

PRINCIPLES OF ACCOUNTS

7110/22 May/June 2016

Paper 2 MARK SCHEME Maximum Mark: 120

Published

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Page 2		Mark Scheme		Syllabus	Paper
	Cambrid	ge O Level – May/Ju	ne 2016	7110	22
1 (a)					
Assets		Liabilities		Capital	
	\$		\$	\$	
Inventory	2850	Other payable	200		
Trade receivable	600	Bank	450		
Motor vehicle	4500	5% Bank loan	<u>5000</u>		
	7 950		5650	2300	(1)
					['

(b)

Jaafar account

Date	Details	\$		Date	Details	\$	
2015				2015			
May 1	Balance b/d	600		May 5	Sales returns / returns in	102	(1)
4	Sales	1275	(1)	16	Bank	588	(1of)
					Discount allowed	12	(1of)
				31	Balance c/d	<u>1173</u>	
		<u>1875</u>				<u>1875</u>	
June 1	Balance b/d	1173	(1of)				

[5]

- (c) Bulk purchase by Jaafar Loyal customer
 - (1) mark × 2 points

[2]

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	Cambridge O Level – May/June 2016	7110	22

(d)

Electricity account

Date	Details	\$		Date	Details	\$	
2015				2015			
May 17	Bank	440	(1)	May 1	Balance b/d	200	
31	Balance c/d	55	(1)	31	Income Statement (1)	<u>295</u>	(1of)
		<u>495</u>				<u>495</u>	
				June 1	Balance b/d	55	
							(1of)

[5]

[1]

(e) Matching / Accrual concept

(f)

		Source document	Book of prime entry	Effect on owner's capital (\$)
9 May	Sold goods on credit for £900, (cost \$600).	Sales invoice	Sales journal	+300
14 May	Customer returned goods, bought by him on 9 May, for \$300.	Credit note (1)	Sales returns /returns in daybook /journal (1)	-100 (1)
21 May	Paid wages in cash \$150.	Payslip/Wag es book (1)	Cash Book (1)	–150 (1)

[6]

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2 (a) Depreciation is the loss in value of a non-current asset (1) over its working life / in the accounting period. (1)

[2]

(b)			
	Statement	True	False
	1. There is only one method of charging depreciation.		¥
	2. Depreciation is the putting by of cash for asset replacement.		√ (1)
	3. Depreciation is an application of the going concern concept.	✓ (1)	

[2]

[1]

(c) (i) Loss on sale of vehicle \$16 000 \$7000 = \$9000 less receipt \$8400 = \$600 loss (1)

(ii)

	Cost (\$)	Accumulated Depreciation (\$)	Net book value \$	Depreciation for the year (\$)	
	50 000	18400			
Sale	<u>(16000)</u>	<u>(7000)</u>			
	34 000	11400	22600 x 25% =	5650	(1)
Purchase	<u>20000</u>		20000 x 25% =	<u>5000</u>	(1)
Total	<u>54 000</u>			<u>10650</u>	

[2]

(d)

Motor vehicles - provision for depreciation account

Date	Details	\$		Date	Details	\$	
2015				2015			
May 31	Disposal (1)	7 000	(1)	Mar 1	Balance b/d	18400	(1)
2016				2016			
Feb 29	Balance c/d	<u>22 050</u>		Feb 29	Income statement / Depreciation	<u>10650</u>	(1of)
		29050				<u>29050</u>	
				Mar 1	Balance b/d	22 0 5 0	(1of)

age 5			Scheme			llabus	Paper
	Cambrid	lge O Lev	/el – May/J	une 2016		7110	22
(e)			Journal				
			Dr			Cr	
			\$			\$	
Bank			1800	(1)			
Bad debts			3300	(1)			
Wade Designs /						5100) ('
Sales ledger cor Trade receivable							
							Γ
(f)	•						
	\$				\$		
Up to 1 month	18 000 ×		2%		=360		
1 to 3 months	12 200 ×	< compared with the second sec	5%		=610		
3 to 6 months	3 300 ×	<	10%		=330		
Over 6 months	<u>2 200</u> ×	<	20%		<u>=440</u>		
	35 700				1740		(1)
							[

(g)

Provision for doubtful debts account

Date	Details	\$		Date	Details	\$	
2016				2015			
29 Feb	Income Statement	310	(1of)	1 Mar	Balance b/d	2050	(1)
	Balance c/d	1740					
		<u>2050</u>				<u>2050</u>	
				2016			
				1 Mar	Balance b/d	1740	(1of)

[3]

(h) Prudence / matching / accruals (1)

[1]

Ρ	age 6	6	Ν	Mark Scheme Syllabu		Syllabus	Paper
			Cambridge C) Level – May/June 2016		7110	22
3	(a)	(i)					
	• •	()	Sales revenue			\$	
			Trade receipts		320	00	
			Cash receipts	7 400 +9 000 + 11500 =	<u>279</u>	<u>00 (1)</u>	
					599	00	
			Trade receivables at 31 March		<u>183</u>	<u>50 (1)</u>	
					782	50	
			Trade receivables at 1 April		<u>(176</u>	<u>00) (1)</u>	
					<u>606</u>	<u>50 (1of)</u>	

(ii)	
Purchases	\$
Trade payments	29000
Trade payables at 31 March	7 950 ∫ * (1) 36 950 ∫ for both
Trade payables at 1 April	<u>(9750)</u>
	<u>27200</u> (1 of)

[2]

[4]

nge 7	Mark Scheme		Syllabus	Pape
	Cambridge O Level – May/June	2016	7110	22
(b)	Alif Income statement for the year e	andod 21 March 20	16	
	income statement for the year e	enueu 31 March 20	10	
		\$	\$	
Revenue			60650	
Opening inv	ventory	12000		
Purchases		<u>27 200</u>		
		39200		
Closing inve	entory	(<u>11500)</u>		
Cost of sale	es		<u>27 700</u>	(1of
Gross profit	t i i i i i i i i i i i i i i i i i i i		32950	
Plus Other	income: Interest receivable		<u>600</u>	(1)
			33 550	
Less				
Rent	(8000 + 500 (1) –700 (1))	7 800		
Other operative operation	ating	6 500		
Wages	(9 000 -300 (1) + 450 (1))	9 150		
Depreciatio	n (11+2.5 (1) –10.5 (1))	<u>3000</u>		
			<u>(26450)</u>	
Profit for the	e year		7 100	

ige 8	Mark Scheme		Syllab		
	Cambridge O Level – May/June 20	16	7110	22	
(c)					
	Statement of financial position at	31 March 20)16		
		\$		\$	
Non-current assets					
Equipment				10500	
Current Assets					
Inventory		11 500			
Trade receivables		18350			
Other receivables: Prepaid rent		<u>700</u>			
				<u>30 550</u>	(
				<u>41050</u>	
Capital		35000			
Profit for the year		<u>7 100</u>			
		42 100			
Drawings		(<u>11500</u>)			
				30600	(*
Current Liabilities					
Trade payables		7 950			
Other payables: Wa	-	450	(1)		
Bank	3950 + 40000 - 46000	<u>2050</u>	(2) (1of)		
				<u>10450</u>	
				<u>41050</u>	
					[6
				ITota	·20

Page 9	Mark Scheme		Paper
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4 (a)

·/				
-		Workings	Answer	2014
	Gross profit/sales percentage	<u>300 000 (1)</u> x 100 = 750 000 (1)	40% (1of)	37.5%
	Return on capital employed (ROCE)	<u>100 000(1)</u> 250 000 + 80 000 (1) <u>x 100=</u>	30.3% (1of)	20%
	Working capital ratio (current ratio)	<u>60000 + 22000 + 1500+28000</u> (1) 50000 + 8500 (1)	1.9:1 (1of)	2.9:1
	Quick ratio (acid test ratio)	<u>22000 + 1500 + 28000</u> (1) 50000 + 8500 (1)	0.9:1 (1of)	0.4:1

[12]

[4]

(b) (i) Profitability

The Gross profit to sales has increased in 2015 (1) this may be due to higher selling prices charged (1) or more efficient/bulk buying / purchase costs reduced. (1) Expenses have been controlled / reduced. (1) The ROCE has increased in 2016. (1) The profit for the year has increased (1) (1) X 4 points (allow own figure comments)

(ii) Liquidity

Although the Working capital ratio has reduced (1) the liquidity of the business has improved. (1) Working capital is below 2:1 the ideal ratio (1) Inventory holding of unsold stock has been reduced. (1) The quick ratio has improved (1) from a dangerous level / towards 1:1. (1) Trade receivables collection has been improved. (1) Lache has a positive bank balance to meet expenditure. (1) (1) X 4 points (allow own figure comments)

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[4]

Cambridge O Level – May/June 2016 7110 22 5 (a) Suria Income statement for the year ended 31 March 2016. S S Revenue 287 000 Less Sales returns (3150) 283 850 (7) Less Inventory 1 April 2015 15340 (7) (143 800) (7) Purchases 143 800 (7) (141 150) (7) Less Inventory 31 March 2016 (17 990) (7) (7) Cost of sales (141 150) (7) (7) Gross profit 142 700 (1) (1) Plus other receivables: (4900 + 1400) 6300 (7) Commission receivable (4900 + 1400) 6300 (7) Less expenses: U (12 200 (1) - 8 000 (1)) 4200 (2) Less expenses: U (12 200 (1) - 8 000 (1)) 4200 (2) March and rates 10 000 (2) (2) (2) Bank loan interest (1 500 (1) + 900 (1)) 2400 (2) General expenses 11 100 (2) (2)<	Page 10		Mark Scheme		Syllabus	Paper
Suria Income statement for the year ended 31 March 2016. S S Revenue 287000 283850 (Less Sales returns (3150) 283850 (Less Inventory 1 April 2015 15340 ((Purchases 143800 (((Less Inventory 1 April 2015 15340 (Cambridge				
Revenue 28700 Less Sales returns (3150) Less Inventory 1 April 2015 15340 (7) Purchases 143800 (7) Purchases 143800 (7) Less Inventory 31 March 2016 (17990) (11150) Cost of sales (141150) (7) Gross profit 142700 (1) Plus other receivables: (4900 + 1400) 6300 (1) Commission receivable (4900 + 1400) 6300 (1) Less expenses: (12200(1) – 8000 (1)) 4200 (2) Rent and rates 10000 (2) Bank loan interest (1500(1) + 900(1)) 2400 (2) Heat and light 7300 (2) (2) Advertising (12600 (1) – 3800 (1)) 8800 (2) General expenses: 11100 (2) (2) Computers (6850 (1) + 2000 (1) 8850 (2) General expenses 11100 (2) (2) General expenses: (6850 (1) + 2000 (1) 8850 (2) Grige furniture <td< th=""><th>5 (a)</th><th>Income state</th><th></th><th>rch 2016.</th><th></th><th></th></td<>	5 (a)	Income state		rch 2016.		
Less Sales returns (3150) 283800 (2 Less Inventory 1 April 2015 15340 (2 Purchases 143800 (2 Less Inventory 31 March 2016 (17990) (1 Cost of sales (141150) (1 Gross profit 142700 (1) Plus other receivables: (14900 + 1400) 6300 (1) Commission receivable (4900 + 1400) 6300 (1) Less expenses: (12200(1) – 8000 (1)) 4200 (1) Kent and rates 10000 (1) (1) Bank loan interest (1500(1) + 900(1)) 2400 (2) Heat and light 7300 (2) (2) Advertising (12600 (1) – 3800 (1)) 8800 (2) General expenses: 11100 (2) Computers (6850 (1) + 2000 (1) 8850 (2) General expenses (11000 (2) (2) General expenses (3000 (2) (2) General expenses (6850 (1) + 2000 (1) 8850 (2) Grid debts 1900 (2)<				\$		\$
Less Inventory 1 April 2015 15340 (* Purchases 143800 (* Purchases 143800 (* Less Inventory 31 March 2016 (17990) (* Cost of sales (141150) (* Gross profit 142700 (1) Plus other receivables: (142100) 6300 (* Commission receivable (4900 + 1400) 6300 (* Less expenses: 142200 (* 149000 (* Wages and salaries 26500 (* (* 149000 (* Less expenses: (12200(1) – 8000 (1)) 4200 (* (* * </td <td>Revenue</td> <td></td> <td></td> <td></td> <td>2870</td> <td>00</td>	Revenue				2870	00
Less Inventory 1 April 2015 15340 (1 Purchases 143800 (1 Purchases 159140 (159140) Less Inventory 31 March 2016 (17990) (1 Cost of sales (141150) (1 Gross profit 142700 (1) Plus other receivables: (1400) 6300 (1 Commission receivable (4900 + 1400) 6300 (1 Less expenses: (12200(1) – 8000 (1)) 4200 (2) Less expenses: (12200(1) – 8000 (1)) 4200 (2) Rent and rates 10000 (1) (2) Bank loan interest (1500(1) + 900(1)) 2400 (2) Heat and light 7300 (2) (2) Advertising (12600 (1) – 3800 (1)) 8800 (2) General expenses 11100 (2) (2) Office furniture 1550 (2) Office furniture 1550 (2) Office furniture 130 (2) Increase in PDD (1040) (1) 130 (2) Increase in PDD (1040) (1	Less Sales retu	ırns			<u>(3 1</u>	<u>50)</u>
Purchases 143800 159140 (* Less Inventory 31 March 2016 (17990) (* Cost of sales (141150) (* Gross profit 142700 (1) Plus other receivables: (4900 + 1400) 6300 (* Commission receivable (4900 + 1400) 6300 (* Less expenses: (12200(1) – 8000 (1)) 4200 (* Wages and salaries 26500 (* (* Computer expenses (12200(1) – 8000 (1)) 4200 (* Rent and rates 10000 (* (* Bank loan interest (1500(1) + 900(1)) 2400 (* Heat and light 7300 (* (* Advertising (12600 (1) – 3800 (1)) 8800 (* Depreciation: Leasehold 4000 (* Office furniture 1550 (* (* Office furniture 1550 (* (* Office furniture 1300 (* (* Increase in PDD (1040) (1) 130 (* (*					2838	50 (1)
159 140 159 140 Less Inventory 31 March 2016 (17 990) (* Cost of sales (141 150) (* Gross profit 142 700 (1) Plus other receivables: (4 900 + 1 400) 6 300 (* Commission receivable (4 900 + 1 400) 6 300 (* Less expenses: (12 200(1) - 8 000 (1)) 4 200 (* Wages and salaries 26 500 (* (* Computer expenses (12 200(1) - 8 000 (1)) 4 200 (* Rent and rates 10 000 (* (* Bank loan interest (1500(1) + 900(1)) 2 400 (* Heat and light 7 300 (* (* Advertising (12 600 (1) - 3 800 (1)) 8 800 (* Depreciation: Leasehold 4000 (* Office furniture 1550 (* (* Office furniture 1550 (* (* Bad debts 1900 (* (* (* Increase in PDD (1040) (1) 130 (* (* (* (8	Less Inventory	1 April 2015		15340		(1)
Less Inventory 31 March 2016 (17.990) (1 Cost of sales (141.150) (1 Gross profit 142.700 (1) Plus other receivables: (4900 + 1400) 6300 (1) Commission receivable (4900 + 1400) 6300 (1) Less expenses: (12200(1) - 8000 (1)) 4200 (1) Less expenses: (12200(1) - 8000 (1)) 4200 (2) Computer expenses (1200(1) + 900(1)) 2400 (2) Rent and rates 10000 (2) Bank loan interest (1500(1) + 900(1)) 2400 (2) Heat and light 7300 (2) Advertising (12600 (1) - 3800 (1)) 8800 (2) General expenses 11100 (2) (2) Office furniture 1550 (2) (2) Office furniture 1550 (2) (2) Bad debts 1900 (2) (3) (3) Increase in PDD (1040) (1) 130 (2) (3) (3)	Purchases			<u>143800</u>		(1)
Cost of sales (141150) (1 Gross profit 142700 (1) Plus other receivables: (4900 + 1400) 6300 (1) Commission receivable (4900 + 1400) 6300 (1) Less expenses: (12200(1) - 8000 (1) 149000 Less expenses: (12200(1) - 8000 (1) 4200 (2) Computer expenses (12200(1) - 8000 (1) 4200 (2) Rent and rates 10000 (7) (2) (2) Bank loan interest (1500(1) + 900(1)) 2400 (2) Heat and light 7300 (7) (2) Advertising (12600 (1) - 3800 (1) (2) General expenses 11100 (7) (7) (2) Depreciation: Leasehold 4000 (7) (7) Gad debts 0ffice furniture 1550 (7) Bad debts 1900 (7) (2) (2) Increase in PDD (1040) (1) 130 (2) (2)				159 140		
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Plus other receivables: (4900 + 1400) 6300 (1149 000 1149 000 1149 000 1149 000 1149 000 1149 000 1149 000 1149 000 1149 000 1149 000 11410 1140 114	Cost of sales				<u>(141 1</u>	<u>50)</u> (1)
Commission receivable (4900 + 1400) 6300 149000 (149000) Less expenses: 26500 (1200(1) - 8000 (1))) 4200 (1200(1) - 8000 (1))) Wages and salaries 26500 (1200(1) - 8000 (1))) 4200 (1200(1) - 8000 (1))) Computer expenses (1200(1) - 8000 (1))) 4200 (1200(1) - 8000 (1))) 4200 (1200(1) - 8000 (1))) Bank loan interest (1500(1) + 900(1)) 2400 (1200(1) - 3800 (1))) 8800 (1200(1) - 3800 (1))) 8800 (1200(1) - 3800 (1))) 8800 (1200(1) - 100)	Gross profit				1427	00 (1)of
Less expenses: 26 500 (* Wages and salaries 26 500 (* Computer expenses (12 200(1) – 8 000 (1)) 4 200 (* Rent and rates 10 000 (* Bank loan interest (1 500(1) + 900(1)) 2 400 (* Heat and light 7 300 (* Advertising (12 600 (1) – 3 800 (1)) 8 800 (* General expenses 11 100 (* Depreciation: Leasehold 4 000 (* Computers (6 850 (1) + 2 000 (1) 8 850 (* Office furniture 1 550 (* Increase in PDD (1040) (1) 1 30 (* (86730)	Plus other rece	ivables:				
Less expenses: 26 500 (12 200(1) - 8 000 (1))) 4 200 (21 200(1) - 8 000 (1))) Computer expenses (12 200(1) - 8 000 (1))) 4 200 (21 200(1) - 8 000 (1))) 4 200 (21 200(1) - 8 000 (1))) Rent and rates (10 000) (12 200(1) + 900(1))) 2 400 (21 200(1) - 1000 (1)) Bank loan interest (15 00(1) + 900(1))) 2 400 (21 200(1) - 3 800 (1))) 8 800 (21 200(1) - 3 800 (1))) 8 800 (21 200(1) - 3 800 (1))) 8 800 (21 200(1) - 3 800 (1)))<	Commission re	ceivable	(4900 + 1400)			、 /
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Computer expenses $(12200(1) - 8000(1))$ 4200 (27) Rent and rates 10000 (7) Bank loan interest $(1500(1) + 900(1))$ 2400 (27) Heat and light 7300 (7) Advertising $(12600(1) - 3800(1))$ 8800 (27) General expenses 11100 (7) Depreciation: Leasehold 4000 (7) Computers $(6850(1) + 2000(1))$ 8850 (27) Bad debts 1900 (7) Increase in PDD (1040) (1) 130 (26730)	Less expenses	:				
Rent and rates 10 000 (7) Bank loan interest $(1500(1) + 900(1))$ 2 400 (7) Heat and light 7 300 (7) Advertising $(12600(1) - 3800(1))$ 8 800 (7) General expenses 11 100 (7) Depreciation: Leasehold 4 000 (7) Computers (6 850(1) + 2 000(1)) 8 850 (7) Office furniture 1 550 (7) Bad debts 1 900 (7) Increase in PDD (1040) (1) 1 30 (86730)	Wages and sal	aries		26 500		(1)
Bank loan interest (1500(1) + 900(1)) 2400 (2 Heat and light 7300 (2 Advertising (12600 (1) - 3800 (1)) 8800 (2 General expenses 11100 (2 Depreciation: Leasehold 4000 (2 Computers (6850 (1) + 2000 (1)) 8850 (2 Office furniture 1550 (2 Increase in PDD (1040) (1) 130 (2 (86730)	Computer expe	enses	(12200 (1) – 8000 (1))	4200		(2)
Heat and light 7 300 (1 Advertising (12 600 (1) – 3 800 (1)) 8 800 (2 General expenses 11 100 (1 Depreciation: Leasehold 4 000 (1 Computers (6 850 (1) +2 000 (1)) 8 850 (2 Office furniture 1550 (1 Bad debts 1 900 (1 Increase in PDD (1040) (1) 130 (2	Rent and rates			10000		(1)
Advertising (12600 (1) - 3800 (1)) 8800 (2 General expenses 11100 (2 Depreciation: Leasehold 4000 (2 Computers (6850 (1) + 2000 (1)) 8850 (2 Office furniture 1550 (2 Bad debts 1900 (2 Increase in PDD (1040) (1) 130 (2 (86730)	Bank loan inter	rest	(1500 (1) + 900 (1))	2400		(2)
General expenses 11 100 (* Depreciation: Leasehold 4 000 (* Computers (6 850 (1) + 2 000 (1)) 8 850 (* Office furniture 1 550 (* Bad debts 1 900 (* Increase in PDD (1040) (1) 1 30 (*	Heat and light			7 300		(1)
Depreciation: Leasehold 4000 (* Computers (6850 (1) + 2000 (1)) 8850 (* Office furniture 1550 (* Bad debts 1900 (* Increase in PDD (1040) (1) 130 (*	Advertising		(12600 (1) – 3800 (1))	8800		(2)
Computers (6850 (1) +2000 (1) 8850 (2) Office furniture 1550 (1) Bad debts 1900 (1) Increase in PDD (1040) (1) 130 (2)	General expension	ses		11100		(1)
Office furniture 1550 (* Bad debts 1900 (* Increase in PDD (1040) (1) 130 (*	Depreciation:	Leasehold		4000		(1)
Bad debts 1900 (* Increase in PDD (1040) (1) 130 (* (86730) (* (*		Computers	(6850 (1) +2000 (1)	8850		(2)
Increase in PDD (1040) (1) 130 (2 (86730)		Office furniture		1 550		(1)
<u>(86730)</u>	Bad debts			1 900		(1)
	Increase in PD	D (1040) (1)		<u>130</u>		(2)
					<u>(867</u>	<u>30)</u>
Profit for the year <u>62270</u>	Profit for the ye	ar			<u>622</u>	<u>70</u>

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(b)

Suria Statement of financial position at 31 March 2016

Non-current assets

		Cost	Aggregate	Book	
			depreciation	value	
		\$	\$	\$	
Leasehold		100 000	11000	89000	(1of)
Computers		52000	25450	26 550	(1of)
Office furniture		<u>15500</u>	<u>13550</u>	<u>1 950</u>	(1of)
		<u>167 500</u>	<u>50000</u>	117 500	(1of)
Current assets					
Inventory				17 990	(1)
Trade receivables	27 900 (1) – 1 900 (1)	26000			
Less Provision for doubtful debts	(1of)	<u>(1040)</u>	24960		(3)
Other receivables	1 400 (1) + 3 800 (1of)		5200		(2)
Cash and bank			<u>520</u>		(1)
				<u>48670</u>	
				<u>166 170</u>	
Financed by:					
Capital			70000		
Profit for the year			<u>62270</u>		
			132270		
Less Drawings			<u>(28000)</u>		(1)
				104 270	
Current liabilities					
Trade payables			18600		(1)
6% Bank Ioan			40 000		(1)
Other payables	2400 (1) + 900 (1of)		<u>3 300</u>		(2)
				<u>61 900</u>	
				<u>166 170</u>	

[16]

[Total:40 marks]