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2009/1 **BGCSE**

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BOOKKEEPING & ACCOUNTS

PAPER 1 2009/1

Thursday **2 JUNE 2022** **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	
Question 5	
TOTAL MARKS 100	

This question paper consists of 24 printed 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. Which documents are used by a business when writing up the Returns Outwards Journal?

   A. credit notes issued

   B. credit notes received

   C. debit notes issued

   D. debit notes received [1]

2. Which situation describes the Continuity principle?

   A. The business is expected to remain in existence indefinitely.

   B. The same treatment must be applied to similar transactions.

   C. The transactions of the proprietor and the business are kept separate.

   D. The two-fold aspect of every transaction is recorded. [1]

3. Mr. Thompson reduced the amount for Telephone Expenses in the final accounts by removing what he had paid for his personal telephone bill. The amount had been included in the Telephone Expenses account.

   Which accounting principle is Mr. Thompson using?

   A. business entity

   B. historical cost

   C. matching

   D. materiality [1]

4. What is meant by the Realization Concept?

A. actual amount that was paid for goods or other items bought is the amount recorded in the accounts for cash

B. revenue is recognized as being earned when legal title of the goods pass from the seller to the buyer

C. similar items should be accounted for in a similar way from one accounting period to the next

D. transactions are only recorded or expressed in terms of money [1]

5. Terry, a sole proprietor, maintains a Sales Journal. Why is this necessary?

A. to assist in the location of errors

B. to keep all the customers' accounts in one place

C. to reduce the number of entries in the General Journal

D. to reduce the number of entries in the Sales Ledger [1]

6. Toby's, a manufacturer of living room furniture, is a supplier of BigTown Supplies, a retailer of household items. In which of Toby's Ledgers should the account of BigTown Supplies be found?

A. General Ledger

B. Nominal Ledger

C. Purchases Ledger

D. Sales Ledger [1]

7. How is the Insurance premium paid in cash to Star-Q General recorded?

	ACCOUNT TO BE DEBITED	ACCOUNT TO BE CREDITED
A.	Cash	Insurance
B.	Insurance	Cash
C.	Insurance	Star-Q General
D.	Star-Q General	Insurance

[1]

[Turn over

8. How should the sale of goods on credit be recorded?

	GENERAL LEDGER	SALES LEDGER
A.	credit cash	debit sales
B.	credit sales	debit customer
C.	debit cash	credit customer
D.	debit cash	credit sales

[1]

9. On 1 June 2021 Dean owes Bain $700 and the following transactions took place during the month:

Bain sold goods, $450, on credit to Dean
Dean returned goods, $190, to Bain
Dean paid Bain $600 by cheque

What is the balance brought down on Dean's account in Bain's Ledger on 1 July 2021?

A. $360 debit

B. $360 credit

C. $660 debit

D. $660 credit [1]

10. The totals of the Discount columns in the Cash Book are as follows:

Debit $290
Credit $350

How are these amounts posted to the Ledger accounts?

	ACCOUNT TO BE DEBITED		ACCOUNT TO BE CREDITED	
A.	Discount Allowed	$350	Discount Received	$290
B.	Discount Allowed	$290	Discount Received	$350
C.	Discount Received	$290	Discount Allowed	$350
D.	Discount Received	$350	Discount Allowed	$290

[1]

11. Peter sells goods on credit to John, \$1 200. Peter allows his customers a trade discount of 20% and a cash discount of 2% if the customer pays within 30 days.

What amount will be entered in Peter's Sales Journal?

A. \$940.80

B. \$960.00

C. \$1 176.00

D. \$1 200.00 [1]

12. Which one is the ***best*** description of fixed assets?

A. bought to be used in the business

B. expensive items bought for the business

C. items which will not wear out quickly

D. long-life and not bought specifically for resale [1]

13. What is a Balance Sheet?

A. a statement of all the balances in the ledger accounts on a certain date

B. a statement of all the nominal account balances on a certain date

C. a statement of all the real account balances on a certain date

D. a statement showing the income and expenditure for a financial year [1]

14. How is Capital Expenditure described?

A. money received from selling fixed assets

B. money spent to buy fixed assets or add value to them

C. the cost of running the business on a day-to-day basis

D. the extra capital paid into the business by the proprietor [1]

15. Cathy Smith owns a clothing store. Which of the following should be considered Capital Expenditure for her?

(i) *shop fixtures bought*
(ii) *wages of assistants*
(iii) *new van bought*
(iv) *gasoline for van*

A. *(i) & (iii)*

B. *(i) & (ii)*

C. *(ii) & (iii)*

D. *(ii) & (iv)* [1]

16. Geno's Realty upgraded the roofing shingles of their building with the latest weatherproof products. This expenditure was recorded in the Building Repairs account.

What is the effect of this error on the final accounts of Geno's Realty?

A. assets are overstated

B. gross profit is overstated

C. net profit is understated

D. working capital is understated [1]

17. The totals of a Trial Balance agreed, however, it was later found that goods sold on credit for $230 had been entered on the correct side of both the Debtor's account and the Sales account as $320. Which type of error is this?

A. Commission

B. Complete Reversal

C. Original Entry

D. Principle [1]

18. Which of the following is an example of a compensating error?

A. A sales invoice for $368 was entered in the Purchases Journal and the creditor's account as $638.

B. A payment for rent of $250 has been debited in the Bank account and entered correctly in the Rent Expense account.

C. Repairs for a motor vehicle for $75 was recorded in the Motor Vehicles account, $75.

D. The Discount Allowed account and Discount Received account were both overstated by $50. [1]

19. The cost of repairs to a machine had been incorrectly debited to the Machinery account. Why is this action said to be ***incorrect***?

A. the Machinery account is only for machines that do not require repairs

B. the Machinery account is only for bigger, sturdier machines

C. the Machinery account is opened for assets only

D. the Machinery account is opened to accommodate machines sold by the business [1]

20. The correction of the errors below cleared the balance of a Suspense Account.

1. The Purchase Ledger Control account balance of $48 300 has been included as a debit balance.
2. Provision for Depreciation has been overcast by $960.
3. A cash payment of $630 for this month's rent has been credited in the Cash Book and debited to the Bad Debts account.

What was the balance of the Suspense Account ***before*** the corrections were made?

A. $47 340 dr.

B. $47 340 cr.

C. $95 640 dr.

D. $95 640 cr. [1]

21. TT's trial balance failed to agree. The debit column totalled \$12 250 and the credit column totalled \$12 200.

The following errors were discovered and corrected.

1. *No entry had been made for cash sales, \$150.*
2. *The total of the Discount Received account, \$50, had been omitted from the trial balance.*

What will be the totals of the amended Trial Balance?

A. \$12 250

B. \$12 300

C. \$12 350

D. \$12 400 [1]

22. Which of the following is a current asset?

A. Accrued Expense

B. Bank Overdraft

C. Computer Equipment

D. Prepaid Expense [1]

23. The following balances were extracted from the Trial Balance of AZD Limited.

Sales \$34 650, Delivery Charges \$212, Returns Inwards \$130, Returns Outwards \$45, Purchases \$67 141, Discount Received \$90, Discount Allowed \$100.

What is the total for Net Purchases and Net Sales?

	NET PURCHASES	**NET SALES**
A.	\$67 398	\$32 610
B.	\$67 148	\$34 650
C.	\$67 308	\$34 520
D.	\$66 884	\$34 520

[1]

24. How is Depreciation defined?

A. the allocation of the cost over the useful life of the asset

B. an amount spent to buy a fixed asset

C. the amount of money spent in replacing assets

D. the scrap value of a fixed asset [1]

25. An air conditioning system, $8 400, was purchased for use in a business. The system has an expected useful life of five years and a scrap value of $1 200. What is the annual depreciation amount for this system if the Straight Line Method of Depreciation is used?

A. $1 200

B. $1 440

C. $1 680

D. $1 920 [1]

26. Why is it important to match a business's expenses to the appropriate accounting period?

A. to calculate unpaid expenses for the period

B. to find the correct profit or loss for the period

C. to pay the correct amount of expenses

D. to prevent expenses owing carried forward to the next year [1]

27. David owes $1 000 to Samuel and pays 90% of the debt. Samuel writes off the remaining debt. What entry will Samuel make to write off the amount owed?

A. dr. Bad Debts, $100; cr. David $100

B. dr. David, $100; cr. Bad Debts $100

C. dr. Bad Debts, $900; cr. David, $900

D. dr. David, $900; cr. Bad Debts $900 [1]

28. Perry made a provision for bad debts in the amount of $950 in 2020. At the end of 2021 Perry thought it best to increase this provision to $1 000.

What journal entry is needed to make this change?

		$ Debit	$ Credit
A.	Provision for Bad Debts Bank	50	 50
B.	Provision for Bad Debts Bad Debts	50	 50
C.	Profit & Loss Account Bad Debts	50	 50
D.	Profit & Loss Account Provision for Bad Debts	50	 50

[1]

29. Woody made a net profit of $17 500 with Sales of $43 000 and expenses totalling $12 000. What was Woody's Cost of Sales?

A. $13 500

B. $25 500

C. $31 000

D. $37 500 [1]

30. The following items were extracted from Nola's Balance Sheet:

	$
Fixed Assets	*2 900*
Current Assets	*3 100*
Creditors	*900*
Accruals	*110*
Long term Loan	*2 500*

What is Nola's working capital?

A. $2 090

B. $2 200

C. $2 490

D. $4 990 [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. Marks for each item are shown in the brackets at the end of the question.

1. Rodney is a local business owner whose financial year ends on 31st March.

Rodney maintains a Petty Cash Book using the *Imprest System*. His monthly imprest of $150 is restored on the last day of each month.

The entries in Rodney's Petty Cash Book for March 2021 were as follows:

Rodney
Petty Cash Book

Total Received	DATE		DETAILS	Total Paid	Travel Expenses	Cleaning	Office Expenses	Ledger Accounts
$	2021			$	$	$	$	$
150	March	1	Balance b/d					
		3	Cleaning Supplies	18		18		
		10	Stationery	10			10	
		15	L. Baker	32				32
		17	Stationery	8			8	
		20	Bus Fare	6	6			
		21	C. Duncombe	12				12

Figure 1.1

YOU ARE REQUIRED TO:

(a) state **two** reasons why it is important for Rodney to maintain a Petty Cash Book.

[2]

(b) explain what is meant by the *Imprest System* in relation to Petty Cash Books.

[2]

(c) state **one** advantage of the *Imprest System*.

[1]

(d) (i) total and balance off the Petty Cash Book using Figure 1.1 on page 11. [2]

(ii) state how much the Petty Cashier will receive on 31st March to restore the imprest carried down.

IMPREST AMOUNT TO BE RECEIVED: ______________________ [1]

(e) describe the completion of the double entry that will occur on the 31st March for the items recorded in the **Travel Expenses** column of the Petty Cash Book.

____

____

____ [2]

(f) (i) explain how the double entry is completed on 31st March for the two items recorded in the **Ledger Accounts** column of the Petty Cash Book.

L. Baker & C. Duncombe

____

____ [2]

(ii) give **two** reasons why these suppliers were paid out of Petty Cash.

REASON 1

____

____ [1]

REASON 2

____

____ [1]

TOTAL MARKS [14]

2. Kenneth maintains a full set of Books of Original Entry and prepares a Sales Ledger Control Account and a Purchases Ledger Control Account at the end of every month.

The following information for the month of June 2021 was provided.

		$	
June 1	Sales Ledger balances	3 800	debit
	Sales Ledger balances	90	credit
June 30	**TOTALS FOR THE MONTH:**		
	Sales Journal	4 900	
	Sales Returns Journal	350	
	Cash Sales	3 250	
	Cheques received from Debtors	3 130	
	Cheque received from a debtor (included in the cheques received shown above) later dishonoured	70	
	Discount Allowed	180	
	Transfer from a Purchases Ledger Account to a Sales Ledger Account	200	

YOU ARE REQUIRED TO:

(a) suggest **two** reasons why there may be a ***credit balance*** brought down on a Sales Ledger Control Account.

REASON 1

____

____

____ [1]

REASON 2

____

____

____ [1]

(b) state where (i.e. debit or credit side) each of the following items will appear in a Purchases Ledger Control Account. If the item will not appear in a Purchases Ledger Control Account write '***No Entry***'.

ITEM	ENTRY IN THE PURCHASES LEDGER CONTROL ACCOUNT
Discount Received	
Interest charged by the Supplier on an account that owes.	

[2]

(c) choose the relevant figures from the information provided on page 14 and prepare Kenneth's Sales Ledger Control Account for the month ended 30th June 2021.

[8]

(d) give **two *benefits*** to the business of having Control Accounts.

BENEFIT 1

____

____

____ [1]

BENEFIT 2

____

____

____ [1]

TOTAL MARKS [14]

3. Mark is a business owner whose financial year ends 30th April 2021. The Bank columns of his Cash Book for the month of April 2021 were as follows:

2021				$	2021				$
Apr. 1	Balance			3 320	Apr.	8	Spice Rack		547
10	Crab Cakes			423		17	General Expense		125
29	Sales			600		26	Green Company		480
						30	Balance	c/d	3 191
				4 343					4 343
May 1	Balance		b/d	3 191					

Mark's Bank Statement for April 2021 was as follows:

Bank Statement as at April 30, 2021

Date		**Detail**	**Debit**	**Credit**	**Balance**
2021			**$**	**$**	**$**
April	1	Balance			3 230 cr.
	9	CD Rental Co.	470		2 760
	16	Spice Rack	547		2 213
	18	Crab Cakes		423	2 636
	22	General Expense	125		2 511
	29	Crab Cakes (dishonoured)	423		2 088
	30	Bank Charges	18		2 070

The following* error *was also discovered:

- The Cash Book balance brought forward on 1st April should have been **$3 230.**

YOU ARE REQUIRED TO:

(a) update Mark's Cash Book and bring down the updated balance on 1st May 2021.

[6]

(b) prepare a Bank Reconciliation Statement for Mark as at 30th April 2021.

[4]

(c) state **two** reasons, other than finding errors, why Mark should reconcile his Cash Book with the statement received from the Bank.

REASON 1

____

____

____ [1]

REASON 2

____

____

____ [1]

(d) explain why an item that has a debit balance in the Cash Book appears on the Bank Statement having a credit balance.

____

____

____

____ [2]

TOTAL MARKS [14]

4. Carter sells goods on credit and he encourages his credit customers by giving them a cash discount of 3% once the account is paid within 28 days. He also created a Provision for Doubtful Debts account in the amount of $110 on 30th June 2019.

YOU ARE REQUIRED TO:

(a) give **two** reasons to support Carter's decision to create a Provision For Doubtful Debts account.

REASON 1

____

____

____ [1]

REASON 2

____

____

____ [1]

The following transactions took place during the financial year ended 30th June 2020:

2019

July 4 Sold goods, $700, on credit to R. Sands.

Aug. 1 R. Sands paid his account by cheque after deducting the cash discount.

He then purchased additional goods on credit amounting to $175.

2020

May 31 R. Sands has not paid off his bill and has not been in contact for some time. The balance on his account was written off.

June 30 Carter decided to increase the provision that he made for doubtful debts by $40.

(b) open and write up the account in Carter's Ledger for the year ended 30th June 2020 for:

(i) R. Sands

[5]

(ii) Provision for Doubtful Debts

[3]

(iii) Bad Debts

[2]

(c) suggest **two** things that Carter can do to keep ***Bad Debts*** as low as possible.

STRATEGY 1

____

____ [1]

STRATEGY 2

____

____ [1]

TOTAL MARKS [14]

5. Complete the Extended Trial Balance as at 31st August, 2020 for Morgan taking into consideration the following adjustments:

- Stock at 31st August 2020 was $1 650
- Insurance Premium was prepaid $410
- A bonus of $300 is accrued in the Wages account
- Depreciation is to be provided for Vehicles at 25% reducing balance method

YOU ARE REQUIRED TO:

(a) record the adjustments needed in the **ADJUSTMENTS** column on page 23 [1]

(b) show the **TRADING, PROFIT & LOSS ACCOUNT** items in the appropriate columns on page 23 [4]

(c) complete the **BALANCE SHEET** entries in the appropriate columns on page 23 [5]

NOTE: ***Marks will be awarded for items requiring calculations, only.***

MORGAN
EXTENDED TRIAL BALANCE

	TRIAL BALANCE		ADJUSTMENTS		TRADING & PROFIT/ LOSS ACCOUNT		BALANCE SHEET	
	$	$	$	$	$	$	$	$
Bank	3150						3150	
Capital		18610						18610
Cash	300						300	
Delivery Expense	680				680			
Creditors		2500						2500
Debtors	3900						3900	
Drawings	11 600						11 600	
Insurance Premium	1700			410				
Vehicle	12000						12000	
Vehicle Expense	1100				1100			
Provision for Depreciation – ***Vehicle***		6300						
Purchases	27090				27090			
Rent Income		2000				2000		
Sales		42690				42690		
Stock at 1st September 2019	1370				1370			
Wages	9210		300					
	72100	**72100**						

[10]

(d) (i) explain what happens with the recording of the Stock as at 1st September 2019 that appears in the Trial Balance.

[2]

(ii) explain what happens with the recording of the Stock that appears among the ***Adjustments*** required as at 31st August 2020.

[2]

TOTAL MARKS [14]

End]