EXAMINATIONS COUNCIL OF LESOTHO
Lesotho General Certificate of Secondary Education

CANDIDATE NAME			
CENTRE NUMBER		CANDIDATE NUMBER	

ACCOUNTING **0187/02**

Paper 2

October/November 2022
2 hours
Marks: 100

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

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 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 Menkhoaneng Hiking Club's financial year ends 31 August. As well as organizing hiking events the Menkhoaneng Hiking Club also sells T shirts to its members. The Club obtains T shirts individually for members and does not hold any inventory.

The treasurer of Menkhoaneng Hiking Club provided the following information for the year ended 30 September 2022.

	M
Cash at bank on 1 October 2021	3 700
Subscriptions received	6 200
Proceeds of sales of T shirts	7 720
Donations received	900
Rent and rates paid	4 300
Purchases of hiking equipment	2 000
Cost of T shirts	3 730
General expenses paid	100
Payment for repairs to hiking equipment	1 300

The treasurer also provided the following information:

	1 October 2021	30 September 2022
	M	M
Subscriptions owing	100	320
Subscriptions received in advance	940	570
Hiking equipment at valuation	4000	5000
Rates prepaid	400	-
Repairs to hiking equipment owing	-	200

(a) Prepare the receipts and payments account for Menkhoaneng Hiking Club for the year ended 30 September 2022.

Menkhoaneng Hiking Club
Receipts and Payments Account for the year ended 30 September 2022

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(b) Calculate the profit made from the sale of T-shirts.

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(c) Prepare the subscriptions account for the year ended 30 September 2022. Balance the account and bring down the balances on 1 October 2022. Show the year-end transfer to the income and expenditure account.

Menkhoaneng Hiking Club
Subscriptions Account

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The Menkhoaneng Hiking Club wants to raise M4000 in order to send four members on a residential training course for leaders of hiking and mountaineering expeditions.

(d) Suggest **two** ways in which the necessary funds could be raised.

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.... [2]

(e) (I) State the difference between capital and accumulated fund.

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....[2]

(ii) State the difference between profit and surplus.

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[Total: 21]

2 Seboche Furniture prepares monthly control accounts.

(a) State **three** advantages of preparing monthly control accounts.

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....[3]

(b) State **three** reasons why a sales ledger control account can show a credit balance.

1..

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3 ....

....[3]

Seboche Furniture provided the following information for the month of August 2022.

			M
August	1	Sales ledger control account balance	12 600 Debit
		Sales ledger control account balance	450 Credit
	31	Totals for the month:	
		Sales journal	41 500
		Sales returns journal	2 600
		Cheques received from trade receivables	38 730
		Cash received from trade receivables	680
		Discount allowed	1 040
		Discount received	120
		Bad debts written off	1 550
		Provision for doubtful debts	1 000
		Contra entry	500
		Interest on overdue accounts	150
		Credit customers' cheques dishonoured	860
		Cash refunds to credit customers	780
September	1	Sales ledger control account	390 Credit

(c) Prepare the sales ledger control account for the month of August 2022. Balance the account and bring down the balances on 1 September 2022.

Seboche Furniture
Sales Ledger Control Account

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(d) State the meaning of a contra entry in connection with control accounts.

State why Seboche Furniture made such an entry in the sales ledger control account.

Meaning ....

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Reason ....

....[1]

[Total: 18]

3 Thabang and Thabo own a law consultancy business. The financial year ends on 30 September.

The balances on the books on 30 September 2022 included the following:

	M
Fees (income)	18 365
Bad debts	70
Provision for doubtful debts	300
Trade receivables	4 550
Rent received	1 300
Rent and rates	3 600
Electricity	500
General expenses	2 540
Office equipment at cost	5 000
Provision for depreciation on office equipment	500
Motor vehicle at cost	9 000
Capitals: Thabang	10 000
Thabo	20 000
Current accounts: Thabang	3 500 debit
Thabo	3 800 credit
Drawings: Thabang	5 500
Thabo	6 500
Loan from Thabo	6 000

Additional information at 30 September 2022

1. M50 owing by a credit customer should be written off as a bad debt.
2. The provision for doubtful debts should be maintained at 5% of trade receivables.
3. The rent and rates includes rent, M2 400, covering 12 months ending 31 December 2022.
4. Electricity accrued amounted to M200.
5. General expenses accrued amounted to M40.
6. Interest on the loan from Thabo was accrued.
7. Part of the premises is let to a tenant at a monthly rent of M100.
8. Office equipment is to be depreciated at 10% per annum using diminishing (reducing) balance method.
9. The motor vehicle was purchased on 1 April 2022 and is to be depreciated at 20% per annum using the straight line (equal instalment) method.

The partnership agreement provides for:

Interest on capital at 5% per annum
Interest on drawings at 2%
An annual salary of M4000 for Thabo
Interest on partner's loan at 7% per annum
Profit and losses to be shared 2/3 to Thabang and 1/3 to Thabo

(a) Draw up the income statement for the year ended 30 September 2022.

Thabang and Thabo

Income Statement for the year ended 30 September 2022

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(d) State the meaning of the credit balance on Thabo's current account on 1 October 2021.

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[Total: 24]

(b) Draw up the appropriation account for the year ended 30 September 2022.

Thabang and Thabo
Profit and Loss Appropriation Account for the year ended 30 September 2022

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(c) Prepare current account of Thabo for the year ended 30 September 2022.

Balance the account and bring down the balance on 1 October 2022.

Thabo Current Account

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(d) State the meaning of the credit balance on Thabo's current account on 1 October 2021.

....[1]

[Total: 24]

4 Tumisang's financial year ends on 31 July. He maintains a provision for doubtful debts of 5% of trade receivables at the end of each year.

On 1 August 2021 the provision for doubtful debts was M2 100.

On 31 July 2022 Tumisang decided to write off the following debts (included in the total of trade receivables).

	M
Lerato	2 500
Pulane	1 300
Rethabile	1 200

(a) (i) State **three** reasons why trade receivables may be written off as bad debts.

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....[3]

(ii) State the difference between bad debts and a provision for doubtful debts.

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(b) Prepare journal entries to

1 Write off the bad debts on 31 July 2022.

2 Increase the provision for doubtful debts to M2250 on 31 July 2022

Narratives **are** required.

Tumisang
General Journal

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(c) Name **two** accounting principles applied when maintaining a provision for doubtful debts. State how **each** principle is applied.

(i) Principle...[1]

Application...

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....[2]

(ii) Principle...[1]

Application...

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....[2]

[Total: 17]

5 Fumane is a trader whose financial year ends on 30 September. She provided the following information.

	M
At 1 October 2021	
Inventory	20 000
10% Loan (repayable 2025)	10 000
For the year ended 30 September 2022	
Revenue	145 000
Purchases	110 000
Expenses (including 10% loan interest)	30 000
At 30 September 2022	
Capital	60 000
Inventory	25 500

(a) Calculate the following (to **two** decimal places) for the year ended 30 September 2022.

(i) Gross profit margin

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....**[3]**

(ii) Net profit margin

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....**[3]**

(iii) Rate of inventory turnover

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....**[2]**

(iv) Return on capital employed

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....**[2]**

Fumane provided the following information for the year ended 30 September 2021.

	2021
Gross profit margin	30.50 %
Net profit margin	11.03 %
Rate of inventory turnover	6.70 times
Return on capital employed	24.10%

(b) For each ratio suggest **two** possible reasons for changes in **each** of the following ratios between 30 September 2021 and 30 September 2022.

(i) Gross profit margin

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2..

....**[2]**

(ii) Net profit margin

1..

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2..

....**[2]**

(iii) Rate of inventory turnover

1..

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2..

....**[2]**

(iv) Return on capital employed

1 ....

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2 ....

.... [2]

Fumane is considering approaching the bank for a short-term loan to cover an expected cash flow problem in two months' time.

(c) State **two** reasons why she would be required to present her financial statements when applying to the bank for a short-term loan.

1 ....

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2 ....

.... [2]

[Total: 20]