EXAMINATIONS COUNCIL OF LESOTHO
Lesotho General Certificate of Secondary Education

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| CANDIDATE NAME | |

| CENTRE NUMBER | | | | | | CANDIDATE NUMBER | | | | | | | | | |
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**ACCOUNTING**
Paper 1

**0187/01**
**October/November 2022**
**1 hour 15 minutes**
**Marks: 50**

No additional Materials are required.
Candidates answer on the Question Paper.

**READ THESE INSTRUCTIONS FIRST**

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

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

This document consists of **11** printed pages and **1** blank page



Examinations Council of Lesotho

There are **15** parts to question **1**.

For **each** of the parts **(a)** to **(o)** 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 accounting principle assumes that the business will continue to operate for a long time?

**A** business entity ☐

**B** dual aspect ☐

**C** going concern ☐

**D** money measurement ☐

[1]

**(b)** Which will **not** be included in the calculation of cost of production?

**A** carriage on raw materials ☐

**B** depreciation of delivery van ☐

**C** purchase of raw materials ☐

**D** work-in-progress ☐

[1]

**(c)** Which is the accounting equation?

**A** assets = capital - liabilities ☐

**B** assets = liabilities - capital ☐

**C** capital = assets + liabilities ☐

**D** capital = assets - liabilities ☐

[1]

(d) An inexperienced bookkeeper prepared the following bank reconciliation statement:

| | M | M |
|---|---|---|
| Overdraft as per bank statement | | 38 640 |
| Add uncredited deposits | | 19 270 |
| | | 57 910 |
| Less unpresented cheques | 14 260 | |
| direct debit paid in error by bank | 190 | 14 450 |
| Overdraft as per cash book | | 43 460 |

What was the correct overdrawn balance in the cash book?

**A** M 33 640

**B** M 38 640

**C** M 43 650

**D** M 48 660

[1]

(e) Cash received from Teko, a credit customer, was debited to his account and credited to the cash book.

Which type of error has been made?

**A** complete reversal

**B** duplication

**C** original entry

**D** principle

[1]

**(f)** Neo, a sole trader, provided the following information at the end of her financial year.

| | M |
|---|---|
| Capital at start of year | 38 000 |
| Motor vehicle | 24 000 |
| Trade receivables | 7 800 |
| Inventory | 2 300 |
| Rent accrued | 1 560 |
| Cash | 1 000 |
| Drawings | 2 550 |

How much was his profit or loss for the year?

**A** M 1 210 loss for the year

**B** M 1 210 profit for the year

**C** M 1 910 loss for the year

**D** M 1 910 profit for the year

[1]

**(g)** What would be the effect of recording the purchase of a delivery vehicle as the purchase of goods for re-sale?

| | Gross profit | | Profit for the year | | Non-current assets | |
|---|---|---|---|---|---|---|
| | Overstated | Understated | Overstated | Understated | Overstated | Understated |
| **A** | ✓ | | ✓ | | ✓ | |
| **B** | ✓ | | | ✓ | | ✓ |
| **C** | | ✓ | ✓ | | ✓ | |
| **D** | | ✓ | | ✓ | | ✓ |

[1]

**(h)** Which account usually has a debit balance?

**A** drawings

**B** purchases returns

**C** sales

**D** trade payable

[1]

(i) Ntho provided the following information.

| | M |
|---|---|
| Capital at start of the year | 34 300 |
| Capital introduced during the year | 3 400 |
| Profit for the year | 6 200 |
| Capital at the end of the year | 40 000 |

What were the drawings for the year?

**A** M 2 300 ☐

**B** M 3 900 ☐

**C** M 5 700 ☐

**D** M 11 900 ☐

[1]

(j) Which is included in the prime cost in a manufacturing account?

**A** factory supervisor's salary ☐

**B** inventory of work in progress ☐

**C** purchases of finished goods ☐

**D** returns of raw materials ☐

[1]

(k) Which is revenue expenditure?

**A** building an extension to business premises ☐

**B** legal costs of buying business premises ☐

**C** purchase of business premises ☐

**D** redecorating business premises ☐

[1]

**(l)** Stationery purchased on credit by XY Traders, a food wholesaler was unsatisfactory.

In which book of prime entry would he record the return of this stationery?

**A** general journal

**B** purchases journal

**C** purchases returns journal

**D** sales returns journal

[1]

**(m)** Keti found that discount allowed, M370, had been debited in the discount received account.
How could this error be corrected?

| | account debited | M | account credited | M |
|---|---|---|---|---|
| A | discount allowed | 370 | discount received | 370 |
| B | discount allowed | 740 | discount received | 740 |
| C | discount received | 370 | discount allowed | 370 |
| D | discount received | 740 | discount allowed | 740 |

[1]

**(n)** Lisebo, a sole trader, took goods from the business for own use.
How would this affect the balance of the purchase account and the balance of the drawings account?

| | purchases | drawings |
|---|---|---|
| A | decrease | decrease |
| B | decrease | increase |
| C | increase | decrease |
| D | increase | increase |

[1]

**(o)** TS Ltd has issued ordinary shares, preference shares and debentures.

Which groups are entitled to a fixed rate of return on their investment?

| | ordinary shareholders | preference shareholders | debenture holders |
|---|---|---|---|
| A | ✓ | ✓ | ✓ |
| B | ✓ | ✓ | |
| C | | ✓ | ✓ |
| D | | | ✓ |

[1]

**[Total: 15]**

**2** On 30 June 2022 the totals of the trial balance drawn up for Thabo's business did not agree.

The difference was entered in a suspense account.

The following errors were later discovered.

1. The sales journal had been overcast by M320.
2. No entries had been made for bank charges, M650, on the bank statement.
3. Goods purchased for M950 from Lesiba Wholesalers had been posted to both purchases journal and the account of Lesiba Wholesalers as M590.
4. M55 discount allowed to Sechaba had been debited to his account.

**(a)** Prepare journal entries to correct the above errors in the journal of Thabo. (Narrations are **not** required)

Thabo
General Journal

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**(b)** Write up the suspense account.

Include the original difference on the trial balance as a balancing figure.

Thabo
Suspense account

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**[Total: 12]**

3 Lefa provided the following about his employee Pitso for the month of July 2022.

Contracted hours for the month are 180, which are paid at M12 per hour.

Hours worked by Pitso for the month: 210 hours.

Overtime is paid at time and a half.

Pitso paid 5% of his gross pay for pay as you earn (PAYE).

Pitso paid 4% of his normal pay for a pension contribution.

(a) Calculate Pitso's net pay for July 2022.

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(b) State the purpose of **each** of the following documents.

Clock card

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Pay slip

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Payroll register

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**[Total: 8]**

4 AL Ltd started trading on 1 July 2020. On that date two machines were purchased on credit from XL Plant. Machine A costs M20 000 and machine B costs M18 000.

Depreciation is charged at 10% p.a. using the reducing balance method. A full year's depreciation is charged in the year of purchase but none in the year of sale.

On 1 December 2021 machine C was bought for M15 000 by cheque.
On 31 March 2022 a machine A was sold for M10 000 cash.

**(a)** Prepare AL Ltd's provision for depreciation account for machinery for the years ended 30 June 2021 and 30 June 2022. Balance the account at the end of each year.

AL Ltd
Provision for Depreciation Account – Machinery

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**(b)** Calculate the amount of profit or loss made on the disposal of the machine A.

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**[Total: 10]**

**5** Queen is a sole trader. She provided the following information at the end of her financial year 30 September 2022:

| | M |
|---|---|
| Trade payables | 20 000 |
| Trade receivables | 35 000 |
| 5% Bank loan repayable 2026 | 10 000 |
| Bank (Dr) | 15 000 |
| Inventory at the end of the year | 5 000 |

**(a)** Calculate the working capital ratio. (to **one** decimal place)

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**(b)** Comment on the adequacy of the working capital on Queen's business relative to the answer on **(a)** above.

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**(c)** Suggest **two** ways in which Queen could improve her bank balance.

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

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

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**[Total: 5]**