* 1926256401 *

EXAMINATIONS COUNCIL OF LESOTHO
Lesotho General Certificate of Secondary Education

CANDIDATE NAME

CENTRE NUMBER | CANDIDATE NUMBER

* 9 2 0 2 4 7 4 3 9 2 *

**ACCOUNTING** **0187/02**

Paper 2 **October/November 2017**

**2 hours**

Candidates answer on the Question Paper. **Marks: 100**

No Additional Materials are required.

**INSTRUCTIONS AND INFORMATION TO THE CANDIDATES:**

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.

| For Examiner's Use | |
|---|---|
| 1 | |
| 2 | |
| 3 | |
| 4 | |
| 5 | |
| TOTAL | |

This document consists of **16** printed pages.

Examinations Council of Lesotho

1 The following account appeared in Lefu's ledger for the month of June 2017.

Lefu

Lehoetla account

| | | | M | | | | M |
|---|---|---|---|---|---|---|---|
| June 1 | Balance | b/d | 2 000**(i)** | June 7 | Sales returns | | 500**(iii)** |
| 5 | Sales | | 5 430**(ii)** | 9 | Bank | | 6 450**(iv)** |
| 11 | Interest charged | | 200**(vi)** | 9 | Discount | | 50**(v)** |
| | | | | | Balance | c/d | 630 |
| | | | 7 630 | | | | 7 630 |
| July 1 | Balance | b/d | 630**(vii)** | | | | |

**(a)** State the meaning of **each** of the following entries in Lehoetla's account in Lefu's ledger.

Explanations:

**(i)** ..............................................................................................................

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**(ii)** ..............................................................................................................

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**(iii)** ..............................................................................................................

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**(vi)** ..............................................................................................................

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**(b)** Name the document which Lefu issued on 5 June.

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Expenses accrued and prepaid affect the Income statement and statement of financial position.

**(c)** Complete the following tables by placing a tick (✓) to indicate how accrued and prepaid expenses affect the income statement and statement of financial position.

**(i)** In the Income statement.

| | Increase Expenditure | Decrease Expenditure |
|---|---|---|
| Accruals | | |
| Prepayments | | |

[2]

**(ii)** In the Statement of financial position.

| | Entered as Current asset | Entered as a Current liability |
|---|---|---|
| Accruals | | |
| Prepayments | | |

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**(d)** Name **three** books of prime (original) entry from which Lefu would obtain information to make entries in the account of Lehoetla.

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**[Total: 15]**

2 Khokong is a VAT (Value Added Tax) registered trader.

**(a)** **(i)** Define Input tax.

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**(ii)** Define Output tax.

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**(iii)** Give **one** reason why some businesses may **not** register for VAT.

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Khokong's transactions in April 2017 included the following:

| | | |
|---|---|---|
| April | 3 | Sold goods to Selina, M300 |
| | 12 | Purchased goods from Molati on credit, M430 |
| | 17 | Cash sales, M440 |
| | 25 | Goods bought on credit from Likeleli, M210 |

The above figures do not include VAT but the goods are subject to VAT at the standard rate of 14%.

**(b)** From the transactions above, calculate input tax, output tax and VAT payable to the tax authority. Show all necessary workings.

**(i)** Input tax.

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**(ii)** Output tax.

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**(iii)** VAT payable to the tax authority.

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Lineo and Nthabiseng are employed by Khokong. They are both paid an hourly rate of M8.50 for normal working hours. The normal working hours are 45 per week. The policy of the industry is to pay time and a half for overtime hours worked. The Pay As You Earn (PAYE) is at the rate of 10%. Lineo pays a monthly insurance premium of M30 while Nthabiseng pays M10 per month as workers union subscription.

For the month of September 2017, Lineo worked a total of 209 hours and Nthabiseng worked a total of 190 hours.

**(c)** Calculate the following:

**(i)** Gross pay for Lineo. (show your workings)

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**(ii)** Net pay for Lineo. (show your workings)

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**(iii)** Total deductions for Nthabiseng. (show your workings)

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Like all businesses Khokong's had to observe certain accounting principles and standards in preparing financial statements.

**(d) (i)** State **two** benefits of Information and communications technology.

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**(ii)** Give **three** benefits of observing International Accounting Standards.

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**[Total: 23]**

3 Hlompho prepared a trial balance on 31 August 2017. The total of the credit side was M350 greater than the total of the debit side.

Later it was discovered that the difference in the trial balance was due to the following errors:

1. The total of the sales day book had been overcast by M180.
2. Discount allowed of M100 had been credited to discount received account.
3. A credit note sent to a customer, Thabo, for M55 had been entered in the wrong side of the personal account.
4. A cheque paid to Lebohang for M40, was correctly credited in both accounts.

**(a)** Prepare the Journal entries to correct the errors. Narratives are **not** required.

Hlompho

General Journal

| | Debit<br>M | Credit<br>M |
|---|---|---|
| | | |

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**(b)** Prepare a suspense account to correct the errors above.

Suspense Account

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**(c)** State **two** sources of information for preparing the trial balance.

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**(d)** Give any **three** errors which do **not** affect the closure of a trial balance.

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**(e)** Give **two** benefits of preparing control accounts.

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**[Total: 22]**

4 Atisang Lesole, a sole trader, provided the following list of assets and liabilities for his business on 30 June 2017:

| | M |
|---|---|
| Machinery | 19000 |
| Furniture | 17000 |
| Inventory | 26000 |
| Trade receivables | 19000 |
| Bank | 12000 |
| Cash | 6 000 |
| Trade payables | 21 500 |
| Other payables | 4700 |
| Capital (opening) | 47800 |
| Bank loan | 20000 |

Additional information
1 Profit for the year was M17000
2 Drawings were M12000

**(a)** **(i)** Calculate working capital for Atisang Lesole (show necessary workings).

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**(ii)** Calculate capital employed for Atisang Lesole (show necessary workings).

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**(iii)** Calculate profit for the year as a percentage of opening capital to two decimal places for Atisang Lesole (show necessary workings).

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(iv) State **two** reasons why it is important for Atisang Lesole to have an adequate working capital.

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Atisang Lesole also provided the following information for the year ended 30 June 2017.

| | M |
|---|---|
| Turnover | 96000 |
| Inventory at 1 July 2016 | 30000 |
| Gross profit/revenue | 25% |

**(b)** Calculate the following (to two decimal places) for the year ended 30 June 2017.

(i) Cost of sales (show necessary workings)

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(ii) Gross profit mark-up (show necessary workings)

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**(iii)** Purchases (show necessary workings).

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**(iv)** Expenses (show necessary workings).

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**[Total: 19]**

5 Selebalo and Phakoe are in partnership sharing profits and losses in the ratio 3:2 respectively. Interest is allowed on capitals at the rate of 5% per annum and Phakoe is to receive an annual salary of M6 000.

The following balances were extracted from the books on 31 December 2016 after preparation of the income statement.

| | | M | |
|---|---|---|---|
| Capitals: | Selebalo | 60 000 | |
| | Phakoe | 40 000 | |
| Drawings: | Selebalo | 12 250 | |
| | Phakoe | 11 300 | |
| Current accounts: | Selebalo | 4 100 | Cr |
| | Phakoe | 3 800 | Dr |
| Motor vehicles | | 69 000 | |
| Furniture and fittings | | 32 796 | |
| Trade receivables | | 10 400 | |
| Trade payables | | 8 600 | |
| Closing inventory | | 20 000 | |
| Provision for doubtful debts | | 416 | |
| Bank | | 12 440 | Dr |
| Bank loan (repayable in 2020) | | 12 900 | |
| Provision for depreciation: | | | |
| Motor vehicles | | 19 000 | |
| Furniture and fittings | | 6 090 | |
| Profit for the year | | 20 880 | |

**(a)** Prepare the profit and loss appropriation account for the year ended 31 December 2016.

Selebalo and Phakoe

Profit and Loss Appropriation Account for the year ended 31 December 2016.

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**(b)** Prepare current accounts for Selebalo and Phakoe for the year ended 31 December 2016. Balance the accounts and bring down the balances on 1 January 2017.

**(i)** Current account – Selebalo

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**(ii)** Current account – Phakoe

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**(c)** Prepare the statement of financial position at 31 December 2016

Selebalo and Phakoe

Statement of Financial Position at 31 December 2016

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**[Total: 21]**