



SUBJECT: **Accounting**
 PAPER NUMBER: I
 DATE: 7th September 2020
 TIME: 4:00 p.m. to 6:05 p.m.

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

- Accounting information is concerned with facts that can be measured in monetary units and that most people will agree to the monetary value of the transaction. This statement refers to the:
 - money measurement concept.
 - business entity concept.
 - dual concept.
 - going concern concept.
- The depreciation policy of a company has remained unchanged for a number of years. This statement reflects the:
 - cost concept.
 - going concern concept.
 - prudence concept.
 - consistency concept.
- In the business of Leli Cassar, who owns a clothes shop, which of the following are capital expenditure?
 - Shop fixtures bought and replacement of van tyre.
 - Shop fixtures bought and new van bought.
 - New van bought and replacement of van tyre.
 - All of the above.

Please turn the page.

4. The total of the discount received column in the cash book is a source of entry for:
 - a) the discount received account and the purchases ledger control account.
 - b) the discount received account and the sales ledger control account.
 - c) the discount received account and the purchases account.
 - d) the discount received account and the statement of profit or loss.

5. A debit balance in an account occurs when the total of the debit side of the account is:
 - a) less than the total of the credit side of the account.
 - b) equal to the total of the credit side of the account.
 - c) greater than the total of the credit side of the account.
 - d) greater than or equal to the total of the credit side of the account.

6. The following items and their value appeared in the Statement of Financial Position of Xmun, the owner of a small business: Non-current assets at net book value €6,500, Inventory €3,200, Bank and cash balances €1,250, Trade payables €1,050, Prepaid insurance €350, Accrued electricity €550. Xmun's capital is:
 - a) €3,300.
 - b) €9,700.
 - c) €11,300.
 - d) €12,900.

7. The selling price of an item is €120 and the gross profit mark-up is 25%. It follows that the cost price is:
 - a) €30.
 - b) €90.
 - c) €95.
 - d) €96.

8. The sales journal is:
 - a) a book of original entry.
 - b) a ledger account.
 - c) a statement of account.
 - d) a statement of affairs.

9. A business has three departments and an annual rent payment is made for all the business. In the Statement of Profit or Loss, rent is best:
- a) apportioned between the departments on the basis of the sales of each department.
 - b) shared equally between the departments.
 - c) allocated directly to the departments.
 - d) apportioned between the departments on the basis of the floor area of each department.
10. The main purpose of the Statement of Profit or Loss is to measure:
- a) the liquidity position of the business.
 - b) the value of the closing capital.
 - c) the performance of the business.
 - d) the level of drawings that the owner or owners may take out of the business.

(Total: 20 marks)

11. a) Name the **TWO** concepts that are applied in the accounting of allowance for trade receivables. (2)
- b) Explain the concepts that you named in (a), above, and show how each relates to the accounting for the allowance for trade receivables. (4)
- c) State **TWO** differences between a standing order and a direct debit. (2)
- d) State **ONE** advantage of keeping a departmental system of accounting, and distinguish between the allocation and apportionment of costs. (3)
- e) The following balances were taken from Zaren’s books at the end of 2018 and 2019:

	31 December 2018	31 December 2019
Trade receivables	€75,000	€84,900
Allowance for trade receivables	€1,500	?

A general allowance was maintained in 2018. The trade receivables at 31 December 2019 include a debt of €900, which is very unlikely to be received. Zaren decided to provide for this specific debt, and maintain a general allowance for the remaining trade receivables using the same percentage of the previous year.

Required:

- i) The allowance for doubtful debts account for the year to 31 December 2019. (7)
- ii) Calculate the value of net trade receivables as at 31 December 2018 and as at 31 December 2019. (2)

(Total: 20 marks)

Please turn the page.

12. a) List **THREE** users of accounting information. (3)
- b) What is the significance to a business owner of calculating:
- i) Working capital? (1)
 - ii) Capital employed? (1)
- c) Distinguish between an expense incurred (made) and an expense paid. In your answer, refer to the accounting concept that recording expenses incurred fulfils, stating the importance of this accounting treatment. (4)
- d) Briefly discuss the main advantage of double entry bookkeeping over single entry. In your answer, refer to the accounting concept that double entry bookkeeping fulfils. (3)
- e) The summary statement of financial position at 31 December 2019 of Susan was as follows:

	€000	€000
Non-current assets		1,200
Current assets		900
		2,100
Capital at 1 January 2019	1,000	
Net profit	400	
Drawings	(200)	
Capital at 31 December 2019	1,200	
Non-current liabilities		400
Current liabilities		500
		2,100

Required:

From the above figures, calculate the following:

- i) Working capital. (2)
- ii) Working capital ratio (current ratio). (2)
- iii) Capital employed. (2)
- iv) Percentage rate of return on capital employed (ROCE). (2)

(Total: 20 marks)

13. Study the following extract of 4UEnterprises plc taken from the statement of financial position at 31 December 2019, then answer questions (a) to (e), below.

	€
Authorised share capital	
€0.50 Ordinary share capital	<u>500,000</u>
Issued share capital	
€0.50 Ordinary share capital	250,000
Share premium	20,000
Retained earnings 1 January 2019	150,000
Net profit for the year	<u>44,000</u>
	464,000
3.5% Debentures	<u>100,000</u>
	<u>564,000</u>

The following information is also available:

- The company had originally issued 300,000 shares at €0.50. Subsequently more shares had been issued at €0.60.
- The current trading price of an ordinary share is €1.
- The directors of the company paid an interim ordinary dividend of 4.5%.

Required:

- a) What is the difference between authorised share capital and issued share capital? (2)
- b) Calculate the number of shares that had been issued at a premium. (1)
- c) Distinguish between the prices of €0.50, €0.60 and €1 listed in the information above, in each case stating the term used to refer to these prices. (3)
- d) i) Briefly describe **TWO** advantages of limited liability companies in contrast to unlimited liability business organisations. (2)
- ii) Distinguish between debentures and ordinary shares. (2)
- iii) Calculate the annual interest on debentures payable by the company. (1)
- iv) The directors of the company are evaluating two sources of finance to fund new investment. Mention and explain **ONE** benefit of ordinary shares and **ONE** benefit of debentures to finance new investment. (2)
- e) i) Distinguish between retained earnings and share premium. (2)
- ii) Prepare a statement to calculate the retained earnings balance as at 31 December 2019 (Appropriation account). (5)

(Total: 20 marks)

Please turn the page.

14. a) List **TWO** items that may be contained in a partnership deed and identify the purpose of the appropriation account. (3)

b) **Copy the following table in your booklet** and classify the items of expense into manufacturing expenses, administration expenses, selling and distribution expenses, and financial charges by marking the appropriate box. The first has been done as an example. (4)

Item of expense	Manufacturing expense	Administration expense	Selling & distribution expense	Financial charge
i) Depreciation of works machinery	✓			
ii) Office rent				
iii) Carriage out				
iv) Carriage of raw material				
v) Interest expense				

c) State the purpose of the manufacturing account. (1)

d) List **THREE** advantages of drawing up control accounts. (3)

e) The totals of the journals dealing with goods for the month of February 2020 for a wholesale business were as follows:

	Net	VAT	Gross
	€	€	€
Sales journal	6,500	1,170	7,670
Purchases journal	4,600	828	5,428
Sales returns journal	150	27	177
Purchases returns journal	250	45	295

Required:

i) Post the above totals to the Sales account, Purchases account, Sales returns account and Purchases returns account. (**Do not** balance these accounts.) (4)

ii) Prepare the VAT account for February 2020 on the assumption that there was no balance b/d from previous periods. Balance the account at the end of February 2020. (5)

(Total: 20 marks)



SUBJECT:	Accounting
PAPER NUMBER:	IIA
DATE:	9 th September 2020
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 trial balance was extracted from the ledger accounts of Elena on 31 December 2019:

	€	€
Inventory (1/01/2019)	46,000	
Purchases & Sales	342,000	494,000
Carriage	6,000	
Returns	4,000	2,000
Rent Received		22,000
Discounts	3,700	5,100
Interest on loan	1,500	
Insurance	7,600	
Wages & salaries	38,000	
Water & electricity	8,450	
Printing & stationery	8,100	
Communication expenses	6,850	
Repairs & maintenance	12,000	
Allowance for doubtful debts (1/01/2019)		3,000
Trade receivables and payables	36,000	23,000
Cash in hand	600	
Bank overdraft		11,800
5% Loan		40,000
Capital		317,700
Drawings	17,000	
Buildings (cost and accumulated depreciation 1/01/2019)	350,000	14,000
Equipment (cost and accumulated depreciation 1/01/2019)	70,000	25,200
	957,800	957,800

This question continues on next page.

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

- i) Closing inventory had a value of €42,500.
- ii) The carriage on purchases was €3,500.
- iii) The business receives €2,000 rent monthly for the letting of business premises. The receipt for December 2019 is still outstanding.
- iv) The interest on loan is payable every three months. The payment for the three months ending 31 December 2019 is still due.
- v) The insurance payments include an annual payment of €2,400 for the year ending 30 June 2020.
- vi) On 31 December 2019 communication expenses of €450 had been paid in advance.
- vii) A water & electricity bill of €650 was still unpaid at 31 December 2019.
- viii) The allowance for doubtful debts at 1 January 2019 was for a specific customer who has been declared bankrupt during this year. No accounting entries have been made.
- ix) A general allowance of 2% of trade receivables at year end is to be maintained.
- x) The business provides a full year depreciation on the assets held at the end of the year as follows:

Buildings	2% straight line method
Equipment	20% reducing balance method

Required:

- a) The statement of profit or loss for the year ended 31 December 2019. (18)
- b) The statement of financial position as at 31 December 2019. (12)

(Total: 30 marks)

2. Luca is an accounts clerk who is responsible for the maintaining of the accounting system of a small business. Upon preparing the trial balance it failed to agree.

The credit side of the trial balance had a shortage of €3,800 which Luca posted to a suspense account. Luca decided to continue with the preparation of the statement of profit or loss calculating a draft net profit of €31,700.

The following errors and omissions were subsequently discovered:

- i) The purchase of equipment for €5,000 had been posted to the repairs account.
- ii) A cash receipt of €230 from Valentina, a trade receivable, was entered in the accounts as €320.
- iii) Purchases returns of €520 were recorded on the debit side of the sales returns account.
- iv) A cheque receipt of €1,400 from Pina was correctly entered in the bank account but it was debited in the personal account in the sales ledger.
- v) A receipt of €800 for rent was correctly recorded in the cash book but posted in error as a rent expense.
- vi) Insurance prepaid at the beginning of the year of €220 had been brought down as an opening balance on the incorrect side.
- vii) The payment of wages €1,200 was entered only in the cash book.

Required:

- a) The journal entries to correct the above errors (narratives are not required). (16)
- b) The suspense account. (6)
- c) A statement to correct net profit. (8)

(Total: 30 marks)

SECTION B:

Answer any TWO questions. This section carries 40 marks.

3. On 1 January 2019 Life Support Ltd had the following balances in its books:

	Cost	Accumulated Depreciation
Non-current assets		
Equipment	€75,000	€30,000
Motor vehicles	€60,000	€21,600
Current assets		
Prepaid communication expenses		€350
Current liabilities		
Accrued communication expenses		€600

It is the policy of the company to depreciate equipment at 20% per annum applying the straight line method, and motor vehicles at 25% per annum using the reducing balance method. A full year depreciation is provided on all non-current assets held in the business at the end of the year with no depreciation being charged for those non-current assets sold during the year.

The following information is also available:

1 July 2019	Equipment bought in 2017 for €20,000 was sold for €11,000. It was replaced by new equipment costing €25,000.
1 October 2019	A new motor vehicle was bought for €15,000.
31 December 2019	A total of €4,500 was paid for communication expenses during the year. These payments included €400 for 2020. A bill of €210 was still unpaid at the end of the year.

Required:

- a) The equipment account. (3)
- b) The equipment allowance for depreciation account. (5)
- c) The equipment disposal account. (4)
- d) The motor vehicles account. (2)
- e) The motor vehicles allowance for depreciation account. (3)
- f) The communication expenses account. (3)

(Total: 20 marks)

Please turn the page.

4. The cash book of Soccer Ltd showed a balance of €1,400 at the bank on 31 December 2019 while the bank statement showed €1,022 on same date. On investigation you find that:
- i) A cheque of €700 received from a trade receivable was returned by the bank due to the customer's insufficient funds. The bank debited Soccer's Ltd account but no entry was made in the cash book.
 - ii) A standing order for the monthly loan repayment of €250 had been paid by the bank on 30 December 2019 but no entry had been made in the cash book.
 - iii) On 30 December 2019, a credit transfer of €410 in settlement of the balance in a customer's account was received by the bank but no entry was made in the cash book.
 - iv) Bank charges of €25 had not been entered in the cash book.
 - v) Cheques from trade receivables amounting to €627 which were entered in the cash book on 31 December 2019, were not credited by the bank until 3 January 2020.
 - vi) Cheques for €820 sent to trade payables on 29 December 2019 and entered in the cash book were not paid by the bank until 8 January 2020.
 - vii) On 27 December 2019, a cheque for €114 was received from a customer in settlement of an invoice for €120. An entry of €120 was made in the cash book.

Required:

- a) An updated cash book showing the revised bank balance at 31 December 2019. (13)
- b) A bank reconciliation statement at 31 December 2019 reconciling the revised cash book balance with the bank statement balance. (7)

(Total: 20 marks)

5. The Beach Volley 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 and he has asked you to help him:

Balances as at:	1 January 2019	31 December 2019
	€	€
Accrued subscriptions	800	1,400
Prepaid subscriptions	400	600
Bar inventory	7,300	8,100
Equipment at net book value	8,500	7,000
Cash and bank	14,200	

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

	€
Subscriptions	21,800
Bar sales	85,100
General club expenses	8,250
Payments for bar purchases	72,700
Match expenses	9,300
Donations paid	5,200
Net receipts from social activities	2,750

The club did not buy or sell equipment during the year.

Required:

- Calculate the accumulated fund balance at 1 January 2019. (4)
- The subscriptions account. (6)
- The bar trading account for the year ended 31 December 2019. (4)
- The income and expenditure account for the year ended 31 December 2019. (6)

(Total: 20 marks)



SUBJECT:	Accounting
PAPER NUMBER:	IIB
DATE:	9 th September 2020
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. Jeffrey Falzon started his business on the 1 January 2019 as a sole trader. He runs an agricultural business selling gardening products. He employs three people. Jeffrey is a very busy person and tries to keep the accounting records to the best of his ability, but he is encountering difficulties and presents you with the following records as at 31 December 2019:

	€
Sales	130,900
Purchases	64,400
Receivables	6,000
Payables	10,000
Tools at cost	26,000
Shop fittings at cost	28,000
Insurance	650
Rent	1,500
Wages	27,000
Water and Electricity	3,600
Cash in hand	1,750
Cash at bank	14,100
Loan	15,000
Capital	40,000
Drawings	18,000
Sales returns	900
Purchases returns	400
Carriage inwards	1,300
Carriage outwards	700
Communication expenses	2,400

This question continues on the next page.

The following information is also available as at 31 December 2019:

- i) It is Jeffrey's policy to sell only for cash, but he made an exception to three clients whom he thought would be potential long-term clients. Jeffrey found out that one of the clients whose balance was €1,800 was in financial difficulties and he was very unlikely to pay. Jeffrey was advised to create an allowance for doubtful debts. No accounting entries were made.
- ii) The tools are to be depreciated at 20% and shop fittings at 10% every year using the straight-line method. A full year depreciation is provided on all non-current assets held in the business at the end of the year irrespective of the date of purchase.
- iii) Jeffrey rented the shop in January 2019. The rent expense is €100 per month payable quarterly in advance.
- iv) The employees' overtime for the month of December 2019 amounting to €360 was still unpaid at the end of the year.
- v) The loan was taken from the bank on 1 July 2019 and it carries an interest of 4% per annum. No interest payment has been made to date.
- vi) Closing inventory at 31 December 2019 amounted to €13,700.

Required:

- a) The statement of profit or loss for the year ended 31 December 2019. (12)
- b) The statement of financial position as at 31 December 2019. (8)

(Total: 20 marks)

2. Marouska Zammit is trying to prepare the trial balance of her hairdressing business. She presented the following trial balance for the year ending 31 December 2019 which failed to agree.

	€	€
Inventory 1 January 2019	4,000	
Sales		45,000
Purchases	32,000	
Wages	12,000	
Rent	1,000	
Trade receivables	1,600	
Trade payables		4,400
Capital		22,000
Shop fixtures	5,500	
Bank	4,000	
Cash	2,500	
Hairdressing tools	10,000	
	72,600	71,400

The following errors were discovered which need to be corrected:

- i) A debtor balance of €2,000 has been correctly accounted for in the sales account but accounted for as €200 in the personal account.
- ii) An insurance cheque payment of €400 has been completely omitted from the accounts.
- iii) It was noted that fixtures amounting to €250 had been accounted for as rent expense.
- iv) Marouska had invested a further €3,000 in her saloon from her personal funds. This has been correctly entered in the bank account but no other entry was made.
- v) A purchase on credit of €50 from C. Grech was accounted for in the account of C. Grima.
- vi) Both sales and purchases were overstated by €600 each.

Required:

- a) Journal entries to correct the above errors (narratives are not required). (12)
- b) Suspense account to correct the above errors, starting with the difference in the trial balance. (4)
- c) Indicate which of the above errors do not affect the agreement of the trial balance totals, and in each case state the name of the error. (4)

(Total: 20 marks)

SECTION B:

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

3. Joan’s Cafeteria is a sought-after cafeteria. Joan has expanded her business in the delivery of the products to the clients. The cafeteria has expanded in size as well and Joan must furnish it. Joan presented the following information:

Balances at 1 January 2019:	Cost	Accumulated Depreciation
Fixtures and Fittings	€15,000	€10,000
Delivery Vans	€50,000	€18,000

During the year ended 31 December 2019 the following additions and disposals were made:

- A new van costing €25,000 was purchased by cheque.
- A delivery van bought for €20,000 in 2017 was sold for €2,000 cash.
- New fixtures and fittings costing €10,000 were bought by cheque.

Joan’s depreciation policy is that a full year depreciation is taken in year of purchase of a non-current asset and none in the year of sale. Depreciation is provided as follows:

- Delivery Vans are depreciated at the rate of 20% per annum using the straight line method.
- Fixtures and Fittings are depreciated at the rate of 10% per annum using the straight line method.

This question continues on the next page.

Required:

- a) The Delivery Vans account for the year 2019. (3)
- b) The Fixtures and Fittings account for the year 2019. (2)
- c) The Delivery Vans Allowance for Depreciation account for the year 2019. (4)
- d) The Fixtures and Fittings Allowance for Depreciation account for the year 2019. (3)
- e) The Delivery Van Disposal account. (3)

(Total: 15 marks)

4. Mario Bonello is finding it difficult to account for the wages, insurance, commissions receivable and the water and electricity accounts. He has asked you to help him prepare these accounts for 2019.

At the end of each financial year these accounts have been either paid in advance or were in arrears. The following information is being presented:

	1 January 2019 €	31 December 2019 €
Accrued Wages	-	600
Prepaid Insurance	300	400
Accrued Water & Electricity	550	250
Accrued Commissions Receivable	1,500	1,000

During the year ended 31 December 2019, the following bank receipts and payments were recorded:

- Wages €36,400
- Insurance €8,700
- Water and Electricity €1,880
- Commissions Received €7,000

Required:

- a) The Wages account. (3)
- b) The Insurance account. (4)
- c) The Water and Electricity account. (4)
- d) The Commission Receivable account. (4)

(Total: 15 marks)

5. Hello to All Club caters for different types of family hobbies. The following balances have been provided:

	1 April 2019 €	31 March 2020 €
Equipment (at cost)	40,000	60,000
Accrued Subscriptions	2,100	4,000
Accrued grand hobby expenses	600	2,000
Cash at bank	3,100	?

The receipts and payments for the year ended 31 March 2020 are:

Receipts	€
Subscriptions	32,000
Donations	560
Sale of grand hobby weekly tickets	15,600
Loan from club member	10,000
Payments	€
Equipment	20,000
Rent of club house	3,000
Water and Electricity	6,300
Grand hobby expenses	21,800
Wages to club administrator	14,000

The following additional information has been provided:

- The loan received from the club member is interest free.
- Depreciation is provided on the cost of equipment held at the end of the year charging 10% every year.

Required:

- a) The Receipts and Payments account for the year ended 31 March 2020 showing the closing balance. (6)
- b) The Income and Expenditure account for the year ended 31 March 2020. (9)

(Total: 15 marks)

Please turn the page.

6. Ferdinand Pace is a sole trader and is preparing the three column cash book.

The following are the balances at 1 February 2020:

	€
Cash	65
Bank overdraft	500

Transactions for the month of February 2020 are listed below:

Feb 3	Received a cheque of €6,500 from M. Mangion.
Feb 4	Paid €60 by cheque for Water and Electricity and €500 for the monthly rent by cheque.
Feb 7	Received €580 cash from N. Naudi after deducting €6 discount.
Feb 11	Paid €490 to A. Aguis and €90 to B. Borg by cheque. B. Borg gave Ferdinand €10 discount.
Feb 14	Cash sales €1,602.
Feb 18	Paid wages €900 by cash and €100 by cheque to Telephone Company Ltd.
Feb 21	Received commission in cash €250.
Feb 27	All the cash except for €150 was deposited into the bank.

Required:

Prepare the Three Column Cash Book and balance the cash and bank accounts as on 29 February 2020.

(15)

(Total: 15 marks)

7. Silvana and Romina are two florists who own and work in a florist and garden shop together. They provided you with the following information at 31 December 2019 to help them in the required accounting:

	€
Capital – Silvana	30,000
Capital – Romina	20,000
Drawings – Silvana	21,000
Drawings – Romina	19,000
Current account balance 1 January 2019 – Silvana	4,000 (DR)
Current account balance 1 January 2019 – Romina	6,000 (CR)
Net profit for the year	63,000

The following additional information is also available:

- Silvana and Romina are to receive an annual salary of €20,000 each.
- Partners are to receive 5% interest per annum on their capital balance.
- Any remaining profits or losses are to be shared between Silvana and Romina 3:2 respectively.

Required:

- a) The Partnership Appropriation account for the year ended 31 December 2019. (7)
 b) The Partners' Current Accounts for the year ended 31 December 2019. (8)

(Total: 15 marks)