

- 1 Delph started trading on 1 July 2016.
the year ended 30 June 2017 he provided the following information relating to his sales and purchases.

	\$
Bank payments to credit suppliers	39 826
Cash purchases	692
Credit purchases	74 779
Credit purchases returns	6 813
Discount received	1 764

At 30 June 2017
Sales ledger control account balance 21 555 Debit

REQUIRED

- (a) Explain **two** benefits of using control accounts.

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Additional information

The following book-keeping errors have been discovered in the sales ledger:

- 1 The sales journal total for June 2017 was understated by \$1470.
- 2 A customer's invoice for \$2910 was entered in the sales journal as \$2190.
- 3 Discounts allowed in June 2017 amounting to \$435 were debited to the sales ledger control account.
- 4 A sales invoice for \$1520 dated 30 June 2017 was omitted from the sales journal.

REQUIRED

- (b)** Prepare the amended sales ledger control account at 30 June 2017.

Delph
Amended sales ledger control account

	\$		\$
Balance b/d	21 555		

Additional information

At 30 June 2017 there was a debit balance on the purchases ledger account of \$384.

REQUIRED

(c) Prepare the purchases ledger control account for the year ended 30 June 2017.

Delph
Purchases ledger control account

	\$		\$

[5]

Additional information

Delph has also provided the following information.

At 1 July 2016	\$
Capital introduced	10 500
Loan from the bank (repayable 2021)	3 000

During the year ended 30 June 2017

Bank payments	
Motor vehicle	13 560
Loan	500
Drawings	12 625

At 30 June 2017		
Inventory	3 700	Debit
Cash in hand	360	Debit
Rent	650	Debit
Bank	856	Credit
Wages	1 890	Credit

The motor vehicle is to be depreciated at 25% using the reducing balance method.

REQUIRED

- (d)** Prepare the statement of financial position at 30 June 2017.

Delph
Statement of financial position at 30 June 2017

[9]

Additional information

Delph has calculated the following ratios for the year ended 30 June 2017 for his own business and for his main competitor, Nadia.

	Delph	Nadia
Gross margin	26%	21%
Profit margin	9%	12%

REQUIRED

- (e)** Advise Delph whether or not his business is more profitable than Nadia's business. Justify your answer.

[7]