

Annual Examinations for Secondary Schools 2022

YEAR 11	ACCOUNTING	TIME: 2 hrs
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Name: _____

Class: _____

FOR OFFICIAL USE ONLY							
MARKS							
SECTION	A	B	C	D1	D2	D3	TOTAL
MARKS	10	10	35	15	15	15	100
STUDENT'S MARK							

INSTRUCTIONS TO STUDENTS

- ANSWER ALL QUESTIONS.
- THE ORDERLY PRESENTATION OF YOUR WORK IS IMPORTANT.
- CARELESS WORK WOULD BE PENALISED.
- ILLEGIBLE WORK WOULD BE WRITTEN OFF.
- SECTIONS A AND B ARE TO BE ANSWERED ON THE PAPER.
SECTIONS C AND D ARE TO BE ANSWERED ON THE FOOLSCAPS PROVIDED.
- YOU HAVE TO MAKE THE NECESSARY RULINGS.

SECTION A**[10 marks]****ANSWER ALL QUESTIONS IN THIS SECTION****Tick (✓) the correct answer in the space provided. Each question carries 1 mark.**

1. An Allowance for Doubtful Debts account is created:
 - (a) when trade receivables become bankrupt. ☐
 - (b) to include irrecoverable debts recovered. ☐
 - (c) to write off irrecoverable debts. ☐
 - (d) to provide for possible irrecoverable debts. ☐

2. Which of the following statements best describes a trial balance?
 - (a) It shows the profit of a business. ☐
 - (b) It shows the financial position of a business. ☐
 - (c) It shows the production cost of goods completed. ☐
 - (d) It is a list of balances on the books. ☐

3. Which of the following is not a book of prime (original) entry:
 - (a) General ledger. ☐
 - (b) Purchases daybook. ☐
 - (c) Cash book. ☐
 - (d) Petty cash book. ☐

4. The turnover of a business is €87,000 and mark up percentage is 20%. The gross profit of the business is:
 - (a) €17,400. ☐
 - (b) €14,500. ☐
 - (c) €15,600. ☐
 - (d) €18,900. ☐

5. Which of the following best describes non-current assets?
 - (a) Items having a long life and not bought specifically for resale. ☐
 - (b) Non-current assets include inventory and trade receivables. ☐
 - (c) Expensive items bought for the business. ☐
 - (d) Items having a short life. ☐

6. Which of the following accounts should always have a debit balance, brought down?
 - (a) Sales account. ☐
 - (b) Trade payables account. ☐
 - (c) Bank loan account ☐
 - (d) Cash account ☐

7. Which concept is the underlying basis for double entry accounting system?
- (a) Accrual concept. ☐
 - (b) Consistency concept. ☐
 - (c) Dual aspect concept. ☐
 - (d) Going concern concept. ☐
8. Which of the following shows the correct expression for the accounting equation?
- (a) $\text{Assets} = \text{Liabilities} + \text{Capital}$ ☐
 - (b) $\text{Liabilities} = \text{Assets} - \text{Capital}$ ☐
 - (c) $\text{Capital} = \text{Assets} - \text{Liabilities}$ ☐
 - (d) All of the above. ☐
9. A credit balance brought down on the purchases ledger control account represents:
- (a) Total trade receivables. ☐
 - (b) Total trade payables. ☐
 - (c) Credit purchases. ☐
 - (d) Cash purchases. ☐
10. A sales invoice is showing; ten (10) items at €50 each, less trade discount of 10% and cash discount of 2%. If the customer pays within the credit period, then his/her payment should be:
- (a) €441 ☐
 - (b) €450 ☐
 - (c) €490 ☐
 - (d) €440 ☐

SECTION B**[10 marks]****Write your answer in the space provided.**

1.	The business owed a trade payable €1,050. The business received a discount of 6% from this trade payable. If the business paid by cheque, then the amount that should be shown on the credit side of the cash book, under the bank column should be:	
2.	A manufacturing business has the following production expenses: Royalties €50,000, Factory overheads €140,000, Direct wages €125,000, Closing inventory of work in progress €24,000 and Cost of raw materials consumed €85,000. Calculate the prime cost .	
3.	A business sub-lets some of its premises. Rent received during 2021 was €2300. The tenant owed the business for rent; €300 as at 31 December 2020 and €450 as at 31 December 2021. Calculate amount of rent receivable to be transferred to the statement of profit or loss for the year ended 31 December 2021 .	
4.	Find the cost of sales for a business which provides you with the following information: Purchases Returns €20,500, Carriage In €8,000, Closing Inventory €23,000, Purchases €250,000, Opening Inventory €19,000 and Carriage Out €4,500.	
5.	A trade receivable who owes the firm €550 is also owed €330 by the firm. The amount of set-off is:	
6.	A business provides you with the following information about its assets and liabilities: Non-current assets €245,000, current assets €87,600, non-current liabilities €100,000 and current liabilities €23,000. You are required to calculate the business' working capital .	
7.	At the beginning of May 2021, the petty cashier received €500 as petty cash float. During the month €360 of expenses were paid by the petty cashier. Calculate the amount needed to restore the imprest .	
8.	Total costs incurred during the year by a manufacturing firm totalled €580,000. There were €25,000 worth of works in progress at the beginning of the year and €45,000 at the end of the year. If the firm produced 80,000 units, the cost of 1 unit is:	
9.	A business spent €6,000 on machinery. The amount was used to pay for: €600 for old machine repair, €550 to make improvements on an existing machine, €4,500 for new machine, €300 for the installation of new machine and €50 for the delivery of the new machine. Calculate the total amount of capital expenditure that was spent on machinery.	
10.	A business has two departments; Department A and Department B. It is decided to apportion rent in proportion of the total floor area occupied by each department, which is: Department A: two-fifths and Department B: three-fifths. If the Rent expense for the year is €8,250, the amount of rent to be apportioned to Department B is:	

SECTION C**[35 marks]****Answer this question on the foolscaps provided.**

The following trial balance was extracted from the ledger accounts of Charmaine Grech on 31 December 2021:

Trial Balance as on 31 December 2021		
	Dr	Cr
	€	€
Capital (1/1/2021)		227,000
Drawings	14,500	
Purchases and Sales	450,000	645,000
Trade receivables	14,800	
Trade payables		15,400
Inventory (1/1/2021)	17,000	
Returns	1,800	2,670
Carriage on purchases	1,200	
Carriage on sales	1,500	
Cash	1,550	
Bank	22,400	
Buildings, at cost	250,000	
Office Equipment, at cost	40,000	
Motor vehicles, at cost	60,000	
Depreciation: Office equipment (1/1/2021)		8,000
Motor vehicles (1/1/2021)		21,600
7% Loan		30,000
Rent receivable		7,500
Discounts	920	600
Allowance for doubtful debts		1,020
Irrecoverable debts recovered		850
Irrecoverable debts	900	
Water and electricity	15,070	
General administrative expenses	8,550	
Advertising	12,500	
Communication expenses	14,000	
Insurance	8,700	
Interest on loan	1,050	
Wages and salaries	23,200	
	<u>959,640</u>	<u>959,640</u>

Notes at 31 December 2021:

- (i) The inventory on 31 December 2021 was valued at €18,500.
- (ii) Water and electricity bills €480 for the year were still unpaid at the year end.
- (iii) The interest on loan is payable every six months. The payment for the six months ended 31 December 2021 is still due.
- (iv) The allowance for doubtful debts is kept at 10% of trade receivables at the end of the year.
- (v) Prepayments comprise; Advertising of €860 and Insurance of €320.

- (vi) Provide for depreciation on non-current assets as follows:
Motor vehicles: 20% reducing balance method
Office equipment: 10% straight line method.

You are required to prepare:

- a. The Statement of Profit or Loss for the year ended 31 December 2021. (20 marks)
- b. The Statement of Financial Position as at 31 December 2021. (15 marks)

SECTION D

[45 marks]

Answer all questions in this section on foolscaps provided. Each question carries 15 marks.

1. Maria Borg did not keep proper books of accounts for her business. Her business capital at 1 January 2021 was €250,000. The following information shows the business' records for the year ended 31 December 2021:

	€
Premises	260,000
Office equipment	20,000
Trade receivables	15,500
Trade payables	13,400
Bank overdraft	1,600
Insurance prepaid	560
Inventory	8,460

During the year, Maria Borg paid private expenses of €1,500 out of the business bank account. She had taken drawings in cash amounting to €8,300 and inventory valued €600. Maria introduced a further €18,000 in her business.

Required

- a. Calculate the business' capital at 31 December 2021. (9 marks)
- b. Calculate the business' profit for the year ended 31 December 2021. (6 marks)

2. The following is the cash book summary (bank column only) of Jessica Cassar for the month of March 2022:

Cash Book					
2022		€	2022		€
Mar 1	Balance b/d	8,100	Mar 8	Communication expenses	800
Mar 6	P.Cilia	1,840	Mar 10	Water and electricity	320
Mar 18	R. Grima	2,530	Mar 13	Salaries	6,000
Mar 26	J. Gatt	230	Mar 21	J. Borg	480
			Mar 23	J. Xuereb	140
			Mar 28	C. Gauci	610
			Mar 31	Balance c/d	4,350
		<u>12,700</u>			<u>12,700</u>

Bank Statement

2022		Debit €	Credit €	Balance €
Mar 1	Balance b/f			8,100 CR
Mar 8	Deposits		1,840	9,940 CR
Mar 10	Cheque (Communication expenses)	800		9,140 CR
Mar 12	Cheque (Water and Electricity)	320		8,820 CR
Mar 14	Cheque (Salaries)	6,000		2,820 CR
Mar 18	Standing order: P. Cassar Ltd	80		2,740 CR
Mar 28	Direct debit: IRD	150		2,590 CR
Mar 29	Cheque (C. Gauci)	610		?
Mar 30	Credit transfer: P. Zammit		120	?
Mar 31	Bank charges	20		?

Required:

- Update the cash book as at 31 March 2022. (6 marks)
- Calculate the missing bank balance in the bank statement as on 31 March 2022, indicating if it is a credit (CR) or debit (DR) balance. (3 marks)
- Prepare a bank reconciliation statement for the month of March 2022, starting with balance as per updated cash book. (6 marks)

3. The following information relates to Altavita Ltd for the years ending 2020 and 2021:

	2020	2021
	€	€
Sales	300,000	400,000
Net profit	60,000	100,000
Inventory	25,000	45,000
Capital employed	500,000	625,000
Current assets (including inventory)	150,000	180,000
Current liabilities	100,000	225,000

Required:

- a. Write down the formula which is used to calculate the capital employed and hence find the non-current assets of Altavita Ltd. for the years 2020 and 2021. (3 marks)
- b. Calculate the following ratios for the years 2020 and 2021:
- i. Net profit as a percentage of sales.
 - ii. Return on capital employed (ROCE).
 - iii. Current ratio.
 - iv. Acid test ratio. (8 marks)
- c. By comparing the results obtained in question (b), for years 2020 and 2021, comment on the profitability and liquidity position of Altavita Ltd. (4 marks)

END OF PAPER