Micky, a sole trader, had the following transactions during the month of July 2008.

2008
July 1 Balances brought forward
   Petty cash in hand $ 230
   Cash in hand $3,500
   Bank overdraft $ 700
2   The proprietor paid in further capital with $5,000 by cheque.
3   Withdrew $2,000 cash from the bank for business use.
5   Restored cash to imprest amount of $1,000 for all petty cash expenditure under $150.
6   Paid petrol expenses $100
7   Paid cleaning expenses $80
9   Purchased stamps $30.
10  Paid repairs expenses $120.
12  Paid the amount due to Donald of $1,000 by cheque, less 3 per cent cash discount.
13  Took cash $900 for private use.
15  Daisy paid us her account of $1,800 by cheque, less 2 per cent cash discount.
17  Bought more equipment from Minnie at $4,000 by cheque.
18  Paid cleaning expenses by cash $250.
20  Bought cleaning brush by cheque $90.
21  Purchased goods from Mandy by cheque at $2,300
22  Paid rent by cheque $2,000.
23  Bought stationery $40.
24  Made cash sales of $500.
25  Deposit $1,500 cash into bank.
27  Paid $130 for the petrol.
31  Reimbursement was made from the cash till for the month’s petty cash expenditure and increased the cash float to $1,500 in August.
31  Banked all the cash in our possession except $100 in the cash box.

Required:
(a) Prepare a three-column cash book and balancing off at the end of the month. (19 marks)
(b) Prepare petty cash book, with headings for stationery and postage, cleaning, petrol, and repairs; and balancing off at the end of the month. (12 marks)
(c) Write up discounts accounts in General Ledger and balancing off. (2 marks)
Katie, a sole trader who sells drinks, had the following transactions during the month of September 2008:

2008
Sept 1 The following balances in the purchases and sales ledgers accounts were as follows:
   Creditors: Kelly $2,800, Peter $1,600
   Debtors: John $2,000, Mary $3,500

2 Bought goods on credit from Kelly, subject to a trade discount of 33 \(\frac{1}{3}\)%.
   60 boxes of lemon tea at 5 per box
   30 boxes of orange juice at $8 per box
   A further 2% cash discount was given for payment made within 10 days.

5 Bought an additional motor van on credit from May at $7,000.

7 Sold goods on credit to John subject to a trade discount of 20%
   20 boxes of lemon tea at $7 per box.
   10 boxes of orange juice at $10 per box
   A further 3% cash discount was given for payment made with 15 days.

9 Bought goods from Polly for cash at 15% trade discount
   25 boxes of green tea at $6 per box
   50 boxes of soft drink at $4 per box

12 A credit note was received from Kelly for the return of 6 boxes of orange juice.

13 Sold goods on credit to Mary with no trade discount
   20 boxes of soft drink at $5 per box

15 Returned an unsuitable machinery to Justin on credit at $2,000.

17 Paid the amount due to Peter by cheque.

20 Cash sales to Nancy, subject to trade discount of 15%
   5 boxes of green tea at $9 per box
   10 boxes of lemon tea at $6 per box.

23 A computer was received from John in full settlement of his account.

25 Send a credit note to Mary for the return of 5 boxes of soft drink.

Required:
(a) Enter the above transactions in the following day books:
   (i) Purchases Journal (4 marks)
   (ii) Sales Journal (5 marks)
   (iii) Returns Outwards Journal (3.5 marks)
   (iv) Returns Inwards Journal (2.5 marks)

(b) Write up appropriate ledger accounts in Purchases Ledger and Sales Ledger and balancing off. (10 marks)
QUESTION 4  

The following lists of balances were extracted from the books of John Lee, a sole trader, as at 30 November 2008.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance</td>
<td>800</td>
</tr>
<tr>
<td>Commission Received</td>
<td>260</td>
</tr>
<tr>
<td>General Expenses</td>
<td>170</td>
</tr>
<tr>
<td>Returns Outwards</td>
<td>2,000</td>
</tr>
<tr>
<td>Stock as at 1 December 2007</td>
<td>3,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>12,000</td>
</tr>
<tr>
<td>Returns Inwards</td>
<td>1,500</td>
</tr>
<tr>
<td>Stationery</td>
<td>500</td>
</tr>
<tr>
<td>Office Furniture</td>
<td>5,000</td>
</tr>
<tr>
<td>Loan from May Wong</td>
<td>8,000</td>
</tr>
<tr>
<td>Premises</td>
<td>15,000</td>
</tr>
<tr>
<td>Sales</td>
<td>35,000</td>
</tr>
<tr>
<td>Cash</td>
<td>1,700</td>
</tr>
<tr>
<td>Bank Overdraft</td>
<td>600</td>
</tr>
<tr>
<td>Petty Cash in hand</td>
<td>100</td>
</tr>
<tr>
<td>Electricity</td>
<td>4,500</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>9,000</td>
</tr>
<tr>
<td>Rent Received</td>
<td>6,700</td>
</tr>
<tr>
<td>Repairs</td>
<td>450</td>
</tr>
<tr>
<td>Carriage Outwards</td>
<td>690</td>
</tr>
<tr>
<td>Discounts Allowed</td>
<td>460</td>
</tr>
<tr>
<td>Discounts Received</td>
<td>390</td>
</tr>
<tr>
<td>Motor Lorry</td>
<td>7,000</td>
</tr>
<tr>
<td>Carriage Inwards</td>
<td>2,500</td>
</tr>
<tr>
<td>Debtors</td>
<td>3,700</td>
</tr>
<tr>
<td>Creditors</td>
<td>2,600</td>
</tr>
<tr>
<td>Drawings</td>
<td>3,500</td>
</tr>
<tr>
<td>Capital</td>
<td>?</td>
</tr>
</tbody>
</table>

Stock at 30 November 2008 was $1,500.

Required:

Prepare for John Lee:

(a) a corrected Trial Balance as at 30 November 2008 and calculate the amount of capital.  
   (8 marks)

(b) a Trading and Profit and Loss Account for the year ended 30 November 2008.  
   (13 marks)

(c) a Balance Sheet as at 30 November 2008.  
   (11 marks)

END OF PAPER

TRY YOUR BEST
GOOD LUCK
QUESTION 1 (10 marks)

(A) Given below is a list of accounting terminology:

1. Accounting equation
2. Double entry system
3. Imprest system
4. Cash discount
5. Trade discount
6. Trial balance
7. Balance sheet
8. Purchase journal
9. General journal
10. Assets

You are required to:

Select from 1 to 10 from above an appropriate accounting term that best fit each of the definitions/description below: (6 marks)

<table>
<thead>
<tr>
<th>Example</th>
<th>Definitions/descriptions</th>
<th>Accounting terminology</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>A book of original entry in which credit purchases of fixed assets are recorded</td>
<td>10</td>
</tr>
<tr>
<td>(b)</td>
<td>A list of all ledger balances as at a particular date for checking the arithmetical accuracy of accounting entries.</td>
<td></td>
</tr>
<tr>
<td>(c)</td>
<td>Business transactions recorded with equal amount of debits and credits.</td>
<td></td>
</tr>
<tr>
<td>(d)</td>
<td>The relationship between assets, capital and liabilities.</td>
<td></td>
</tr>
<tr>
<td>(e)</td>
<td>An allowance given to customers for payment within the credit period.</td>
<td></td>
</tr>
<tr>
<td>(f)</td>
<td>A system by which the amount spent in a period would be reimbursed and the balance in the next period would be made equal to the original amount started with.</td>
<td></td>
</tr>
</tbody>
</table>
The step in the accounting cycle are performed in sequence in each accounting period. Some of the steps of the accounting cycle are shown below:

- Step 1: Identify business transaction
- Step 4: Prepare trial balance
- Step 6:
- Step 5:
- Step 2:
- Step 3:

You are required to:

State the four missing steps in the above accounting cycle. (4 marks)