**Q1:** Areeba Manufacturing makes a single product. The following balances were extracted from the books at the end of the financial year on 30 November 2017:

| | $ |
|---|---|
| Inventory at 1 December 2016: | |
| Raw materials | 17 500 |
| Work in progress | 24 000 |
| Finished goods | 50 000 |
| Purchases of raw materials | 82 600 |
| Carriage | 12 000 |
| Production wages | 75 000 |
| Office wages | 35 000 |
| Sundry office expenses | 14 500 |
| Production manager's salary | 20 500 |
| Factory rent, rates and power | 18 400 |
| Royalties | 9 000 |
| General factory expenses | 15 200 |
| Premises maintenance | 40 000 |
| Factory machinery (at cost) | 120 000 |
| Factory machinery – provision for depreciation | 70 000 |
| Inventory at 30 November 2017: | |
| Raw materials | 16 300 |
| Work in progress | 29 000 |
| Finished goods | 46 000 |

Additional information at 30 November 2017:

1. 60% of the carriage relates to raw materials and 40% to goods sold.
2. General factory expenses owing $400.
3. 70% of the maintenance relates to the factory premises and 30% to the office premises.
4. Factory machinery is depreciated at the rate of 15% per annum using the diminishing (reducing) balance method.

REQUIRED

(a) Prepare the manufacturing account for the year ended 30 November 2017. Clearly label the prime cost and cost of production. [16]

(b) Explain the term direct cost. [02]

(c) Give **one** example of a direct cost from the balances. [02]

**[Total: 20]**

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**Q2:** On 31 August 2011 the following extract was taken from the balance sheet of Stavros.

| Non-current assets | Cost | Accumulated depreciation | NBV |
|---|---|---|---|
| | $ | $ | $ |
| Equipment | 60 000 | 24 000 | 36 000 |
| Office Computers | 8 000 | 5 600 | 2 400 |

The following transactions took place during the year ended 31 August 2012:

1. On 31 January 2012, equipment purchased on 1 April 2009, at a cost of $28 000, was sold for $10 000. Payment was received by cheque.
2. On 1 February 2012, new equipment was purchased at a cost of $35 000.
3. On 20 March 2012, office computers were purchased for $600.
4. Stavros has the following depreciation policy:
   Equipment is depreciated at the rate of 20% per annum using the straight-line method.
   Office computers are depreciated at the rate of 25% per annum using the diminishing (reducing) balance method.
   A full year's depreciation is charged on equipment and office computers in the year of purchase.

No depreciation is charged on equipment in the year of sale.

**REQUIRED**

**(a) (i)** Explain the term depreciation.

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**(ii)** State **two** causes of depreciation.

1 ..........................................................................................................................

2 ..........................................................................................................................[2]

**(b)** State **one** advantage of using the straight-line method of depreciation.

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**(c)** Prepare the following ledger accounts for the year ended 31 August 2012:

**(i)** Provision for depreciation of equipment account

**(ii)** Equipment disposal account

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[08]

(d) Complete the following statement of financial position (extract) for the non-current assets on 31 August 2012.

| Non-current assets | Cost | Accumulated depreciation | NBV |
|---|---|---|---|
| | $ | $ | $ |
| Equipment | | | |
| Office computers | | | |
| Total | | | |

[06]
**[Total:20]**

**Q3:** Moeza is a trader. Her financial year ends on 31 December.
Moeza maintains one combined account for rates and insurance.
On 1 January 2016 three months' rates, $480, was outstanding and four months' insurance, totalling $700, was prepaid.
During the year ended 31 December 2016 the following payments were made by cheque.

| | $ |
|---|---|
| Rates 16 months to 31 January 2017 | 2560 |
| Insurance 12 months to 30 April 2017 | 2400 |

**REQUIRED**

**a)** Prepare the rates and insurance account in the ledger of Moeza for the year ended 31 December 2016. Balance the account and bring down the balances on 1 January 2017.

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[9]

**(b)** Identify the section of the statement of financial position at 31 December 2016 in which the balance on the rates and insurance account would appear. Give a reason for your answer.

Section of statement of financial position ……………………………………………………

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Reason……………………………………………………………………………………

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[2]

On 1 October 2016 Moeza decided to sublet part of her premises at an annual rent of $4800. On that date she received a cheque for two months' rent.

**REQUIRED**

**(c)** Prepare the rent receivable account in the ledger of Moeza for the year ended 31 December 2016. Balance the account and bring down the balance on 1 January 2017.

[4]

**(d)** Identify the section of the statement of financial position at 31 December 2016 in which the balance on the rent receivable account would appear. Give a reason for your answer.

Section of statement of financial position ………………………………………………………..

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Reason …………………………………………………………………………………………

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[2]

Moeza has been given the opportunity to pay her rates monthly by direct debit.

**REQUIRED**

(e) Advise Moeza whether or not she should start paying her rates in this way. Support your answer with **one** advantage and **one** disadvantage.

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[3]
**[Total:20]**

**Q4:** Eshal commenced business on 1 April 2017. She did not keep a set of double entry records but the following information is available.
Eshal started business with a motor vehicle, $9000, and inventory, $8000. Half of the inventory was purchased using a bank loan repayable in 2022.

**REQUIRED**

**(a)** Calculate Eshal's capital (equity) at 1 April 2017.

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[4]

On 31 March 2018 the assets and liabilities of Eshal's business were:

| | $ | |
|---|---|---|
| Motor vehicle (at valuation) | 4 200 | |
| Inventory | 11 500 | |
| Bank loan repayable in 2022 | 4 000 | |
| Other payables | 1 400 | |
| Other receivables | 600 | |
| Trade receivables | 11 400 | |
| Trade payables | 10 100 | |
| Bank | 1 500 | Debit |

**REQUIRED**

**(b)** Prepare a statement of affairs at 31 March 2018 showing the **total** capital at that date.

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[8]

During the year ended 31 March 2018 Eshal took $3500 as drawings and further invested $1000 into the business.

**REQUIRED**

**(c)** Calculate the profit for the year ended 31 March 2018.

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[4]

(d) Explain two benefits of double entry record.

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[4]

**[Total:20]**

**Q5:** Momina is a sole trader. The following balances were extracted from the books on 30 September 2018.

| | $ |
|---|---|
| 10-year leasehold premises (at cost) | 120 000 |
| Motor vehicles (at cost) | 40 000 |
| Fixtures and fittings (at cost) | 19 000 |
| Provisions for depreciation at 1 October 2017: | |
| 10-year leasehold premises | 72 000 |
| Motor vehicles | 10 000 |
| Fixtures and fittings | 7 600 |
| Revenue | 265 000 |
| Purchases | 135 000 |
| Returns outwards | 8 200 |
| Carriage inwards | 3 100 |
| Wages and salaries | 41 000 |
| Motor vehicle expenses | 6 800 |
| Rent payable | 15 000 |
| Rent receivable | 8 500 |
| Equity | 40 000 |
| Drawings | 11 900 |
| 6% Bank loan (repayable 2020) | 50 000 |
| Bank interest paid | 3 000 |
| Inventory at 1 October 2017 | 26 000 |
| Heat, light and power | 5 050 |
| Advertising | 9 000 |
| General expenses | 17 700 |
| Disposal | 1 800 Credit |
| Trade receivables | 23 250 |
| Provision for doubtful debts | 3 000 |

Additional information at 30 September 2018

1. Inventory was valued at $19 500.
2. Momina had taken $4700 goods for his own use. No entries had been recorded in the books.
3. The rent payable included a payment of $9000 for the six months ended 30 November 2018.
4. General expenses accrued were $2600 and wages and salaries accrued were $1700.
5. Rent receivable of $150 was outstanding.
6. On 26 September 2018 a motor vehicle costing $12 000 was purchased by cheque. No entries had been recorded in the books.
7. Depreciation is to be charged on all non-current assets owned at the end of the year as follows:
   - (i) an appropriate amount for the 10-year leasehold premises
   - (ii) motor vehicles at the rate of 25% per annum using the diminishing (reducing) balance method
   - (iii) fixtures and fittings at the rate of 10% per annum on cost.
8. Trade receivables of $750 are irrecoverable. The provision for doubtful debts is to be maintained at 4%.

**REQUIRED**
Prepare the income statement for the year ended 30 September 2018.

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**[Total:20]**

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