120 **(1)**	
Shop rent & rates (50% × (3300 +300))	1 800 **(1)**	15 240
Shop profit		280 **(1)OF**

[8]

(c) Bolton Road Music Club
Income and Expenditure Account for the year ended 31 August 2016

	$	$
Income		
Subscriptions (6300 **(1)** + 200 **(1)** – 500 **(1)**)		6 000
Profit on shop		280 **(1)OF**
		6 280
Expenditure		
Insurance (1200 × 90%)	1 080 **(1)**	
Rent and rates (50% × (3300 + 300))	1 800 **(1)**	
Repairs to instruments	197 }	
General expenses	2 293 }**(1)**	
Loan interest (4% × 20 000 **(1)** × 6 months **(1)**)	400	
Depreciation of instruments (15% × 4800)	720 **(1)**	6 490
Deficit		210 **(1)OF**

[11]

[Total: 22]

4 (a) Bad debts
Amounts owing to a business which will not be paid by credit customers **(1)**
Bad debts recovered
When a credit customer pays some, or all, of the amount owed after the amount was previously written off **(1)**
Provision for doubtful debts
An estimate of the amount a business will lose in a financial year because of bad debts **(1)**

[3]

(b) Prudence **(1)**
Accruals/matching **(1)** [2]

(c) Reduce credit sales/sell on a cash basis
Obtain references from new credit customers
Fix a credit limit for each customer
Improve credit control
Issue invoices and monthly statements promptly
Refuse further supplies until outstanding balance is paid
Allow cash discount for prompt payment
Charge interest on overdue accounts
Any 2 points (1) each [2]

(d) Nawaz
Journal

	Debit $	Credit $	
Bad debts	250		**(1)**
Uzma		250	**(1)**
Income statement	2314		**(1)**
Bad debts		2314	**(1)**
Income statement	138		**(1)**
Provision for doubtful debts		138	**(1)**

[6]

(e) Nawaz
Extract from Statement of Financial Position at 31 August 2016

Current assets	$	$
Trade receivables (79650 – 250)	79 400	
Less Provision for doubtful debts	1 588 **(1)OF**	77 812 **(1)OF**

[2]

[Total: 15]

5 **(a)**

Sandton Limited
Statement of Changes in Equity for the year ended 30 September 2016

Details	Share capital $	General reserve $	Retained earnings $	Total $	
On 1 October 2015	*150 000*	*14 000*	*31 000*	*195 000*	
Profit for the year			14 750	14 750	**(1)**
Dividend paid			(4 500)	(4 500)	**(1)**
Transfer to general reserve		5 000	(5 000)		**(1)**
On 30 September 2016	150 000	19 000	36 250	205 250	**(1)**

[4]

(b)

Sandton Limited
Statement of Financial Position at 30 September 2016

Assets	$	$	$
Non-current assets	Cost	Accumulated depreciation	Book value
Premises	135 200		135 200
Fixtures and equipment	37 600	7 520	30 080 **(1)**
Motor vehicles	54 000	10 800	43 200 **(1)**
	226 800	18 320	208 480 **(1)**
Current assets			
Inventory			12 613
Trade receivables		10 840	
Less Provision for doubtful debts		271	10 569 **(1)**
Other receivables			472
			23 654 **(1)**
Total assets			232 134
Equity and liabilities			
Equity and reserves			
Ordinary share capital			150 000 **(1)**
General reserve (14 000 **(1)** + 5000 **(1)**)			19 000
Retained earnings (31 000 **(1)** + 5250 **(1)**)			36 250
			205 250 **(1)**
Non-current liabilities			
3% Debentures (repayable 2020)			15 000 **(1)**
Current liabilities			
Trade payables			7 460
Other payables			130
Bank overdraft			4 294 **(1)**
			11 884 **(1)**
Total liabilities			232 134

[14]

(c) (i) $\dfrac{10\,840}{152\,500} \times \dfrac{365}{1}$ **(1)** whole formula = 25.94 days = 26 days **(1)OF**

[2]

(ii) $\dfrac{7460}{95\,000} \times \dfrac{365}{1}$ **(1)** whole formula = 28.66 days = 29 days **(1)OF**

[2]

(iii) Trade receivables pay before the due date and trade payables are paid
before the due date
Liquidity is affected favourably
May have to allow cash discount and may receive cash discount
Or suitable comments based on OF answers to (i) and (ii)
Any 2 comments (1) each

[2]

[Total: 24]

6 (a) (i) 30% × $285\,000 = $85\,500 **(1)**

[1]

(ii) $285\,000 + $85\,500 **OF** = $370\,500 **(1)OF**

[1]

(iii) $\left.\dfrac{85\,500 \textbf{ OF}}{370\,500 \textbf{ OF}} \times \dfrac{100}{1}\right\}$ **(1)**whole formula = 23.08% **(1)OF**

[2]

(iv) $\left.\dfrac{36\,000}{370\,500 \textbf{ OF}} \times \dfrac{100}{1}\right\}$ **(1)** whole formula = 9.72% **(1)OF**

[2]

(b) Higher mark up
Lower cost price of goods
Higher selling price of goods
Lower rate of trade discount allowed to customers
Higher rate of trade discount received from suppliers
Different mix of goods
Or other suitable reason
Any 2 reasons (1) each

[2]

(c) Different type of expenses
Higher amount of expenses
Lower amount of other income
Or other suitable reason
Any 2 reasons (1) each

[2]

(d)

Daniel
Statement of corrected profit for the year ended 31 July 2016

			$
Draft profit for the year before corrections			41 000

	Increase in profit $	Decrease in profit $	
Error 1		*110*	
Error 2	....	90 **(2)**	
Error 3	450 **(2)**	....	
Error 4	....	125 **(2)**	
Error 5	34 **(2)**	....	
	484	325	159

Corrected profit for the year   41 159 **(1)OF**

For each error – (1) for figure and (1) for position

[9]

[Total: 19]