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SUBJECT: **Accounting**  
 PAPER NUMBER: I  
 DATE: 25<sup>th</sup> April 2024  
 TIME: 4:00 p.m. to 6:05 p.m.

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

**For questions 1 to 10, copy the following table on your booklet and insert the letter that best describes the correct answer in the row below the question number.**

1	2	3	4	5	6	7	8	9	10

- A journal is:
  - a list of debit and credit balances.
  - a list of income and expenses.
  - a list of assets and liabilities.
  - a book of original entry.
- The purchases return account is maintained in:
  - the purchases ledger.
  - the purchases return day book.
  - the general ledger.
  - the cash book.
- An invoice issued to a customer is a document for:
  - a cash sale.
  - a credit sale.
  - a sale return.
  - a statement of account.
- Ben started a business with €80,000 in cash and a vehicle worth €25,000. At the end of his first year in business, he has €2,000 in the bank and the vehicle is now worth €22,500. He has machinery valued at €15,500, inventories of €20,000 and trade receivables amounting to €8,000 and he owes €5,000 to trade payables. If he has withdrawn €2,500 from the business every month for private expenses, he has made:
  - a profit of €12,000.
  - a loss of €12,000.
  - a profit of €30,000.
  - a loss of €3,000.

***These questions continue on next page.***

5. A loss on the disposal of an asset shows that a non-current asset:
- has been sold for less than its current market value.
  - has been sold at its net book value.
  - has been sold at its original cost.
  - has had an undercharge of depreciation over its useful life.
6. On 1 January 2023, the allowance for doubtful debts account had a balance of €450. At the end of the year a specific allowance was required for a trade receivable account of €700 that was unlikely to be collected. The correct double entry at 31 December 2023 is:
- | <b>Debit</b>                 |          | <b>Credit</b>             |          |
|------------------------------|----------|---------------------------|----------|
| (Account)                    | <b>€</b> | (Account)                 | <b>€</b> |
| a) Allowance for doubt debts | 1,150    | Profit and Loss (SOPL)    | 1,150    |
| b) Allowance for doubt debts | 700      | Profit and Loss (SOPL)    | 700      |
| c) Profit and Loss (SOPL)    | 250      | Allowance for doubt debts | 250      |
| d) Allowance for doubt debts | 700      | Trade receivables         | 700      |
7. Which of the following is directly allocated to a department when preparing a departmental statement of profit or loss?
- purchases.
  - water and electricity.
  - rent.
  - none of the above.
8. The proprietor of a business had taken inventory for personal use. This withdrawal was **not** accounted for. What is the effect of this omission?
- overstated net profit.
  - understated net profit.
  - overstated net profit and overstated capital.
  - understated net profit and overstated capital.
9. Which of the following accounts is expected to present a credit balance?
- the accumulated fund account.
  - the discount allowed account.
  - the carriage on sales account.
  - the cash account.
10. The depreciation policy of a company has remained unchanged for a number of years. This statement reflects the:
- materiality concept.
  - cost concept.
  - consistency concept.
  - going-concern concept.

**(Total: 20 marks)**

11. a) What is a petty cash book? (1)  
 b) Explain the meaning of a petty cash voucher and petty cash imprest system. (2)  
 c) Why is a manufacturing account prepared? (1)  
 d) Differentiate between direct costs and indirect costs. Give **TWO** example of **each**. (6)  
 e) The following are few of the balances taken from the accounts of Marija's business that produces handmade candles of one standard size and design:

<b>Balances at 31 December 2023</b>	
	<b>€</b>
Cost of raw materials used	15,000
Wages	25,000
Workshop rent	4,800
Insurance	2,000
Workshop water and electricity	1,500
Production equipment	20,000
Inventory of finished candles 1 January 2023	2,160
Sales	62,400

In addition to the above balances, Marija provided you with the following additional information:

- Marija employs two assistants, one assists her in the production of candles and the other employee is responsible for sales and delivery. Wages are shared equally between them.
- The workshop insurance is 60% of the total cost of insurance.
- Production equipment is depreciated annually at 10% of the cost.
- During the year, 5,000 candles were produced, and 5,200 candles were sold.
- On 1 January 2023 there were 300 candles in inventory. Inventory is valued at the current cost of production.

**Required:**

- i) The manufacturing account for the year ended 31 December 2023, clearly showing the prime cost and the cost of production. (6)  
 ii) The statement of profit or loss for the year ended 31 December 2023, up to the calculation of gross profit. You are to clearly show the working for the value of closing inventory of finished goods. (4)

**(Total: 20 marks)**

12. a) What is a trial balance? Name the purpose of a trial balance. (1,1)  
 b) Explain why a business maintains day books and ledgers. (4)  
 c) Differentiate between dishonoured cheques and unrepresented cheques. (2)  
 d) Distinguish between a receipts and payments account and an income and expenditure account. (4)  
 e) The following balances and information of Rota Cycle Club have been taken from the accounts of the club:

	<b>€</b>
Accrued subscriptions 1 January 2023	500
Prepaid subscriptions 1 January 2023	200
Total receipts from members during the year	14,200
Accrued subscriptions 31 December 2023	400
Prepaid subscriptions 31 December 2023	600

***This question continues on the next page.***

**Required:**

- i) The subscriptions account for the year ended 31 December 2023 showing clearly the transfer to the income and expenditure account. (6)
- ii) An extract of the statement of financial position as at 31 December 2023. (2)

**(Total: 20 marks)**

13. a) What are accounting concepts, and what is their purpose? (2)
- b) Angela and Carla are partners in a business selling tailor-made dresses for all occasions. The partnership agreement provides for a partnership salary of €3,000 each per month which they regularly withdraw from the business at the end of the month. They were surprised to discover that these partners' salaries were not included as expenses in the statement of profit or loss.  
Name and explain the accounting concept that the accountant applied in his decision to exclude these salaries from the statement of profit or loss. (3)
- c) Angela and Carla sell mainly to individual customers who pay immediately in cash. However, during the current financial year they also started selling dresses on credit to retail outlets. Carla is concerned since one of the customers has not paid them for any of the dresses and now the account has been long overdue. Carla feels that this customer is unlikely to pay.  
Suggest to Angela and Carla a suitable accounting treatment in dealing with this specific trade receivable balance that is unlikely to be collected. Name and explain the accounting concept that the partnership's accountant will be applying in this situation. (1,3)
- d) Angela and Carla were keen to understand the financial statements of their business to be in a better position to evaluate the business performance and financial position. They could not understand why credit sales had been included in the statement of profit or loss for the financial year. They were of the opinion that goods should be treated as sold once the money from the sale is received.  
Name and explain the accounting concept that the accountant is applying when accounting for sales in the statement of profit or loss. (3)
- e) The statement of profit or loss for the year ended 31 December 2023 of Angela and Carla shows a net profit of €124,000. Their partnership deed provided that:
- Partners are entitled to interest on their capital at the rate of 5% per year;
  - Each partner is entitled to a monthly salary of €3,000;
  - Remaining profits or losses are to be shared equally between Angela and Carla.

The following balances were extracted from the partnership books as at 1 January 2023:

	Angela	Carla
	€	€
Capital	100,000	140,000
Current (cr balances)	2,000	1,500

**Required:**

- i) Prepare the appropriation account of the partnership. (7)
- ii) Explain the purpose of the partners' current accounts. (1)

**(Total: 20 marks)**

14. Study the following information which was taken from the financial statements of Play plc at 31 December 2023, then answer questions (a) to (e), below.

	€
<b>Authorised share capital</b>	
€2 Ordinary share capital	<u>800,000</u>
<b>Issued share capital</b>	
€2 Ordinary share capital	500,000
<b>Reserves</b>	
Share premium	50,000
Retained earnings 1 January 2023	210,000
Net profit for the year	90,000
4% Debentures	150,000

The following information is also available:

- During the year ended 31 December 2023 the directors of the company paid an interim ordinary dividend of 10 cents per share.

**Required:**

- a) What is the difference between authorised share capital and issued share capital? (2)
- b) Calculate the number of ordinary shares issued by the company to date. (1)
- c) i) Distinguish between debentures and ordinary shares. (4)
- ii) Calculate the annual interest on debentures payable by the company. (1)
- d) i) Distinguish between retained earnings and share premium. (4)
- ii) What is the difference between a limited liability business and an unlimited liability business? Give **ONE** example of **each**. (2,1)
- e) Prepare a statement to calculate the retained earnings balance as at 31 December 2023 (Appropriation account). (5)

**(Total: 20 marks)**



SUBJECT:	<b>Accounting</b>
PAPER NUMBER:	IIA
DATE:	26 <sup>th</sup> April 2024
TIME:	4:00 p.m. to 6:05 p.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. Mark owns a catering business. He produces his own line of sweets and savoury snacks, which are then sold through a physical outlet and an online shop. The following trial balance was extracted from the ledger accounts on 31 December 2023:

	€	€
Property	220,000	
Equipment	90,000	
Furniture	40,000	
Accumulated depreciation as at 01/01/2023:		
Property		50,000
Equipment		18,000
Furniture		7,400
Trade receivables & Trade payables	12,300	25,500
Inventory (01/01/2023)	11,000	
Sales		260,200
Purchases	115,650	
Carriage on sales	980	
Carriage on purchases	1,440	
Purchases returns		1,460
Discounts allowed and received	1,600	3,400
5% Loan on Equipment		30,000
Drawings	27,500	
Capital		204,510
Irrecoverable debts	250	
Cash in hand	1,300	
Cash at bank	24,500	
Wages to Shop Attendant	22,000	
Water & electricity	4,500	
Insurances	15,000	
Interest on loan	500	
Maintenance of equipment	5,450	
Advertising	2,000	
Charges for online shop	4,500	
	<b>600,470</b>	<b>600,470</b>

***This question continues on the next page.***

The following information was available at year end:

- The value of inventory at the end of the year amounted to €11,800.
- Maintenance done during December 2023 on one of the machines, amounting to €650, was still due at the end of the year.
- The loan was received in 2022. Provide for the interest on loan still outstanding.
- A payment for the insurance of Mark’s delivery van, amounting to €880, covers the 12-month period ending 30 June 2024. The full payment of €880 is included in the Insurances charge listed in the Trial Balance.
- Property is depreciated at the rate of 2% on cost per annum.
- Equipment is depreciated at the rate of 15% on the book value of the asset.
- Additional furniture €1,200 was purchased for the physical outlet on 1 October 2023. The payment was made immediately by cheque. The transaction has not yet been accounted for.
- Furniture is to be depreciated at the rate of 20% on cost, taking into consideration the duration of ownership.

**Required:**

- a) A statement of profit or loss for the year ended 31 December 2023. (18)
- b) A statement of financial position as at 31 December 2023. (12)

**(Total: 30 marks)**

2. Portelli Cars Ltd sells second hand vehicles. In order to improve its sales position, over the past 5 years, the firm started to allow credit to customers who appeared to be credit-worthy. At the start of 2021, the firm had a balance of €6,700 on its Allowance for Doubtful Debts.

The following information is also available:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Irrecoverable debts	1,500	-	2,300
Recovered debts	-	1,000	500
Trade Receivables (total)	60,500	68,000	72,500
Particularly Risky debtors (included in the total above)	4,500	8,000	5,000

It is the firm’s policy to charge a specific 100% allowance on particularly risky debtors and an overall 2% general allowance on all remaining trade receivables.

In 2021, the directors of Portelli Cars Ltd decided to set up a new branch for the business, offering towing services to subscribed clients.

The first truck TOW 001 was bought on 1 January 2021 for €25,000. The second truck, TOW 002, was bought for €27,000 on 1 July 2023. It was agreed to depreciate trucks by 20% per annum on the net book value of the trucks held at the end of each financial year.

Unfortunately, TOW 001 was involved in an accident and had to be scrapped on 31 October 2023. This was sold for parts for €12,000 received by cheque.

**You are required to prepare:**

- a) The Allowance for Doubtful Debts account for 2021, 2022 and 2023. (12)
- b) The Allowance for depreciation - Tow Trucks account for 2022 and 2023. (11)
- c) The Trucks Disposal account for TOW 001. (4)
- d) An extract from the Statement of Financial Position as at 31 December 2023 showing clearly the values regarding tow trucks and trade receivables. (3)

**(Total: 30 marks)**

**SECTION B**

**Answer any TWO questions from this section. This section carries 40 marks.**

3. The Trial Balance of Charlene Borg's firm was drawn up on 31 December 2023. The books of the firm contained inaccuracies leading the totals of the Trial Balance to disagree. The discrepancy between the two totals was entered into a Suspense account.

Subsequently, on checking the books, the following errors were discovered:

- i. A payment by cheque sent to Mamo Enterprises Ltd for €2,300 was correctly recorded in the firm's Cashbook but was credited in the supplier's account.
- ii. The total of the Sales Journal was overcast by €6,000.
- iii. Inventory drawings amounting to €300 had been recorded in the books as €30.
- iv. The bank automatically charged the interest due on a 5% long-term loan of €250,000 to the firm's bank account. No entry has been made for this in the firm's ledgers.
- v. Elle Tabone, a receivable account, paid the firm €500 by direct transfer. This was correctly recorded in the firm's Cashbook, however, it was accidentally posted to the account of Ethan Tanti.

**You are required to:**

- a) Write up the Journal entries required to correct the errors that were discovered. Narratives are **not** required. (10)
- b) Write up the Suspense account indicating clearly the difference revealed by the draft Trial Balance. (4)
- c) Prepare a statement in order to correct the Net Profit figure for the year. This had previously been calculated as €22,000. (6)

**(Total: 20 marks)**

***Please turn the page.***



4. Kyle Bugeja is the sole owner of Elettronica, a business that buys and sells items of an electronic nature. Throughout the year he did not keep proper books of account. He has managed to extract the following information:

	<b>31.12.2022</b>	<b>31.12.2023</b>
	<b>€</b>	<b>€</b>
Trade Receivables	1,260	1,080
Trade Payables	1,510	1,730
Inventory	7,900	9,000
Cash	300	780

The following extract has been taken from the firm’s Bank Statements for the year ended 31 December 2023:

<b>Receipts</b>	<b>€</b>	<b>Payments</b>	<b>€</b>
Balance b/d	600	Payments to trade payables	9,800
Receipts from trade receivables	16,800		
Cash Sales banked	3,000		

Additional notes:

- i. All of Kyle Bugeja’s purchases are done on credit terms.
- ii. Most of the Cash Sales of the firm were banked with the exception of Cash Drawings of €700.
- iii. Kyle Bugeja acquired goods on credit from Kim Xerri at a cost of €160. Kim Xerri is regular customer of the firm and Kim’s sales ledger account had a balance of €270. It was decided to set-off Kim’s sales ledger account with Kim’s purchases ledger account.
- iv. Purchases Returns for the year amounted to €900 while Sales Returns amounted to €1,050.
- v. Discounts received and discounts allowed for the year were €450 and €240 respectively.

**Required:**

- a) The Cash account. (4)
- b) The Purchases Ledger Control account. (6)
- c) The Sales Ledger Control account. (6)
- d) A Statement of Profit or Loss for the year ended 31 December 2023, up to gross profit. (4)

**(Total: 20 marks)**

5. The following summarised data is available for Suzanne's business, for the year ended 31 December 2023:

	€
Net Sales	160,000
Gross Profit	32,000
Net Profit	19,000
Opening Inventory	17,000
Closing Inventory	15,000
Trade Receivables	12,000
Trade Payables	11,000
Cash in hand	1,000
Bank overdraft	5,000
Non-Current Assets (Cost)	135,000
Accumulated depreciation	47,000

**You are required to calculate each of the following.**

For **each** one, show the appropriate formula as well as the necessary calculations. Where necessary round your answer to two decimal places:

- a) Gross Profit Mark-up. (3)
- b) Gross Profit Margin. (2)
- c) Rate of Inventory Turnover. (3)
- d) Current (Working Capital) Ratio. (3)
- e) Quick Ratio (Acid Test). (3)
- f) Capital Employed. (4)
- g) Return on Capital Employed (ROCE) Ratio. (2)

**(Total: 20 marks)**



SUBJECT:	<b>Accounting</b>
PAPER NUMBER:	IIB
DATE:	26 <sup>th</sup> April 2024
TIME:	4:00 p.m. to 6:05 p.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. The following trail balance was extracted from the books of John Galdes on 31 December 2023.

	€	€
Capital		45,000
Freehold premises	15,000	
Motor Vehicle	20,000	
Allowance for depreciation on Motor Vehicles 1/1/2023		4,000
Fixtures and Fittings	6,750	
Allowance for depreciation on Fixtures and Fittings 1/1/2023		675
Inventory 1/1/2023	7,296	
Purchases	17,434	
Sales		24,708
Purchases returns		199
Sales returns	180	
Trade receivables	3,180	
Trade payables		2,244
Drawings	2,250	
Commission receivable		325
Salaries	1,245	
Electricity	172	
Rent	400	
Sundry expenses	162	
Discounts allowed	330	
Discounts received		186
Bank	2,908	
Cash	30	
	<b>77,337</b>	<b>77,337</b>

The following information is also available for the year ended 31 December 2023:

- Closing inventory as at 31 December 2023 amounted to €7,150.
- The rent payments include €200 which was paid in advance for 2024.
- Salary €160 and electricity €45 were still unpaid at 31 December 2023.
- A trade receivable of €318, included in receivables, is very unlikely to be paid. It was decided to create an allowance for this amount.
- Annual depreciation is charged as follows using the straight line method:
 

Motor Vehicle	20%
Fixtures and Fittings	10%

***This question continues on the next page.***

**Required:**

- a) A statement of profit or loss for the year ended 31 December 2023. (11)  
 b) A statement of financial position as at 31 December 2023. (9)

**(Total: 20 marks)**

2. Janet provided you with the following non-current account balances on 1 January 2023:

	<b>Cost</b>	<b>Depreciation</b>
	<b>€</b>	<b>€</b>
Motor Vehicles	50,000	10,000
Fixtures and Fittings	12,000	1,200
Computer Equipment	20,000	5,000

During the year ended 31 December 2023 the following transactions took place:

- 10 August 2023      A fire broke in the office and fixtures bought in January 2022, amounting to €3,000 were partially damaged and sold for €500.
- 15 October 2023    A motor vehicle which was bought in February 2022 for €20,000 was sold for €15,000. Another motor vehicle was bought to replace it for €25,000.
- 5 November 2023    Another computer worth €1,500 was bought.

Janet has to follow the company policy for non-current assets. A full year depreciation is to be provided for the assets held at the end of the financial year using the following annual depreciation rates and methods:

Motor Vehicles	20% straight line method
Fixtures and Fittings	10% straight line method
Computer Equipment	25% reducing balance method

**You are required to prepare for the year ended 31 December 2023:**

- a) The Motor Vehicle account. (2)  
 b) The Allowance for depreciation – Motor Vehicle account. (3)  
 c) The Motor Vehicle Disposal account. (3)  
 d) The Fixtures and Fittings account. (2)  
 e) The Allowance for depreciation – Fixtures and Fittings account. (3)  
 f) The Fixtures and Fittings Disposal account. (3)  
 g) The Computer Equipment account. (2)  
 h) The Allowance for depreciation – Computer Equipment account. (2)

**(Total: 20 marks)**

**SECTION B**

**Answer any FOUR questions from this section. This section carries 60 marks.**

3. Ron Abela prepared the accounts and the Trial Balance as at 31 December 2023. However, there is a difference in the Trial Balance for which Ron opened a Suspense account.

The following errors were discovered in the accounts:

- i. Drawing of €340 from the cash register were completely omitted from the accounts.
- ii. Sales of €260 on credit to B. Borg were debited to the account of D. Borg.
- iii. The total of the Sales Returns journal was undercast by €45.
- iv. Discount Received amounting to €333 was accounted for as a Discount Allowed in the general ledger.
- v. A payment for a trade permit of €120 was only accounted for in the cash book.

**Required:**

- a) The Journal entries to correct the above errors. Narratives are **not** required. (10)
- b) The Suspense account clearly showing the difference in the trial balance. (5)

**(Total: 15 marks)**

4. James does not keep double entry accounting records but he does keep some records. He is investigating the possibility of expanding his business, and knowing that you are studying accounting he would like you to help him to calculate the business's gross profit of 2023. He provided you with the following information.

Balances at the beginning and end of the financial year:

	<b>1 January 2023</b>	<b>31 December 2023</b>
	<b>€</b>	<b>€</b>
Non-Current Assets (at book value)	180,000	170,000
Inventory	40,000	53,000
Cash	2,000	1,500
Bank	16,000	5,600
Trade Receivables	14,000	12,500
Trade Payables	8,000	7,500

Other information:

- All sales and purchases were on credit.
- Purchases returns and sales returns for the year were €1,500 and €2,400 respectively.
- Discounts received of €850 and discounts allowed of €410 were recorded during 2023.
- The total payments made to trade payables during 2023 were €96,500.
- The total receipts from trade receivables during the financial year were €155,300.

**Required:**

- a) The calculation of capital at 1 January 2023. (3)
- b) The Sales Ledger Control account calculating the credit sales of 2023. (4)
- c) The Purchases Ledger Control account calculating the credit purchases of 2023. (4)
- d) The Statement of Profit or Loss for the year ended 31 December 2023 up to the calculation of gross profit. (4)

**(Total: 15 marks)**

***Please turn the page.***

5. The following data is available for Suzanne’s business, for the year ended 31 December 2023:

	<b>€</b>
Net Sales	160,000
Gross Profit	32,000
Net Profit	19,000
Opening Inventory	17,000
Closing Inventory	15,000
Trade Receivables	12,000
Trade Payables	11,000
Cash in hand	1,000
Bank overdraft	5,000

**You are required to calculate each of the following ratios.**

For **each** one, show the appropriate formula as well as the necessary calculations. Where necessary round your answer to two decimal places:

- a) Gross Profit Mark-up. (3)
- b) Gross Profit Margin. (3)
- c) Rate of Inventory Turnover. (3)
- d) Current (Working Capital) Ratio. (3)
- e) Quick (Acid Test) Ratio. (3)

**(Total: 15 marks)**

6. The following are the receipts and payments transactions of Paul’s business for the first week of December 2023.

<b>2023</b>		
December	1	Balances brought forward from November: Bank €1,700, Cash €2,600.
	2	Received €56 cash from J. Borg and €45 by cheque from P. Tonna.
	3	Paid B. Briffa €400 by cheque after deducting €10 discount.
	4	Cash Sales €872.
	5	Put €3,000 cash into the bank.
	6	Paid the weekly wages of €400 by cheque.
	7	B. Vella, a customer, settled by cheque the balance due of €900 after allowing her a 2% discount.
	7	Received cash from J. Jones €780, allowing him €20 discount.

**Required:**

The Three Column Cash book for the first week of December 2023, calculating the cash and bank balances as at 7 December. (15)

**(Total: 15 marks)**

7. The following are Petra's sales, purchases and returns transactions for the first week of November 2023.

November	1	Credit Sales to M. Borg €200, excluding 18% VAT.
	2	Credit Sales to N. Bonnici €413, including 18% VAT.
	3	Credit Purchases of €550 from K. Calleja, excluding 18% VAT.
	4	Sales Returns from N. Bonnici of €59, including 18% VAT.
	4	Purchases Returns to K. Calleja of €100, excluding 18% VAT.
	5	Credit Purchases €600 from J. Tabone, excluding 18% VAT.

**Required:**

- a) The Sales Journal showing the Net, VAT and Gross (total) columns. (5)
- b) The Purchases Journal showing the Net, VAT and Gross (total) columns. (4)
- c) The Sales Returns Journal showing the Net, VAT and Gross (total) columns. (3)
- d) The Purchases Returns Journal showing the Net, VAT and Gross (total) columns. (3)

**(Total: 15 marks)**