IGCSE Accounting Books of Original Entry

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1 **(a)** Abdul started a business by transferring his own vehicle to the business at a valuation of $9000 and introducing a sum of cash.

In the first year of trading profit was $2000. At the end of the first year the balance on his capital account was $51 000.

How much cash did Abdul introduce?

A $40 000

B $44 000

C $58 000

D $62 000

Answer: *A. $40 000*

(b) Agnes and Brian operate in similar businesses. They provide the following information.

	Agnes	Brian
Trade receivables collection period	31 days	40 days

Which statement is true?

A   Agnes receives money from customers sooner than Brian.

B   Agnes pays her suppliers sooner than Brian.

C   Brian receives money from customers sooner than Agnes.

D   Brian pays his suppliers sooner than Agnes.

Answer: *A. Agnes receives money from customers sooner than Brian.*

(c) The following account appeared in Andrew's ledger.

Andrew
Advertising account

2015		$	2014		$
30 April	Bank	4000	1 May	Balance b/d	500
			2015		
			30 April	Income statement	2800
				Balance c/d	700
		4000			4000
2015					
1 May	Balance b/d	700			

Which statement is correct?

A   Andrew earned $2800 from advertising during the year.

B   Andrew had prepaid $700 for advertising on 1 May 2015.

C   Andrew owed $700 for advertising on 1 May 2015.

D   Andrew paid $2800 for advertising during the year.

Answer: *B. Andrew had prepaid $700 for advertising on 1 May 2015.*

2 **(a)** Name two books of prime (original) entry which a trader may keep. In each case name a source document for that book. An example has been provided.

Book of prime (original) entry	Source document
Cash book	Cheque counterfoil

Answer:

Book of prime (original) entry	Source document
Cash book	Cheque counterfoil
Any two of: *Sales journal* *Sales returns journal* *Purchases journal* *Purchases returns journal* *General journal* *Petty cash book* for (1) mark each	*Sales invoice* *Sales credit note issued* *Purchase invoice* *Credit note received/debit note issued* *Notification of debtor going bankrupt/other suitable answer* *Voucher* for (1) mark each

(b) State one reason why a trader might use books of prime (original) entry.

....

....

Answer: *To avoid multiple entries in the ledger (1)*
Different books of prime entry can be maintained by different people (1)
Acts as an aid for posting to the ledger by analysing a transaction into debit and credit entry (1)
Helps to reduce the amount of detail in the ledger as only totals are posted to the ledger (1)
Provides evidence of transactions since they are recorded from source documents (1)
Helps in the auditing/tracking process/facilitates cross-referencing (1) Easy reference to source of a transaction (1)
Helps in gathering and summarising of accounting information (1) Groups together similar types of transactions in one book in date order (1) Reduces number of entries in ledger (1)

(c) Name the two accounts which are posted with the totals from a three column cash book.

1 ....

2 ....

Answer: *Discount allowed (1) Discount received (1)*

3 Lamoudi has an accounting year end of 31 December.

On 1 April 2013 he paid $1200, by cheque, for a year's insurance starting on that date.
On 1 April 2014 he paid $1440, by cheque, for insurance for twelve months to 31 March 2015.

REQUIRED

(a) Prepare Lamoudi's insurance account for the year ended 31 December 2014. Balance the account and bring down the balance on 1 January 2015.

Lamoudi
Insurance account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Lamoudi
Insurance account

Date	Details	$	Date	Details	$
2014			*2014*		
1 Jan	*Balance b/d*	*300*	*31 Dec*	*Income statement*	*1380*
1 Apr	*Bank/Cash*	*1440*		*Balance c/d*	*360*
		1740			*1740*
2015					
1 Jan	*Balance b/d*	*360*			

(b) State one reason why a trader might prepare a trial balance.

....

....

Answer:
To check the arithmetical accuracy of the double entry.
OR
As a basis for the preparation of the financial statements/final accounts.

4 Complete the following table. Enter the word 'true' or 'false' against each statement. The first has been completed as an example.

Every transaction has a twofold aspect	True
Costs must be matched against related income	
Revenue can be recorded before it is earned	
Staff expertise can be recorded in the financial statements	

Answer:

Every transaction has a twofold aspect	True
Costs must be matched against related income	*True (1)*
Revenue can be recorded before it is earned	*False (1)*
Staff expertise can be recorded in the financial statements	*False (1)*

5 Abdoulaye withdrew $200 from the bank for personal use.

REQUIRED

State how this is recorded in the books of account.

Account debited	Account credited

Answer:

Account debited	Account credited
Drawings (1)	*Bank (1)*

6 Farhad and Ali are traders. On 1 January 2015 Farhad owed Ali $300. The following transactions took place.

5 January   Ali sold goods, $250, to Farhad.
8 January   Farhad returned half of the goods bought on 5 January.
19 January   Farhad paid the amount owed on 1 January, by cheque, having deducted 3% cash discount.

REQUIRED

(a) Prepare Farhad's account in the books of Ali. Balance the account and bring down the balance on 1 February 2015.

Ali
Farhad account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Date	Details	$	Date	Details	$
2015			2015		
1 Jan	Balance b/d	300	8 Jan	Sales returns	125
5 Jan	Sales	250	19 Jan	Bank	291
				Discount allowed	9
				Balance c/d	125
		550			550
2015					
1 Feb	Balance b/d	125			

(b) Complete the following table. Name the document sent by Ali to Farhad on 5 January and on 8 January and state his reason for sending each document.

	Document	Reason
5 January		
8 January		

Answer:

	Document	Reason
5 January	*Invoice*	*To inform Farhad of the quantity of goods bought and their price /as a demand for payment.*
8 January	*Credit note*	*To inform Farhad of the allowance he was being given for goods returned.*

(c) Complete the following table. Name the book of prime (original) entry in which Ali would record the transactions listed.

	Book of prime (original) entry
Ali sold goods, $250, to Farhad	
Farhad returned half of the goods bought on 5 January	
Farhad paid the amount owed on 1 January having deducted 3% cash discount	

Answer:

	Book of prime (original) entry
Ali sold goods, $250, to Farhad	*Sales journal*
Farhad returned half of the goods bought on 5 January	*Sales returns journal*
Farhad paid the amount owed on 1 January having deducted 3% cash discount	*Cash book*

7 During February 2015 the following transactions took place.

1 Took out long term bank loan, $10 000.
2 Bought delivery van, $8000, paying by cheque.
3 Bought inventory, $300, from John on credit.
4 Sold goods for cash, $80 (cost $50).

REQUIRED

(b) Complete the following table to show the double entry needed to record each transaction.

Transaction	Account debited	$	Account credited	$
1	....	......	....	......
2	....	......	....	......
3	....	......	....	......
4	....	......	....	......

Answer:

Transaction	Account debited	$	Account credited	$
1	*Bank*	*10 000*	*Loan*	*10 000*
2	*Motor vehicles*	*8 000*	*Bank*	*8 000*
3	*Purchases*	*300*	*John*	*300*
4	*Cash*	*80*	*Sales*	*80*

8 Kuda Maposa had the following transactions on 31 March 2015.

1 Took goods costing $300 for personal use.

2 Purchased a motor vehicle, $12 000, for business use, using a cheque drawn on her personal bank account.

3 Received an invoice from Valley Machines for $990. This included $865 for a new machine. The balance was for repairs to existing machine.

REQUIRED

(a) Prepare journal entries to record the above transactions. Narratives are required.

Kuda Maposa
Journal

		Debit $	Credit $
1	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
2	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
3	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………
	……………………………………………………	………………	………………

Answer:

		Debit $	Credit $
1	*Drawings* *Purchases* *Goods taken for personal use*	*300*	 *300*
2	*Motor vehicles* *Capital* *Motor vehicle purchased using private funds*	*12 000*	 *12 000*
3	*Machinery* *Machinery repairs* *Valley Machines* *Invoice received for purchase of new machine and repairs to existing machine*	*865* *125*	 *990*

9 **(a)** Insert the missing figures in the following document.

| CREDIT NOTE |
| Jai Kapur |
| 44 West Street |
| Hightown |

Vijay Singh
11 North Road
Lowtown   25 April 2015

Quantity	Description	Unit price	Amount
		$	$
4	External doors	55	220
	Less (i)...............% trade discount		33
			(ii) ....
20 metres	Floorboards	1.50	....30...
			(iii)...........

Answer: *(i)   15%*
(ii) $187
(iii) $217

(b) Name the person who issued the credit note.

....

Answer: *Jai Kapur*

(c) Suggest one reason for the issue of the credit note.

....

Answer: *Goods returned*
Overcharge
Allowance for faulty/damaged goods
Any one reason

(d) Name the document which would have been issued to request a credit note.

....

Answer: *Debit note*

(e) Complete the following table to show where the credit note would be recorded.

Books of Jai Kapur		Books of Vijay Singh	
Account debited	Account credited	Account debited	Account credited
....	....	....	....

Answer:

Books of Jai Kapur		Books of Vijay Singh	
Account debited	Account credited	Account debited	Account credited
Sales returns	*Vijay Singh*	*Jai Kapur*	*Purchases returns*

10 On 30 March 2015 Akhtar Hussain received an invoice for $9360 from PJ Autos Limited. This included $360 for repairs to a motor vehicle. The remainder was the cost of a new motor vehicle.

REQUIRED

(a) Prepare a journal entry to record this transaction. A narrative is required.

Akhtar Hussain
Journal

	Debit $	Credit $
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....

Answer:

	Debit $	Credit $
Motor vehicles	*9000*	……………..
Motor repairs	*360*	……………..
PJ Autos	……………..	*9360*
Invoice received for purchase of new vehicle and motor repairs	……………..	……………..
Motor vehicles	……………..	……………..

11 Nirmal Singh is a trader. He maintains a full set of accounting records. All purchases are made on credit terms. His purchases journal and purchases returns journal for February 2015 are shown below.

Purchases Journal

Date	Name	Amount $
2015 Feb 8	Ansari Stores (after 20% trade discount)	640
Feb 19	T Marks	480

Purchases Returns Journal

Date	Name	Amount $
2015 Feb 14	Ansari Stores (after 20% trade discount)	280

REQUIRED

(a) Calculate the list price of the goods purchased by Ansari Stores on 8 February.

………

…………………………………………………………………………………………………

Answer: $\dfrac{\$640}{1} \times \dfrac{100}{80} = \$800$

(b) State why trade discount was deducted from the goods returned on 14 February.

………

………

Answer: *Any returns must be recorded at the price which the customer was originally charged for those goods.*

11 On 1 February 2015 Nirmal Singh's purchases ledger included the following accounts.

	$
Ansari Stores	560 credit
T Marks	200 credit

The following additional transactions took place in February 2015.

Feb4 Paid $200 by cheque to T Marks

10 The bank dishonoured the cheque paid to T Marks on 4 February

26 Paid $546 to Ansari Stores by cheque in full settlement of the balance owing on 1 February 2015

28 T Marks charged $10 interest on the overdue account.

REQUIRED

(a) Name the business document Nirmal Singh would use to record the following transactions. You can find the transactions on page 5 and 6.

February	Transaction	Document
4	Payment	
8	Purchases	
14	Purchases returns	

Answer:

February	Transaction	Document
4	Payment	Cheque counterfoil
8	Purchases	Invoice
14	Purchases returns	Credit note

(b) Prepare the following accounts in the ledger of Nirmal Singh for the month of February 2015. Balance the accounts and bring down the balances on 1 March 2015.

Nirmal Singh
Ansari Stores account

Date	Details	$	Date	Details	$
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……

T Marks account

Date	Details	$	Date	Details	$
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……
……	………………	……	……	…………………	……

Answer:

Nirmal Singh
Ansari Road account

2015		$	2015		$
Feb 14	Returns	280 (1)	Feb 1	Balance b/d	560
26	Bank	546 (1)	8	Purchases	640
	Discount	14 (1)			
28	Balance c/d	360			
		1200			1200
			2015		
			Mar 1	Balance b/d	360

T Marks account

2015		$	2015		$
Feb 4	Bank	200 (1)	Feb 1	Balance b/d	200
28	Balance c/d	690	10	Bank (dis chq)	200
			19	Purchases	480
			28	Interest	10
		890			890
			2015		
			Mar 1	Balance b/d	690

12 Amla Khan is a trader. Her financial year ends on 31 December.

Amla Khan maintains one combined account for rates and insurance. She provided the following information.

On 1 January 2014 three months' rates, $480, was outstanding and four months' insurance, totalling $700, was prepaid.

During the year ended 31 December 2014 the following payments were made by cheque.

	$
Rates 16 months to 31 January 2015	2560
Insurance 12 months to 30 April 2015	2400

REQUIRED

(a) Prepare the rates and insurance account in the ledger of Amla Khan for the year ended 31 December 2014. Balance the account and bring down the balances on 1 January 2015.

Amla Khan
Rates and insurance account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Amla Khan
Rates and insurance account

		$				$
2014			2014			
Jan 1	Balance b/d		Jan 1	Balance b/d		
	Insurance	700		Rates		480
Dec 31	Bank - rates	2560	Dec 31	Income statement		
	Insurance	2400		Rates	1920	
				Insurance	2300	4220
				Balance c/d		
				Rates	160	
				Insurance	800	960
		5660				5660
2015						
Jan 1	Balance b/d					
	Rates	160				
	Insurance	800	960			

(b) Name the section of the statement of financial position at 31 December 2014 in which the balance on the rates and insurance account would appear.

Give a reason for your answer.

Section of statement of financial position _____

Reason_____

> **Answer:** *Current assets*
> *Both the rates and insurance are prepaid at the end of the year*

13 Joda Limited provided the following information for the year ended 31 January 2015.

1 The total revenue was

	$
Cash sales	9 600
Credit sales	154 400

Credit customers are allowed a credit period of 30 days.

2 The total of the trade receivables on 31 January 2015 amounted to $15 300.

REQUIRED

(a) Calculate the collection period for trade receivables. Round your answer up to the next whole day.

_____

_____

Answer:

$$\frac{15\,300}{154\,400}$$
$$= 36.17 = 37 \text{ days}$$

(b) State whether Joda Limited would be satisfied with the collection period for trade receivables. Give a reason for your answer.

Satisfied or unsatisfied _____
Reason _____

_____

Answer: *Unsatisfied – if answer to (a) is 31 days or over*
Or
Satisfied – if answer to (a) is 30 days or less
Taking 7 days more than credit period allowed
Have to wait longer than expected to receive the money
May have knock-on effect for paying trade payables
May mean shortage of funds available for other things
Or
appropriate comments based on OF answer to (a)
Any 1 comment

14 **(a)** State what is meant by a book of prime (original) entry.

_____
_____

Answer: *The book where transactions (and other entries) are first recorded.*

    (b) Name two of the books of prime (original) entry which a business may maintain.

        1. _____
        2. _____

Answer: *Cash book/petty cash book/sales journal/sales returns journal/purchases journal/purchases returns journal/general journal/returns inwards and returns outwards journals*

15 Neel started a business on 1 June. The following transactions took place in June.

    1   Opened a business bank account with $8000 of his own money.
    2   Received a bank loan, $2000.
    3   Bought a delivery van, $5200, from A1 Motors on credit.
    4   Bought inventory, $3700, paying by cheque.
    5   Paid shop rent, $1000, by standing order.
    6   Withdrew cash, $100, to start up an imprest system.

    REQUIRED

    (a) Complete the following table showing how these transactions were recorded. The first has been completed as an example.

	Debit entry		Credit entry	
		$		$
1	Bank account	8000	Capital account	8000
2				
3				
4				
5				
6				

Answer:

	Debit entry	$	Credit entry	$
1	Bank account	8 000	Capital account	8 000
2	*Bank account*	*2 000*	*Loan account*	*2 000*
3	*(Delivery) Van account/ Motor vehicles account*	*5 200*	*A1 Motors account*	*5 200*
4	*Purchases account*	*3 700*	*Bank account*	*3 700*
5	*Rent account*	*1 000*	*Bank account*	*1 000*
6	*Petty cash/Cash*	*100*	*Bank account*	*100*

(b) Calculate the balance on Neel's bank account after these transactions.

_____

_____

_____

Answer:

$	$
8 000	
2 000	*10 000*
3 700	
1 000	
100	*(4 800)*
	5 200

16 State the purpose of each of the following business documents.

debit note_____

_____

credit note_____

_____

statement of account _____

_____

Answer: *Debit note: a document from a customer asking for a reduction in the value of an invoice received by them.*
Credit note: a document sent to the customer showing the reduction of an invoice.
Statement of account: to summarise a customer's transactions for the month.

17 The following incomplete statement of account was available on 31 August 2015.

Date	Reference	Debit $	Credit $	Balance $
STATEMENT OF ACCOUNT				
Shahid Ayub				
44 Narrow Lane, Anytown				
Mariam Soliman				
The Avenue				
Weston			31 August 2015	
2015				
August 1	Balance due			520
9	Goods	340		860
13	Returns		24	?
24	Payment		507	?
	Discount		13	?

REQUIRED

(a) **(i)** Calculate the balance due on 31 August.

_____

_____

Answer: *$316*

(ii) State the name of the trader who owes the balance at 31 August.

_____

_____

Answer: *Mariam Soliman*

(b) State the business document and the book of prime (original) entry Shahid Ayub would use to record the following transactions which appear on the statement of account.

Transaction	Document	Book of prime (original) entry
August 9 Goods	....	....
13 Returns	....	....
24 Payment	....	....

Answer:

Transaction	Document	Book of prime (original) entry
August 9 Goods	*Sales invoice*	*Sales Journal*
13 Returns	*Credit note*	*Sales Returns Journal*
24 Payment	*Cheque (OR Paying in book)*	*Cash book*

(c) Prepare the account of Shahid Ayub as it would appear in the ledger of Mariam Soliman. Balance the account and bring down the balance on 1 September 2015.

Mariam Soliman
Shahid Ayub account

Date	Details	$	Date	Details	$

Answer:

Mariam Soliman
Shahid Ayub Account

Date	Details		$	Date	Details		$
2015				2015			
Aug 13	Returns		24	Aug 1	Balance	b/d	520
24	Bank/Cash		507	9	Purchases		340
	Discount		13				
31	Balance c/d		316				
			860				860
				2015			
				Sept 1	Balance	b/d	316

18 Kelbrook Limited provided the following information for the year ended 30 September 2015.

	$
Credit sales	45 000
Cash sales	5 000

Credit customers are allowed 60 days credit.

REQUIRED

(a) Calculate the collection period for trade receivables. Round up your answer to the next whole day.

_____
_____

(b) Comment on the collection period for trade receivables.

_____
_____

Answer: *(a)* $\dfrac{8500}{45000} \times \dfrac{365}{1}$ *(1) = 69 days (1)*

(b) On average credit customers are taking 9 days more than is allowed.
This may affect the ability of the business to pay current liabilities.
This may affect the ability of the business to take advantage of opportunities when they arise.
Or other suitable comments based on answer to (a)

Kelbrook Limited is allowed 30 days credit by their credit suppliers. For the year ended 30 September 2015 the payment period was 52 days.

REQUIRED

(c) Comment on the payment period for trade payables.

_____
_____

Answer: *On average are taking 22 days more than is allowed to pay credit suppliers.*
This may be caused by the credit customers taking too long to pay.
May result in further supplies being refused.
Or other suitable points.

19 Paul Chew sells goods on credit terms to Kim Chan.

REQUIRED

Complete the table to name the business document and the books of prime (original) entry for each of the following transactions.

If the document is not recorded in a book of prime (original) entry write "No entry". The first transaction has been completed as an example.

	Document	Paul Chew's book of prime (original) entry	Kim Chan's book of prime (original) entry
Paul Chew received payment from Kim Chan	*Cheque*	*Cash book*	*Cash book*
Paul Chew sold goods on credit to Kim Chan			
Kim Chan notified Paul Chew of an overcharge			
Paul Chew notified Kim Chan that he agreed the overcharge			
Paul Chew sent Kim Chan a summary of the month's transactions			

Answer:

	Document	Paul Chew's book of prime (original) entry	Kim Chan's book of prime (original) entry
Paul Chew sold goods on credit to Kim Chan	Invoice	Sales Journal	Purchases Journal
Kim Chan notified Paul Chew of an overcharge	Debit note	No entry	No entry
Paul Chew notified Kim Chan that he agreed the overcharge	Credit note	Sales Returns Journal	Purchases Returns Journal
Paul Chew sent Kim Chan a summary of the month's transactions	Statement of account	No entry	No entry

19 On 1 September 2014 Ishmael Makumbo owed $274 for motor expenses. He paid this by cheque on 7 September 2014.

On 1 February 2015 Ishmael Makumbo paid $96 in cash for motor expenses.

On 30 August 2015 Ishmael Makumbo received an invoice for motor expenses, $113. He paid this invoice in September 2015.

REQUIRED

(a) Prepare the motor expenses account for the year ended 31 August 2015. Balance the account and bring down the balance on 1 September 2015.

Ishmael Makumbo
Motor expenses account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Ishmael Makumbo
Motor expenses account

		$			$
2014			2014		
Sept 7	Bank	274	Sept 1	Balance b/d	274
2015			2015		
Feb 1	Cash	96	Aug 31	Income statement	209
Aug 31	Balance c/d	113			
		483			483
			2015		
			Sept 1	Balance b/d	113

During the year ended 31 August 2015 Ishmael Makumbo took goods, cost $300, for his own use. This was not entered in the accounting records.

The telephone expenses for the year ended 31 August 2015 amounted to $432. It was estimated that one quarter of this was for Ishmael's personal use. No adjustment had been made for this.

REQUIRED

(b) Prepare the journal entries Ishmael Makumbo would make to record the above. Narratives are required.

Ishmael Makumbo
Journal

	Debit $	Credit $
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....

Answer:

Ishmael Makumbo
Journal

	Debit $	Credit $
Drawings	300	
Purchases		300
Goods taken for own use		
Drawings	108	
Telephone expenses		108
Personal telephone expenses transferred to drawings account		

20 (a) State the accounting equation.

_____

_____

Answer: *capital = assets – liabilities,*
       or
       assets = capital + liabilities, or liabilities = assets – capital

(b) State what is meant by the following terms.

Asset_____

_____

Liability_____

_____

Inventory_____

_____

Answer: *asset – something a business owns or which is owed to the business (need all)*
       liability – something which a business owes to a third party
       inventory – goods bought for resale not yet sold

(c) Name the accounting principle applied when using the double entry system of book-keeping.

_____

_____

Answer: *duality*

(d) State the double entry needed to record each of the following in the books of Taha, a trader.

	debit account	credit account
Taha receives a cheque from Michael, a credit customer		
Taha writes off a debt owed by Zoe		

Answer:

	debit account	credit account
Taha receives a cheque from Michael, a credit customer	*bank*	*Michael*
Taha writes off of a debt owed by Zoe	*bad debts*	*Zoe*

(e) Name the division of Taha's ledger in which Michael's account appears.

_____

_____

Answer: *sales (ledger) or Trade receivables (ledger)*

(f) Complete the following table, indicating with a tick (✓) if each statement about an increase in a provision for doubtful debts is true or false. The first one has been completed as an example.

	true	false
it will increase the total of the non-current assets		✓
it will increase the total of current assets		
it will decrease cash and bank		
it will require a credit entry in the provision for doubtful debts account		
it will have no effect on profit for the year		

Answer:

	true	false
it will increase the total of the non-current assets		✓
it will increase the total of current assets		✓
it will decrease cash and bank		✓
it will require a credit entry in the provision for doubtful debts account	✓	
it will have no effect on profit for the year		✓

21 Andy sells furniture on credit. Fred is a credit customer.

REQUIRED

(a) Complete the following invoice.

```
                        Andy
                    Factory Street          Invoice no 1001
                       Toptown
Fred
Shop Road
Toptown                                     22 May 2017

   Quantity          Details          Unit price      Amount
                                                         $
                                                     ... ... ...
      20      Standard chair            $50              .
                                                     ... ... ...
      10      Luxury chair             ..........        .
                                                     _____
                                                       1750
              10% trade discount
                                                     ... ... ... .

                                                     ... ... ...
                                                     _____
                                                         .
```

Answer:

```
                        Andy
                    Factory Street          Invoice no 1001
                       Toptown
       Fred
      Shop Road
      Toptown                               22 May 2017

   Quantity          Details          Unit      Amount
                                      price        $
      20      Standard chair          $50       1000 (1)
      10      Luxury chair            $75 (1)     750 (1)
                                                  1750
              10% trade discount                  175 (1) OF
                                                 1575 (1) OF
```

(b) State which value from the invoice is recorded in Fred's account.
_____
_____

Answer: *$1575*

(c) Name the document Andy issues if Fred returns any chairs.
_____
_____

Answer: *credit note*

(d) State the difference between Andy's business and a service business.
_____
_____

Answer: *Andy's business buys or manufactures goods which it then sells.*
            A service business provides a service to its customers or clients.

21 Zameer has a financial year end of 28 February.

He extracted the following ledger balances from his books of account on 21 February 2017.

$
Purchases   67 210 debit

Rent payable   6 600 debit

REQUIRED

State why the purchases account has a debit balance.

_____

_____

Answer: *Because purchases represent costs to the business*
Purchases are amounts which reduce profit
Purchases are amounts paid by the business

22 A business provided the following information.

$
Inventory at start of year   4 000
Purchases   76 000
Inventory at end of year   8 000
Mark-up   60%

What were the sales for the year?

A $115 200

B $128 000

C $180 000

D $200 000

Answer: *A. $115 200*

23 Harum is a trader. All goods are bought and sold on credit terms. On 1 March 2017 Kalgi, a credit customer, owed Harum $520. The following took place during March 2017.

March 4   Harum sold goods on credit to Kalgi, list price $280, less 20% trade discount

10   Kalgi paid the balance due on 1 March by cheque

12   Kalgi returned goods, list price $120, purchased on 4 March

18   The bank returned Kalgi's cheque received on 10 March because of insufficient funds in his account.

28   Kalgi paid $600 in cash

30   Harum wrote off the balance on Kalgi's account

REQUIRED

(a) Name the source document which Harum would use to record the following:

	Document
March 4 Sold goods on credit to Kalgi 12 Kalgi returned goods	….....………………………………………….... ….....…………………………………………....

Answer: *Sales invoice*
Credit note

(b) Name the book of prime (original) entry in which Harum would record the following:

	Book of prime (original) entry

March 18 The bank returned Kalgi's cheque
        30 The balance of Kalgi's account
              was written off
	….....……………………………………………
	
	….....……………………………………………

Answer: *Cash book*
General journal

(c) Write up the account of Kalgi as it would appear in the ledger of Harum for the month of March 2017.

Harum
Kalgi account

Date	Details	$	Date	Details	$
....	……………………………	…………..	....	……………………………	…………..
....	……………………………	…………..	....	……………………………	…………..
....	……………………………	…………..	....	……………………………	…………..
....	……………………………	…………..	....	……………………………	…………..
....	……………………………	…………..	....	……………………………	…………..
....	……………………………	…………..	....	……………………………	…………..
....	……………………………	…………..	....	……………………………	…………..

Answer:

Harum
Kalgi account

2017		$	2017		$
Mar 1	Balance b/d	520	Mar 10	Bank	520
4	Sales	224	12	Returns	96
18	Bank (dis chq)	520	28	Cash	600
			30	Bad debts	48
		1264			1264

(d) Suggest two ways in which Harum could reduce the possibility of bad debts.

1. _____

2. _____

Answer: *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

24 Waheed is a trader. He maintains a full set of accounting records and prepares control accounts at the end of each month.

REQUIRED

(a) Name the book of prime (original) entry which Waheed would use to obtain the following information when preparing his sales ledger control account.

	Book of prime (original) entry
Discount allowed	
Bad debts	
Contra	
Returns	

Answer:

	Book of prime (original) entry
Discount allowed	*Cash book*
Bad debts	*General journal*
Contra	*General journal*
Returns	*Sales returns journal*

(b) State the meaning of a contra entry in connection with control accounts. State why Waheed may make such an entry.

Meaning_____
_____

Reason_____
_____

Answer: *Meaning - A contra entry is one which appears on the debit side of the purchases ledger control account and the credit side of the sales ledger control account.*
Reason - The entry is made when a sales ledger account is set off against a purchases ledger account of the same person/business.

25 An invoice for $100 sent to Ahmed was entered in the sales journal as $10. What was the double entry needed to correct this error?

	debit entry	$	credit entry	$
A	Ahmed	90	sales	90
B	sales	90	Ahmed	90
C	sales	90	suspense	90
D	suspense	90	sales	90

Answer: *A.*

26 A disposal account showed the following.

Disposal account

	$		$
Machinery	6200	Provision for depreciation	2100
		Bank	3800
		Income statement	300
	6200		6200

Which book of prime entry was used to transfer the $300 to the income statement and how was it treated there?

	book of prime entry	treatment in income statement
A	general journal	as a loss
B	general journal	as a profit
C	sales journal	as a loss
D	sales journal	as a profit

Answer: *A.*

27 Jason is a trader. His financial year ends on 31 May.

On 1 May 2017 his ledger included the following balances.

	$
Purchases	19 620
Purchases returns	850

Jason's purchases journal and purchases returns journal for the month of May 2017 were as follows.

Purchases journal

2017		$
May 2	Asnee	400
5	Botan	610
7	Chaitali	388
19	Asnee	190
24	Dae	517
		2105

Purchases returns journal

2017		$
May 4	Asnee	105
15	Chaitali	55
		160

REQUIRED

(a) Complete the following table, naming the source document used by Jason on each date, and the person who issued the document.

Date	Source document	Issued by
May 2		
May 4		

Answer:

Date	Source document	Issued by
May 2	invoice	Asnee
May 4	credit note	Asnee

(b) Prepare the following ledger accounts in the books of Jason for the month of May 2017. Show the transfers to the income statement.

Jason
Purchases account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Purchases returns account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Jason
Purchases account

2017		$	2017		$
May 1	Balance b/d	19 620	May 31	Income statement	21 725
31	Total for month	2 105			
		21 725			21 725

Purchases returns account

2017		$	2017		$
May 31	Income statement	1010	May 1	Balance b/d	850
			31	Total for month	160
		1010			1 010

Jason owed Asnee $480 on 1 May 2017. He paid this balance by cheque on 6 May after deducting 2½% discount.

REQUIRED

(c) Prepare Asnee's account in Jason's purchases ledger for the month of May 2017. Include entries for the relevant transactions recorded in Jason's journals.

Jason
Asnee account

Date	Details	$	Date	Details	$

Answer:

Asnee account

2017		$	2017		$
May 4	Purchases returns	105	May 1	Balance b/d	480
6	Bank	468	2	Purchases	400
6	Discount received	12	19	Purchases	190
31	Balance c/d	485			
		1 070			1 070
			Jun 1	Balance b/d	485

Before preparing the financial statements Jason prepared a trial balance. The totals of the trial balance did not agree.

REQUIRED

(d) State what is meant by the term 'trial balance'.

_____
_____

Answer: *A list of account balances at a specific date.*

(e) Name and explain two errors which would not affect the balancing of the trial balance.
Error 1
Name_____
Explanation_____
_____

Error 2
     Name_____

     Explanation_____

_____

Answer: Any two of:

     Omission - transaction totally omitted from the books.

     Commission - transaction posted to wrong account of right class.

     Principle - transaction posted to account of wrong class.

     Original entry - transaction incorrectly recorded in book of prime entry.

     Reversal - debit entry posted on credit side and vice versa.

     Compensating - errors cancel one another out.

Jason prepared a sales ledger control account and a purchases ledger control account for the year.

REQUIRED

(f) Explain why the preparation of control accounts would have helped Jason discover why the totals of the trial balance did not agree.

_____

_____

Answer: *By comparing control account totals to the totals of balances of the sales and purchases ledgers, Jason might be able to locate the error.*

28 Ben opened a retail store on 1 April 2017. He introduced the following into the business.

	$
Inventory	15 200
Shop fittings	14 300
Cash	17 900 (of which $17 400 was paid into a business bank account)

On the same day, Ben received a business start-up loan of $15 000 which was paid into the business bank account. Interest at 5% per annum was payable at six-monthly intervals.

REQUIRED

(a) Prepare the opening journal entry. A narrative is **not** required.

Ben
Journal

	Debit $	Credit $
....	....	....
....37.....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....
....	....	....

Answer:

Ben
Journal

	Debit $	Credit $
Inventory	15 200	
Shop fittings	14 300	
Cash	500	
Bank	32 400	
Loan		15 000
Capital		47 400
	62 400	62 400

The following transactions took place in September 2017.

September 3   Invoice received from EF Limited for office equipment, $1900

28   Goods taken by Ben for personal use, $430

REQUIRED

(b) Prepare journal entries to record these transactions. Narratives are required.

Ben
Journal

	Debit $	Credit $

Answer:

Ben
Journal

	Debit $	Credit $
Office equipment	*1 900*	
Equip Limited		*1 900*
Purchase of office equipment on credit		
Drawings	*430*	
Purchases		*430*
Goods taken for own use		

29 Harry is a trader in farm machinery. He maintains a full set of accounting records. His financial year ends on 31 March.

Harry made the following entries in his purchases journal and purchases returns journal in March 2018.

<div align="center">

Harry
Purchases Journal

</div>

2018		$	$
March 15	AX Limited		
	Goods	3250	
	Less Trade discount	650	2600
24	FM Limited		
	Goods	1820	
	Less Trade discount	273	1547
31	Total for month		4147

<div align="center">

Purchases Returns Journal

</div>

2018		$	$
March 17	AX Limited		
	Goods	450	
	Less Trade discount	90	360
28	FM Limited		
	Goods	200	
	Less Trade discount	30	170
31	Total for month		530

Harry made the following payments by cheque.

2018
March 4   AX Limited, $2425, in full settlement of the amount due on that date.
     30 FM Limited to settle the amount due on that date. No cash discount was received.

REQUIRED

(a) Enter the transactions for March in the following ledger accounts.

Close the accounts on 31 March 2018 by balancing or by making a transfer to the income statement.

Some entries have already been made in the accounts during the year.

Harry
AX Limited account

Date	Details	$	Date 2018	Details	$
....	....	....	Mar 1	Balance b/d	2500
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

FM Limited account

Date	Details	$	Date 2018	Details	$
....	....	....	Mar 1	Balance b/d	750
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Purchases account

Date 2018	Details	$	Date	Details	$
Feb 28	Total to date	43 000	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Purchases returns account

Date	Details	$	Date 2018	Details	$
....	....	....	Feb 28	Total to date	5020
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Harry

AX Limited account

Date 2018	Details	$	Date 2018	Details	$
Mar 4	Bank	2 425	Mar 1	Balance b/d	2 500
	Discount (received)	75	15	Purchases	2 600
17	Purchases returns	360			
31	Balance c/d	2 240			
		5 100			5 100
			2018		
			Apl 1	Balance b/d	2 240

FM Limited account

Date 2018	Details	$	Date 2018	Details	$
Mar 28	Purchases returns	170	Mar 1	Balance b/d	750
			24	Purchases	1 547
30	Bank	2 127			
		2 297			2 297

Purchases account

Date 2018	Details	$	Date 2018	Details	$
Feb 28	Total to date	43 000	Mar 31	Income statement	47 147
Mar 31	Credit purchases for month	4 147			
		47 147			47 147

Purchases returns account

Date 2018	Details	$	Date 2018	Details	$
Mar 31	Income statement	5 550	Feb 28	Total to date	5 020
			Mar 31	Returns for month	530
		5 550			5 550

(b) **(i)** Suggest one reason why AX Limited allowed Harry trade discount on his purchases on 15 March 2018.

_____
_____

(ii) Calculate the percentage of trade discount AX Limited allowed Harry on his purchases on 15 March 2018.

_____
_____

Answer: (i) *Buying in bulk/buying large quantity*
    In the same trade
    To enable Harry to make a profit when goods are sold
    Loyal / regular customer
   Accept other valid points.
   Any 1 reason (1)

(ii) $\dfrac{650}{3250} \times \dfrac{100}{1} = 20\%$

(c) Name the following documents:

(i) the document issued by AX Limited on 15 March 2018

_____

(ii) the document issued by Harry on 17 March 2018

_____

(iii) the document which AX Limited may issue on 31 March 2018

_____

Answer: (i) *Sales invoice*
    (ii) *Debit note*
    (iii) *Statement of account*

30 Mary keeps a full set of accounting records including books of prime (original) entry.

REQUIRED
(a) State two reasons why Mary uses books of prime (original) entry.

1...

....

2...

....

Answer: *Reduces the number of entries in the ledger*
    Acts as an aid for posting to the ledger
    Helps to gather and summarise accounting information e.g. total credit purchases
    Helps in the preparation of control accounts
    Groups together similar types of transactions
    Allows work to be divided between several people/train junior accountants
    To see as a list of transactions/reference purposes

On 1 November 2017 the balance in Mary's cash book (bank columns) was $838 overdrawn.

Mary banks all cash sales at the end of each week.

Mary had the following transactions during November.

1   Sold goods, $220, for cash

2   Returned goods costing $440, bought on credit from Jane

3   Purchased a motor vehicle on credit, $12 400, including road tax of $300, from Speedy Motors

4   Received a cheque from Tan, a credit customer, in settlement of an invoice for $400 after deduction of 2% cash discount

5   Took goods for own use, $120

REQUIRED

(b) Name the book of prime (original) entry where each of the transactions 1, 2 and 3 would be recorded.

1...

2...

3...

Answer: *1. Cash Book*
2. Purchases returns journal
3. General journal or journal

(c) Complete the following table to show how **each** transaction was recorded by Mary. The first one has been completed as an example.

	Account(s) debited	$	Account(s) credited	$
1	*Cash*	*220*	*Sales*	*220*
2				
3				
4				
5				

Answer:

	Account(s) debited	$	Account(s) credited	$
1	Cash	220	Sales	220
2	Jane	440	Purchases returns	440
3	Motor vehicles	12 100	Speedy Motors	12 400
	Motor vehicle expenses	300	Can have 2 entries here which add up to 12 400	
4	Bank	392	Tan	400
	Discount allowed	8		
5	Drawings	120	Purchases	120

(d) Calculate the bank balance at 30 November 2017.

....

....

Answer: *(838) + 220 + 392 = 226 overdrawn/Cr   or / (226)*

(e) Name the ledger in which Mary maintains:

   (i) Tan's account

   ....

   (ii) Motor vehicles account

   ....

Answer: *(i) Sales ledger or trade receivables ledger*
      (ii) General or nominal ledger

31 On 1 March 2017 Nabil started a business buying and selling office supplies on credit.

Nabil opened a business bank account on 1 March 2017 with capital, $155 000 and a loan from AB Loans, $80 000. On the same day he purchased premises, $200 000, fixtures and fittings, $22 000, and inventory, $5500, paying by cheque.

REQUIRED

(a) Prepare a journal entry to include all the above information to open the books of the business on 1 March 2017.

A narrative is required.

Nabil
Journal

Date 2017	Details	Debit $	Credit $
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....
....	....	....	....

Answer:

Nabil
Journal

Date 2017	Details	Debit $	Credit $
Mar 1	Premises	200 000	
	Fixtures and fittings	22 000	
	Inventory	5 500	
	Bank	7 500	
	Loan – AB Loans		80 000
	Capital		155 000
	Assets, liabilities and capital at this date	235 000	235 000

(b) Name two uses of the general journal, apart from opening entries.

1 ....
2 ....

Answer: *Correction of errors*
Purchase/sale of non-current assets on credit
Year-end transfers
Transactions not entered in any other book of prime (original) entry

32 J Smith is a wholesaler. He provided the following incomplete document on 28 February 2018.

	J Smith Wholesale Supplier 112 Long Road Westown			
W Jones High Street Eastford				28 February 2018
Date	Reference	Debit $	Credit $	Balance $
2018 Feb 1	Balance due			700
11	Goods	450		?
19	Returns		115	?
28	Payment		686	?
	Discount		14	?

REQUIRED

(a) **(i)** State the name of the document.

....

(ii) Calculate the balance on the document at the end of February 2018.

....

....

(iii) Calculate the percentage of the discount on 28 February.

....

....

....

(iv) Name the type of discount on 28 February.

....

Answer: *(i) Statement of account*
(ii) $335

(iii) $\frac{14}{(686 + 14)} \times 100 = 2\%$

(iv) Cash discount

(b) Complete the following table by placing a tick (3) in the correct column to indicate how J Smith would record the issue of this document in his accounting records.

debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made

(c) Complete the following table relating to the transaction of 11 February.

document issued	name of person issuing document	entries made by W Jones	
		account debited	account credited
....	....	....	....

(d) Name the book of prime (original) entry in which each trader would record the transaction of 19 February.

book of prime (original) entry used by J Smith	....
book of prime (original) entry used by W Jones	....

Answer: *(b)*

debit entry in ledger account of W Jones	credit entry in ledger account of W Jones	no entry would be made
		✓

(c)

document issued	name of person issuing document	entries made by W Jones	
		account debited	account credited
Invoice	*J Smith*	*Purchases*	*J Smith*

(d)

book of prime (original) entry used by J Smith	*sales returns journal*
book of prime (original) entry used by W Jones	*purchases returns journal*

33 In January 2016 the following transactions took place between Ali and Deepa.

January 6 Ali bought goods, list price $1000, after taking a trade discount of 20%.

8 Ali paid by cheque the amount owing on 31 December after deducting 3% cash discount.

10 Ali returned goods, list price $150, bought on 6 January.

REQUIRED

(a) Prepare Ali's account in Deepa's ledger for the month of January 2016. Balance the account and bring down the balance on 1 February 2016.

Deepa
Ali account

Date	Details	$	Date	Details	$
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....
....	....	....	....	....	....

Answer:

Deepa
Ali account

2016		$	2016		$
1 Jan	Balance b/d	600	8 Jan	Bank	582
6 Jan	Sales	800		Discount allowed	18
			10 Jan	Sales returns	120
			31 Jan	Balance c/d	680
		1 400			1 400
1 Feb	Balance b/d	680			

(b) State **one** advantage and **one** disadvantage to a business of reducing its level of inventory.

Advantage ....

....

Disadvantage ....

....

(c) Name the section of the statement of financial position where inventory is shown.

....

(d) Name **one** item which might appear in the non-current liabilities section of a statement of financial position.

....

Answer: *(b) Advantage*
Money can be used elsewhere
Cash is not tied up
Reduces risk of theft/deterioration/obsolescence/damage
Reduces inventory holding cost e.g. insurances
Disadvantage
If buying in smaller quantity risk of losing quantity discounts
Risk of inventory running out
Risk of not meeting customer demand
(c) Current assets
(d) Long term loan/debt OR debentures OR mortgage

34 Lewis had the following transactions.

1   Bought goods, $1000, on credit from Pamela.
2   Bought delivery van, $17 000, from AM Motors, paying $12 000 by cheque with the balance to be paid after six months.
3   Paid wages, $250, by cheque.
4   Sold goods, cost $600, for $960 on credit to Ali.
5   Withdrew $110 cash from the business bank account to increase cash in hand.

REQUIRED

(a)   Complete the following table showing how each of these transactions was recorded in Lewis's books of account. The first has been completed as an example.

	Account(s) debited	$	Account(s) credited	$
1	Purchases	1000	Pamela	1000
2				
3				
4				
5				

Answer:

	Account(s) debited	$	Account(s) credited	$
1	Purchases	1 000	Pamela	1 000
2	Delivery van	17 000	Bank AM Motors	12 000 5 000
3	Wages	250	Bank	250
4	Ali	960	Sales	960
5	Cash	110	Bank	110

(b) Identify the transaction which decreased Lewis's capital.

Transaction number ....

(c) Identify the transaction which increased Lewis's capital. State the amount by which it was increased.

Transaction number ....

Amount ....

(d) Identify the transaction which would be classified as a contra.

Transaction number ....

(e) State how capital employed is calculated.

....

(f) Name the book of prime (original) entry used when a trader brings cash into the business as capital introduced.

....

(g) Name the book of prime (original) entry used when a trader transfers his private vehicle to the business.

....

Answer: *(b) Transaction 3*
(c) Transaction 4, $360
(d) Transaction 5
(e) capital employed = owner's capital + non-current liabilities
   OR
  capital employed = total assets – current liabilities
(f) cash book
(g) general journal