

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA**SECONDARY EDUCATION CERTIFICATE LEVEL****MAY 2016 SESSION**

SUBJECT:	Accounting
PAPER NUMBER:	I
DATE:	26 th April 2016
TIME:	9:00 a.m. to 11:05 a.m.

Answer ALL questions. Question 1-10 are multiple choice and carry 2 marks each. Questions 11-14 carry 20 marks each.

Write on the booklet the correct **answer** for each of the following.

- The purpose of a suspense account is to:
 - locate accounting errors.
 - correct accounting errors.
 - prepare the statement of profit or loss.
 - replace the double entry system by journal entries.
- A sales ledger account has a debit balance. A receipt of 98% in full settlement of the account requires the following discount account entry:

<i>Debit</i>	<i>Credit</i>
a) Discount received account	Trade receivable account
b) Cash account	Discount received account
c) Bank account	Discount allowed account
d) Discount allowed account	Trade receivable account
- The allowance for doubtful debts account had a credit balance of €1,250 on 1 January 2015. On 31 December 2015 the allowance account balance was revised and the new balance was €1,000. A loss of €1,250 was charged in the calculation of the net profit of 2015. The net profit of 2015 was:
 - overstated by €250.
 - understated by €250.
 - understated by €1,500.
 - correct.
- Identify which of the following is classified as revenue expenditure:
 - The purchase of office equipment for business use.
 - The settlement of the water and electricity bill.
 - The increase of the firm's fleet of vehicles by a new van.
 - The installation cost of new machinery.

5. Which of the following is not an advantage which can be enjoyed by a sole trader?
- a) Easy to set up.
 - b) Personal attention to clients and workers.
 - c) Decisions are taken quickly.
 - d) Limited liability.
6. Lisa started a business with €40,000 cash and property worth €120,000. At the end of her first year she has €20,000 in the bank, property worth €120,000 and other assets valued at €50,000. If she has withdrawn €28,000 from the business during the year for private expenses, she has made:
- a) €20,000 loss.
 - b) €30,000 profit.
 - c) €2,000 profit.
 - d) €58,000 profit.
7. A stock sheet with a total of €4,000 had not been included in the valuation of the end of year inventory. The net profit and the current assets in the statement of financial position are:
- a) correct.
 - b) understated.
 - c) understated net profit and overstated current assets.
 - d) overstated net profit and understated current assets.
8. The sales returns account is found in the:
- a) general ledger.
 - b) sales ledger.
 - c) sales returns journal.
 - d) sales journal.
9. Which of the following expenditure is not classified as a variable cost?
- a) Purchases of raw materials.
 - b) Direct manufacturing wages.
 - c) Commission on sales.
 - d) Production supervisors' wages.
10. Non-current assets plus current assets minus current liabilities is the:
- a) working capital of business.
 - b) return on capital employed of a business.
 - c) capital employed of a business.
 - d) none of the above.
11. a) "The purpose of depreciation is to spread the cost of a non-current asset over its useful economic life." Identify and explain the accounting concept. (3 marks)
- b) Name and explain the accounting concept applied in the creation of an allowance for doubtful debts. (3 marks)
- c) List **three** users of financial statements and identify their main interest. (3 marks)
- d) Distinguish between bank charges and bank overdraft interest charges. (2 marks)

- e) On 31 March 2016 the bank balance in the cash book of Gamri shows an overdraft of €2,650. On examining the bank statement he notices the following:
- I. He has omitted bank charges of €570.
 - II. A direct debit of €460 for the payment of communication expenses had not been included in his cash book.
 - III. Deposits into the bank of €3,250 were not yet recorded in the bank statement.
 - IV. A receipt from a customer of €1,410 was only recorded in the bank statement.
 - V. Cheques paid to suppliers of €6,800 had not been presented to the bank for payment.

Required

- i) An updated cash book at 31 March 2016. (5 marks)
- ii) A bank reconciliation statement at 31 March 2016. (4 marks)

12. a) The following information relates to two departments of a local store selling groceries and frozen foods:

	Department A	Department B	Total
	€	€	
Sales	800,000	400,000	
Gross Profit	400,000	40,000	
Average inventory	40,000	15,000	
Wages	285,000	9,000	
Rent			40,000
Water & electricity			8,000
Selling expenses			15,000
Capital employed			415,000
Floor area	90%	10%	

Rent and water & electricity are apportioned between the two departments on the basis of floor area whereas selling expenses are apportioned on the basis of sales.

Using the figures given above, calculate the following:

- i) Gross profit margin (%) for each department; (2 marks)
 - ii) Rate of inventory (stock) turnover for each department; (2 marks)
 - iii) Net profit of each department; (5 marks)
 - iv) Return on capital employed (%) of the business as a whole. (1 mark)
- b) Analysing the results of the above ratios, state which department sells the grocery goods giving **one** reason for your answer. (2 marks)
- c) Distinguish between allocation and apportionment. Give **one** example in each case. (3 marks)
- d) State the purpose of the profitability ratios and the liquidity ratios. (4 marks)
- e) State **one** benefit of long term borrowing. (1 mark)
13. a) What is a trade receivable control account (sales ledger control account)? (2 marks)
- b) List **four** books of original entry. (2 marks)
- c) What is the purpose of a manufacturing account? (2 marks)
- d) What is meant by 'direct cost' and 'indirect cost'? Give **one** example of each cost. (4 marks)

e) From the following factory data prepare the manufacturing account of Manifattura Ltd.

	€
Insurance	12,500
Water & electricity	26,000
Sundry factory expenses	9,400
Wages : direct	425,500
: indirect	165,500
Depreciation of machinery	46,000
Factory rent	24,000
Opening inventory of raw materials	52,000
Closing inventory of raw materials	56,000
Purchases of raw materials	480,000
Power to run the machines	19,000
Royalties	11,000
Carriage inwards on raw materials	12,900
Opening inventory of work in progress	24,500
Closing inventory of work in progress	22,500
Repairs & maintenance	31,000

(10 marks)

14. a) What is a partnership deed? (2 marks)
- b) What is a partnership profit and loss appropriation account? (2 marks)
- c) Distinguish between capital and current accounts in the books of a partnership. (4 marks)
- d) List **one** reason for a debit balance in a partner's current account. (2 marks)
- e) Mattea and Lara are partners in a business. The partnership agreement states that:
- Capital carries an interest rate of 5% per annum;
 - Mattea, who runs the business, has an annual salary of €20,000;
 - Profits and losses are to be shared equally between them.

Additional Information:

- On 1 January 2015 the following balances appeared in the books:

	Mattea	Lara
	€	€
Capital	100,000	140,000
Current	5,800(Dr)	4,100(Cr)

- During the year ended 31 December 2015 they withdrew these amounts:

	Mattea	Lara
	€	€
Drawings	32,000	18,500

- The remaining profit to be shared between the partners is €21,000.

Required

The Partners' current accounts.

(10 marks)

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD
UNIVERSITY OF MALTA, MSIDA

SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2016 SESSION

SUBJECT:	Accounting
PAPER NUMBER:	IIA
DATE:	27 th April 2016
TIME:	9:00 a.m. to 11:05 a.m.

Answer BOTH questions in Section A and ANY TWO questions from Section B.

SECTION A: Answer BOTH questions in this Section. This Section carries 60 marks.

1. Max has been in business for a number of years selling sports wear and sports equipment. He did not keep proper books of account but with the help of his son who is studying accounting he was able to extract the following details from the few records that are available.

	1 April 2015	31 March 2016
	€	€
Inventory at cost	45,000	48,100
Furniture & Fittings at cost	60,000	85,000
Accumulated depreciation	24,000	?
Selling expenses still unpaid	2,300	2,900
Insurance paid in advance	1,000	1,200
Bank	11,500	30,100
Cash in hand	300	200
Trade receivables	75,500	70,500
Trade payables	52,500	56,500
Allownces for doubtful debts	3,000	?
Capital	111,500	?

A summary of Max's bank statements for the year to 31 March 2016 includes:

	€		€
Receipts from trade receivables	680,100	Payments to trade payables	478,200
Cash sales banked	17,300	Communication expenses	25,200
		Water & electricity	6,300
		Rent	18,000
		Wages	86,500
		Selling expenses	11,400
		Insurance	15,400
		General expenses	12,800
		New fittings	25,000

- i. The business sales are mainly on credit. However, Max has a few customers who pay immediately in cash. Cash sales are banked with the exception of:
 - €150 per week which are paid for cleaning expenses; and
 - €3,500 each month for Max's personal use.
- ii. Discounts amounting to €2,500 were received from trade creditors during the year.
- iii. Discounts of €3,500 were allowed to trade debtors during the year and €1,500 due from a debtor had been written off as irrecoverable debts.

- iv. Sales returns and purchases returns of €2,400 and €1,600 respectively have been recorded.
- v. The reducing balance method of depreciation is applied charging 40% on the non-current assets held in the business at the end of the year.
- vi. The trade receivables at the end of the year include an amount of €2,500 due from a debtor that is unlikely to be collected. In addition to this specific allowance, a general allowance of 2.5% of the remaining trade receivables is to be made.

Required

- a) The cash account. (5 marks)
 - b) The sales ledger control account and the purchase ledger control account. (8 marks)
 - c) A statement of profit or loss (income statement) for the year ended 31 March 2016 and a statement of financial position as at that date. (17 marks)
- (Total 30 marks)

2. On 1 January 2015 Foxes plc had the following balances in its books:

	Cost €	Depreciation €
Equipment	90,000	?
Machinery	140,000	75,000

It is the company’s policy to depreciate equipment for each proportion of a year whereas a full year’s depreciation is charged on all machines in use at the end of each year.

The following table relates to the equipment owned by Foxes plc:

Equipment No.	Date of Purchase	Cost- €	Depreciation
E1	1 January 2012	35,000	5 years: €5,000 expected residual value
E2	1 July 2012	25,000	20% straight line
E3	1 April 2014	30,000	20% straight line

Machinery is depreciated by 40% per annum using the reducing balance method. During the year ended 31 December 2015 the following transactions took place:

1 April 2015	Equipment E1 was sold for €12,500. The cheque received was used to buy Equipment E4 costing €20,000. The balance of €7,500 will be paid by monthly installments starting in 2016. The new equipment is depreciated by charging 20% annually using the straight line method.
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Required

Show the following accounts and financial statement extracts as they would appear in the books of Foxes plc for the year ended 31 December 2015:

- a) Equipment account. (5 marks)
 - b) Allowance for Depreciation-Equipment account. (10 marks)
 - c) Disposal of Equipment account. (7 marks)
 - d) Allowance for Depreciation-Machinery account. (5 marks)
 - e) An extract of the statement of financial position showing the non-current assets. (3 marks)
- (Total 30 marks)

SECTION B: Answer any TWO questions. This Section carries 40 marks.

3. The Kids Health & Fun Club does not keep a full set of accounting records. However, the treasurer managed to extract the following details from the records that are available:

Balances as at:	1 April 2015	31 March 2016
	€	€
Equipment at cost	25,500	25,500
Prepaid subscriptions	150	200
Accrued subscriptions	550	?
Accrued communication expenses	210	160
Prepaid communication expenses	80	60
Bar inventory	870	920
Bar payables	750	830

A summary of receipts and payments for the year ended 31 March 2016 is as follows:

	€
Subscriptions	9,150
Communication expenses	2,900
General expenses	1,250
Bar takings	8,450
Payments to bar creditors	6,380
Rent	2,000
Insurance	960
Water & electricity	630

The following additional information is also available:

- i. It is the club's policy to write off any subscriptions that have been in arrears for more than one year. During the year two members who owed last year's subscription have been struck off the membership list. The annual subscription fee of €50 per annum has remained the same as that of last year.
- ii. The club had 185 members on 31 March 2016 (after striking off from the club's register the two members who had failed to pay last year's subscription).
- iii. A full year's depreciation is to be charged on equipment at a rate of 10% per annum.

Required

- a) The subscriptions account. (7 marks)
 - b) Communication expenses account. (3 marks)
 - c) A bar trading account for the year ended 31 March 2016. (5 marks)
 - d) An income and expenditure account for the year ended 31 March 2016. (5 marks)
- (Total 20 marks)

Please turn the page.

4. The trial balance of Park Ltd at 31 March 2016 failed to agree. A suspense account has therefore been opened, and subsequently the following errors and omissions were discovered which, when corrected, eliminated the balance on the suspense account.
- The purchases returns day book had an undercast of €250.
 - An invoice of €500 issued to a credit customer was correctly posted to the sales ledger but incorrectly entered in the purchases day book.
 - Discounts received €350 were incorrectly posted to the discounts allowed account.
 - A refund for an insurance payment of €80 received during March was accounted for as a payment for insurance expenses.
 - A cheque of €750 received from Klopp Ltd has been returned by the bank marked “refer to drawer” but no accounting entries have been made.
 - A trade payable account of €1,200 of T.Kop, and a trade receivable account of €1,500 for the same person had to be offset but the set-off had been overlooked.

Required

- Journal entries to correct the above errors (narratives are not required). (14 marks)
 - A suspense account showing the difference in the trial balance. (6 marks)
- (Total 20 marks)

5. Win-it-All Ltd has an authorised ordinary share capital of 500,000 shares of €2 each. The company has issued 400,000 shares and during the year an interim dividend of 8% has been paid. The following balances are in the books at 31 March 2016, the end of the financial year:

	€		€
Ordinary share capital	?	Interim dividend	?
Share premium	50,000	Sales	1,600,000
Retained earnings 1 April 2015	185,000	Cost of sales	950,000
Property	1,000,000	Wages & salaries	175,000
Trade receivables	142,150	Selling expenses	35,500
Machinery	400,000	Water & electricity	12,700
Depreciation machinery 1 April 2015		Communication expenses	8,600
Machinery	50,000	Irrecoverable debts	2,100
Trade payables	45,000	Bank overdraft interest	1,150
Inventory 31 March 2016	151,000	Rent received	11,000
6% Debentures	200,000	Sundry expenses	5,600
Bank overdraft	75,000	General administrative expenses	68,200

The above list of balances has not taken into account the following:

- Directors fees of €40,000 are still due.
- The interest on debentures for the year has not been paid.
- The annual depreciation on machinery of 25% using the reducing balance method.
- The rent receivable is €1,000 per month.
- A transfer of €25,000 to a general reserve.

Required

- A statement of profit or loss for the year ended 31 March 2016. (6 marks)
 - The appropriation of the profit for the year. (6 marks)
 - A statement of financial position at 31 March 2016. (8 marks)
- (Total 20 marks)

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SECONDARY EDUCATION CERTIFICATE LEVEL

MAY 2016 SESSION

SUBJECT:	Accounting
PAPER NUMBER:	IIB
DATE:	27 th April 2016
TIME:	9:00 a.m. to 11:05 a.m.

Answer BOTH questions in Section A and ANY FOUR questions from Section B.

SECTION A: Answer BOTH questions in this Section. This Section carries 40 marks.

1. Martina has been in business for a number of years selling fashion wear. She did not keep proper books of account but she was able to extract the following details.

	1 April 2015	31 March 2016
	€	€
Inventory at cost	35,000	37,500
Furniture & fittings at cost	40,000	40,000
Accumulated depreciation	24,000	28,000
Selling expenses still unpaid	2,100	2,600
Insurance paid in advance	1,000	1,200
Bank	1,500	?
Trade receivables	15,500	27,200
Trade payables	9,600	16,500
Allowances for doubtful debts	3,000	3,400
Capital	54,300	

A summary of Marija's bank statements for the year to 31 March 2016 includes:

	€		€
Receipts from trade receivables	310,100	Payments to trade payables	198,200
		Communication expenses	8,200
		Water & electricity	2,300
		Rent	6,000
		Wages	26,500
		Selling expenses	11,400
		Insurance	15,400
		General expenses	12,800
		Drawings	26,000

The business purchases and sales are on credit.

Required

- a) The sales ledger control account and the purchase ledger control account. (6 marks)
- b) A statement of profit or loss (income statement) for the year ended 31 March 2016 and a statement of financial position as at that date. (14 marks)
- (Total 20 marks)

2. The statement of financial position of Fruit & Veg Ltd at 31 December 2014 included the following balances:

	Cost	Depreciation
	€	€
Machinery	60,000	25,000
Equipment	50,000	28,000

During the year ended 31 December 2015 the following non-current asset transactions took place:

1 Apr 2015 Old equipment bought on 1 October 2011 for €20,000 was sold for €5,000.

1 July 2015 The purchase of a new machine costing €15,000.

It is the policy of the company to provide a whole year's depreciation to the non-current assets held at the end of the financial year using the following methods and rates:

Machinery	Reducing balance method	25% p.a.
Equipment	Straight line method	20% p.a.

Required

- a) The machinery account. (3 marks)
 - b) The machinery allowance for depreciation account. (4 marks)
 - c) The equipment account. (3 marks)
 - d) The equipment allowance for depreciation account. (6 marks)
 - e) The disposal of equipment account. (4 marks)
- (Total 20 marks)

SECTION B: Answer ANY FOUR questions from this Section. This Section carries 60 marks.

3. Pinu is an inexperienced junior accountant. He has drawn up a trial balance but it failed to agree. The debit side exceeded the credit side by €2,600. On further examination he finds the following:
- i) A credit note received from a supplier of €80 had not been posted to the accounts.
 - ii) The purchases daybook had an undercast of €200.
 - iii) Payments of €800 to trade payables have not been posted to the purchases ledger.
 - iv) Payments of €1,600 for wages have been debited in the bank account.
 - v) Goods withdrawn by the owner for his personal use, €400, were recorded only in the drawings account.

Required

- a) The journal entries to correct the above errors (narrations are not required). (10 marks)
 - b) The suspense account. (5 marks)
- (Total 15 marks)

4. The statements of financial position of the Ramblers Club on 31 December 2014 and 2015 include the following items:

	2014	2015
	€	€
Current Assets		
Other receivables:		
Accrued subscriptions	260	320
Prepaid insurance	200	300
Current Liabilities		
Other payables:		
Prepaid subscriptions	100	120
Accrued wages	1,600	2,100

During the year ended 31 December 2015 the following receipts and payments were recorded:

	€
Wages total for year	22,300
Insurance total for year	3,150
Subscriptions	12,600

Required

- a) The subscriptions account. (7 marks)
 - b) The wages account. (4 marks)
 - c) The insurance account. (4 marks)
- (Total 15 marks)

5. Toni, a wholesaler, effected the following transactions during the first week of February.

- 1 Feb** Purchased goods list price €20,000 from Easy Buy Ltd, trade discount being 20%. Paid €2,000 on account by cheque.
- 2 Feb** Sold some of these goods to Style Ltd on credit for €8,500 and some for cash for €2,400. Style Ltd returned some goods with a sales value of €500.
- 3 Feb** Paid Easy Buy Ltd by cheque the outstanding balance less 5 % cash discount.
- 4 Feb** Style Ltd settled 50% of the account by cheque, a cash discount of 5% being allowed on the amount settled.

Required

Record the above transactions in Toni's ledger. (15 marks)

Please turn the page.

6. Momo Ltd has an authorised ordinary share capital of 500,000 shares of €1 each. The company has issued 400,000 shares. The following balances are in the books at 31 March 2016, the end of the financial year:

	€
Ordinary share capital:	
Authorised	500,000
Issued	400,000
Share premium	50,000
Retained earnings 1 April 2015	185,000
Machinery	400,000
Depreciation machinery 31 March 2016	80,000
Interim ordinary dividend	48,000
Trade payables	45,000
Inventory 31 March 2016	151,000
6% Debentures	200,000
Bank overdraft	65,000
Accrued interest on debentures	6,000
Property	550,000
Trade receivables	51,000
General reserve	32,000
Net profit for the year	137,000

Required

- a) The appropriation of the profit for the year.
 b) A statement of financial position at 31 March 2016.

(3 marks)
 (12 marks)
 (Total 15 marks)

7. The following is a summary of the petty cash transactions of Sara in the first fifteen days of March 2016:

		€
March	1 The receipt of the petty cash float	200
	2 Postage	17
	3 Cleaning	24
	4 Travelling	21
	7 Stationery	26
	8 Diesel for delivery van	25
	10 Cleaning	24
	12 Travelling	10
	13 Postage	12
	14 Delivery van maintenance	30

Required

Rule up a suitable petty cash book with analysis columns for expenditure on cleaning, postage and stationery, travelling, motor expenses and enter the above transactions.
 Enter the receipt of the amount necessary to restore the imprest and carry down the balance.

(Total 15 marks)