

2 Answer Section A and Section B.

A The sales ledger control account of Dream Beds for the year ended 31 December 2010 is shown below.

		\$			\$
Jan 1	Balance b/d	43 900	Dec 31	Sales returns	28 510
Dec 31	Sales	522 650		Bank	436 300
	Bank (dishonoured cheques)	2 200		Discount allowed	28 800
				Bad Debts	8 400
				PLCA	3 210
				Balance c/d	63 530
		<u>568 750</u>			<u>568 750</u>

The schedule of trade receivables (debtors) extracted from the sales ledger at 31 December 2010 totalled \$61 140.

The following errors were subsequently discovered:

- 1 A sale of \$750 had been entered in John's account in the sales ledger as \$570. The correct entry had been made in the sales journal.
- 2 An entry of \$850 was correctly entered in Samera's account in the sales ledger, closing the account owing to Samera's bankruptcy. No other entry had been made.
- 3 A sum of \$120 discount allowed had been debited to Beach's account in the sales ledger. The correct entry had been made in the cash book.
- 4 At 31 December 2010 the balances in Richard's accounts were:

	\$	
Purchases Ledger	2680	Credit
Sales Ledger	1980	Debit

It was decided to set off Richard's balance in the sales ledger against the balance in the purchases ledger. No entries had been made.

- 5 Goods to the value of \$800 were sold to Claire in June 2010, and the account had not yet been paid. Interest charges of \$30 are to be applied on the overdue account, but no entries for this had yet been recorded.

In addition a provision for doubtful debts of 10% on the new outstanding balance is to be created.

- 6 Dream Beds had sent goods with a selling price of \$400 on a sale or return basis to Majit. Majit had not yet signified any intention to purchase the goods. Dream Beds had considered the goods as sold, and made the relevant accounting entries.
- 7 A page in the sales returns journal in October 2010 had been undercast by \$1600. No correction had yet been made.

REQUIRED

- (a)** Prepare the corrected sales ledger control account for the year ended 31 December 2010.

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- (b)** Prepare a statement reconciling the schedule of trade receivables (debtors) total with the corrected balance in the sales ledger control account.

[8]

(c) Explain **two** advantages of using a sales ledger control account.

(i)
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(ii)
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.....[4]

B S Turner owns a food wholesale business. The following amounts were extracted from books of account at 31 December 2010.

	\$
Inventory – 1 January	45 000
Inventory – 31 December	65 000
Cost of sales	880 000
Business expenses	130 000
Trade payables	100 000
Trade receivables	150 000
Bank overdraft	50 000
Capital – 31 December 2010	1 125 000

The mark up on goods is 25%.

REQUIRED

(a) Calculate the profit for the year (net profit) ended 31 December 2010.

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(b) Calculate the following ratios, giving your answer to **one** decimal place.

(i) Return on capital employed

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(ii) Inventory turnover (as a number of times)

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(iii) Liquid (acid test) ratio.

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S Turner is considering expanding her business by purchasing another food wholesale business.

She has obtained the following information on two possible business purchases.

	Paradis Foods	Jones Wholesalers
Return on capital employed	15%	6%
Current ratio	3.4:1	1.8:1
Liquid (acid test) ratio	0.5:1	1.4:1

REQUIRED

(c) Advise which business, if any, she should purchase on the basis of all of the information provided. Justify your answer.

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