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BOOKKEEPING & ACCOUNTS

PAPER 1 2009/1

Thursday 21 MAY 2020 1:00 P.M.–3:00 P.M.

Additional materials:
None

MINISTRY OF EDUCATION NATIONAL EXAMINATIONS

BAHAMAS GENERAL CERTIFICATE OF SECONDARY EDUCATION

INSTRUCTIONS TO CANDIDATES

Do not open this booklet until you are told to do so.

Write your School Number, Candidate Number, Surname, and Initials at the top of this booklet.

Answer **ALL** questions; show all working where appropriate.

Calculators are allowed.

ALL answers must be written in **INK** for Section B. Answers written in pencil **will not** be graded.

The number of marks available is shown in brackets [ ] at the end of each question or part question.

FOR EXAMINER'S USE ONLY	
SECTION A – Multiple Choice Questions (30 marks)	
SECTION B – Application Problems (70 marks)	
Question 1	
Question 2	
Question 3	
Question 4	
TOTAL MARKS 100	

This question paper consists of 22 printed pages and 2 blank pages.

SECTION A

Multiple Choice
(30 marks)

INSTRUCTIONS: Read each question carefully. Choose the **ONE** answer you think is correct and circle the corresponding letter. Answer **ALL** questions.

1. What name is given to the process by which information is transferred from books of original entry to the ledger?

   A. accounting

   B. analyzing

   C. journalizing

   D. posting [1]

2. Which of the following accounts usually carry **debit** balances?

   A. Sales, Return Outwards, Bank Loan

   B. Purchases, Returns Inwards, Cash

   C. Purchases, Creditors, Rent

   D. Sales, Capital, Debtors [1]

3. A trader, whose purchases are all on credit, does not keep proper double entry records. The following information is available:

	$
Opening Creditors	40 000
Payments made to suppliers during the year	185 000
Closing Creditors	55 000

If the discounts received for the year amounted to $2000, what were the ***Purchases*** for the period?

A. $92 000

B. $198 000

C. $200 000

D. $202 000 [1]

4. At the end of the year the debit entries in a ledger account amounted to $1 510 and the credit entries amounted to $2 490. What was the opening balance on the ledger account at the start of the following year?

A. $1 510 on the credit side

B. $1 510 on the debit side

C. $980 on the credit side

D. $980 on the debit side [1]

5. Ronny Smith's account in the Ledger of Lois Martin at the end of the year has a credit balance carried down of $467. What does this mean?

   A. Lois Martin is Ronny Smith's debtor for $467

   B. Lois Martin had supplied Ronny Smith with goods costing $467

   C. Ronny Smith is Lois Martin's banker $467

   D. Ronny Smith owes Lois Martin $467 [1]

6. What is the surplus from trading activities usually called?

   A. Cash

   B. Debtors

   C. Drawings

   D. Profit [1]

7. The following are account balances in the Ledger: Opening Stock $2 800; Sales $9 800; Purchases $5 100; Closing Stock $3 000. What is the Gross Profit?

   A. $1 100

   B. $4 500

   C. $4 900

   D. $9 100 [1]

8. How might net profit be calculated?

   A. Expenses minus Sales

   B. Expenses plus Gross Profit

   C. Gross Profit minus Expenses

   D. Revenue plus Gross Profit [1]

9. Phil took goods from his business worth \$200 for his personal use. How is this recorded in the Ledger?

   A. debit Drawings account, credit Inventory account

   B. debit Drawings account, credit Purchases account

   C. debit Inventory account, credit Drawings account

   D. debit Purchases account, credit Drawings account [1]

10. Paul Smith, a debtor, owes a trader \$250 which he is unable to pay. What entries are required to write off this debt?

    A. debit Bad Debts account, credit Paul Smith account

    B. debit Bad Debts account, credit Profit & Loss account

    C. debit Paul Smith account, credit Bad Debts account

    D. debit Profit & Loss account, credit Bad Debts account [1]

11. Sam, a trader, buys goods with a list price of \$1 500 from Island Wholesalers. Island Wholesalers offers a 20% trade discount and a 5% cash discount to all customers. Which amount should Sam enter for these goods in his Purchases Journal/Purchases Day Book?

    A. \$1 125

    B. \$1 140

    C. \$1 200

    D. \$1 425 [1]

12. It was discovered that a credit customer had been charged \$87 for a purchase instead of \$78. Which document would the seller issue to correct this error?

    A. Credit Note

    B. Debit Note

    C. Invoice

    D. Statement of Account [1]

[Turn over

13. Which of the following should be recorded in the Purchases Journal/Purchases Day Book?

A. 5% cash discount allowed

B. 5% cash discount received

C. invoice #7526 from supplier

D. payment by cheque #241 to supplier [1]

14. What are real accounts?

A. accounts that record expenses and income

B. accounts that record the possessions of the business

C. capital accounts

D. personal accounts [1]

15. Goods sold on credit for $325 were entered in the Sales account as $352. The correct amount was recorded in the customer's account. How is this error corrected in the Sales account?

A. credit $27

B. credit $352

C. debit $27

D. debit $352 [1]

16. With which value should the balance on a Sales Ledger Control Account agree at the end of the trading period?

A. the amount of money received from the debtors during the trading period

B. the balances total of all the debtors at the end of the period

C. the total of outstanding debtors which are more than a year old

D. the total of sales for the trading period [1]

17. If a firm's gross profit for the month is \$55 000, its expenses for the month are \$38 000 and the net profit for the month equals 17% of sales for the month, how much is the firm's cost of sales for the month?

A. \$15 810

B. \$17 000

C. \$45 000

D. \$100 000 [1]

18. Miller rents the premises from which he operates his business. He has a credit balance brought down in his Rent Expense account to begin the new period. What does this mean?

A. Miller paid too much rent

B. Miller owes rent

C. Miller is owed rent

D. Miller has received rent [1]

19. What effect does a \$500 Wages accrual that was inadvertently recorded as a prepayment have on Net Profit?

A. overstated by \$500

B. overstated by \$1 000

C. understated by \$500

D. understated by \$1 000 [1]

20. A business had the following assets and liabilities:

ASSETS & LIABILITIES	$
Motor Vehicle	4 000
Stock	12 000
Debtors	3 500
Bank (Cr)	2 500
Creditors	9 000

The owner, Pete, then increased his Capital in the business by $4 000. What is Pete's new Capital amount?

A. $8 000

B. $12 000

C. $13 000

D. $19 500 [1]

21. A discount received, $160, has been incorrectly posted to the credit side of the Discounts Allowed account. Which entry must be made to the Discounts Received account to correct this error?

A. credit $160

B. credit $320

C. debit $160

D. debit $320 [1]

22. A customer, Troy, paid PennMart a deposit for goods to be supplied at a later date. How should this be recorded in the seller's books?

	DEBIT	**CREDIT**
A.	Cash	Troy
B.	PennMart	Cash
C.	Sales	Troy
D.	Troy	Sales

[1]

23. Which of these would **not** be included in the figures appearing in the Sales Ledger Control account?

A. cash received from H. Knowles, a debtor

B. discount allowed to Jerry's Toy Store

C. discount received from Roy's Wholesale

D. toys returned from Jerry's Toy Store [1]

24. Which situation would prevent a trial balance from balancing?

A. credit note from a supplier entered in the Sales Journal

B. discount allowed posted to the Discounts Received account

C. invoice entered twice in the Sales Journal

D. new windshield wipers for the car debited to the motor vehicles account [1]

25. Which accounting practice best illustrates the Matching principle?

1 – *Charging depreciation on fixed assets*
2 – *Revaluing fixed assets periodically*
3 – *Recording a discount allowed or a discount received*

A. 1, 2 and 3

B. 1 and 2 only

C. 1 and 3 only

D. 2 and 3 only [1]

26. The Suspense Account has a debit balance of $250. What must have happened to cause this balance in the Suspense Account?

A. motor expenses of $125, correctly entered in the Cash Book, and posted to the Motor Expenses account as a credit

B. motor expenses of $125, entered in the Cash Book as a receipt and posted to the Motor Expenses account as a credit

C. motor expenses of $250, correctly entered in the Cash Book, and posted to the Motor Vehicles account as a debit

D. motor expenses of $375, entered in the Cash Book as a credit of $125 and posted to the Motor Expenses account as $125 debit [1]

27. The owner of Curly Styles does not keep proper accounting records. She had the following assets and liabilities at the start of the year.

(i) a motor vehicle valued at $4 500

(ii) stock costing $7 000 with a resale value of $10 000

(iii) bank overdraft of $500

(iv) a loan to a friend from the business' bank account $2 000

What is the Capital Account balance at the start of the year?

A. $10 000

B. $13 000

C. $14 000

D. $17 000 [1]

28. A trial balance shows the following:

	Dr.	Cr.
Provision for bad debts		$1 400
Debtors	$32 000	

$1 800 of the Debtors is irrecoverable and is to be written off. The owner of the business wishes to make the provision for bad debts equal to 5% of his outstanding Debtors. What entry is needed to adjust the Provision for Bad Debts account?

A. credit $110

B. credit $200

C. debit $110

D. debit $200 [1]

29. The balance on T. Allen's account, a creditor, at the beginning of the month is $36 200. During the month purchases of $13 200 are made along with returns of $1 900. Payments of $18 600 are also made.

What is the balance due to T. Allen at the end of the month?

A. $17 600

B. $28 900

C. $47 500

D. $68 000 [1]

30. On 1st January 2019 Brenda's Insurance Premium account had a debit balance of $800. On 1st July 2019 she paid the annual insurance premium of $3 000 for the year ended 30 June 2020.

How much was charged to the Profit & Loss Account in respect of *Insurance* for the year ended 31st December 2019?

A. $800

B. $1 500

C. $2 300

D. $3 800 [1]

TOTAL MARKS [30]

SECTION B

Application Questions
(70 marks)

INSTRUCTIONS: ALL answers to this section should be written in INK in the space provided or on the correct accounting sheets. Marks for each item are shown in the brackets at the end of the question.

1. Peter Pinder has extracted the following balances from his books as at 31st May 2019.

	$
Advertising	2 300
Bank balance (dr.)	300
Capital	55 700
Cash	100
Discounts Allowed	100
Discounts Received	600
Drawings	17 000
Electricity	1 300
Stock on hand	4 000
Provision for Depreciation	1 400
Office Equipment	10 000
Creditors	6 000
Debtors	8 000
Machinery	20 000
Purchases	21 400
Purchases Returns	1 400
Sales	62 000
Sales Returns	3 000
Stationery	900
Wages	38 700

YOU ARE REQUIRED TO:

(a) show Peter's Trial Balance as at 31st May 2019.

Peter Pinder ***Trial Balance as at 31st May 2019***		
	DEBIT	**CREDIT**
Advertising		
Bank balance (dr.)		
Capital		
Cash		
Discounts Allowed		
Discounts Received		
Drawings		
Electricity		
Stock on hand		
Provision for Depreciation		
Office Equipment		
Creditors		
Debtors		
Machinery		
Purchases		
Purchases Returns		
Sales		
Sales Returns		
Stationery		
Wages		

[12]

(b) The usefulness of the Trial Balance may be described as "limited". Give **two** limitations of the Trial Balance.

____

____

____

____ [2]

[TOTAL MARKS 14]

2. The Supervisor of the Accounts Department at Clear Waters Company has approved the invoices listed below for payment. The company's policy is to pay strictly according to invoice terms and to take advantage of any settlement discounts.

A summary of the invoices is shown below:

INVOICE DATE	SUPPLIER	TERMS	GROSS AMT.	TRADE DISCOUNT
			$	%
4th February	Bahamas Plastics	30 days	550	20
7th February	Bahamas Plastics	30 days	650	20
10th February	Caps & Lids Ltd.	5%/7days/N30	360	25
15th February	Caps & Lids Ltd.	2½%/7 days/N30	280	25

YOU ARE REQUIRED TO:

(a) calculate, in the space below, the total amount owed at 16th February to Bahamas Plastics and Caps & Lids Ltd. taking into account any settlement discounts. Show all workings.

Bahamas Plastics

[3]

Caps & Lids Ltd.

[5]

(b) complete the cheque below to pay the required amount to Caps & Lids Ltd. The cheque should be dated 16th February of the current year along with your signature.

(i)

Clear Water Company P. O. Box N-123 Nassau, The Bahamas	707 23-567/891
	____________________20________
PAY TO THE ORDER OF ______________________________	$______________
____ DOLLARS	
NASSAU CITY BANK P.O. BOX N-242 NASSAU, The Bahamas	
MEMO ______________________	______________________
012578910 1112131456 707	

[4]

(ii) Clear Waters is considering abandoning its payment policy. Advise the Board of Directors as to whether or not they should give up the existing policy.

____

____ [2]

[TOTAL MARKS 14]

3. Patsy Collie, a trader, maintains a full set of accounting records. Her financial year ends on 31st December. During the year ended 31st December 2019 the following errors and omissions were made when writing up her Books of Account:

(i) Rent of premises, $450 had been debited to the Rent account as $540.

(ii) $500 withdrawn from the bank for her personal use had been debited to the Wages account

(iii) No entry had been made for a cash discount, $25, allowed to Larry Lewis, a debtor, for prompt payment.

(iv) $450 paid to Dawn Rentals, a supplier, had been credited to the account of Don Rentals, another supplier.

(v) The total of the Sales Returns Journal, $320, had been credited to the Purchases Returns account as $230.

YOU ARE REQUIRED TO:

(a) prepare the necessary journal entries to correct the above errors. Narratives are **not** required.

General Journal

DATE		DESCRIPTION	POST REF	$ DEBIT	$ CREDIT

[12]

(b) The totals of Patsy's Trial Balance did not agree and, therefore, she opened a Suspense Account. State **two** benefits of the use of a Suspense Account.

____

____

____ [2]

[TOTAL MARKS 14]

4. Fabian keeps his business' Petty Cash on the imprest system with a balance of $150.

On 31st March 2019 there was $119.00 in the Petty Cash box and on 1st April 2019 Fabian's cashier made a transfer from the business' bank account to restore the imprest balance. All of the petty cash vouchers for the month of March related to expenses incurred in that month.

YOU ARE REQUIRED TO:

(a) find the total expenses amount paid from Petty Cash during the month of March 2019.

____ [1]

On 30th April 2019, the following petty cash vouchers were found:

			$
April	4	Postage Stamps	15.00
	9	Refreshments	18.00
	15	Flowers for office	33.00
	22	Stationery	22.00

(b) make the necessary entries for the month of April in the Petty Cash book shown on the following page.

The Petty Cashier discovered that some money was missing and later found a voucher for window cleaning, $20.

The Petty Cash Book should **not** be totalled and balanced at this stage. [8]

(c) update the Petty Cash Book to include the payment of $20.00 that was made on 27th April for cleaning the office windows **before** balancing off. Carry down the balance as at 1st May. [2]

4. (b) and (c)

PETTY CASH BOOK

DATE	DETAILS	RECEIPTS	DATE	DETAILS	PAYMENTS	POSTAGE & STATIONERY	REFRESHMENTS	FLOWERS	CLEANING

[10]

4. (d) explain how the Petty Cashier was immediately able to determine that an amount was missing.

____

____

____

____ [2]

(e) give Fabian's Petty Cashier **one** piece of advice that should reduce the chances of this type of omission happening again.

____

____ [1]

TOTAL MARKS [14]

5. Lydia Miller sells custom made furniture and her financial year ends on 31st March. Her Trial Balance has the following at year end 2019:

ACCOUNT TITLE	$
Land	20 000
Equipment	50 000
Provision for Depreciation	15 000
Creditors	500
Bank (Dr)	500
Accrued Rent	100
Debtors	1 100
Stock	2 500
Drawings	3 200
Capital	53 700
Net Profit	8 000

YOU ARE REQUIRED TO:

(a) (i) state how ***working capital*** is calculated.

____ [1]

(ii) explain why an adequate level of working capital is necessary for the operation of a business.

____

____ [1]

(b) Show Lydia Miller's Balance Sheet as at 31st March 2019.

Lydia Miller
Balance Sheet as at 31st March 2019

FIXED ASSETS	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE

[12]

TOTAL MARKS [14]

End]

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