EXAMINATIONS COUNCIL OF LESOTHO
Lesotho General Certificate of Secondary Education

CANDIDATE NAME	

CENTRE NUMBER		CANDIDATE NUMBER	

ACCOUNTING **0187/01**

Paper 1 **October/November 2017**

1 hour 15 minutes

Candidates answer on the Question Paper. **Marks: 50**

No Additional Materials are required.

READ THESE INSTRUCTIONS FIRST

Write your name, Centre number and candidate number on all the work you hand in.
Write in dark blue or black pen.
You may use a soft pencil for any diagrams or graphs.
You may use a calculator.
Do not use staples, paper clips, glue or correction fluid.
Answer **ALL** the questions.
Where layouts are to be completed, you may not need all the lines for your answer.
If working is needed for any question it must be shown in the space below the question.
The number of marks is given in brackets [ ] at the end of each question or part question.
The businesses mentioned in this Question Paper are fictitious.
At the end of the examination, fasten all your work securely together.
DO **NOT** WRITE IN ANY BARCODES.

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4	
TOTAL	

This document consists of **12** printed pages.

Examinations Council of Lesotho

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There are **14** parts to Question **1**.

For **each** of the parts **(a)** to **(n)** below there are four possible answers **A**, **B**, **C** and **D**.
Choose the one you consider correct and place a tick (✓) in the box to indicate the correct answer.

1 **(a)** Which book of prime (original) entry records the acquisition of non-current assets on credit?

A cash book

B general journal

C petty cash book

D purchases journal

[1]

(b) A trader invested additional cash into the business.

What is the effect of this transaction on the accounting equation?

	assets	liabilities	capital
A	✗	✓	✓
B	✓	✓	✗
C	✓	✗	✓
D	✗	✗	✓

[1]

(c) Which capital is the total called-up share capital for which cash has actually been received?

A authorised share capital

B share capital

C issued share capital

D paid-up share capital

[1]

(d) On 1 June Pulane sent a cheque to Fusi. This was correctly entered in the supplier's books. On 5 June this cheque was returned by the bank.

Which entries will Fusi make on 5 June?

	account to be debited	account to be credited
A	Bad debts	Pulane
B	Bank	Pulane
C	Pulane	Bad debts
D	Pulane	Bank

[1]

(e) Mareka had the following assets and liabilities.

	M
Bank	1500 (Dr)
Trade receivables	5000
Long term loan	2000
Rates prepaid	800
Salaries owing	700

What was Mareka's working capital?

A M4800

B M5200

C M6200

D M6600

[1]

(f) Which accounting principle is applied when non-current assets are included in the statement of financial position at book value?

A going concern

B historical cost

C matching/accruals

D money measurement

[1]

(g) Equipment costing M3000 was sold for M1200. The depreciation at the date of sale totalled M1600.

What was the profit or loss on disposal?

A loss M200

B loss M1800

C profit M200

D profit M1800

[1]

(h) What may appear as income in the accounts of a service business?

A carriage inwards

B donations to charity

C fees from clients

D purchases returns

[1]

(i) Which entries are made at month-end to transfer the totals of the sales, purchases and returns journals to the ledger?

	account to be debited	account to be credited
A	purchases purchases returns	sales sales returns
B	purchases sales returns	sales purchases returns
C	sales returns sales	purchases returns purchases
D	sales returns purchases returns	sales purchases

[1]

(j) There is a credit balance of M900 in the bank column of Bonang's cash book.

What does this mean?

A Bonang is owed M900 by the bank

B Bonang owes the bank M900

C Bonang paid M900 into the bank

D Bonang withdrew M900 from the bank

[1]

(k) In which section of a statement of financial position is an accrued motor expense shown?

A current assets

B current liabilities

C non-current assets

D non-current liabilities

[1]

(l) What is the advantage of preparing a ledger account using the running balance method?

A additional calculations are required

B the account is only balanced at month end

C the balance is shown after every transaction

D the balance is shown at the start of the month only

[1]

(m) On 1 July 2016 a trader had prepaid insurance, M600. On 1 October 2016 he paid one year's insurance, M3600.

How much would be charged to the income statement for insurance for the year ended 30 June 2017?

A M2700

B M3000

C M3300

D M3600

[1]

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(n) Which is a compensating error?

A A purchase of stationery, M70, was debited to purchases account.

B A sale of goods, M75, to Tau was entered in the books as M57.

C The purchases account was overcast by M100 and the purchases returns account was overcast by M100.

D The purchases account was overcast by M100 and the purchases returns account was undercast by M100.

[1]

[Total: 14]

2 Baits'okoli Pty Ltd is a business that produces bricks. The company prepares a manufacturing account at the end of each financial year.

(a) State **two** reasons why a manufacturing account is prepared.

1 ....

....

2 ....

.... [2]

The following information was provided by Baits'okoli Pty Ltd at 31 December 2016.

	M
Inventory of raw materials at 1 January 2016	10 200
Inventory of raw materials at 31 December 2016	9 400
Purchases of raw materials	70 600
Direct production wages	8 260
Depreciation of production machinery	15 000
Inventory of work in progress at 1 January 2016	7 800
Inventory of work in progress at 31 December 2016	5 900

(b) State the difference between direct costs and indirect costs.

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.... [2]

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(c) Prepare an extract from Baits'okoli Pty Ltd's manufacturing account for the year ended 31 December 2016 to show the prime cost.

Baits'okoli Pty Ltd

Extract from Manufacturing Account for the year ended 31 December 2016

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....[6]

[Total: 10]

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3 Boithatelo is a trader. He provided the following information in July 2017.

2017		M
July 1	bought goods from Lisebo	400
10	sold goods on credit to Moeketsi	700
15	sold goods to Abiel on credit	650
25	bought goods from Lits'oanelo for M200 less 10% trade discount.	

(a) Record the above information in the following books of prime (original) entry. Total the books and state the accounts the totals will be transferred.

Boithatelo
Sales Journal

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....[3]

Boithatelo
Purchases Journal

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....[4]

(b) State the difference between capital expenditure and revenue expenditure.

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....[2]

Boithatelo's payments in August 2017 included both capital and revenue items.

(c) Complete the following table indicating with a tick (✓) which payments are capital expenditure and which are revenue expenditure.

The first one has been completed as an example.

Expenditure	Capital Expenditure	Revenue Expenditure
Insurance		✓
Wages and salaries		
Purchase of equipment		
Electricity		
Extension of office building		

[4]

Boithatelo maintains a full set of accounting records and prepares a set of financial statements at the end of each financial year.

(d) Suggest **two** reasons why a bank manager would be interested in financial statements of Boithatelo.

1 ....

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2 ....

....[2]

[Total: 15]

4 The following balances were extracted from the books of Ts'epang at 30 June 2017.

	M
Capital	9000
Drawings	1500
Trade receivables	4200
Trade payables	3100
Wages and salaries accrued	640
Cash at bank	1590
Profit for the year	4050
Non-current assets(at cost)	7500
Inventory	2000

(a) Prepare the statement of financial position of Ts'epang at 30 June 2017.

Ts'epang

Statement of Financial Position at 30 June 2017

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....[7]

(b) State the basis on which Ts'epang should value her inventory.

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....[1]

Ts'epang provided the following additional information:

	M
Cost of sales	15 000
Inventory 1 July 2016	4 000

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....[3]

[Total: 11]

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