

Marking Scheme

1. (a)

Cash book							
2007			\$	2007			\$
1	31 Dec	Balance b/d	186,400	31 Dec	Trade debtors (i)	7,800	1.5
1.5		Trade debtors (vii)	3,900		Overdraft interest (ii)	2,660	1.5
					Trade debtors (iv)	19,000	1.5
					Insurance (vi)	6,000	1.5
					Balance c/d	154,840	1.5
			<u>190,300</u>			<u>190,300</u>	

(b)

Bank reconciliation statement as at 31 December 2007

Balance as per corrected cash book	154,840	
Add : Unpresented cheques (iii)	8,800	1
Bank errors (viii)	20,000	1
	<u>183,640</u>	
Less : Uncredited deposit (v)	36,680	1
Balance as per bank statement	<u>146,960</u>	1

2 (a)

Machinery account

2007		\$		2007		\$	
Jan 1	Balance b/f	300,000	0.5	Dec 31	Balance c/f	480,000	0.5
Mar 1	Bank	180,000	1				
		<u>480,000</u>				<u>480,000</u>	

(b)

Motor vehicles account

2007		\$		2007		\$	
Jan 1	Balance b/f	206,000	0.5	Oct 1	Disposal	120,000	0.5
Jul 1	Bank	360,000	0.5	Dec 31	Balance c/f	446,000	0.5
		<u>566,000</u>				<u>566,000</u>	

(c)

Provision for depreciation on machinery account

2007		\$		2007		\$	
Dec 31	Balance c/f	168,000	0.5	Jan 1	Balance b/f	72,000	0.5
		<u>168,000</u>		Dec 31	Profit and Loss	96,000	1
					[((\$300,000 + \$180,000) × 20%]		
						<u>168,000</u>	

(d)

Provision for depreciation on motor vehicles account

2007		\$		2007		\$	
Oct 1	Disposal	78,840	2	Jan 1	Balance b/f	106,000	0.5
	[\$120,000 – (\$120,000 × 0.7 ³)]						
	Balance c/f	152,812	0.5	Dec 31	Profit and Loss	125,652	2
		<u>231,652</u>			{[((\$206,000 – \$120,000) – (\$106,000 – \$78,840) + \$360,000] × 30%}		
						<u>231,652</u>	

(e)

Motor vehicles disposal account

2007		\$		2007		\$
Oct 1	Motor vehicles	120,000	0.5	Oct 1	Provision for depreciation	78,840 0.5
					Bank	15,000 1
					Profit and loss – loss on disposal	26,160 1
		<u>120,000</u>				<u>120,000</u>

3. (a)

Tennis Club

Bar trading account for the year ended 31 December 2007

	\$	\$
Sales		190,000 0.5
Less: Cost of good sold		
Opening stock	1,200	0.5
Add: Purchase	40,000	0.5
	41,200	
Less: Closing stock	2,400	38,800 0.5
Gross Profit		151,200
Steward's wages		20,000 0.5
Bar trading profit		131,200 0.5

(b)

Tennis Club

Income and expenditure account for the year ended 31 December 2007

	\$	\$
Income:		
Bar profit		190,000 0.5
Subscriptions (\$400,000 + \$6,000 - \$4,000 - \$3,000 + \$2,000)		401,000 3
Donations		6,900 0.5
Interest income		2,500 0.5
Profit on disposal of office equipment (\$10,000 - \$8,000)		2,000 1
		6,024,000
Expenditure:		
Rent (\$360,000 + \$24,000 - \$20,000)	364,000	2
Telephone and electricity	8,000	0.5
Accountancy fee	2,000	0.5
Depreciation on office equipment (\$100,000 - \$20,000) × 20%	16,000	390,000 2
Surplus for the year		212,400 0.5

4. (a)

Bank								
2007			S	2007			\$	
Jan 1	Balance c/f		512,373	1	Jan 21	Creditors (Workings)	152,666	1
Jan 21	Cash (balancing figure)		<u>352,624</u>	1	Jan 26	Balance c/f	<u>712,331</u>	1
			<u>864,997</u>				<u>864,997</u>	

Workings:

Trade Creditors								
2007			S	2007			\$	
Jan 21	Cash		10,080	1	Jan 1	Balance b/f	87,206	1
Jan 21	Bank (balancing figure)		152,666	1	Jan 26	Purchases	331,310	1
Jan 21	Balance c/f		<u>255,770</u>	1			<u>418,516</u>	
			<u>418,516</u>				<u>418,516</u>	

(b)

Calculation of the cash loss at 26 January 2007

	\$	\$	
Balance as at 1 January 2007		85,888	1
Add Cash sales		<u>478,600</u>	1
		564,488	
Less Cash expenses	31,778		1
Cash banked	<u>352,624</u>	<u>384,402</u>	1
Cash loss from burglary		<u>180,086</u>	1

- 5 (A) Errors of omission, errors of commission, errors of principle, compensating errors, errors of original entry, complete reversal of entries, transposition errors. **[Any 6, 0.5 mark each]**

(B)

(a)

Marco Company Software Company
The Journal

		Dr	Cr
Particulars		\$	\$
(i)	Computer	50,000	0.5
	Purchases		50,000 0.5
	Profit and Loss – depreciation (50,000 × 30%) [0.5]	15,000	0.5
	Provision for depreciation – Computer		15,000 0.5
(ii)	Bank (\$4,870 - \$4,800)	70	0.5
	Suspense		70 0.5
(iii)	Stock (\$5 × 500)	2,500	0.5
	Trading		2,500 0.5
(iv)	Trade creditors	28,000	0.5
	Trade Debtors	28,000	0.5
	Suspense		56,000 0.5
(v)	Drawings	1,230	0.5
	Insurance		1,230 0.5
(vi)	Salary	8,000	0.5
	Bank		8,000 0.5
(vii)	Sales	8,750	0.5
	Trade Debtors		8,750 0.5
(viii)	Discount allowed	540	0.5
	Returns inwards		540 0.5
(ix)	Suspense	870	0.5
	Trade Debtors		870 0.5
(x)	Cash (\$38,800 - \$38,000)	800	0.5
	Bank		800 0.5

(b)

Marco Company Software Company
Statement of adjusted net loss for the year ended 31 March 2007

		\$	\$	
	Net loss before adjustment		(6,530)	1
Add	(i) Purchase overstated	50,000		1
	(iii) Closing stock under-counted	2,500		1
	(v) Insurance overstated	1,230	53,730	1
			<u>47,200</u>	
Less	(i) Depreciation understated	15,000		1
	(vi) Salary omitted	8,000		1
	(vii) Sales Cancelled	8,750	(31,750)	1
	Net loss after adjustment		<u>15,450</u>	2

(c)

Suspense

		\$					
2004			2004				
1	Mar 31	Difference per trial balance	55,200	Mar 31	(ii) Bank	70	1
1	Mar 31	(ix) Trade Debtors	870	Mar 31	(iv) Trade Creditors	28,000	1
				Mar 31	(iv) Trade Debtors	28,000	1
			<u>56,070</u>			<u>56,070</u>	

6. (a)

Alpha Company

Manufacturing, Trading and Profit and Loss Account for the year ended 31 December 2007

	\$	\$	
Raw materials consumed:			
Stock of raw material as at 31 December 2006		84,950	0.5
Add Purchases of raw materials	1,682,000		0.5
Carriage inwards for raw materials	78,000	1,760,000	0.5
		<u>1,844,950</u>	
Less Stock as at 31 December 2007		<u>102,800</u>	0.5
Cost of raw materials consumed		1,742,150	0.5
Add Direct Labour		<u>210,000</u>	0.5
Prime Cost		1,952,150	0.5
Factory overheads:			
Utilities [(\$560,100 + \$7,800) × 75%]	425,925		0.5
Salaries and wages [(\$420,300 - \$22,000) × 60%]	238,980		0.5
Rent and rates [(\$234,900 - \$10,930) × 80%]	179,176		0.5
Printing and Stationery (\$63,900 × 25%)	15,975		0.5
Insurance (\$74,020 × 85%)	62,917		0.5
Repairs to plant and machinery	82,670		0.5
Telephone and fax (\$27,270 × 25%)	6,818		0.5
Indirect Labour	153,000		0.5
Provision for depreciation – Furniture and fittings	12,900		0.5
(\$430,000 × 15% × 20%)			
– Plant and machinery (\$975,000 × 15%)	146,250	1,324,611	0.5
		<u>3,276,761</u>	
Add Stock of work-in-progress as at 31 December 2006		69,300	0.5
		<u>3,346,061</u>	
Less Stock of work-in-progress as at 31 December 2007		<u>108,030</u>	0.5
Production cost of goods completed c/d		<u>3,238,031</u>	0.5
Sales		4,359,000	0.5
Less Cost of goods sold			
Stock of finished goods as at 31 December 2006	54,200		0.5
Add Production cost of goods completed c/d	3,238,031		0.5
		<u>3,292,231</u>	
Less Stock of finished goods as at 31 December 2007	125,000	<u>3,167,231</u>	0.5
Gross Profit		1,191,859	0.5

Discount received		<u>20,700</u>	0.5
		1,212,559	
Less Expenses:			
Discount allowed	105,200		0.5
Sales commission (\$107,000 + \$15,800)	123,000		0.5
Utilities [(\$560,100 + \$7,800) × 25%]	141,975		0.5
Salaries and wages [(\$420,300 - \$22,000) × 40%]	159,320		0.5
Rent and rates [(\$234,900 - \$10,930) × 20%]	44,794		0.5
Printing and Stationery (\$63,900 × 75%)	47,925		0.5
Insurance (\$74,020 × 15%)	11,103		0.5
Bad debts	18,300		0.5
Telephone and fax (\$27,270 × 75%)	20,452		0.5
Administration expenses	181,000		0.5
Carriage outwards	87,800		0.5
Provision for depreciation – Furniture and fittings	51,600		0.5
	(\$430,000 × 15% × 80%)		
	– Office Equipment	96,600	1,089,069 0.5
	(\$483,000 × 20%)		
Net profit		<u>123,490</u>	0.5

(b)

Alpha Company
Balance as at 31 December 2007

	Cost	Aggregate Depreciation	Net Book Value	
	\$	\$	\$	
Fixed Assets				
Furniture and fittings	430,000	187,500	242,500	0.5
Plant and machinery	975,000	362,950	612,050	0.5
Office equipment	483,000	194,800	288,200	0.5
	<u>1,888,000</u>	<u>745,250</u>	<u>1,142,750</u>	
Current Assets				
Stock as at 31 December 2007:		102,800		0.5
Raw materials		108,030		0.5
Work-in-progress		125,000		0.5
Finished goods				
Trade debtors	172,800			0.5
Less Provision for bad debts	<u>17,800</u>	155,000		0.5
Prepayment of salaries and wages		22,000		0.5
Prepayment of rent and rates		10,930		0.5
Cash at bank		310,580		0.5
Cash in hand		<u>132,000</u>		0.5
		966,340		
Less Current Liabilities				
Trade creditors	162,000			0.5
Accrual on sales commission	15,800			0.5
Accrual on utilities	<u>7,800</u>	185,000		0.5
Net current assets			<u>780,740</u>	0.5
			<u>1,923,490</u>	
Financed by:				
Capital as at 31 December 2006			1,800,000	0.5
Net Profit			<u>123,490</u>	0.5
			<u>1,923,490</u>	

7. (a)

Calculation of profit for the period from 1 Jan 2007 to 30 Apr 2007

	\$	
Net assets at 30 April 2007 (\$489,240 - \$17,640)	471,600	1
Add: Drawings (\$36,000 + \$61,200)	97,200	1
	568,800	
Less: Net assets at 31 December 2006 (\$450,000 + \$4,320)	454,320	1
Profit from 1 Jan 2007 to 30 April 2007	<u>114,480</u>	1

(b)

Capital

		Lau	Chun	Kwok				Lau	Chun	Kwok	
2007		\$	\$	\$		2007		\$	\$	\$	
Apr 30	Goodwill adjustment	-	18,000	27,000	1	Jan 1	Bal b/d	162,000	288,000	-	1
	Bank (211,680 × 1/4)	52,920	-	-	1	Apr 30	Current	4,680	-	-	0.5
	Loan – Lau	158,760	-	-	1		Goodwill adjustment	45,000	-	-	0.5
	Bal c/d	-	270,000	92,000	1		Bank	-	-	119,000	1
		<u>211,680</u>	<u>288,000</u>	<u>119,000</u>				<u>211,680</u>	<u>288,000</u>	<u>119,000</u>	

Current

		Lau	Chun	Kwok				Lau	Chun	Kwok	
2007		\$	\$	\$		2007		\$	\$	\$	
Apr 30	Drawings	36,000	61,200	-	1	Jan 1	Bal b/d	2,520	1,800	-	1
	Capital	4,680	-	-	1	Apr 30	Share of profit (1:2)	38,160	76,320	-	2
	Bal c/d	-	16,920	-	0.5			<u>40,680</u>	<u>78,120</u>	<u>-</u>	
		<u>40,680</u>	<u>78,120</u>	<u>-</u>				<u>40,680</u>	<u>78,120</u>	<u>-</u>	

Workings:

Goodwill adjustments:

Partner	Before	After	Adjustment	
Lau	(1/3) \$45,000	-	Cr Capital: Lau \$45,000	1
Chun	(2/3) \$90,000	(4/5) \$108,000	Dr Capital: Chun \$18,000	1.5
Kwok	-	(1/5) \$27,000	Dr Capital: Kwok \$27,000	1

(c)

Chun and Kwok
Balance Sheet as at 1 May 2007

Fixed Assets	\$	\$	\$
Buildings, at net book value		299,880	0.5
Equipment, at net book value		<u>62,640</u>	0.5
		362,520	
Current Assets			
Stock	21,620		0.5
Debtors	44,460		0.5
Bank (\$60,660 + \$119,000 - \$52,920)	<u>126,740</u>		2
	192,800		
Less: Current Liabilities			
Creditors	17,640		0.5
Loan – Lau	<u>158,760</u>	<u>176,400</u>	1
Net Current Assets		<u>16,400</u>	0.5
		<u>378,920</u>	
Financed by:			
Capital Accounts			
Chun		270,000	1
Kwok		<u>92,000</u>	1
Current Accounts		362,000	
Chun		<u>16,920</u>	1
		<u>378,920</u>	