

SECTION I

Answer ALL questions in this section.

1. (a) List THREE distinguishing features of a partnership concern. (3 marks)
- (b) Skerritt and Cymbal are in Partnership sharing profits and losses in the ratio of their capital balances. The following balances were left over in their books after the preparation of the Trading and Profit and Loss Account on September 30, 2006.

		\$
Capital Accounts:	Skerritt	30 000
	Cymbal	40 000
Current Accounts	Skerritt	(300)
	Cymbal	1 500
Drawings	Skerritt	12 000
	Cymbal	5 000
Motor Vehicles at cost		43 000
Buildings at cost		232 000
Debtors		23 300
Creditors		17 000
Stock at September 30, 2006		18 000
Cash at bank		27 000

Additional information to be taken into consideration:

- (1) The net profit for the year ended September 30, 2006 is \$250 000.
- (2) Each partner earns an annual salary of \$60 000.
- (3) Interest on capital is to be paid at the rate of 5% per annum.
- (4) Interest on drawings is to be charged at the rate of 10% per annum. Skerritt drew cash on October 31, 2005 and Cymbal drew cash on March 31, 2006.
- (5) Accumulated depreciation on Motor Vehicles to September 30, 2006 is \$8 600.

Required:

- (i) Prepare the Profit and Loss Appropriation Account of Skerritt and Cymbal for the year ended September 30, 2006. (6 marks)
- (ii) Prepare the Current Accounts of Skerritt and Cymbal on September 30, 2006. (5 marks)
- (iii) Prepare the Balance Sheet of Skerritt and Cymbal as at September 30, 2006, showing the working capital. (Do not show details of the current accounts in the Balance Sheet. Transfer only the closing balances from the partners' current accounts.) (6 marks)

2. (a) Write up Mahabeer's THREE column cash book from the transactions below, and balance the cash book appropriately.

April	1	Balances brought forward, cash \$350; bank overdraft \$5 000.
	2	Singh who had an account balance of \$8 000 paid in full by cheque, after deducting 5% cash discount.
	3	Paid rent by cheque \$700.
	7	Paid Townsend \$970 by cheque, having deducted 3% cash discount.
	10	Received a cheque of \$3 000 from a friend as a loan.
	15	Paid wages in cash \$300.
	16	Transferred \$1700 from bank to cash.
	25	Cash sales \$450.
	27	Cash withdrawn for personal use \$150.
	28	Paid in full, McBean's outstanding balance of \$700, less 5% cash discount.

(10 marks)

- (b) In June Mahabeer received his bank statement which showed that he had an over-drawn balance of \$7 225 on his bank account. His cash book showed an overdrawn balance of \$2 000. In checking his cash book with this bank statement balance, Mahabeer made the following observations:

- (1) End of the month bank charge of \$16 entered on the bank statement, is not included in the cash book.
- (2) A cheque made payable to McBean for \$798 has been entered correctly in the bank statement but was entered in the cash book as \$789.
- (3) A cheque received and entered in the cash book from Singh for \$5 700 was returned by the bank stating "words and figures do not agree". No correction has yet been made in the cash book.
- (4) Deposits of \$13 000 made to the bank account on March 28 and recorded in the cash book, do not appear on the bank statement.
- (5) Cheques #22156 for \$3 500 and #22158 for \$2 000 have not been presented to the bank for payment.
- (6) Dividends of \$8 000 paid directly to Mahabeer's bank account, is shown on the bank statement but has not been recorded in the cash book.

Required:

- (i) Starting with the overdrawn cash book balance of \$2 000, write up the bank account to bring it up to date. (6 marks)
- (ii) Prepare Mahabeer's Bank Reconciliation Statement as on 30th June, 2006. (4 marks)

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3. (a) State (i) the most appropriate source document and (ii) the book of original entry which Pinto should use for each of the transactions below. (Write your response in your answer booklet).

Transaction	Source Document	Book of Original Entry
a) Pinto returned some goods previously purchased. They were the wrong order.		
b) Sent a cheque to S. Morgan for goods purchased.		
c) Sold an old computer (no longer suited for the business) on credit to Longsdale Primary School.		
d) A customer returned damaged goods previously bought from Pinto.		

(4 marks)

- (b) On January 1, 2004 the S & S Company had \$7 500 balance in its Provision for Bad Debts account. The company's policy is to provide 5% of debtors as bad debts provision. The company's year ended December 31.

The debtors for the following 3 years were as follows:

December 31, 2004	\$180 000
December 31, 2005	\$135 000
December 31, 2006	\$145 000

Required:

Prepare the Provision for Bad Debts Account and the Balance Sheet extracts for the three years. (16 marks)

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SECTION II

Answer any TWO questions in this section.

4. (a) The Sharks Bay Fishermen's Cooperative Society has a share capital of \$150 000. The Income and Expenditure Account for the year ending March 31, 2006 shows a surplus of \$36 200. Undistributed surplus brought forward from the previous year is \$6 000. The management committee decided that the surplus should be shared in the following manner:
- (i) 18% is to be transferred to a statutory reserve account.
 - (ii) 15% is to be placed in a scholarship fund for fishermen's children.
 - (iii) Dividends should be paid to members at the rate of ten cents to the dollar.
 - (iv) A donation of \$10 000 is to be made to members who suffered hurricane damages.

Prepare the Appropriation Account of the Sharks Bay Fishermen's Cooperative Society.
(7 marks)

- (b) The following list of balances was taken from the books of the Teachers' Cooperative Credit Union on April 30, 2006. Use the information to prepare the Balance Sheet of the credit union. **Suitable headings and grouping of the items must be observed. The working capital must be shown.**

	\$
Long Term Liability: Loan from D & B Investment Co.	250 000
Bank balance	354 000
Cash in hand	40 000
Accounts Payable (Creditors)	175 000
Share Capital	2 054 000
Long term Investments	700 000
Statutory Reserve	55 000
Loans to members	1 500 000
Surplus	33 000
Members deposits	27 000

(13 marks)

5. The following Trial Balance was extracted from the books of K. Boorasingh on December 30, 2006:

K. Boorasingh
Trial Balance on December 30, 2006

	DR	CR
	\$	\$
Capital		20 600
Drawings	4 550	
Stock (January 1, 2006)	2 150	
Debtors	4 380	
Creditors		6 122
General expenses	9 602	
Sales		66 190
Purchases	33 205	
Motor Vehicle at cost	15 000	
Provision for depreciation on motor vehicles		5 500
Bank	31 620	
	<u>100 507</u>	<u>98 412</u>

The Trial Balance does not balance. On investigation, the following errors were discovered:

- (1) A credit sale to Briggs for \$68 had been omitted completely from the books.
- (2) A purchase of \$160 from Simmonds was entered in Simmonds' account but omitted from purchases account.
- (3) A credit sale to Lee-Chin for \$129 was entered in the books as \$120.
- (4) Drawings of \$100 were recorded as \$1 000.
- (5) A receipt from McBeth for \$1 500 being bad debts recovered was entered in the cash book but not credited to any account.
- (6) An invoice of \$145 from S. Harricharan was credited in error to both S. Harricharan and S. Hamilton.

Required:

- (a) Record the journal entries necessary to correct each of the errors. **Narrations are not required.** (8 marks)
- (b) Open the suspense account and enter the difference on the trial balance. Post the relevant entries and close the account. (4 marks)
- (c) Redraft the corrected trial balance. (8 marks)

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6. Sally Walker is a sole trader who operates a variety store. Trading started on March 1, 2006. The following transactions in a certain product occurred during the month.

March	1	Purchased	20 units	@	\$4	each
	3	Purchased	30 units	@	\$5	each
	5	Sold	25 units	@	\$7	each
	6	Purchased	60 units	@	\$5.50	each
	7	Sold	40 units	@	\$8	each
	8	Sold	30 units	@	\$8.20	each

Required:

- Complete the stock form provided using the FIFO method of stock valuation to determine the number of units and cost per unit of stock remaining on March 8. **(15 marks)**
- Calculate the value of the remaining units (stock) using the FIFO Method. **(1 mark)**
- Assume that the units sold on March 7 were those bought on March 6:
 - Calculate the gross profit made on the units sold on March 7. **(Show workings.)**
 - What method of stock valuation is being assumed? **(3 marks)**
- Name ONE other method of stock valuation. **(1 mark)**

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7. The Bridgeway Theatre Club is an amateur dramatic club that rents premises in which it has established a theatre and bar for the use of members. The club's treasurer has produced the following summary of the club's receipts and payments during the year ended 31 May 2006:

Bridgeway Theatre Club
Receipts and Payments Account
For year ended May 31, 2006

	\$		\$
Cash and Bank balance b/f	2 240	Secretarial Expenses	1 100
Members subscriptions	8 920	Rent of Premises	3 980
Donations	1 000	Production Expenses	37 600
Bar takings	51 800	Bar suppliers	29 400
Ticket sales	34 640	Bar expenses	8 360
Grants and subsidies	27 600	Fees of guest artistes	1 800
		Stationery and printing	2 200
		Purchase of Motor Vehicle	30 200
		Other expenses	9 640
		Cash and bank balance	1 920
	<u>126 200</u>		<u>126 200</u>

The following information is also available:

	June 1, 2005	May 31, 2006
	\$	\$
Subscriptions in arrears	700	920
Subscriptions in advance	320	120
Owing to bar suppliers	2 600	3 300
Bar Stock	5 340	4 660
Production expenses owing	4 980	3 080
Valuation of theatre equipment	70 000	62 000

Required:

- (a) Prepare the Subscriptions Account for the year ended May 31, 2006. (6 marks)
- (b) Prepare the Bar Suppliers Account to determine purchases. (3 marks)
- (c) Prepare the Bar Trading Account for the year ended May 31, 2006, showing clearly profit or loss made by the bar. (5 marks)
- (d) Prepare the Theatre Productions Account showing the surplus or deficit made on productions for the year ended May 31, 2006. (6 marks)



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