

- 1 The ZED Sports Club has a shop which sells sportswear. The following details relate to the shop for the year ended 29 February 2020.

	\$
Opening inventory	900
Closing inventory	970
Purchases	7600
Mark-up	40%

REQUIRED

- (a) Calculate the shop sales for year ended 29 February 2020.

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..... [4]

All the shop sales and purchases are for cash. All the club's receipts are paid into the bank and all payments are made by cheque. On 1 March 2019 the club's bank balance was overdrawn by \$845.

In addition to the shop sales and purchases, the following receipts and payments were made during the year ended 29 February 2020.

	\$
Subscriptions received	11 400
Competition fees received	915
Payments for competition prizes	390
Purchases of fittings	4 000
Rent and insurance	4 575
Wages of shop assistant	2 000

PLEASE TURN OVER

2 Ame provided the following balances from his books at 31 March 2020.

	\$
Capital	10 369
Drawings	4 000
Equipment at cost	15 500
Provision for depreciation of equipment	3 100
Inventory at 1 April 2019	1 765
Trade receivables	1 290
Bank overdraft	475
Trade payables	1 600
Sales	31 250
Purchases	18 330
Purchases returns	910
Carriage inwards	640
Discount received	815
Commission receivable	1 500
Rent and insurance	5 700
Office expenses	2 425

Ame later discovered several errors had been made in the accounting records.

REQUIRED

- (b) Complete the table to show the entries required to **correct each** error. The first one has been completed as an example.

Error	Entries required to correct the error			
	Debit		Credit	
	Account	\$	Account	\$
No entry had been made for cash sales, \$60.	<i>Cash</i>	<i>60</i>	<i>Sales</i>	<i>60</i>
Office expenses, \$240, had been credited to the wages account. No debit entry had been made.

The purchases journal total for March 2020 was \$2165. This amount was incorrectly recorded in the purchases account as \$2651.

An insurance payment, \$375, had been correctly recorded in the cash book but no other entry had been made.

The purchase of equipment, \$800, was correctly recorded in the cash book but debited to the office expenses account.

[9]

(c) Prepare the suspense account. Start with the difference on the trial balance prepared in Part (a). Balance or total the account as necessary.

Ame
Suspense account

Date	Details	\$	Date	Details	\$
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[5]

[Total 20]

- 3 Chippo owns a manufacturing business which produces product S. She provided the following information for the year ended 30 April 2020.

	\$
Revenue	254 000
Purchases of raw materials	46 500
Purchases of finished goods	59 000
Wages of factory operatives	38 250
Royalties paid to the inventor of product S	7 690
Factory general expenses	4 500
Factory fuel and power	5 325
Rent and insurance	28 000
Factory machinery at cost	60 000
Provision for depreciation of factory machinery	21 600
Inventory at 1 May 2019: raw materials	3 120
work in progress	5 400
finished goods	8 220

Additional information

- 1 Factory machinery is depreciated at 20% per annum using the reducing balance method.
- 2 Rent and insurance is to be split equally between the factory and the office.
- 3 The annual salary of the factory supervisor is \$28 500.
- 4 Closing inventory at 30 April 2020 was:

	\$
Raw materials	3 000
Work in progress	5 590
Finished goods	7 885

4 Rani is a trader. Her financial year ends on 31 March.

She provided the following information about her three types of inventory at 31 March 2020.

Inventory item	Number of units	Cost per unit	Selling price per unit	Selling expenses per unit
		\$	\$	\$
A	110	17	20	2
B	85	18	19	1
C	90	15	16	2

REQUIRED

(a) Calculate the total value of Rani’s inventory at 31 March 2020.

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Rani later discovered that she had an amount of inventory of item D at 31 March 2020. This inventory originally cost \$1660. She considered this inventory to be obsolete.

REQUIRED

(b) Explain to Rani how the value of the inventory of item D affected the profit for the year ended 31 March 2020.

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..... [2]

Rani earns advertising income by placing advertising boards in her shop window. The following details relate to her advertising income.

On 1 April 2019 Rani had received \$420 in advance, and \$300 was owed to her.

During the year ended 31 March 2020, Rani received cheque payments totalling \$6000. She decided to write off the amount of \$300 due to her.

On 31 March 2020 Rani had received \$500 in advance, and \$400 was owed to her.

REQUIRED

- (d) Prepare the advertising income account in the ledger of Rani for the year ended 31 March 2020. Balance the account and bring down the balances on 1 April 2020.

Rani
Advertising income account

Date	Details	\$	Date	Details	\$
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[7]

- (e) Explain to Rani the effect on gross profit of recording sales of inventory as advertising income.

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..... [2]

[Total: 20]

PLEASE TURN OVER

5 MPT Limited prepares its financial statements to 30 April each year.

The company's retained earnings at 1 May 2019 were \$14 000. The general reserve was \$35 000.

During the year ended 30 April 2020 the following took place.

- 1 The company made a profit for the year of \$28 000 after charging debenture interest.
- 2 A transfer of \$5000 was made to the general reserve.
- 3 A dividend of \$4500 was paid. No other dividends were payable for the year.

MPT Limited provided the following balances at 30 April 2020.

	\$
Fixtures and equipment at book value	152 000
Motor vehicles at book value	60 400
Inventory	30 330
Bank overdraft	6 200
Trade payables	24 900
Trade receivables	31 500
Provision for doubtful debts	630
5% Debentures (repayable 2025)	20 000
Ordinary share capital	150 000

REQUIRED

(a) Calculate the retained earnings of MPT Limited at 30 April 2020.

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The directors of MPT Limited are considering using the general reserve to repay the bank overdraft.

REQUIRED

(c) State why it is not appropriate to use the general reserve to repay the bank overdraft.

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(d) Calculate the return on capital employed (ROCE) for the year ended 30 April 2020. The calculation should be correct to **two** decimal places and should be based on closing capital employed.

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