



SUBJECT:	Accounting
PAPER NUMBER:	I
DATE:	9 th May 2019
TIME:	4:00 p.m. to 6:05 p.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.

- An entry in the sales journal is made from information that comes from a:
 - sales account.
 - sales invoice.
 - sales ledger.
 - receipt for cash sales.
- Given a purchases invoice showing five (5) items of €100 each, less trade discount of 20 per cent and cash discount of 2.5 per cent, if paid within the credit period, your cheque would be made out for:
 - €100.
 - €400.
 - €390.
 - €500.
- If the cash float is €200 and €146 is spent in the period, how much will be reimbursed at the end of the period according to the imprest system?
 - €54.
 - €146.
 - €200.
 - €254.
- Which of the following constitutes capital expenditure?
 - New tyre for van.
 - Renewing signwriting on van.
 - New cash register.
 - First month's wages for new employee.
- Depreciation is:
 - the amount of money spent in replacing non-current assets.
 - the day-to-day expenses of running the non-current asset to keep it working effectively.
 - a means for putting aside cash for the eventual replacement of the non-current asset.
 - the part of the cost of the non-current asset consumed during its period of use.
- In a business using a double entry system, the purpose of drawing up control accounts is to:
 - find the sales and purchases figures.
 - locate errors.
 - reconcile the bank statement balance with the cash book balance.
 - check that the cashier is not embezzling funds.

7. The significance of working capital is that it represents:
- the monetary value of the net current assets that the business has for the day to day trading operations.
 - the monetary value of the resources that are being used in the business.
 - the amount of capital invested by the owner.
 - an overall picture of profitability.
8. F. Fenech started in business on 1 January 2018 with €65,000 in a bank account. She did not keep proper books of accounts and at the end of the year, she needed to calculate her net profit. She ascertains that at 31 December 2018 she had a van which had cost €16,400 and which had depreciated during the year by €4,100, current assets valued at €65,960 and trade payables €17,100. Her drawings during the year were €20,800. It follows that her net profit for the year was:
- €105,360.
 - €51,160.
 - €25,160.
 - €16,960.
9. Factory lighting and heating is:
- a direct cost and a fixed cost.
 - an indirect cost and a fixed cost.
 - a direct cost and a variable cost.
 - an indirect cost and a variable cost.
10. Rent received in advance for 2019 was overlooked in the financial statements of 2018. Which of the following reflects the effects of this error on the 2018 financial statements?
- net profit was overstated and current liabilities were understated.
 - net profit was understated and current liabilities were overstated.
 - net profit was overstated and current assets were understated.
 - net profit was understated and current liabilities were understated.
11. a) Name **TWO** errors that are not revealed by a trial balance. (2)
- b) Give **TWO** examples of errors that affect the agreement of the trial balance. (2)
- c) An accounting system includes ledgers and journals. Give **TWO** differences between ledgers and journals. (2)
- d) Experienced accountants do not need to draw up a trial balance to check that 'the debits equal the credits' however they still perform this operation because there are advantages of doing so. Give **TWO** advantages of drawing up the trial balance other than checking that 'the debits equal the credits'. (2)
- e) **Show the journal entries needed to correct the following errors:** (12)
- Purchases €2,345 on credit from A. Attard had been entered in B. Balzan's account.
 - The owner had withdrawn a cheque for €2,000 for private use; both the bank account and the drawings account had been credited with this amount.
 - A payment of €216 to a trade payable by cheque had been entered in the books as €261.
 - The total of the sales day book for December had been overstated by €120.
 - Cash paid to G. Gambin €64 was entered on the debit side of the cash account and the credit side of G. Gambin's account.
 - Discount allowed of €140 had been credited to the discount received account.

(Total: 20 marks)

12. a) What are accounting concepts and what is their purpose? (2)
- b) Jason is the sole owner of a small stationery shop. His accountant asked him for the value of goods that Jason had taken from his business during the financial year. Name and explain the accounting concept that Jason's accountant is trying to fulfil by asking for this information. (2)
- c) Distinguish between the Prudence concept and the Accruals concept when allowing for doubtful debts. (2)
- d) A sole-proprietor is drawing up the financial statements of the business at the end of its financial year. The non-current assets have a total book value of €100,000. It is known, however, that the non-current assets' market value is €150,000.
- i) At which value should the non-current assets be shown? (1)
- ii) Name and explain **TWO** accounting concepts that should be applied in this case. (3)
- e) On 31 March 2019 the bank balance in the cash book of C. Curmi showed a debit balance of €865. On examining the bank statement, she noticed the following:
- i) Cheques paid to suppliers €1,450 had not been presented to the bank for payment;
- ii) Bank charges of €370 were not recorded in the cash book;
- iii) A direct debit of €685 for the payment of water and electricity had not been included in the cash book;
- iv) Deposits into the bank of €2,200 were not yet recorded in the bank statement;
- v) A credit transfer of €740 from a trade receivable was only recorded in the bank statement.

Required:

- i) An updated cash book at 31 March 2019; (5)
- ii) Bank reconciliation statement as at 31 March 2019. (5)

(Total: 20 marks)

13. a) Identify **TWO** users of accounting information and briefly describe why each user would want such information. (2)
- b) For each of the following transactions, state the value, and on which side of the VAT account that value will be entered. Assume a VAT rate of 10%. The first has been done for you as an example. Write on the booklet the answer to this question. (3)

	Transaction	Amount (€)	Side
i)	Bought goods on credit from P. Psaila €200 net of VAT	20	Debit
ii)	Returned goods to P. Psaila €22 inclusive of VAT		
iii)	Sold goods to F. Falzon €330 inclusive of VAT		
iv)	F. Falzon returned goods to us €30 net of VAT		

- c) Distinguish, with examples, between the allocation and the apportionment of expenses in departmental accounts. (2)
- d) On 4 April 2019, D. Dingli Ltd sold goods, list price €1,000, to E. Ellul. The customer is entitled to a trade discount of 20%. Assuming a VAT rate of 10%:
- i) Calculate the amount receivable by D. Dingli Ltd according to the invoice issued to the customer. (1)
- ii) Show how the entry for this transaction would appear in D. Dingli Ltd's Sales Day Book. (2)

This question continues on next page.

e) Sandra’s Statement of Profit or Loss for her latest financial year was as follows:

	€	€
Sales		400,000
Less Cost of sales:		
Opening inventory	20,000	
Purchases	360,000	
Closing inventory	<u>(60,000)</u>	
		<u>(320,000)</u>
Gross profit		<u>80,000</u>
Additional information:		
Net profit to sales % (net profit margin)	12%	
Return on capital employed (ROCE)	15%	
Value of non-current assets	€260,000	
Value of current assets	€180,000	

You are required to calculate the following:

- i) The gross profit to sales % (gross profit margin); (2)
- ii) The net profit; (2)
- iii) The total expenses; (1)
- iv) The capital employed; (2)
- v) The current liabilities; (2)
- vi) The current ratio (working capital ratio). (1)

(Total: 20 marks)

14. a) What is meant by the following terms in company accounts?

- i) share premium; (2)
- ii) retained earnings. (2)

b) The issued capital of Best Enterprises plc consists in 100,000 ordinary shares of €1 each. They are currently being traded at €1.50 on the stock exchange. The company has also issued 10% debentures (bonds) with a nominal value of €50,000. Best Enterprises plc made a net profit of €50,000 for the year ended 31 December 2018 and the directors decided to retain €10,000 profit and distribute the remaining profit as dividends.

- i) Calculate the dividend per share and the percentage dividend. (2)
- ii) Calculate the interest being paid to the debenture holders (bondholders). (2)

c) Distinguish between the nominal value and the market value of a share. Illustrate your answer with values from the scenario in (b), above. (3)

d) Briefly describe **TWO** advantages of limited liability companies in contrast to unlimited liability business organisations. (2)

e) Angele and Brian formed a partnership on 1 January 2018. Their partnership deed provided that:

- i) Partners are entitled to interest on their capital at the rate of 10% per year;
- ii) Brian to receive €5,000 as an annual salary;
- iii) Profits or losses to be shared Angele 60%, Brian 40%.

The net profit for the year before appropriation was €102,500.

The following information was extracted from their books as at 31 December 2018:

	Angele	Brian
	€	€
Capital 1 January 2018	200,000	160,000
Drawings per month	3,000	4,000

You are required to prepare:

The appropriation account of the partnership.

(7)

(Total: 20 marks)



SUBJECT:	Accounting
PAPER NUMBER:	IIA
DATE:	10 th May 2019
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. The following balances were extracted from the ledger accounts of Lilli Put after the preparation of the trading account at 31 December 2018, the end of the business's financial year:

	€	€
Gross profit		170,000
Inventory 31 December 2018	27,000	
Trade receivables	38,500	
Trade payables		34,300
Bank overdraft		7,400
Buildings	300,000	
Allowance for buildings depreciation 1 January 2018		40,000
Equipment	75,000	
Allowance for equipment depreciation 1 January 2018		16,500
Motor vehicles	53,750	
Allowance for vehicles depreciation 1 January 2018		28,500
Allowance for doubtful debts 1 January 2018		5,100
Prepaid insurance 1 January 2018	1,200	
Insurance payments	15,000	
Accrued rent receivable 1 January 2018	3,600	
Rent receivable receipts		16,200
Discounts	3,100	5,400
Wages & salaries	38,900	
Irrecoverable debts	3,300	
Water & electricity	12,200	
Communication expenses	8,500	
General administrative expenses	11,250	
Delivery expenses	6,300	
Capital		233,400
5% Loan		60,000
Loan interest payments	1,500	
Cash	400	
Drawings	17,300	
	616,800	616,800

This question continues on next page.

At the end of the financial year the following information has been provided by Lilli Put:

- i) The loan was received on 1 April 2018. Annual interest is paid half yearly on 30 September and 31 March.
- ii) The business receives rents quarterly in arrears on 1 January, 1 April, 1 July and 1 October. The rent of 2018 increased to €1,400 monthly.
- iii) The insurance payments are the annual premium for the year ending 31 January 2019.
- iv) The allowance for doubtful debts at 1 January 2018 was for a specific customer who has been declared bankrupt during this year. No accounting entries have been made. Moreover, in the year-end list of trade receivables an account of €4,200 was identified as unlikely to be collected.
- v) The business provides a full year depreciation on the assets held at the end of the year as follows:

Buildings	2% straight line method
Motor vehicles	20% reducing balance method
Equipment	10% straight line method

Required:

- a) The insurance account. (4)
- b) The rent receivable account. (4)
- c) The trade receivables account. (3)
- d) The allowance for trade receivables account. (3)
- e) The motor vehicles allowance for depreciation account. (3)
- f) The statement of profit or loss for the year ended 31 December 2018 starting from gross profit. (13)

(Total: 30 marks)

2. Cristiano runs a shop selling sports equipment. He did not keep proper books of account, however, it was possible to extract the following details from the few records that are available.

Balances as at	1 April 2018	31 March 2019
	€	€
Inventory, at cost	25,000	27,200
Bank	1,500	300
Cash in hand	200	200
Trade receivables	28,500	23,000
Trade payables	11,400	13,500
Equipment (net book value)	41,000	38,000

A summary of the bank statements for the year to 31 March 2019 includes:

	€		€
Receipts from credit customers	210,000	Payments to credit suppliers	137,000
Cash sales banked	9,100	Rent	12,000
		Water & electricity	3,700
		Wages	22,500
		Communication expenses	18,400
		General expenses	10,900
		Insurance	4,800
		Drawings	11,000

- Cristiano's sales are mainly on credit. However, he has a few customers who pay immediately in cash. All cash sales are banked.
- Sales returns and purchases returns of €2,100 and €1,800 respectively were recorded during the year.

Required:

- The trade receivables control account (sales ledger control account). (5)
- The trade payables control account (purchases ledger control account). (5)
- The calculation of capital at 1 April 2018. (4)
- The statement of profit or loss for the year ended 31 March 2019. (8)
- The statement of financial position as at 31 March 2019. (8)

(Total: 30 marks)

Please turn the page.

SECTION B:

Answer any TWO questions. This section carries 40 marks.

3. The Tunnara Fishing Club is in the process of preparing the end of year accounting records. Knowing that you are studying accounts the treasurer asked you to help him. He managed to extract the following details from the records that are available:

Balances as at	1 April 2018	31 March 2019
	€	€
Equipment (net book value)	18,000	?
Prepaid subscriptions	150	?
Accrued subscriptions	550	450
Water and electricity due	370	410
Prepaid insurance	600	750
Cash & bank balances	1,700	?
5% Loan	5,000	4,000

A summary of receipts and payments for the year ended 31 March 2019 is as follows:

	€
Subscriptions:	
for the year ended 31 March 2018	500
for the year ended 31 March 2019	5,750
for the year ending 31 March 2020	200
Repayment of loan	1,000
Payment for loan interest	125
Proceeds from fund raising activities	3,950
Payments for fund raising activities	2,750
Rent payments	3,600
Insurance	2,400
Water and electricity	2,100
Purchase of new equipment	3,800
Competition expenses	1,710
Receipts from competition registration fees	950

The following additional information is also available:

- It is the club's policy to write off any subscriptions that have been in arrears for more than one year.
- Depreciation at the rate of 20% is to be charged on the net book value of the equipment held at year-end.
- The loan repayment was made on 30 September 2018. The interest expense for the six months ended 31 March 2019 was still unpaid.

Required:

- The subscriptions account. (5)
- The receipts and payments account for the year ended 31 March 2019. (7)
- The income and expenditure account for the year ended 31 March 2019. (8)

(Total: 20 marks)

4. Style Manufacturers produces a single model of standard caravans. Caravans are produced on order and therefore, inventories of finished goods are not maintained. The following figures were obtained from the books for the year ended on 31 December 2018.

€	
Inventories 1/1/2018:	
raw materials	90,000
work in progress	255,000
Production wages	880,500
Purchase of raw materials	990,500
Power to run the machines	57,000
Rent	24,000
Insurance	60,000
Machine maintenance	55,500
Royalties	36,000
Factory cleaning	11,000
Carriage of raw materials	28,000
Lighting & heating	9,500
Office salaries	353,000
Indirect materials	17,000
Inventories 31/12/2018:	
raw materials	87,000
work in progress	274,000
Factory machines	800,000
Office equipment	68,000

Additional information:

- i) During the year 52 caravans were produced and sold for €65,000 each.
- ii) Production wages include indirect factory wages €115,000.
- iii) Depreciation is provided on all non-current assets at 10% of the book value.
- iv) The apportionment of expenses between factory and administration is as follows:

	Factory expenses	Administrative expenses
Insurance	$\frac{2}{3}$	$\frac{1}{3}$
Rent	$\frac{2}{3}$	$\frac{1}{3}$
Lighting & heating	$\frac{1}{2}$	$\frac{1}{2}$

Required:

- a) The manufacturing account for the year ended 31 December 2018. (12)
- b) The statement of profit or loss for the year ended 31 December 2018. (8)

(Total: 20 marks)

Please turn the page.

5. Luxury & Comfort is a business having two large departments, 'Home Furniture' and 'Business Furniture & Equipment' departments. The following figures were taken from the books on 31 December 2018, the end of its financial year.

	€
Non-current assets at cost	1,550,000
Inventories 1 January 2018	
Home Furniture	130,000
Business Furniture & Equipment	165,000
Printing & stationery	26,000
Purchases	
Home Furniture	1,480,000
Business Furniture & Equipment	2,252,500
Office salaries	156,000
Salespersons' salaries	142,000
Insurance payments	96,900
Maintenance expenses	74,000
Rent	45,000
Administrative expenses	94,000
Selling & distribution costs	80,000
Communication expenses	34,000

Additional information:

- i) The inventories on 31 December 2018 of the Home Furniture and Business Furniture & Equipment departments were €105,000 and €160,000 respectively.
- ii) The cost of sales is marked up by 50% in both departments.
- iii) Annual depreciation of non-current assets is charged at 20% on cost and is apportioned equally between the two departments.
- iv) The floor area of the Home Furniture department and Business Furniture & Equipment department is split 1:2.
- v) Selling & distribution costs, maintenance expenses and salespersons' salaries are apportioned between the two departments by the sales ratio.
- vi) Insurance and rent are apportioned using the floor area ratio.
- vii) Office salaries, administrative expenses and printing & stationery, and communication expenses are shared equally between the two departments.

Required:

The statement of profit or loss account for the year ended 31 December 2018 showing the gross and net profit of each department. The profit or loss columns of the whole business are **not** required.

(Total: 20 marks)



SUBJECT:	Accounting
PAPER NUMBER:	IIB
DATE:	10 th May 2019
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. Nicole is a leading beautician and make-up artist. She has two part timers working with her and together they provide all the beauty care required in the shop. Nicole does not know how to draw up her final accounts and has asked for your help. The following trial balance relating to her business was found in her records as at 31 December 2018.

	€	€
Capital		27,470
Trade receivables	12,500	
Premises	30,000	
Loan		10,000
Equipment	12,000	
Allowance for depreciation of equipment 1 January 2018		4,320
Maintenance of equipment	750	
Inventory of make-up as at 1 January 2018	3,200	
Purchase of make-up	15,000	
Cash in hand	120	
Cash at bank	1,500	
Drawings	12,000	
Allowance for doubtful debts 1 January 2018		500
Rent	1,100	
Heating and lighting	1,600	
Communication expenses	1,700	
Repairs to premises	1,400	
Wages to assistants	14,000	
Receipts from clients for services rendered		67,980
Stationery	1,600	
Insurance	1,800	
	110,270	110,270

The following year-end additional information was provided to prepare the final accounts:

- i) The value of unused make-up at the end of the year amounted to €2,200.
- ii) Rent paid in advance at 31 December 2018 amounted to €200.
- iii) Lighting and heating consumed but not paid was €350.
- iv) Equipment is depreciated annually at 20% by the reducing balance method.
- v) Loan of €10,000 was received at the end of last year. The annual interest rate is 7%.
- vi) The allowance for doubtful debts remained €500 at the end of the year.

This question continues on next page.

Required:

- a) The statement of profit or loss for the year ended 31 December 2018. (10)
- b) A statement of financial position as at 31 December 2018. (10)

(Total: 20 marks)

2. Jenny Caruana’s statement of financial position as at 31 December 2016, included the following:

	€	€
Trade receivables	12,000	
Allowance for doubtful debts	(360)	
	11,640	11,640

At the end of the two following financial years, the following information was provided:

	2017	2018
	€	€
Trade receivables before allowing for doubtful debts	12,600	10,000
Irrecoverable debts (already deducted from receivables)	560	525
Accrued water & electricity at 31 December	355	410
Prepaid insurance at 31 December	240	480

During the year ended 31 December 2018 Jenny paid €2,300 for water and electricity and €1,900 for insurance. Both payments were made by cheque.

The allowance for doubtful debts was maintained at 3% of trade receivables at the end of every year.

Required:

- a) The allowance for doubtful debts account for 2017 and 2018. (6)
- b) The irrecoverable debts account for 2017 and 2018. (4)
- c) The water and electricity account for 2018. (5)
- d) The insurance account for 2018. (5)

(Total: 20 marks)

SECTION B:

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

3. Jeremy Falzon is a self-employed taxi driver. In January 2015, he bought a motor vehicle for €30,000 to use as a taxi. He estimated that the motor vehicle would be used for five years and then be sold for €5,000.

Jeremy thought that the straight line method is the best depreciation method to be used. His colleague suggested that the reducing balance method at the rate of 20% every year would be a better measure of depreciation.

On 31 December 2018 Jeremy sold his car for €10,000.

Required:

- a) Calculate the depreciation charge for the **FOUR** years (2015 to 2018) using the straight line method. (2)
- b) The allowance for depreciation account for the **FOUR** years using the reducing balance method including the accounting entry for the disposal of the car. (9)
- c) The disposal account at 31 December 2018 using the depreciation charges of the reducing balance method. (4)

(Total: 15 marks)

4. The balances in the ledger of a manufacturing business on 30 April 2019, the last day of the accounting year, included the following:

	€
Purchases of raw materials	109,600
Sales	330,400
Inventories 1 May 2018	
Raw material	27,000
Finished goods	24,500
Work-in-progress	4,900
Plant and machinery	61,000
Motor vehicles	45,000
Motor vehicles running expenses	15,000
Manufacturing wages	59,400
Other indirect manufacturing expenses	18,000

Depreciation for the year to 30 April 2019 was not yet entered in the firm’s books. Depreciation is to be calculated on the above book values. Depreciation is to be calculated as follows:

- Plant and machinery 25%
- Motor vehicles 30%

Inventories at 30 April 2019 were:

- Raw material €18,000
- Finished goods €20,000
- Work-in-progress €3,500

30% of the motor vehicle running expenses and motor vehicle depreciation are indirectly incurred during manufacturing.

60% of the manufacturing wages are direct wages.

Required:

- a) The manufacturing account for the year ended 30 April 2019. (10)
- b) The statement of profit or loss for the year ended 30 April 2019 up to the calculation of gross profit. (5)

(Total: 15 marks)

Please turn the page.

5. Richard Galea brought you some documents including a few accounts. The following are two of the ledger accounts which were among these documents.

T. Tabone			(credit limit €1000)		Dr	Cr	Balance
					€	€	€
December	1	Balance					400
	4	Sales (*)	550				950
	9	Returns				50	900
	10	Bank				475	425
	10	Discount				25	400

R. Rizzo			Dr	Cr	Balance
			€	€	€
December	1	Balance			700
	8	Purchase		500	1,200
	9	Cash	300		900

Required:

a) Analyse the above accounts and answer the following questions:

- i) Which of the accounts is that of a trade receivable? (1)
- ii) What is the significance of the entry "credit limit €1000"? (2)
- iii) Why is there no credit limit written in R. Rizzo's account? (2)
- iv) What is the name of the document associated with the entry marked (*)? (1)
- v) What is the rate of discount applied in T. Tabone's account? (1)
- vi) Which entry would be associated with a credit note? (2)
- vii) Which of the accounts would appear in a payables' ledger (purchases ledger)? (1)

b) Write up T. Tabone's and R. Rizzo's accounts in the traditional format. (5)

(Total: 15 marks)

6. Zack Micallef started business on 1 April 2019. The following transactions were recorded in his petty cash book for the month of April 2019.

Petty Cash Book

Date	Details	Total
April		€
1	Receipt of petty cash float	150
3	Cleaning	15
5	Stationery	8
7	Motor expenses - fuel	30
15	Postage	17
22	Cleaning	15
23	Postage	13
25	Stationery	9
27	Travelling	3

Required:

- a) Draw up a petty cash book with expenditure analysis columns for cleaning, stationery, fuel, postage and travelling and record the above transactions. (10)
- b) Enter the receipt of the amount necessary to restore the imprest system and carry down the balance. (5)

(Total: 15 marks)

7. During the festive season John Borg was very busy managing his business and now he is preparing the accounts. However, he has little knowledge of accounting and he has asked you to help him. The following is the information he managed to collect in respect of 2018:

		€
1 January 2018	Trade receivables	20,400
	Trade payables	18,600
31 December 2018	Totals for the year ended 31 December 2018:	
	Sales on credit	594,000
	Purchases on credit	430,100
	Cash received from trade receivables	522,520
	Cash paid to trade payables	366,560
	Purchases returns	1,100
	Discount allowed	42,660
	Discount received	35,690
	Irrecoverable debts	1,500
	Dishonoured cheque	270
	Balance in purchases ledger set off against sales ledger	23,460

Required:

- a) The sales ledger control account for the year showing the balance of trade receivables as at 31 December 2018. (8)
- b) The purchases ledger control account for the year showing the balance of trade payables as at 31 December 2018. (7)

(Total: 15 marks)