



KULLEGĠ SAN BENEDITTU
Secondary School, Kirkop

Mark

HALF YEARLY EXAMINATION – 2015/2016

FORM 4

ACCOUNTING

TIME: 1h 30min

Question	A	B	C	D	Global Mark
Max. Mark	10	14	40	36	100
Mark					

Instructions to students:

*Answer **ALL** questions.*

*Calculators **MAY** be used. Read each question carefully.*

DO NOT WRITE ABOVE THIS LINE

Name: _____

Class: _____

Section A - Answer ALL questions.

Questions 1 – 10 are Multiple Choice and carry 1 mark each. Answers are to be marked on the exam paper.

1. A credit balance on the rent receivable account after the transfer to the income and expenditure account indicates
 - a) Revenue for the year
 - b) An asset and prepaid revenue
 - c) An accrual and a liability
 - d) A liability and prepaid revenue

2. The sales returns daybook is prepared from
 - a) Invoices received
 - b) Invoices sent out
 - c) Credit notes sent out
 - d) Debit notes received.

3. Which of the following statements is **incorrect**?
 - a) $\text{Assets} - \text{Capital} = \text{Liabilities}$
 - b) $\text{Liabilities} + \text{Capital} = \text{Assets}$
 - c) $\text{Liabilities} + \text{Assets} = \text{Capital}$
 - d) $\text{Assets} - \text{Liabilities} = \text{Capital}$

4. Which of the following is **not** an asset?
 - a) Buildings
 - b) Cash balance
 - c) Accounts receivable
 - d) Loan from K. Harris

5. Assets are recorded at their original purchase price according to
 - a) Materiality principal
 - b) Historical cost principal
 - c) Cost benefit principal
 - d) Consistency principal

6. The ledger entry in the discount allowed account is taken from
 - a) Trade discounts listed on invoices
 - b) Sales ledger
 - c) Cash book memorandum column
 - d) Journal

7. Which of the following is a book of original entry and is also part of the ledger?
 - a) The journal
 - b) The cash book
 - c) The purchase returns journal
 - d) The sales returns journal

8. Which of the following transactions does not decrease cash/bank?
 - a) Purchasing inventory for cash
 - b) Accruing operating expenses
 - c) Paying trade accounts payable
 - d) Purchasing non-current assets for cash

9. Which of the following accounts is expected to present a debit balance?
 - a) Bank overdrafts
 - b) Interest receivable
 - c) Bank loan interest
 - d) Bank loan

10. Carriage inwards is charged to the trading account because
 - a) It is an expense connected with buying goods
 - b) It should not go in the statement of financial position
 - c) It is not part of motor expenses
 - d) Carriage outwards goes in the profit and loss account

SECTION B- Answer ALL questions on the foolscap provided.

1. Define depreciation and explain the importance of accounting for it. (2 marks)
2. Name three methods of depreciation and illustrate how each method computes the depreciation charge for the year. (3 marks)
3. What is a contra entry in the cash book? (1 mark)
4. What is a direct debit and what purpose does it serve? (2 marks)
5. What is a trial balance and why should it agree? (2 marks)
6. List and explain an error that does not affect the trial balance totals? (2 marks)
7. Distinguish between the going concern and the accruals concepts. (2 marks)

SECTION C- Answer ALL questions on the foolscap provided (40 marks)

The following trial balance was extracted from the books of T. Debono as at 31st December 2015:

	DEBIT	CREDIT
Capital		105,000
Drawings	6,000	
Premises	70,000	
Machinery	25,000	
Equipment	15,000	
Motor Vehicles	40,000	
Provision for depreciation for machinery		15,000
Provision for depreciation for equipment		10,000
Provision for depreciation for motor Vehicles		9,000
Trade Receivables and Trade Payables	4,500	5,400
Stock at 1 st January 2015	3,500	
Bank	2,000	
Cash	300	
Purchases and Sales	36,000	65,000
Returns	200	400
Discounts	1,500	3,300
Carriage In	1,500	
Carriage Out	400	
Advertising	300	
Light and Heat	1,700	
Salaries and Wages	1,200	
Motor Expenses	1,800	
Commission received		1,400
Telephone	3,600	
	214,500	214,500

Additional information:

- i. The stock at 31 December 2015 was € 7000
- ii. Wages due at 31 December 2015 amounted to € 750
- iii. Advertising prepaid amounted to € 200
- iv. A Provision for bad debts is to be 10% of debtors.
- v. Depreciation on machinery, equipment and motor vehicles amount to € 5,500, € 4,000 and € 3,500

Required:

- a. An Income and Expenditure Account for the year ended 31 December 2015.
- b. A Statement of Financial Position.

Section D- Answer ANY TWO questions out of the three questions in this section on the foolscap provided.

Question 1

On 31 December 2015, the bank column of T.Callus's cash book showed a debit balance of €3,400. On checking the cash book with the bank statement, it was discovered that the following transactions had not been entered in the cash book:

- i. Dividends of € 300 had been paid directly by the bank.
- ii. Bank charges € 50
- iii. A standing order of € 400 had been paid by the bank.
- iv. A direct debit of € 150 to S.Page had been paid by the bank.
- v. A credit transfer € 300 had been collected by the bank.

A further check revealed the following items:

- i. A cheque drawn in favour of P.Pace (a supplier), of € 500, had been entered in the cash book but had not been presented for payment.
- ii. Cash amounting to € 800 had been paid into the bank on 31 December 1998 but were not credited by the bank until 3 January 1999.

Required:

- a) What is the purpose of a bank reconciliation statement? (2 marks)
- b) What is a standing order? (2 marks)
- c) What are unpresented cheques? (2 marks)
- d) Draw an updated cash book. (8 marks)
- e) Draw up a Bank Reconciliation Statement as at 31 December 1988, and find the bank balance as per bank statement. (4 marks)

Question 2

Rebecca prepares accounts to 30 September each year. On 30 September 1997, she decided to establish a provision for doubtful debts equal to 2% of gross debtors. Her debtors and bad debts were summarised as follows:

	<u>Gross Debtors</u>	<u>Bad Debts to be Written Off</u>
30 September 1997	€ 25,000	€ 1,500
30 September 1998	€ 28,000	€ 3,000
30 September 1999	€ 32,000	€ 2,000

Required:

- a) Bad Debts account for the three years 1997, 1998 and 1999. (3 marks)
- b) Provision for bad debts Accounts for the three years 1997, 1998, 1999. (8 marks)
- c) Give an extract from the Profit and Loss Account for the years ended 30th September 1997, 1998 and 1999. (7 marks)

Question 3

The following information relates to the equipment owned by Alfred Cachia, who commenced business on 1st January 1998:

1 January 1998	Bought equipment € 25,000, paying by cheque.
1 October 1998	Bought equipment € 12,000, paying in cash.
30 June 2000	Bought equipment € 6,500, paying by cheque.
1 October 2000	Sold equipment for € 3,000 in cash which he had bought on 1 st October 1998.

It is the company's policy to depreciate equipment owned by 10% per annum on cost, taking account of each month of ownership.

Required:

- a) Equipment Account. (7 marks)
- b) Provision for Depreciation Account (7 marks)
- c) Disposal Account (4 marks)