

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You will need to use the data on **page 2** of the Resource Booklet to answer parts (a), (d) and (e).

- 1 (a) Prepare journal entries to correct the **four** errors. Narratives are **not** required.

(9)

Journal

Date	Account	Debit \$	Credit \$
31 January 2020			

- (b) Identify the book of original entry in which discount allowed is recorded.

(1)

- A** Cash book
- B** Petty cash book
- C** Purchases book
- D** Sales book

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(c) State **two** uses of the journal, other than the correction of errors.

(2)

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The draft profit for the year ended 31 January 2020 was \$124 260 before adjusting for the errors.

(d) Calculate the corrected profit for the year ended 31 January 2020.

(3)

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The balance on Lyra's equity account at 1 February 2019 was \$91 235

(e) Prepare the equity account for the year ended 31 January 2020. Balance the account on this date and bring the balance down on 1 February 2020.

(5)

Equity Account

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(Total for Question 1 = 20 marks)

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You will need to use the data on **page 3** of the Resource Booklet to answer parts (a) and (c).

- 2 (a) Prepare the advertising account for the year ended 30 April 2020. Balance the account on this date and bring the balance down on 1 May 2020.

(6)

Advertising Account

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- (b) Identify which **one** of the following is shown on the debit side of a trade payables ledger control account.

(1)

- A** Cash purchases
- B** Credit purchases
- C** Returns inwards
- D** Returns outwards

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(c) Prepare the statement of profit or loss for the year ended 30 April 2020.

(13)

Aung
Statement of profit or loss for the year ended 30 April 2020

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(Total for Question 2 = 20 marks)

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You will need to use the data on **page 4** of the Resource Booklet to answer parts (a), (b) and (e).

- 3** (a) Prepare the irrecoverable debts account for the year ended 31 March 2019. (3)

Irrecoverable Debts Account

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(b) Calculate the allowance for doubtful debts at:

- (i) 1 April 2018 (1)

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- (ii) 31 March 2019. (1)

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- (iii) Prepare the allowance for doubtful debts account for the year ended 31 March 2019. Balance the account on this date and bring the balance down on 1 April 2019. (4)

Allowance for Doubtful Debts Account

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(c) Identify the effect on a business's profitability of creating an allowance for doubtful debts.

(1)

- A Gross profit decreases
- B Gross profit increases
- C Profit for the year decreases
- D Profit for the year increases

(d) Identify the accounting concept applied when maintaining an allowance for doubtful debts.

(1)

- A Accruals
- B Business entity
- C Consistency
- D Materiality

(e) Prepare journal entries to record the irrecoverable debt recovered, including the year end transfer to the financial statements. Narratives **are** required.

(6)

Journal

Date	Account	Debit \$	Credit \$
31 March 2020			



(f) Explain the effect on profitability of an irrecoverable debt recovered.

(2)

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(Total for Question 3 = 19 marks)

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You will need to use the data on **page 5** of the Resource Booklet to answer parts (a) and (b).

4 (a) Calculate the amount to be shown in the statement of financial position at 30 April 2020 for:

(i) opening accumulated fund (3)

(ii) carrying value of equipment (2)

(iii) subscriptions in arrears. (3)

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(b) Prepare the statement of financial position at 30 April 2020.

(8)

Starmoon Sports Club
Statement of financial position at 30 April 2020

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(c) Explain **one** reason why depreciation of equipment is not shown in the receipts and payments account.

(2)

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(d) State the terms used by a business in comparison to those used by a club.

(3)

Club	Business
Receipts and payments account	
Income and expenditure account	
Accumulated fund	

(Total for Question 4 = 21 marks)

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You will need to use the data on **page 6** of the Resource Booklet to answer parts (b), (c) and (e).

5 (a) Identify what is meant by 9% in the term '9% debentures (2030)'. (1)

- A** Interest of 9% is payable every year
- B** Interest of 9% is payable only in 2030
- C** Interest of 9% is receivable every year
- D** Interest of 9% is receivable only in 2030

(b) Calculate, for the year ended 31 January 2020, the:
 (i) debenture interest (1)

(ii) profit for the year (1)

(iii) nominal value of an ordinary share (1)

(iv) total dividend paid. (1)

(c) Complete the statement of changes in equity for the year ended 31 January 2020. (5)

Constel6 Ltd
Statement of changes in equity for the year ended 31 January 2020

	Share capital \$	Retained earnings \$	Total \$
Balance at 1 February 2019	90 000	18 300	108 300
Profit for the year			
Dividend			
Balance at 31 January 2020			

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(d) Assess the effect on **both** profitability and liquidity of using debentures as a source of finance.

(4)

Profitability

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Liquidity

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(e) Complete the table.

(4)

Ratio	Formula	Answer (correct to 1 decimal place)
Current (working capital)		
Liquid (acid test)		

(f) Explain **one** reason why the current (working capital) ratio may not be a good measure of liquidity.

(2)

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(Total for Question 5 = 20 marks)

TOTAL FOR PAPER = 100 MARKS



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