



Hong Kong Institute of  
**Accredited Accounting Technicians**  
香港財務會計協會

# **Accredited Accounting Technician Examination**

## **Pilot Examination Paper**

---

### **Paper 1 Fundamentals of Accounting and Computerized Accounts**

### **Questions & Answers Booklet**

The Suggested Answers given in this booklet are purposely made to give more details for educational purpose.

© Hong Kong Institute of Accredited Accounting Technicians Limited 2008

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, and/or otherwise, without the prior written permission of the copyright owner.

Published in June 2008



Hong Kong Institute of  
**Accredited Accounting Technicians**  
香港財務會計協會

# **Accredited Accounting Technician Examination**

## **Pilot Examination Paper**

---

### **Paper 1 Fundamentals of Accounting and Computerized Accounts**

Time allowed – 3 hours and 15 minutes  
(Including 15 minutes printing time for solution of Section C)

Section A: Multiple-choice Questions – Attempt all 15 Questions

Section B: Optional Questions – Attempt any 2 out of 3 Questions

Section C: Compulsory Question – Attempt the Question

**DO NOT OPEN THIS QUESTION PAPER UNTIL  
INSTRUCTED TO DO SO BY THE SUPERVISOR**

**SECTION A (MULTIPLE-CHOICE QUESTIONS) (20 marks)**

Answer **ALL** questions in this section. Choose the best answer for each question.  
Marks will not be deducted for incorrect answers.

**(Questions A1 to A10 carry 1 mark each. Total: 10 marks)**

**A1.** The following information is extracted from accounting records for the year ended 31 December 2007. What is the cost of goods sold for the accounting year?

	\$
Carriage inward	30,000
Closing balance of inventory	480,000
Opening balance of inventory	400,000
Purchase returns	150,000
Purchases	3,750,000

- A \$3,520,000
- B \$3,550,000
- C \$3,680,000
- D \$3,850,000

**A2.** Mr. So and Mrs. So are in partnership. During the year ended 31 December 2007, Mr. So took a notebook computer from the partnership for his own use. The cost, accumulated depreciation and agreed selling price of the notebook computer are \$15,000, \$5,000 and \$8,000 respectively. Which of the following journal entries is **CORRECT**?

- A  
Dr Notebook computer – accumulated depreciation \$5,000  
Dr Partners' capital – Mr. So \$10,000  
Cr Notebook computer – cost \$15,000
- B  
Dr Notebook computer – accumulated depreciation \$5,000  
Dr Partners' capital – Mr. So \$8,000  
Dr Loss on disposal \$2,000  
Cr Notebook computer – cost \$15,000
- C  
Dr Notebook computer – accumulated depreciation \$5,000  
Dr Loss on disposal \$10,000  
Cr Notebook computer – cost \$15,000
- D No journal entry is required.

**A3.** Ambition Limited acquired a photocopier on 1 January 2005 at \$52,000. It is determined that the photocopier would be depreciated under reducing balance method at 20% per annum. What is the depreciation expense for the year ended 31 December 2007?

- A \$6,400
- B \$6,656
- C \$8,320
- D \$10,400

**A4.** Perfect-Pen Trading Limited values its inventories under the weighted average method. The following transactions relating to certain items of inventories occurred during the year. What is the carrying amount of the item at 30 September 2007?

Date	Nature	Unit	Selling Price \$	Purchase Cost \$
1 September 2007	Balance b/f	40,000		100,000
10 September 2007	Purchases	30,000		180,000
28 September 2007	Sales	20,000	200,000	

- A \$80,000
- B \$160,000
- C \$200,000
- D \$230,000

**A5.** Accounting is a process of:

- (1) recording
- (2) classifying
- (3) summarising

- A (1) only.
- B (1) and (2).
- C (2) and (3).
- D (1), (2) and (3).

- A6.** Faithful Manufacturing Company Limited purchased a production line on 1 January 2003. The following relevant expenditures were incurred on that day.

	\$
Invoice price	3,500,000
Transportation cost	50,000
Import tax	130,000
Legal charges	30,000
Annual maintenance fee	1,000

The production line is depreciable over 10 years on a straight-line basis. The scrap value is estimated to be zero. What is the amount of loss on disposal if the production line is disposed of on 31 December 2007 at a consideration of \$1,250,000?

- A Loss of \$590,000  
 B Loss of \$605,000  
 C Loss of \$605,500  
 D Loss of \$2,461,000
- A7.** Trade receivables of a company amounted to \$378,000 and \$431,000 at 31 December 2006 and 31 December 2007 respectively. The management of the company estimated that 5% of trade receivables at 31 December 2006 and \$21,000 of trade receivables at 31 December 2007 would not be recoverable. Which of the following journal entries at 31 December 2007 is **CORRECT**?

A	Dr	Impairment loss of trade receivables	\$21,000	
		Cr Allowance for doubtful debt		\$21,000
B	Dr	Impairment loss of trade receivables	\$2,100	
		Cr Allowance for doubtful debt		\$2,100
C	Dr	Allowance for doubtful debt	\$21,000	
		Cr Impairment loss of trade receivables		\$21,000
D	Dr	Allowance for doubtful debt	\$2,100	
		Cr Impairment loss of trade receivables		\$2,100

- A8.** Which of the following items should be included in the calculation of prime cost?

- (1) Administrative expenses.
- (2) Direct materials.
- (3) Direct labor.
- (4) Factory electricity.
- (5) Plant depreciation.

- A (2) and (3).  
 B (2), (3) and (4).  
 C (2), (3), (4) and (5).  
 D (1), (2), (3), (4) and (5).

**A9.** The difference between bank account and bank statements may be caused by:

- (1) casting error in the bank account.
- (2) post-dated cheque.
- (3) unpresented cheques.
- (4) unrecorded bank charges deducted by the bank.

- A (1), (2) and (3).
- B (1), (3) and (4).
- C (2), (3) and (4).
- D (1), (2), (3) and (4).

**A10.** Which of the following items could be shown in the income statement of a Hong Kong company?

- (1) Dividend income
- (2) Dividend payable
- (3) Interim dividend for the year
- (4) Reserve transfer
- (5) Revenue

- A (1) and (5).
- B (1), (3) and (5).
- C (1), (3), (4) and (5).
- D (1), (2), (3), (4) and (5).

**(Questions A11 to A15 carry 2 marks each. Total: 10 marks)**

**A11.** Mr. Chan, treasurer of Lovely Pet Society, has extracted the following information from the accounting records. What is the membership fee income for the year ended 31 December 2007?

	\$
Membership fee received for the year ended 31 December 2007	135,000
Membership fee received in advance as at 1 January 2007	36,000
Membership fee received in arrear as at 1 January 2007	24,000
Membership fee received in advance as at 31 December 2007	57,000
Membership fee received in arrear as at 31 December 2007	60,000

- A \$126,000
- B \$144,000
- C \$150,000
- D \$192,000

**A12.** The following information relates to the trade payables of Amazing Toy Limited for the year ended 31 December 2007. What is the balance of trade payables as at 31 December 2007?

	\$
Trade payables' control account as at 1 January 2007 (credit balance)	82,000
Credit purchases for the year ended 31 December 2007	833,000
Cash paid to suppliers for the year ended 31 December 2007	313,000
Discount received for the year ended 31 December 2007	15,000
Return outwards for the year ended 31 December 2007	72,000
Amounts settled by offsetting trade receivables against trade payables for the year ended 31 December 2007	230,000

- A \$121,000
- B \$285,000
- C \$459,000
- D \$745,000

**A13.** An account clerk found the following errors and omissions. Assume the unadjusted profit for the year was \$500,000, what is the profit for the year after adjustments?

- (1) An amount of \$50,000 received from a customer had been entered in the bank account correctly but omitted in the trade receivables account.
- (2) The debit side of the rental expense account had been undercast by \$30,000.
- (3) Salary expense of \$353,000 was recorded as \$535,000.
- (4) Sales return of \$4,000 was recorded on the wrong side of the account.

- A \$644,000
- B \$648,000
- C \$694,000
- D \$698,000

**A14.** Avis, Beatrice and Carina formed a partnership at 1 January 2003. They agreed to share profits and losses in a ratio of 1:2:1. The capital balances at 31 December 2007 are: Avis \$20,000, Beatrice \$40,000 and Carina \$20,000. At 31 December 2007, Dora introduced capital of \$40,000, of which \$20,000 represents a payment for her share of the goodwill, and became a new partner. They agreed not to recognise any goodwill in the books. After the admission, they share profit and loss equally.

What is the balance of Beatrice's capital account (after the goodwill adjustments) following the admission?

- A Credit balance of \$40,000
- B Credit balance of \$45,000
- C Credit balance of \$60,000
- D Credit balance of \$80,000

**A15.** Sun Limited, with an accounting period ended 31 December, entered into a rental agreement with Big Landlord on 1 November 2007. Under the agreement, Sun Limited would lease an office from Big Landlord at a monthly rental of \$50,000. Sun Limited prepares its financial statements on an annual basis.

On 1 November 2007, Sun Limited prepaid the rentals of \$150,000 to Big Landlord. Which of the following journal entries are correct?

- A
- |            |    |                                  |           |           |
|------------|----|----------------------------------|-----------|-----------|
| 1 Nov 2007 | Dr | Other receivables – Big Landlord | \$150,000 |           |
|            |    | Cr Bank                          |           | \$150,000 |
- 31 Dec 2007
- |    |                                     |           |           |
|----|-------------------------------------|-----------|-----------|
| Dr | Rental expenses                     | \$100,000 |           |
|    | Cr Other receivables – Big Landlord |           | \$100,000 |
- B
- 1 Nov 2007 No entries
- 31 Dec 2007
- |    |                 |           |           |
|----|-----------------|-----------|-----------|
| Dr | Rental expenses | \$150,000 |           |
|    | Cr Bank         |           | \$150,000 |
- C
- 1 Nov 2007
- |    |                 |           |           |
|----|-----------------|-----------|-----------|
| Dr | Rental expenses | \$150,000 |           |
|    | Cr Bank         |           | \$150,000 |
- 31 Dec 2007 No entries
- D
- 1 Nov 2007
- |    |                                  |           |           |
|----|----------------------------------|-----------|-----------|
| Dr | Other receivables – Big Landlord | \$150,000 |           |
|    | Cr Bank                          |           | \$150,000 |
- 31 Dec 2007
- |    |                                     |          |          |
|----|-------------------------------------|----------|----------|
| Dr | Rental expenses                     | \$50,000 |          |
|    | Cr Other receivables – Big Landlord |          | \$50,000 |

**(Total: 20 marks)**

**[ END OF SECTION A ]**

**SECTION B (OPTIONAL QUESTIONS) (50 marks)**

Answer any **TWO** questions only in this section. Each question carries 25 marks.

**B1.** The following trial balance was extracted from the ledgers of AV Trading Company Limited on 31 December 2007.

	Debit \$	Credit \$
10% debenture 2015 (issued in 2005)		200,000
Bank		120,000
Bank fixed deposits	150,000	
Bank interest income		2,000
Bank overdraft interests	1,000	
Cash	5,000	
General reserve		40,000
Inventory, at 1 January 2007	180,000	
Management fees (paid)	25,000	
Ordinary share capital (\$5 per share)		50,000
Plant and machinery – cost	100,000	
Plant and machinery – accumulated depreciation, at 1 January 2007		36,000
Property – cost	800,000	
Property – accumulated depreciation, at 1 January 2007		80,000
Purchases	1,690,000	
Purchases returns		55,000
Retained profit, at 1 January 2007		115,000
Salaries (paid)	280,000	
Sales		2,553,000
Sales returns	120,000	
Share premium		150,000
Trade payables		190,000
Trade receivables	260,000	
Allowance for doubtful debt		20,000
	3,611,000	3,611,000

Additional information:

- (1) Carrying amount of the closing inventory at 31 December 2007 was \$480,000.
- (2) The allowance for doubtful debt was increased to \$30,000 at 31 December 2007.
- (3) Depreciation for the year is to be provided as follows:
 

Plant and equipment	20% per annum on reducing balance
Property	5% per annum on cost
- (4) At 31 December 2007, management fees paid in advance amounted to \$5,000 and salaries due amounted to \$25,000.
- (5) The income tax for the year is estimated to be \$150,000.

- (6) The directors proposed to pay a final dividend of \$5 per share and to transfer \$40,000 from retained profit to general reserve.
- (7) There was no share issued during the year ended 31 December 2007.

**REQUIRED:**

- (a) **Prepare the statement of comprehensive income of the company for the year ended 31 December 2007.** (7 marks)
- (b) **Prepare the statement of financial position of the company as at 31 December 2007. Show your workings.** (14 marks)
- (c) **Briefly explain the following accounting concepts:**
- (i) **accrual basis of accounting; and**
  - (ii) **consistency of presentation.**

(4 marks)

(Total: 25 marks)

**B2.** Mani, Nancy and Omni formed a partnership on 1 January 2003 and they share the profit and loss in the ratio of 3:2:1. On 31 December 2007, Mani retired from the partnership and Pansy was admitted as a new partner. Nancy, Omni and Pansy agreed to share the profit and loss in the ratio of 2:1:2. The trial balance for the partnership as at 31 December 2007 before the retirement and admission is as follows.

	Debit \$	Credit \$
Capital account		
- Mani		30,000
- Nancy		20,000
- Omni		10,000
Cash at bank	45,000	
Current account		
- Mani		80,000
- Nancy		100,000
- Omni	50,000	
Inventories	27,000	
Loan from Mani		120,000
Other payables		6,000
Other receivables	12,000	
Property, plant and equipment, net	220,000	
Trade payables		78,000
Trade receivables	90,000	
	444,000	444,000

Additional information:

- (1) The following assets of the partnership were valued as follows at 31 December 2007:
 

	\$
Property, plant and equipment, net	250,000
Inventories	24,000
Trade receivables	75,000
- (2) It was agreed that goodwill would be valued at \$180,000 at 31 December 2007. The partners in the new partnership decided not to maintain the goodwill account after the retirement and the admission.
- (3) The balances of Mani's current account and capital account would be transferred to her loan account, which would be repayable on 30 June 2009, upon her retirement.
- (4) Pansy introduced cash of \$120,000 as her capital on 31 December 2007.

**REQUIRED:**

- (a) Prepare the revaluation account to record the above transactions on 31 December 2007. (6 marks)
- (b) Prepare the partners' capital account to record the above transactions on 31 December 2007. (9 marks)
- (c) Prepare the statement of financial position of the partnership after the retirement and admission on 31 December 2007. (10 marks)
- (Total: 25 marks)

- B3.** The financial statements of Success Manufacturing Company Limited for the year ended 31 December 2007 and 2006 are as follows:

Statement of Financial Position as at 31 December

	<b>2007</b> <b>\$ million</b>	<b>2006</b> <b>\$ million</b>
<b>Non-current assets</b>		
Property, plant and equipment	<u>1,800</u>	<u>1,300</u>
<b>Current assets</b>		
Inventories	600	400
Trade and other receivables	470	250
Cash and cash equivalent	<u>120</u>	<u>100</u>
	<u>1,190</u>	<u>750</u>
<b>Total assets</b>	<u><u>2,990</u></u>	<u><u>2,050</u></u>
<b>Equity</b>		
Share capital	100	50
Share premium	800	400
Retained profits	<u>775</u>	<u>710</u>
	<u>1,675</u>	<u>1,160</u>
<b>Non-current liabilities</b>		
Debenture	<u>780</u>	<u>500</u>
<b>Current liabilities</b>		
Trade and other payables	520	380
Tax payable	<u>15</u>	<u>10</u>
	<u>535</u>	<u>390</u>
Total liabilities	<u>1,315</u>	<u>890</u>
<b>Total equity and liabilities</b>	<u><u>2,990</u></u>	<u><u>2,050</u></u>

Statement of Comprehensive Income for the year ended 31 December

	<b>2007</b> <b>\$ million</b>	<b>2006</b> <b>\$ million</b>
Sales	1,300	1,000
Cost of sales	<u>(1,100)</u>	<u>(900)</u>
Gross profit	200	100
Distribution costs	(20)	(5)
Administrative expenses	(70)	(50)
Finance costs – debenture interests	<u>(30)</u>	<u>(20)</u>
Profit before tax	80	25
Income tax expense	<u>(15)</u>	<u>(5)</u>
Profit for the year	<u><u>65</u></u>	<u><u>20</u></u>

Additional Information:

	2007	2006
Number of ordinary shares (average)	1,000,000	500,000
Market price per share, 31 December	\$260	\$200
Ordinary dividend per share	\$10	\$10

**REQUIRED:**

- (a) Calculate the following accounting ratio for the year ended 31 December 2007 and 31 December 2006: (Calculation should be rounded to 2 decimal places.)

- (i) asset turnover ratio;
- (ii) dividend cover;
- (iii) earnings per share;
- (iv) gross profit ratio;
- (v) interest cover;
- (vi) net profit ratio (after tax);
- (vii) price earnings ratio;
- (viii) return on capital employed; and
- (ix) return on owners' equity (before tax).

(18 marks)

- (b) Based on the information revealed by the financial statements and the ratios calculated in (a), comment on the profitability from the viewpoint of investors.

(7 marks)

(Total: 25 marks)

[ END OF SECTION B ]

**SECTION C (COMPULSORY QUESTION) (30 marks)**

Answer the question in this section. Marks are indicated at the end of the question.

- C1.** Pilot Ltd, a small retail gifts shop, wants to convert its manual accounting system to a computerised one using MYOB accounting package. Its accounting year ends at 31 December 2007. The following is the trial balance of Pilot Ltd as at 30 November 2007.

<u>Trial balance as at 30 November 2007</u>		
	Dr \$	Cr \$
Sales		1,358,000
Sales return	22,000	
Purchases	862,000	
Salaries and wages	182,000	
Postage and stationery	50,000	
Utilities	34,000	
Rent and rates	78,000	
Other expenses	27,000	
Debenture interest	6,000	
Plant and equipment, at cost	350,000	
Motor vehicles, at cost	200,000	
Accumulated depreciation at 1 January 2007		
Plant and equipment		105,000
Motor vehicles		60,000
Inventory at 1 January 2007	364,000	
Long-term investments	98,000	
Allowance for doubtful debts		25,000
Trade debtors	544,000	
Trade creditors		486,000
Cash at bank	256,000	
Dividend received		15,000
Ordinary shares of \$10 each		500,000
8% debentures 2012		150,000
Retained earnings at 1 January 2007		374,000
	3,073,000	3,073,000

The sales ledger and purchases ledger at 30 November 2007 are as follows:

Sales ledger as at 30 November 2007

Code	Customer	Invoice number	Invoice date	Amount(\$)	Terms
AR01	Rabbit Ltd	06002	5 January 2006	75,000	net 60
AR02	Tiger Store	07122	29 September 2007	95,000	5/30, net 60
		07131	15 November 2007	250,000	5/30, net 60
AR03	Snake & Ltd	07140	25 November 2007	54,000	net 30
		07145	30 November 2007	70,000	net 30
				<u>544,000</u>	

Purchases ledger as at 30 November 2007

Code	Customer	Invoice number	Invoice date	Amount(\$)	Terms
AP01	Mega Supplies	M7055	20 October 2007	60,000	net 60
AP02	Super-1 Ltd	S2634	20 November 2007	210,000	5/30, net 90
		S2789	27 November 2007	216,000	5/30, net 90
				<u>486,000</u>	

The following are the company's transactions for December 2007:

- 2 December Received payment from Tiger Store for invoice 07131 with 5% discount given. Deposit no. R1201.
- 5 December Credit sales to:  
 Snake & Ltd \$90,000; invoice 07146.  
 Rat & Cat Ltd \$85,500; invoice 07147. A new customer with credit term of net 30 and customer code AR04.
- 11 December Goods that had cost \$4,000 were returned from Snake & Ltd in respect of sales invoice 07140. Credit note CN7001 was issued accordingly.
- 18 December Paid Super-1 Ltd for invoices S2634, taking 5% cash discount. Cheque no. 221456.
- 20 December An equipment with cost \$60,000 and accumulated depreciation \$36,000 was sold for \$5,000, which was not yet received at 31 December 2007.
- 22 December Credit purchases from a new supplier, Quality Ltd \$125,000; invoice QQ303 with credit term of net 90 days. Supplier code AP03.

- 27 December Paid Mega Supplies \$30,000 for invoice M7055 as disputes over this invoice are not yet settled. Cheque no. 221457.
- 28 December Returned goods to Super-1 Ltd in respect of invoice S2789 amounting to \$21,600. Reference no. S2789C.
- 31 December Received payment of \$120,000 from Snake & Ltd for invoices 07140 and 07145 after taking into account of CN7001. Deposit no. R1202.

Additional information for year-end adjustments is:

- (1) Inventory as at 31 December 2007 was valued at \$512,000.
- (2) The debenture was issued on 1 January 2007.
- (3) Expenses to be accrued as at 31 December 2007 include the following:
 

Directors' fees	\$50,000
Salaries and wages	\$20,000
Audit fees	\$25,000
- (4) Plant and equipment depreciated at 10% per annum by the straight-line method. Motor vehicles were estimated to have useful life of five years. The company's depreciation policy is to provide a full year's depreciation in the year of purchase and none in the year of disposal.
- (5) Rabbit Ltd was declared bankrupt on 3 December and its outstanding amount was to be written off as bad debts as at 31 December 2007. Reference no. 06002C.
- (6) The bank reconciliation statement as at 30 November 2007 is as follows:

Bank reconciliation statement as at 30 November 2007

	\$	\$
Balance per cash book		256,000
Add: Cheques not yet presented (Cheque no. 221455)		<u>75,000</u>
		331,000
Less: Deposits not yet credited		
Deposit no. R1103	62,000	
Deposit no. R1104	<u>18,000</u>	<u>80,000</u>
Balance per bank statement		<u><u>251,000</u></u>

- (7) The following is the statement from bank received on 7 January 2008.

Date	Details	Deposits (Cr)/ Withdrawals	Balance
2007		\$	\$
30 November		Balance forward	251,000
2 December	Bank charges	750	250,250
3 December	Cheque deposit	18,000 Cr	
5 December	Cheque deposit	62,000 Cr	
	Cheque deposit	237,500 Cr	567,750
10 December	Cheque 221455	75,000	492,750
15 December	Dividend received	1,500 Cr	494,250
18 December	Cheque no. 221456	199,500	294,750
2008			
2 January	Cheque deposit	120,000 Cr	414,750
3 January	Auto-transfer	20,000	
5 January	Cheque no.221458	50,000	344,750

**Notice:**

- (i) You should use the MYOB application at a computer terminal. You will have to amend names of accounts, and create new accounts, and records of customers and suppliers if necessary.
- (ii) You should key in your “Student Registration No. + Specific code” as the company name for printout identification. At the end of the examination, you should hand in your printed answers.

**Instructions:**

- (i) Use the default chart of accounts of “retail business of a gift shop” to modify the names of accounts as per the appendix. The accounts to be modified or used are underlined for easy reference.
- (ii) Input the opening balances at 1 December 2007.
- (iii) Enter the transactions for December 2007 and take into consideration the year-end adjustments.

**REQUIRED:**

**Generate the following reports for the company:**

- (a) **Profit and loss statement (accrual) for the year ended 31 December 2007.**  
(5 marks)
  - (b) **Standard balance sheet as at 31 December 2007.**  
(5 marks)
  - (c) **Receivables ageing (detail) report including “zero” balances as at 31 December 2007.**  
(5 marks)
  - (d) **Payables ageing (detail) report including “zero” balances as at 31 December 2007.**  
(5 marks)
  - (e) **Bank register for the month of December 2007.**  
(5 marks)
  - (f) **Bank reconciliation report for the month of December 2007.**  
(5 marks)
- (Total: 30 marks)**

**[ END OF EXAMINATION PAPER ]**

**APPENDIX**

**Student Registration No. + Specific Code**

Accounts List [Summary]

1/22/2008  
 7:53:22 PM

Page 1

Account		Current Balance
1-0000	Assets	\$0.00
1-1000	Fixed Assets	\$0.00
1-1200	Long-term investments	\$0.00
1-1210	Investments	\$0.00
1-1220	Lease improvements Accum Dep	\$0.00
1-1300	Buildings and Improvements	\$0.00
1-1310	Bldgs & Imprvmnts at Cost	\$0.00
1-1320	Bldgs & Imprvmnts Accum Dep	\$0.00
1-1400	Furniture and Fixtures	\$0.00
1-1410	Furniture and Fixtures at Cost	\$0.00
1-1420	Furniture and Fixtures Accum Dep	\$0.00
1-1500	Plant and Equipment	\$0.00
1-1510	Plant and Equipment at Cost	\$0.00
1-1520	Plant and Equipment Accum Dep	\$0.00
1-1600	Motor Vehicles	\$0.00
1-1610	Motor Vehicles at Cost	\$0.00
1-1620	Motor Vehicles Accum Dep	\$0.00
1-2000	Current Assets	\$0.00
1-2100	Cash at Bank	\$0.00
1-2110	Cash at Bank	\$0.00
1-2120	Payroll Cheque Account	\$0.00
1-2130	Cash Drawer	\$0.00
1-2140	Petty Cash	\$0.00
1-2160	Undeposited Funds	\$0.00
1-2200	Trade Debtors	\$0.00
1-2210	Allowance for Doubtful Debts	\$0.00
1-2300	Inventory	\$0.00
1-2400	Prepaid Insurance	\$0.00
1-2500	Prepaid Interest	\$0.00
1-2600	Prepaid Taxes	\$0.00
1-2700	Other Debtors	\$0.00
1-2800	Deposits Paid	\$0.00
2-0000	Liabilities	\$0.00
2-1000	Long Term Liabilities	\$0.00
2-1100	8% Debentures 2012	\$0.00
2-1200	Other Long Term Liabilities	\$0.00
2-2000	Current Liabilities	\$0.00
2-2100	Credit Cards	\$0.00
2-2110	Bankcard	\$0.00

2-2120	Diners Club	\$0.00
2-2130	MasterCard	\$0.00
2-2140	Visa	\$0.00
2-2200	Trade Creditors	\$0.00
2-2210	Accruals	\$0.00
2-2220	Accrued Debenture Interest	\$0.00
2-2350	Sales Tax Payable	\$0.00
2-2360	Import Duty Payable	\$0.00
2-2400	Payroll Liabilities	\$0.00
2-2410	Payroll Deductions Payable	\$0.00
2-2420	PAYE Tax Payable	\$0.00
2-2600	Customer Deposits	\$0.00
2-2900	Other Current Liabilities	\$0.00
3-0000	Equity	\$0.00
3-1000	Owner/shareholder's Equity	\$0.00
3-1100	Ordinary shares of \$10 each	\$0.00
3-1200	Owner/sharehldr Drawings	\$0.00
3-8000	Retained Earnings	\$0.00
3-9000	Current Year Earnings	\$0.00
3-9999	Historical Balancing	\$0.00
4-000	Income	\$0.00
4-1000	Sales	\$0.00
4-1100	Sales	\$0.00
4-1200	Sales	\$0.00
4-2000	Sales Returns	\$0.00
4-5000	Freight Collected	\$0.00
4-6000	Late Fees Collected	\$0.00
4-8000	Miscellaneous Income	\$0.00
5-000	Cost of Sales	\$0.00
5-1000	Purchases	\$0.00
5-1100	Purchases	\$0.00
5-1200	Novelty Item Purchases	\$0.00
5-2000	Purchase Returns & Allowance	\$0.00
5-3000	Discounts Given	\$0.00
5-4000	Delivery Expenses	\$0.00
5-5000	Inventory Adjustment	\$0.00
6-0000	Expenses	\$0.00
6-1000	General & Administrative Exp	\$0.00
6-1005	Directors' Fees	\$0.00
6-1100	Audit Fees	\$0.00
6-1200	Bank Charges	\$0.00
6-1300	Depreciation	\$0.00
6-1400	Subscriptions	\$0.00
6-1500	Office Supplies	\$0.00
6-1600	Discounts Allowed	\$0.00
6-1700	Bad Debts	\$0.00
6-1800	Late Fees Paid	\$0.00
6-3000	Advertising & Promotion Exp	\$0.00
6-3100	Advertising	\$0.00
6-3110	In-store Promotions	\$0.00

---

6-3120	Cooperative Adv allowance	\$0.00
6-4000	Operating Expenses	\$0.00
6-4100	Cleaning	\$0.00
6-4200	Postage and Stationery	\$0.00
6-4300	Printing	\$0.00
6-4350	Other Expenses	\$0.00
6-4400	Rent and Rates	\$0.00
6-4500	Store Supplies	\$0.00
6-4600	Telephone	\$0.00
6-4700	Utilities	\$0.00
6-4800	Shrinkage/Spoilage	\$0.00
6-5100	Employment Expenses	\$0.00
6-5105	Fringe Benefits Tax	\$0.00
6-5110	Staff Amenities	\$0.00
6-5130	Wages & Salaries	\$0.00
6-5140	Workers' Compensation	\$0.00
6-5150	Other Employer Expenses	\$0.00
8-0000	Other Income	\$0.00
8-1000	Dividend Income	\$0.00
8-2000	Discounts Received	\$0.00
8-3000	Gain on Disposal of FA	\$0.00
9-0000	Other Expenses	\$0.00
9-1000	Debenture Interest	\$0.00
9-2000	Loss on Disposal of FA	\$0.00

---

[ END OF APPENDIX ]



# **Suggested Answers**

## **Pilot Examination Paper**

---

### **Paper 1**

### **Fundamentals of Accounting and Computerized Accounts**

**SECTION A (MULTIPLE-CHOICE QUESTIONS)** (20 marks)

(Questions A1 to A10 carry 1 mark each. Total: 10 marks)

- A1. B
- A2. B
- A3. B
- A4. C
- A5. D
- A6. B
- A7. B
- A8. A
- A9. B
- A10. B

(Questions A11 to A15 carry 2 marks each. Total: 10 marks)

- A11. C
- A12. B
- A13. A
- A14. C
- A15. A

**(Total: 20 marks)**

**SECTION B (OPTIONAL QUESTIONS) (50 marks)**

B1. (a)

**AV Trading Company Limited**  
**Statement of comprehensive income**  
**For the year ended 31 December 2007**

	\$	\$	Marks
Sales (2,553,000 – 120,000)		2,433,000	[0.5]
<b>Cost of sales</b>			
Inventory, at 1 January 2007	180,000		
Purchases (1,690,000 – 55,000)	1,635,000		
Inventory, at 31 December 2007	<u>(480,000)</u>		
		<u>(1,335,000)</u>	[1]
<b>Gross profit</b>		1,098,000	
Bank interest income		2,000	[0.5]
<b>Administrative expenses</b>			
Depreciation expenses	52,800		[1]
[(100,000 – 36,000) × 20% + 800,000 × 5%]			
Impairment loss of trade receivables	10,000		[1]
Management fees (25,000 – 5,000)	20,000		[0.5]
Salaries (280,000 + 25,000)	<u>305,000</u>		[0.5]
		(387,800)	
<b>Finance costs</b>			
Bank overdraft interests	1,000		[0.5]
Debenture interest	<u>20,000</u>		[1]
		<u>(21,000)</u>	
Profit before tax		691,200	
Income tax expense		<u>(150,000)</u>	[0.5]
Profit for the year		<u><u>541,200</u></u>	
			<b>(7 marks)</b>

(b)

**AV Trading Company Limited**  
**Statement of financial position**  
**As at 31 December 2007**

	\$	Marks
<b>Non-current assets</b>		
Property (800,000 – 80,000 – 800,000 × 5%)	680,000	[1]
Plant and machinery (100,000 – 36,000) × 80%	51,200	[1]
	731,200	
<b>Current assets</b>		
Inventory	480,000	[0.5]
Trade receivables [260,000 – 20,000 – (30,000 – 20,000)]	230,000	[1.5]
Prepaid expense	5,000	[0.5]
Bank fixed deposits	150,000	[0.5]
Cash	5,000	[0.5]
	870,000	
<b>Total assets</b>	1,601,200	
<b>Equity</b>		
Ordinary share capital	50,000	[0.5]
Share premium	150,000	[0.5]
General reserve (40,000 + 40,000)	80,000	[1]
Retained profit (115,000 + 541,200 – 40,000 – 50,000)	566,200	[2]
Proposed dividend	50,000	[1]
	896,200	
<b>Non-current liabilities</b>		
10% debenture 2015	200,000	[0.5]
<b>Current liabilities</b>		
Trade payables	190,000	[0.5]
Accrued expense (25,000 + 200,000 × 10%)	45,000	[1.5]
Tax payable	150,000	[0.5]
Bank overdraft	120,000	[0.5]
	505,000	
Total liabilities	705,000	
<b>Total equity and liabilities</b>	1,601,200	

(14 marks)

(c) (i) **Accrual basis of accounting**

Transactions and events are recognised when they occurred and they are recorded in the accounting records and presented in the financial statements of the periods to which they relate. [2 marks]

(ii) **Consistency of presentation**

Consistency of presentation, classification and accounting treatment of items in financial statements should be adopted within each particular accounting period and between one accounting period and the next. [2 marks]

(4 marks)

(Total: 25 marks)

**B2. (a)**

		Revaluation Account			
		\$	\$		
<b>Marks</b>	31 Dec 2007			31 Dec 2007	<b>Marks</b>
<b>[1]</b>	Inventories (27,000 – 24,000)	3,000		Property, plant and equipment (250,000 – 220,000)	<b>[1]</b>
<b>[1]</b>	Trade receivables (90,000 – 75,000)	15,000			
	Capital account				
<b>[1]</b>	- Mani (12,000 × 3/6)	6,000			
<b>[1]</b>	- Nancy (12,000 × 2/6)	4,000			
<b>[1]</b>	- Omni (12,000 × 1/6)	2,000			
		30,000		30,000	

**(6 marks)**

**(b)**

		Capital Account									
		Mani	Nancy	Omni	Pansy						
		\$	\$	\$	\$	Mani	Nancy	Omni	Pansy		
		\$	\$	\$	\$	\$	\$	\$	\$		
<b>Marks</b>	31 Dec 07					31 Dec 07					<b>Marks</b>
<b>[1.5]</b>	Goodwill written-down	-	72,000	36,000	72,000	Balance b/f	30,000	20,000	10,000	-	<b>[1.5]</b>
<b>[0.5]</b>	Loan from Mani	206,000	-	-	-	Revaluation account	6,000	4,000	2,000	-	<b>[1.5]</b>
<b>[1.5]</b>	Balance c/f	-	12,000	6,000	48,000	Goodwill written-up	90,000	60,000	30,000	-	<b>[1.5]</b>
						Current account - Mani	80,000	-	-	-	<b>[0.5]</b>
						Cash	-	-	-	120,000	<b>[0.5]</b>
		206,000	84,000	42,000	120,000		206,000	84,000	42,000	120,000	

**(9 marks)**

(c)

**Nancy, Omni and Pansy  
 Statement of financial position  
 As at 31 December 2007**

	\$	\$	Marks
<b>Non-current assets</b>			
Property, plant and equipment, net		250,000	[0.5]
<b>Current assets</b>			
Inventories	24,000		[1]
Trade receivables	75,000		[1]
Other receivables	12,000		[0.5]
Cash at bank (45,000 + 120,000)	165,000		[1]
	<u>276,000</u>		
<b>Current liabilities</b>			
Trade payables	(78,000)		[0.5]
Other payables	(6,000)		[0.5]
	<u>(84,000)</u>		
<b>Net current assets</b>		<u>192,000</u>	
<b>Total assets less current liabilities</b>		<u>442,000</u>	
<b>Capital account</b>			
- Nancy	12,000		[1]
- Omni	6,000		[1]
- Pansy	<u>48,000</u>		[1]
		66,000	
<b>Current account</b>			
- Nancy	100,000		[0.5]
- Omni	<u>(50,000)</u>		[0.5]
		<u>50,000</u>	
		116,000	
<b>Non-current liabilities</b>			
Loan from Mani (206,000 + 120,000)		<u>326,000</u>	[1]
		<u>442,000</u>	

(10 marks)

(Total: 25 marks)

<b>B3. (a) (i)</b>	<u>Asset turnover ratio:</u>		<b>Marks</b>
	Sales / (Total assets – Current liabilities)		
	2007: \$1,300m / (2,990m – 535m)	= 0.53	<b>[1]</b>
	2006: \$1,000m / (2,050m – 390m)	= 0.60	<b>[1]</b>
<b>(ii)</b>	<u>Dividend cover:</u>		
	Profit for the year / Ordinary dividends		
	2007: \$65m / (\$10 × 1m)	= 6.50 times	<b>[1]</b>
	2006: \$20m / (\$10 × 0.5m)	= 4.00 times	<b>[1]</b>
<b>(iii)</b>	<u>Earnings per share:</u>		
	Profit for the year / No. of shares		
	2007: \$65m / 1m	= \$65.00	<b>[1]</b>
	2006: \$20m / 0.5m	= \$40.00	<b>[1]</b>
<b>(iv)</b>	<u>Gross profit ratio</u>		
	Gross profit / Sales × 100%		
	2007: \$200m / 1,300m × 100%	= 15.38%	<b>[1]</b>
	2006: \$100m / 1,000m × 100%	= 10.00%	<b>[1]</b>
<b>(v)</b>	<u>Interest cover</u>		
	Profit before interest and tax / Interest		
	2007: \$(80m + 30m) / 30m	= 3.67 times	<b>[1]</b>
	2006: \$(25m + 20m) / 20m	= 2.25 times	<b>[1]</b>
<b>(vi)</b>	<u>Net profit ratio (after tax)</u>		
	Profit for the year / Sales × 100%		
	2007: \$65m / 1,300m × 100%	= 5.00%	<b>[1]</b>
	2006: \$20m / 1,000m × 100%	= 2.00%	<b>[1]</b>
<b>(vii)</b>	<u>Price earnings ratio</u>		
	Market price per share / Earnings per share		
	2007: \$260 / (65m/1m)	= 4.00	<b>[1]</b>
	2006: \$200 / (20m/0.5m)	= 5.00	<b>[1]</b>
<b>(viii)</b>	<u>Return on capital employed</u>		
	Profit before interest and tax / (Owners' equity + Long-term liabilities) × 100%		
	2007: \$(80m + 30m) / (1,675m + 780m) × 100%	= 4.48%	<b>[1]</b>
	2006: \$(25m + 20m) / (1,160m + 500m) × 100%	= 2.71%	<b>[1]</b>
<b>(ix)</b>	<u>Return on owners' equity (before tax)</u>		
	Profit before tax / Owners' equity × 100%		
	2007: \$80m / 1,675m × 100%	= 4.78%	<b>[1]</b>
	2006: \$25m / 1,160m × 100%	= 2.16%	<b>[1]</b>

**(18 marks)**

- (b) The company had increased its gross profit ratio (from 10% in 2006 to 15% in 2007) and net profit ratio (from 2% in 2006 to 5% in 2007). The company may have raised its selling price and/or achieved a lower production cost in the light of improved product quality and higher production efficiency in 2007, compared with 2006. **[2 marks]**

The asset turnover ratio was decreased from 0.60 in 2006 to 0.53 in 2007. The decrease indicates that the company had not utilised its assets efficiently. This implies that the additions to the property, plant and equipment and, accordingly, the productivity occurred in the middle of the year. Productivity might be improved as the new property, plant and equipment would be fully utilised next year. **[2 marks]**

The return on capital employed was increased from 2.71% in 2006 to 4.48% in 2007. Meanwhile, the return on owners' equity was increased from 2.16% in 2006 to 4.78% in 2007. This indicates that the improved efficiency and profitability generated more income for the owners than the lenders. **[2 marks]**

In particular, from the viewpoint of investors, the improvement of dividend cover (from 4 times in 2006 to 6.5 times in 2007) indicates that the company retained a higher proportion of profit to sustain earnings growth in future. The improvements of earnings per share (from \$40 in 2006 to \$65 in 2007) indicates the improvement of the company's profitability. However, investors did not seem confident in the company's future as reflected in the change of price earnings ratio from 5 in 2006 to 4 in 2007. **[2 marks]**

**(Maximum 7 marks)**

**(Total: 25 marks)**

**SECTION C (COMPULSORY QUESTION) (30 marks)**

**C1. (a)**

Student Registration No. + Specific Code

Profit and Loss Statement

January 2007 through December 2007

1/22/2008  
 8:12:14 PM

			<b>Marks</b>
Income			
Sales			
Sales	\$1,533,500.00		
Total Sales		<u>\$1,533,500.00</u>	
Sales Returns		(\$26,000.00)	
Total Income		<u>\$1,507,500.00</u>	<b>[0.5]</b>
Cost of Sales			
Purchases			
Purchases	\$987,000.00		
Total Purchases		<u>\$987,000.00</u>	
Purchase Returns & Allowances		(\$21,600.00)	
Inventory Adjustment		(\$148,000.00)	
Total Cost of Sales		<u>\$817,400.00</u>	<b>[0.5]</b>
Gross Profit		<u>\$690,100.00</u>	<b>[0.5]</b>
Expenses			
General & Administrative Exp			
Directors' Fees	\$50,000.00		
Audit Fees	\$25,000.00		
Bank Charges	\$750.00		
Depreciation	\$69,000.00		
Discounts Allowed	\$12,500.00		
Bad Debts	\$75,000.00		
Total General & Administrative Exp		<u>\$232,250.00</u>	<b>[0.5]</b>
Operating Expenses			
Postage and Stationery	\$50,000.00		
Other Expenses	\$27,000.00		
Rent and Rates	\$78,000.00		
Utilities	\$34,000.00		
Total Operating Expenses		<u>\$189,000.00</u>	<b>[0.5]</b>
Employment Expenses			
Wages & salaries	\$202,000.00		
Total Employment Expenses		<u>\$202,000.00</u>	
Total Expenses		<u>\$623,250.00</u>	<b>[0.5]</b>
Operating Profit		<u>\$66,850.00</u>	<b>[0.5]</b>
Other Income			
Dividend Income		\$16,500.00	
Discount Received		\$10,500.00	
Total Other Income		<u>\$27,000.00</u>	<b>[0.5]</b>
Other Expenses			
Debenture Interest		\$12,000.00	
Loss on disposal of FA		\$19,000.00	
Total Other Expenses		<u>\$31,000.00</u>	<b>[0.5]</b>
Net Profit / (Loss)		<u>\$62,850.00</u>	<b>[0.5]</b>

**(5 marks)**

(b)

Student Registration No. + Specific Code

Balance Sheet

As of December 2007

1/22/2008  
 8:14:14 PM

Assets				Marks
Fixed Assets				
Long-term investments				
Investments	<u>\$98,000.00</u>			
Total Long-term investments		\$98,000.00		[0.5]
Plant and Equipment				
Plant and Equip at Cost	\$290,000.00			
Plant and Equip Accum Dep	<u>(\$98,000.00)</u>			
Total Plant and Equipment		\$192,000.00		[0.5]
Motor Vehicles				
Motor Vehicles at Cost	\$200,000.00			
Motor Vehicles Accum Dep	<u>(\$100,000.00)</u>			
Total Motor Vehicles		<u>\$100,000.00</u>		[0.5]
Total Fixed Assets			\$390,000.00	[0.5]
Current Assets				
Cash at Bank				
Cash at Bank	<u>\$384,750.00</u>			
Total Cash at Bank		\$384,750.00		
Trade Debtors		\$270,500.00		
Allowance for Doubtful Debts		(\$25,000.00)		
Inventory		\$512,000.00		
Other Debtors		<u>\$5,000.00</u>		
Total Current Assets			<u>\$1,147,250.00</u>	[0.5]
Total Assets			\$1,537,250.00	
Liabilities				
Long Term Liabilities				
8% Debentures 2012	<u>\$150,000.00</u>			
Total Long Term Liabilities		\$150,000.00		[0.5]
Current Liabilities				
Trade Creditors		\$349,400.00		
Accruals		\$95,000.00		
Accrued Debenture Interest		<u>\$6,000.00</u>		
Total Current Liabilities			<u>\$450,400.00</u>	[0.5]
Total Liabilities			\$600,400.00	
Net Assets			<u>\$936,850.00</u>	
Equity				
Owner/Shareholder's Equity				
Ordinary shares of \$10 each	<u>\$500,000.00</u>			
Total Owner/Shareholder's Equity		\$500,000.00		[0.5]
Retained Earnings		\$374,000.00		[0.5]
Current Year Earnings		<u>\$62,850.00</u>		[0.5]
Total Equity			<u>\$936,850.00</u>	

(5 marks)

(c)

Student Registration No. + Specific Code

Aged Receivables [Detail]

12/31/2007

1/22/2007  
 6:52:56 PM

Page 1

ID#	Marks	Date	Total Due	0 – 30	31 – 60	61 – 90	90 +
Rabbit Ltd AR01	} [0.5]						
Net 60							
00006002		1/5/2006	\$0.00				\$0.00
06002C		12/31/2007	\$0.00	\$0.00			
		Total:	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rat & Cat Ltd AR04	} [0.5]						
Net 30							
00007147	[0.5]	12/5/2007	\$85,500.00	\$85,500.00			
		Total:	\$85,500.00	\$85,500.00	\$0.00	\$0.00	\$0.00
Snake & Ltd AR03	} [0.5]						
Net 30							
00007146	[0.5]	12/5/2007	\$90,000.00	\$90,000.00			
00007140		11/25/2007	\$0.00		\$0.00		
00007145		11/30/2007	\$0.00		\$0.00		
CN7001		12/11/2007	\$0.00	\$0.00			
		Total:	\$90,000.00	\$90,000.00	\$0.00	\$0.00	\$0.00
Tiger Store AR02	} [0.5]						
5% 30 Net 60							
00007122	[0.5]	9/29/2007	\$95,000.00				\$95,000.00
00007131		11/15/2007	\$0.00		\$0.00		
		Total:	\$95,000.00	\$0.00	\$0.00	\$0.00	\$95,000.00
		Grand Total:	\$270,500.00 [0.5 mark]	\$175,500.00 [0.5 mark]	\$0.00	\$0.00	\$95,000.00 [0.5 mark]
		Ageing Percent:		64.9%	0.0%	0.0%	35.1%

(5 marks)

(d)

Student Registration No. + Specific Code

Aged Payables [Detail]

12/31/2007

1/22/2007  
 7:19:02 PM

Page 1

ID#	Marks	Date	Total Due	0 – 30	31 – 60	61 – 90	90 +
Mega Supplies AP01	} [0.5]						
Net 60 M7055		[0.5]	10/20/2007	\$30,000.00			\$30,000.00
		Total:	\$30,000.00	\$0.00	\$0.00	\$30,000.00	\$0.00
Quality Ltd AP03	} [0.5]						
Net 90 QQ303		[0.5]	12/22/2007	\$125,000.00	\$125,000.00		
		Total:	\$125,000.00	\$125,000.00	\$0.00	\$0.00	\$0.00
Super-1 Ltd AP02	} [0.5]						
5% 30 Net 60 S2789		} [0.5]	11/27/2007	\$216,000.00		\$216,000.00	
S2789C	12/28/2007		(\$21,600.00)	(\$21,600.00)			
S2634	11/20/2007		\$0.00		\$0.00		
		Total:	\$194,400.00	(\$21,600.00)	\$216,000.00	\$0.00	\$0.00
		Grand Total:	\$349,400.00	\$103,400.00	\$216,000.00	\$30,000.00	\$0.00
		<b>Ageing Percent:</b>	<b>[0.5 mark]</b>	<b>[0.5 mark]</b>	<b>[0.5 mark]</b>	<b>[0.5 mark]</b>	
				29.6%	61.8%	8.6%	0.0%

(5 marks)

(e)

Student Registration No. + Specific Code

Bank Register

12/1/2007 To 12/31/2007

1/22/2008  
 7:05:36 PM

Page 1

ID#	Src	Date	Memo/Payee	Deposit	Marks	Withdrawal	Marks	Balance	
1-2110			Cash at bank						
	GJ000007	GJ	12/1/2007	Unreconciled items – Nov 07*	\$62,000.00	[0.5]		\$318,000.00	
	GJ000007	GJ	12/1/2007	Unreconciled items – Nov 07*	\$18,000.00	[0.5]		\$336,000.00	
	GJ000007	GJ	12/1/2007	Unreconciled items – Nov 07*			\$75,000.00	[0.5]	\$261,000.00
	GJ000007	GJ	12/1/2007	Unreconciled items – Nov 07*			\$5,000.00	[0.5]	\$256,000.00
	R1201	CR	12/2/2007	Payment; Tiger Store	\$237,500.00	[0.5]		\$493,500.00	
	221456	CD	12/18/2007	Super-1 Ltd			\$199,500.00	[0.5]	\$294,000.00
	221457	CD	12/27/2007	Mega Supplies			\$30,000.00	[0.5]	\$264,000.00
	Auto Dr	CD	12/31/2007	Bank charges			\$750.00	[0.5]	\$263,250.00
	Auto Cr	CR	12/31/2007	Dividend received	\$1,500.00	[0.5]		\$264,750.00	
	R1202	CR	12/31/2007	Payment; Snake & Ltd	\$120,000.00	[0.5]		\$384,750.00	
					\$439,000.00		\$310,250.00		

(5 marks)

\* Note: Due to length constraint of the MYOB software, the screen would show “Unreconciled [sic] items – Nov 0” instead.

(f)

Student Registration No. + Specific Code

Reconciliation Report

1/22/2008  
 6:45:12 PM

Page 1

ID#	Date	Memo/Payee	Marks	Deposit	Marks	Withdrawal	Marks
Cheque Account:		1-2110 Cash at Bank					
Date of Bank Statement:		12/31/2007	[0.5]				
Last Reconciled:		12/1/2007	[0.5]				
Last Reconciled Balance:		\$256,000.00	[0.5]				
<b>Cleared Cheques</b>							
221456	12/18/2007	Super-1 Ltd				\$199,500.00	[0.5]
Auto Dr	12/31/2007	Bank charges				\$750.00	[0.5]
Total:				\$0.00		\$200,250.00	
<b>Cleared Deposits</b>							
R1201	12/2/2007	Payment; Tiger Store		\$237,500.00	[0.5]		
Auto Cr	12/31/2007	Dividend received		\$1,500.00	[0.5]		
Total:				\$239,000.00		\$0.00	
<b>Outstanding Cheques</b>							
221457	12/27/2007	Mega Supplies				\$30,000.00	[0.5]
Total:				0.00		\$30,000.00	
<b>Outstanding Deposits</b>							
R1202	12/31/2007	Payment; Snake & Ltd		\$120,000.00	[0.5]		
Total:				\$120,000.00		\$0.00	
<b>Reconciliation</b>							
MYOB Balance on 12/31/2007		\$384,750.00					
Add: Outstanding Cheques:		\$30,000.00					
Subtotal:		\$414,750.00					
Deduct: Outstanding Deposits:		\$120,000.00					
Expected Balance on Statement:		\$294,750.00	[0.5]				

(5 marks)

(Total: 30 marks)

[ END OF SUGGESTED ANSWERS ]