

Answer **all** questions.

- 1** Thompy has a business whose financial year ends on 31 October.

On 1 November 2021 the balance on the capital account was \$26 900.

During the year the following took place.

2021

Dec 15 Cash drawings \$360

2022

Jan 22 Goods taken by Thompy for own use \$324

Mar 30 Thompy brought into the business a private motor vehicle valued at \$4900

Aug 9 Drawings by cheque \$905

Profit for the year ended 31 October 2022 was \$6700.

**REQUIRED**

- (a)** Prepare Thompy's drawings account for the year ended 31 October 2022. Close off the account by a transfer on that date.

Drawings account

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[5]

- (b)** Name and explain the accounting theory which is applied to the treatment of drawings.

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[2]

(c) State the effect drawings will have on the profit for the year.

[1]

(d) State **two** advantages of being a sole trader.

1

2

[2]

(e) State **two** advantages of being a limited company.

1

2

[2]

[Total: 12]

- 2 Jiaxin runs a trading business. Its financial year ends on 31 August every year. The business trial balance as at 31 August 2021 is balanced. However it has since been discovered that a debit note, \$671, sent to Aishah had been recorded in the books as \$617.

### REQUIRED

(a) Explain why a business prepares a trial balance at the end of the financial year.

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[2]

(b) Explain the limitation of a trial balance.

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[1]

(c) State the amount and effect of the debit note error on Jiaxin's business profit for the year ended 31 August 2020.

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[2]

(d) Name and define one ethical principle.

Name .....

Definition .....

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[2]

(e) Name the accounting theory which must be used when it is assumed that a business

will continue to operate for the foreseeable future.

[1]  
[Total :8]

- 3 Godin runs a retail business with a financial year end of 31 July. The following ledger account has been prepared at 31 July 2022.

Sale of Office Equipment

Date	Particulars	Debit	Credit	Balance
2022		\$	\$	\$
July 31	Equipment	26 000		26 000 Dr
	Accumulated depreciation of equipment		11 712	14 288 Dr
	Other receivables – DJ Equipment		10 800	3 488 Dr
	Income summary		3 488	–

**REQUIRED**

- (a) Interpret **each** of the entries in the sale of equipment account.

- i. Equipment

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[1]

- ii. Accumulated depreciation of equipment

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[1]

iii. Other receivables – DJ Equipment

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iv. Income summary

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..... [1]

During the year Godin had extended his shop premises at a cost of \$18 500, which included \$1500 for repairs to the existing shop premises. He had included the total cost in the business's statement of financial performance.

# **REQUIRED**

(b) State the effect and amount of including the cost of the shop extension in the statement of financial performance on the following:

i. Profit for the year

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[2]

ii. Non-current assets

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[2]

[Total: 8]

- 4 Enxin runs a business supplying electrical goods. The following information is available for the month of September 2021. There was no opening inventory.

Sep 2	Purchased goods on credit from Gwen, \$54 700
10	Sold goods costing \$28 000 to Philippe on credit for \$49 800
22	Purchased goods by cheque, \$21 000
29	Sold goods for cash, \$52 000. These goods cost \$25 600

# **REQUIRED**

- (a) Prepare the following ledger accounts for the month of September 2021.

i. inventory account

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[2]

ii. sales revenue account

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[2]

(b) Name and explain **one** accounting theory that is applied to valuation of inventory when the value of inventory falls below its cost.

Name .....

Explanation .....

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[3]

Cem runs a similar business. The rate of trade receivables turnover for two years are shown for both businesses.

En Xin		Cem	
2020	2021	2020	2021
10.27 times	12.41 times	7.35 times	9.81 times

# **REQUIRED**

(c) Evaluate the rate of trade receivables turnover for **both** businesses for **both** years.

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End of Paper

[5]  
[Total: 12]