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**ACCOUNTING**

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MARK SCHEME

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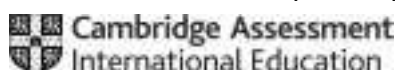
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| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Marks |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 1(a)     | <div><div>Brian account</div><div><div><div>\$</div><div>2016</div><div>Aug 1 Balance b/d</div><div>1 000</div><div></div><div><u>1 000</u></div></div><div><div>\$</div><div>2017</div><div>July 31</div><div>Cash</div><div>720</div><div>Bad debts</div><div>280</div><div><u>1 000</u></div></div><div><div>(1)</div><div>(1)</div></div></div></div> <div><div>Bad debts account</div><div><div><div>\$</div><div>2017</div><div>July 31 Total to date</div><div>990</div><div>Brian</div><div>280</div><div><u>1 270</u></div></div><div><div>\$</div><div>2017</div><div>July 31</div><div>Income Statement</div><div>1 270</div><div><u>1 270</u></div></div><div><div>(1)</div><div>(1)OF</div></div></div></div> <div><div>Bad debts recovered account</div><div><div><div>\$</div><div>2017</div><div>July 31 Income Statement*</div><div>118</div><div><u>118</u></div></div><div><div>\$</div><div>2017</div><div>July 31</div><div>Bank (AL Stores)</div><div>118</div><div><u>118</u></div></div><div><div>(1)</div><div>(1)</div></div></div></div> <div><div>* Alternately accept transfer to bad debts account and net transfer from bad debts to income statement</div></div> <div><div>Rent account</div><div><div><div>\$</div><div>2017</div><div>July 31 Total paid</div><div>5 200</div><div></div><div><u>5 200</u></div></div><div><div>\$</div><div>2017</div><div>July 31</div><div>Balance c/d</div><div>400</div><div>Drawings</div><div>1 200</div><div>Income Statement</div><div>3 600</div><div><u>5 200</u></div></div><div><div>(1)</div><div>(1)OF</div></div></div></div> <div><div>2017</div><div>Aug 1 Balance b/d</div><div>400</div><div>(1)</div></div> <div><div>Drawings account</div><div><div><div>\$</div><div>2017</div><div>July 31 Total to date</div><div>9 650</div><div>Rent</div><div>1 200</div><div><u>10 850</u></div></div><div><div>\$</div><div>2017</div><div>July 31</div><div>Capital</div><div>10 850</div><div><u>10 850</u></div></div><div><div>(1)</div><div>(1)OF</div></div></div></div> <div><div>Commission receivable account</div><div><div><div>\$</div><div>2017</div><div>July 31 Income Statement</div><div>1 040</div><div><u>1 040</u></div></div><div><div>\$</div><div>2017</div><div>July 31</div><div>Total to date</div><div>890</div><div>Balance c/d</div><div>150</div><div><u>1 040</u></div></div><div><div>(1)</div><div>(1)</div></div></div></div> <div><div>2017</div><div>Aug 1 Balance b/d</div><div>150</div><div>(1)</div></div> | 15    |

| Question             | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Marks                    |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------|----------------------|----------------------------------|------|--|------|--|---------------------|--------|-------------------|--------|--|--|------|--|--|--|--------------------------|-----------|--|---------------|--|---------------|--|--|------|--|--|--|-------------------|--------------|--|
| 1(a)                 | <div>Provision for depreciation of office fixtures account</div> <table><tr><td></td><td>\$</td><td></td><td>\$</td></tr><tr><td>2017</td><td></td><td>2016</td><td></td></tr><tr><td>July 31 Balance c/d</td><td>15 435</td><td>Aug 1 Balance b/d</td><td>11 100</td></tr><tr><td></td><td></td><td>2017</td><td></td></tr><tr><td></td><td></td><td>July 31 Income Statement</td><td>4 335 (1)</td></tr><tr><td></td><td><u>15 435</u></td><td></td><td><u>15 435</u></td></tr><tr><td></td><td></td><td>2017</td><td></td></tr><tr><td></td><td></td><td>Aug 1 Balance b/d</td><td>15 435 (1)OF</td></tr></table> |                          | \$            |                      | \$                               | 2017 |  | 2016 |  | July 31 Balance c/d | 15 435 | Aug 1 Balance b/d | 11 100 |  |  | 2017 |  |  |  | July 31 Income Statement | 4 335 (1) |  | <u>15 435</u> |  | <u>15 435</u> |  |  | 2017 |  |  |  | Aug 1 Balance b/d | 15 435 (1)OF |  |
|                      | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                          | \$            |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 2017                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2016                     |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| July 31 Balance c/d  | 15 435                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Aug 1 Balance b/d        | 11 100        |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2017                     |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | July 31 Income Statement | 4 335 (1)     |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
|                      | <u>15 435</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                          | <u>15 435</u> |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2017                     |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
|                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Aug 1 Balance b/d        | 15 435 (1)OF  |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 1(b)                 | An estimate (1) of the amount which a business will lose/be unable to collect in a financial year because of bad debts (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2                        |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 1(c)                 | Percentage of the total amount owing by credit customers<br>Estimating which individual credit customers will not pay their accounts<br>Considering the length of time the debts have been outstanding<br>Estimate, based on experience, of amount lost each year from bad debts<br>Any 1 point (1)                                                                                                                                                                                                                                                                                                                  | 1                        |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 1(d)                 | <table><tr><td>debit</td><td>credit</td></tr><tr><td>Income statement (1)</td><td>Provision for doubtful debts (1)</td></tr></table>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | debit                    | credit        | Income statement (1) | Provision for doubtful debts (1) | 2    |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| debit                | credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                          |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| Income statement (1) | Provision for doubtful debts (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                          |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 1(e)                 | The profit for the year is not overstated (1)<br>The trade receivables (current assets) are not overstated/shown at more realistic value (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2                        |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 1(f)                 | The sales for which a business is unlikely to be paid (1) are regarded as an expense of the year in which those sales are made (1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2                        |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |
| 1(g)                 | Reduce credit sales/sell on a cash basis<br>Obtain references from new credit customers<br>Fix a credit limit for each customer<br>Improve credit control<br>Issue invoices and monthly statements promptly<br>Refuse further supplies until outstanding balance is paid<br>Allow cash discount for prompt payment<br>Charge interest on overdue accounts<br>Any 2 points (1) each                                                                                                                                                                                                                                   | 2                        |               |                      |                                  |      |  |      |  |                     |        |                   |        |  |  |      |  |  |  |                          |           |  |               |  |               |  |  |      |  |  |  |                   |              |  |

| Question | Answer                                                                                                                                                                                                                                                                           |                                |        |          | Marks |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------|----------|-------|
| 2(a)     |                                                                                                                                                                                                                                                                                  | debit                          | credit | no entry | 9     |
|          | opening balance owed by credit customers                                                                                                                                                                                                                                         | ✓(1)                           |        |          |       |
|          | credit sales                                                                                                                                                                                                                                                                     | ✓(1)                           |        |          |       |
|          | cash sales                                                                                                                                                                                                                                                                       |                                |        | ✓(1)     |       |
|          | provision for doubtful debts                                                                                                                                                                                                                                                     |                                |        | ✓(1)     |       |
|          | bad debts written off                                                                                                                                                                                                                                                            |                                | ✓(1)   |          |       |
|          | cash discount allowed to credit customers                                                                                                                                                                                                                                        |                                | ✓(1)   |          |       |
|          | trade discount allowed to credit customers                                                                                                                                                                                                                                       |                                |        | ✓(1)     |       |
|          | contra between sales and purchases ledger                                                                                                                                                                                                                                        |                                | ✓(1)   |          |       |
|          | cash received from credit customers                                                                                                                                                                                                                                              |                                | ✓(1)   |          |       |
| 2(b)     |                                                                                                                                                                                                                                                                                  | book of prime (original) entry |        |          | 4     |
|          | returns to credit suppliers                                                                                                                                                                                                                                                      | purchases returns journal (1)  |        |          |       |
|          | discount received                                                                                                                                                                                                                                                                | cash book (1)                  |        |          |       |
|          | interest charged by credit supplier                                                                                                                                                                                                                                              | journal (1)                    |        |          |       |
|          | contra entry to sales ledger control account                                                                                                                                                                                                                                     | journal (1)                    |        |          |       |
| 2(c)(i)  | An entry which appears on the debit side of the purchases ledger control account and the credit of the sales ledger control account (1)                                                                                                                                          |                                |        |          | 1     |
| 2(c)(ii) | It is made when a sales ledger account is set off against a purchases ledger account of the same person/business (1)                                                                                                                                                             |                                |        |          | 1     |
| 2(d)     | Overpayment of the amount owing<br>Failure to deduct cash discount due<br>Goods returned after account settled<br>Payment made in advance<br><b>Any 2 reasons (1) each</b>                                                                                                       |                                |        |          | 2     |
| 2(e)(i)  | $\frac{\text{Trade receivables}}{\text{Credit sales}} \times \frac{365}{1}$ } <b>whole formula (1)</b>                                                                                                                                                                           |                                |        |          | 1     |
| 2(e)(ii) | $\frac{20\,520}{186\,700} \times \frac{365}{1}$ } <b>whole formula (1)</b><br>= 40.11 = 41 days (1)                                                                                                                                                                              |                                |        |          | 2     |
| 2(f)     | Offer cash discount for prompt payment<br>Charge interest on overdue accounts<br>Improve credit control/send invoices or statements promptly<br>Refuse further supplies until outstanding balance paid<br>Invoice discounting and debt factoring<br><b>Any 2 points (1) each</b> |                                |        |          | 2     |

| Question | Answer                                                                                                                                                                                             | Marks |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 2(g)     | $\frac{\text{Trade payables}}{\text{Credit purchases}} \times \frac{365}{1}$ } whole formula (1)                                                                                                   | 1     |
| 2(h)     | Will not be pleased<br>May refuse further supplies<br>May charge interest<br>May issue stern reminders/threaten legal action<br><b>Or other suitable comment</b><br><b>Any 2 comments (1) each</b> | 2     |

| Question                                                            | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Marks          |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------|----|--|---------------------------------------------------------------------|--|--------|-----|-------------------------------------------|----|------------|-----|--------|--|--------|--|----------------------------------------|-----|--------|-------|--------------------------------------------|------------|------------|--|----------------------------|--------------|---------------|-----|---|--|--------|--|-------------|--|--|--|---------------------|--|--|--|---------------------|-------|--|--|---------------------|-------|--|--|---------------|--------------|-------|-----|------|-------|------|--|------------------|-------|---|--|----------------------------|-----|-----|--|---------------------------|--|--|--|--------------------------|--------------|---------------|--|---------|--|------------|-------|---|
| 3(a)                                                                | <table><tr><td></td><td>\$</td><td>\$</td><td></td></tr><tr><td>Subscriptions received</td><td></td><td>12 540</td><td>(1)</td></tr><tr><td>Add Subscriptions outstanding at year end</td><td></td><td><u>240</u></td><td>(1)</td></tr><tr><td></td><td></td><td>12 780</td><td></td></tr><tr><td>Less Subscriptions prepaid at year end</td><td>180</td><td>(1)</td><td></td></tr><tr><td>Subscriptions outstanding at start of year</td><td><u>600</u></td><td><u>780</u></td><td></td></tr><tr><td>Subscriptions for the year</td><td></td><td><u>12 000</u></td><td>(1)</td></tr></table> <p>Accept alternative presentation</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                | \$    | \$ |  | Subscriptions received                                              |  | 12 540 | (1) | Add Subscriptions outstanding at year end |    | <u>240</u> | (1) |        |  | 12 780 |  | Less Subscriptions prepaid at year end | 180 | (1)    |       | Subscriptions outstanding at start of year | <u>600</u> | <u>780</u> |  | Subscriptions for the year |              | <u>12 000</u> | (1) | 5 |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
|                                                                     | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | \$             |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Subscriptions received                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 12 540         | (1)   |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Add Subscriptions outstanding at year end                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>240</u>     | (1)   |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 12 780         |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Less Subscriptions prepaid at year end                              | 180                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1)            |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Subscriptions outstanding at start of year                          | <u>600</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <u>780</u>     |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Subscriptions for the year                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>12 000</u>  | (1)   |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| 3(b)                                                                | <table><tr><td colspan="4">AS Sports Club</td></tr><tr><td colspan="4">Income and Expenditure Account for the year ended 30 September 2017</td></tr><tr><td></td><td>\$</td><td>\$</td><td>\$</td></tr><tr><td>Income</td><td></td><td></td><td></td></tr><tr><td>Subscriptions</td><td></td><td>12 000</td><td>(1)OF</td></tr><tr><td>Profit on shop – revenue</td><td>3 510</td><td></td><td></td></tr><tr><td>– less purchases</td><td><u>2 410</u></td><td><u>1 100</u></td><td>(1)</td></tr><tr><td></td><td></td><td>13 100</td><td></td></tr><tr><td>Expenditure</td><td></td><td></td><td></td></tr><tr><td>Rates and insurance</td><td></td><td></td><td></td></tr><tr><td>(1500 (1) + 60 (1))</td><td>1 560</td><td></td><td></td></tr><tr><td>Open day – expenses</td><td>5 250</td><td></td><td></td></tr><tr><td>less receipts</td><td><u>4 180</u></td><td>1 070</td><td>(1)</td></tr><tr><td>Rent</td><td>1 800</td><td>}(1)</td><td></td></tr><tr><td>General expenses</td><td>2 640</td><td>}</td><td></td></tr><tr><td>Loan interest (5% × 7 000)</td><td>350</td><td>(1)</td><td></td></tr><tr><td>Depreciation of Equipment</td><td></td><td></td><td></td></tr><tr><td>((22 000 + 8 000) × 20%)</td><td><u>6 000</u></td><td><u>13 420</u></td><td></td></tr><tr><td>Deficit</td><td></td><td><u>320</u></td><td>(1)OF</td></tr></table> | AS Sports Club |       |    |  | Income and Expenditure Account for the year ended 30 September 2017 |  |        |     |                                           | \$ | \$         | \$  | Income |  |        |  | Subscriptions                          |     | 12 000 | (1)OF | Profit on shop – revenue                   | 3 510      |            |  | – less purchases           | <u>2 410</u> | <u>1 100</u>  | (1) |   |  | 13 100 |  | Expenditure |  |  |  | Rates and insurance |  |  |  | (1500 (1) + 60 (1)) | 1 560 |  |  | Open day – expenses | 5 250 |  |  | less receipts | <u>4 180</u> | 1 070 | (1) | Rent | 1 800 | }(1) |  | General expenses | 2 640 | } |  | Loan interest (5% × 7 000) | 350 | (1) |  | Depreciation of Equipment |  |  |  | ((22 000 + 8 000) × 20%) | <u>6 000</u> | <u>13 420</u> |  | Deficit |  | <u>320</u> | (1)OF | 9 |
| AS Sports Club                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Income and Expenditure Account for the year ended 30 September 2017 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
|                                                                     | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | \$             | \$    |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Income                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Subscriptions                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 12 000         | (1)OF |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Profit on shop – revenue                                            | 3 510                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| – less purchases                                                    | <u>2 410</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>1 100</u>   | (1)   |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
|                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 13 100         |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Expenditure                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Rates and insurance                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| (1500 (1) + 60 (1))                                                 | 1 560                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Open day – expenses                                                 | 5 250                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| less receipts                                                       | <u>4 180</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1 070          | (1)   |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Rent                                                                | 1 800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | }(1)           |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| General expenses                                                    | 2 640                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | }              |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Loan interest (5% × 7 000)                                          | 350                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | (1)            |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Depreciation of Equipment                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| ((22 000 + 8 000) × 20%)                                            | <u>6 000</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <u>13 420</u>  |       |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |
| Deficit                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>320</u>     | (1)OF |    |  |                                                                     |  |        |     |                                           |    |            |     |        |  |        |  |                                        |     |        |       |                                            |            |            |  |                            |              |               |     |   |  |        |  |             |  |  |  |                     |  |  |  |                     |       |  |  |                     |       |  |  |               |              |       |     |      |       |      |  |                  |       |   |  |                            |     |     |  |                           |  |  |  |                          |              |               |  |         |  |            |       |   |

| Question                          | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Marks                    |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------|----|----|--------|--|--|--|--------------------|------|--------------------------|------------|-----------|--------|--------------|--------------|----------------|--|--|--|-----------------------------------|--|--|---------|--------------|--|--|--------|-------------|--|--|--|------------------|--|--|--|-----------------|--|--|------------|--------------|--|--|-----------|--|--|--|--------|-------------------------|--|--|--|----------------------------|--|--|-----------|---------------------|--|--|--|--------------------------------|--|--|-----------|-----------------------|--|--|---------|------|--|--|---------|--|--|--|-------|-------------------|--|--|--------|---|
| 3(c)                              | <div>AS Sports Club</div> <div>Statement of Financial Position at 30 September 2017</div> <table><thead><tr><th></th><th>\$</th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td colspan="4">Assets</td></tr><tr><td>Non-current assets</td><td>Cost</td><td>Accumulated depreciation</td><td>Book value</td></tr><tr><td>Equipment</td><td>30 000</td><td>10 400 (1)OF</td><td>19 600 (1)OF</td></tr><tr><td colspan="4">Current assets</td></tr><tr><td>Other receivables (Subscriptions)</td><td></td><td></td><td>240 (1)</td></tr><tr><td>Total assets</td><td></td><td></td><td>19 840</td></tr><tr><td colspan="4">Liabilities</td></tr><tr><td colspan="4">Accumulated fund</td></tr><tr><td>Opening balance</td><td></td><td></td><td>11 870 (1)</td></tr><tr><td>Less Deficit</td><td></td><td></td><td>320 (1)OF</td></tr><tr><td></td><td></td><td></td><td>11 550</td></tr><tr><td colspan="4">Non-current liabilities</td></tr><tr><td>Bank loan (repayable 2020)</td><td></td><td></td><td>7 000 (1)</td></tr><tr><td colspan="4">Current liabilities</td></tr><tr><td>Other payables (loan interest)</td><td></td><td></td><td>350 (1)OF</td></tr><tr><td>Subscriptions prepaid</td><td></td><td></td><td>180 (1)</td></tr><tr><td>Bank</td><td></td><td></td><td>760 (1)</td></tr><tr><td></td><td></td><td></td><td>1 290</td></tr><tr><td>Total liabilities</td><td></td><td></td><td>19 840</td></tr></tbody></table> |                          | \$           | \$ | \$ | Assets |  |  |  | Non-current assets | Cost | Accumulated depreciation | Book value | Equipment | 30 000 | 10 400 (1)OF | 19 600 (1)OF | Current assets |  |  |  | Other receivables (Subscriptions) |  |  | 240 (1) | Total assets |  |  | 19 840 | Liabilities |  |  |  | Accumulated fund |  |  |  | Opening balance |  |  | 11 870 (1) | Less Deficit |  |  | 320 (1)OF |  |  |  | 11 550 | Non-current liabilities |  |  |  | Bank loan (repayable 2020) |  |  | 7 000 (1) | Current liabilities |  |  |  | Other payables (loan interest) |  |  | 350 (1)OF | Subscriptions prepaid |  |  | 180 (1) | Bank |  |  | 760 (1) |  |  |  | 1 290 | Total liabilities |  |  | 19 840 | 9 |
|                                   | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$                       | \$           |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Assets                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Non-current assets                | Cost                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Accumulated depreciation | Book value   |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Equipment                         | 30 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 10 400 (1)OF             | 19 600 (1)OF |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Current assets                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Other receivables (Subscriptions) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 240 (1)      |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Total assets                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 19 840       |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Liabilities                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Accumulated fund                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Opening balance                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 11 870 (1)   |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Less Deficit                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 320 (1)OF    |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 11 550       |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Non-current liabilities           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Bank loan (repayable 2020)        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 7 000 (1)    |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Current liabilities               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Other payables (loan interest)    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 350 (1)OF    |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Subscriptions prepaid             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 180 (1)      |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Bank                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 760 (1)      |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
|                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 1 290        |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| Total liabilities                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                          | 19 840       |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |
| 3(d)                              | <p>Loan interest is an expense account/any accrued interest is a current liability (1)</p> <p>The loan is a non-current liability (1)</p> <p>Accept other valid points</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2                        |              |    |    |        |  |  |  |                    |      |                          |            |           |        |              |              |                |  |  |  |                                   |  |  |         |              |  |  |        |             |  |  |  |                  |  |  |  |                 |  |  |            |              |  |  |           |  |  |  |        |                         |  |  |  |                            |  |  |           |                     |  |  |  |                                |  |  |           |                       |  |  |         |      |  |  |         |  |  |  |       |                   |  |  |        |   |

| Question | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                | Marks |
|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 4(a)     | $(87\,500 + 56\,200 + 100) : (81\,500 + 17\,100)$<br>$= 143\,800 : 98\,600$ (1) <b>whole formula</b><br>$= 1.46 : 1$ (1)                                                                                                                                                                                                                                                                                                                              | 2     |
| 4(b)     | <p>Current assets only approximately 1½ times the current liabilities</p> <p>Lower than the “benchmark” of 2:1</p> <p>Can meet the current liabilities from the current assets</p> <p>Do not have a lot of surplus current assets available after paying current liabilities</p> <p>Seems to be a little inadequate (depending on the type of business)</p> <p><b>Comments to be based on answer to (a)</b></p> <p><b>Any 2 comments (1) each</b></p> | 2     |

| Question                                | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Marks    |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------|-------------|----------|-------------|--|--|----------|----------|-----------|----------|----------|-----------|---------------------------------------|---|--|--|---|--|--|-----------------------------------------|--|--|------|--|--|------|---------------------------------------|--|--|------|------|--|--|---|
| 4(c)                                    | $(56\,200 + 100) : (81\,500 + 17\,100)$<br>$= 56\,300 : 98\,600$ <b>(1) whole formula</b><br>$= 0.57 : 1$ <b>(1)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | 2        |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| 4(d)                                    | Increased expenditure on inventory<br>Increase in bank overdraft/change from positive bank balance to overdraft<br>Purchase of non-current assets<br>Repayment of long-term loan<br>Increase in current liabilities/increase in trade payables<br>Decrease in trade receivables<br>Decrease in cash<br>Increase in drawings<br><b>Any 2 reasons (1) each</b>                                                                                                                                                                                                                                | 2        |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| 4(e)                                    | Unable to pay debts when they fall due<br>Unable to take advantage of cash discounts<br>Unable to take advantage of business opportunities when they arise<br>May have difficulty in obtaining further supplies<br>May not be able to take drawings<br><b>Any 2 points (1) each</b>                                                                                                                                                                                                                                                                                                         | 2        |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| 4(f)                                    | <table><tr><th rowspan="2"></th><th colspan="3">current ratio</th><th colspan="3">quick ratio</th></tr><tr><th>increase</th><th>decrease</th><th>no effect</th><th>increase</th><th>decrease</th><th>no effect</th></tr><tr><td>introduce \$20 000 additional capital</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td></tr><tr><td>obtain short-term bank loan of \$10 000</td><td></td><td></td><td>✓(1)</td><td></td><td></td><td>✓(1)</td></tr><tr><td>sell half the inventory at cost price</td><td></td><td></td><td>✓(1)</td><td>✓(1)</td><td></td><td></td></tr></table> |          | current ratio |             |          | quick ratio |  |  | increase | decrease | no effect | increase | decrease | no effect | introduce \$20 000 additional capital | ✓ |  |  | ✓ |  |  | obtain short-term bank loan of \$10 000 |  |  | ✓(1) |  |  | ✓(1) | sell half the inventory at cost price |  |  | ✓(1) | ✓(1) |  |  | 4 |
|                                         | current ratio                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |          |               | quick ratio |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
|                                         | increase                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | decrease | no effect     | increase    | decrease | no effect   |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| introduce \$20 000 additional capital   | ✓                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |          |               | ✓           |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| obtain short-term bank loan of \$10 000 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          | ✓(1)          |             |          | ✓(1)        |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| sell half the inventory at cost price   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |          | ✓(1)          | ✓(1)        |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| 4(g)                                    | $\frac{\text{Cost of sales}}{\text{Average inventory}}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1        |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| 4(h)                                    | $\frac{765\,990}{(87\,500 + 72\,000) \div 2} \quad \text{Or} \quad \frac{765\,990}{87\,500 - (15\,500 \div 2)}$ $= \frac{765\,990}{79\,750} \} (1)$ $= 9.60 \text{ times } (1)$                                                                                                                                                                                                                                                                                                                                                                                                             | 2        |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |
| 4(i)                                    | Higher inventory levels<br>Lower sales activity<br><b>Or other suitable reason</b><br><b>Any 2 reasons (1) each</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2        |               |             |          |             |  |  |          |          |           |          |          |           |                                       |   |  |  |   |  |  |                                         |  |  |      |  |  |      |                                       |  |  |      |      |  |  |   |

| Question                                         | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Marks           |                        |                 |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|------------------------|-----------------|-------------------|-------|--|----|----|----|----|-------------------|---------|--------|--------|---------|-------------|---------|--|--|---------|---------------------|--|--|--------|--------|--------------------------------------------------|--|--|----------|----------|--------------------------------------------------|--|--|----------|----------|-----------------------------|--|-------|---------|--|----------------------|---------|--------|--------|---------|---|
| 5(a)                                             | $\frac{43\,000}{(500\,000 + 11\,000 + 14\,000 + 75\,000)}$ $= \frac{43\,000}{600\,000} \times \frac{100}{1}$ $= 7.17\% \text{ (1)}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 3               |                        |                 |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| 5(b)                                             | $\frac{25\,000}{500\,000} \times \frac{100}{1}$ $= 5\%$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 1               |                        |                 |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| 5(c)                                             | $\frac{15\,000 + 30\,000}{500\,000 + 100\,000} \times \frac{100}{1}$ $= \frac{45\,000}{600\,000}$ $= 7.5\% \text{ (1)}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 3               |                        |                 |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| 5(d)                                             | $71\,000 - (3\% \times 75\,000) \text{ (1)}$ $= 71\,000 - 2\,250$ $= 68\,750 \text{ (1)}$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 2               |                        |                 |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| 5(e)                                             | <div>CP Limited</div> <div>Statement of Changes in Equity for the year ended 30 September 2017</div> <table><tr><th></th><th>Ordinary share capital</th><th>General reserve</th><th>Retained earnings</th><th>Total</th></tr><tr><th></th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>On 1 October 2016</td><td>500 000</td><td>11 000</td><td>14 000</td><td>525 000</td></tr><tr><td>Share issue</td><td>100 000</td><td></td><td></td><td>100 000</td></tr><tr><td>Profit for the year</td><td></td><td></td><td>68 750</td><td>68 750</td></tr><tr><td>Dividend paid (for year ended 30 September 2016)</td><td></td><td></td><td>(25 000)</td><td>(25 000)</td></tr><tr><td>Dividend paid (for year ended 30 September 2017)</td><td></td><td></td><td>(15 000)</td><td>(15 000)</td></tr><tr><td>Transfer to general reserve</td><td></td><td>5 000</td><td>(5 000)</td><td></td></tr><tr><td>On 30 September 2017</td><td>600 000</td><td>16 000</td><td>37 750</td><td>653 750</td></tr></table> |                 | Ordinary share capital | General reserve | Retained earnings | Total |  | \$ | \$ | \$ | \$ | On 1 October 2016 | 500 000 | 11 000 | 14 000 | 525 000 | Share issue | 100 000 |  |  | 100 000 | Profit for the year |  |  | 68 750 | 68 750 | Dividend paid (for year ended 30 September 2016) |  |  | (25 000) | (25 000) | Dividend paid (for year ended 30 September 2017) |  |  | (15 000) | (15 000) | Transfer to general reserve |  | 5 000 | (5 000) |  | On 30 September 2017 | 600 000 | 16 000 | 37 750 | 653 750 | 7 |
|                                                  | Ordinary share capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | General reserve | Retained earnings      | Total           |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
|                                                  | \$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | \$              | \$                     | \$              |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| On 1 October 2016                                | 500 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 11 000          | 14 000                 | 525 000         |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| Share issue                                      | 100 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                 |                        | 100 000         |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| Profit for the year                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                 | 68 750                 | 68 750          |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| Dividend paid (for year ended 30 September 2016) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                 | (25 000)               | (25 000)        |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| Dividend paid (for year ended 30 September 2017) |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                 | (15 000)               | (15 000)        |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| Transfer to general reserve                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 5 000           | (5 000)                |                 |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |
| On 30 September 2017                             | 600 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 16 000          | 37 750                 | 653 750         |                   |       |  |    |    |    |    |                   |         |        |        |         |             |         |  |  |         |                     |  |  |        |        |                                                  |  |  |          |          |                                                  |  |  |          |          |                             |  |       |         |  |                      |         |        |        |         |   |

| Question                                             | Answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Marks          |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
|------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|--------------|--------------------------|---------|--|--|-----------------------------------|----------------|--|--|-------------------------------|--|---------------|--|------------------------------------------------------|--|----------------|--|------------------|--|--|------|---|
| 5(f)                                                 | Long term loans<br>Debenture holders are not members of the company<br>Do not carry voting rights<br>Carry a fixed rate of interest<br>Interest is not dependent on the company's profit<br>Are often secured on the assets of the company's<br>Debenture holders are repaid before the shareholders in a winding-up<br><b>Any 2 features (1) each</b>                                                                                                                                                                                                                                              | 2              |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| 5(g)                                                 | Carry a fixed rate of dividend<br>Dividend may not be paid if there is not enough profit<br>Dividend is paid before ordinary share dividend<br>Preference shareholders are members of the company<br>Do not usually carry voting rights<br>Capital is repaid before ordinary share capital in a winding-up<br>Are not secured on the assets of the company<br><b>Any 2 features (1) each</b>                                                                                                                                                                                                        | 2              |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| 5(h)                                                 | <table><tr><td></td><td>increase<br/>\$</td><td>decrease<br/>\$</td><td>no<br/>effect</td></tr><tr><td>effect on current assets</td><td>300 000</td><td></td><td></td></tr><tr><td>effect on non-current liabilities</td><td>300 000<br/>(1)</td><td></td><td></td></tr><tr><td>effect on profit for the year</td><td></td><td>9 000<br/>(2)*</td><td></td></tr><tr><td>effect on profit available for ordinary shareholders</td><td></td><td>9 000<br/>(1)OF</td><td></td></tr><tr><td>effect on equity</td><td></td><td></td><td>✓(1)</td></tr></table> <p><b>* (1) position + (1) amount</b></p> |                | increase<br>\$ | decrease<br>\$ | no<br>effect | effect on current assets | 300 000 |  |  | effect on non-current liabilities | 300 000<br>(1) |  |  | effect on profit for the year |  | 9 000<br>(2)* |  | effect on profit available for ordinary shareholders |  | 9 000<br>(1)OF |  | effect on equity |  |  | ✓(1) | 5 |
|                                                      | increase<br>\$                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | decrease<br>\$ | no<br>effect   |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| effect on current assets                             | 300 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| effect on non-current liabilities                    | 300 000<br>(1)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| effect on profit for the year                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 9 000<br>(2)*  |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| effect on profit available for ordinary shareholders |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 9 000<br>(1)OF |                |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |
| effect on equity                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                | ✓(1)           |                |              |                          |         |  |  |                                   |                |  |  |                               |  |               |  |                                                      |  |                |  |                  |  |  |      |   |