

South Tuen Mun Government Secondary School

BAFS_PA_DSE_I_2014

Name: _____

Class: _____ ()

3. (a) Tony is the sole owner of a toy trading business. State the book of original entry for the recording of each of the following transactions of Tony's business:
- (i) Sold toys to customers on credit
 - (ii) Received a credit note for toys returned
 - (iii) Paid salaries to office clerks by autopay
- (3 marks)
- (b) From the accounts for recording the transactions in (a), identify one example for each of the following types of ledger accounts:
- (i) Real account
 - (ii) Nominal account
- (2 marks)

5. Mike sells imported tableware to restaurants. The following balances were obtained from the books of accounts as at 31 December 2013:

	\$
Accounts payables	15 000
Accounts receivables	27 000
Bank loan (repayable in March 2015)	22 000
Bank overdraft	11 000
Capital, 1 January 2013	?
Furniture and fixtures	63 000
Inventory	7 000
Net profit for the year	3 800
Rental deposit	20 000

- (a) Prepare for Mike the statement of financial position as at 31 December 2013. (5 marks)

Mike learns from a research report that the materials of some of his inventory may be harmful to people's health. He plans to give away these items as free gifts to his customers, without mentioning the potential health hazards. His wife warns him that this is an unethical practice and will adversely affect his business.

- (b) If Mike decides to give away those items as planned, explain two possible adverse impacts on his business. (4 marks)
- (c) Apart from customers, identify another stakeholder of Mike's business. (1 mark)

6. Sunshine Department Store had the following financial information for the year ended 31 December 2013:

	\$
Carriage inwards	9 000
Inventory, 1 January 2013	80 000
Inventory, 31 December 2013	60 000
Purchases	120 000
Rent and rates	48 000
Return inwards	2 000
Sales	268 000
Sundry expenses	30 000

- (a) Prepare an income statement for Sunshine Department Store for the year ended 31 December 2013. (5 marks)

Two managers of the same rank, David and Ellen, together supervise all the shop assistants. One day, an assistant in the sportswear section took sick leave and David assigned a newly employed assistant to take her place. He asked her to serve customers in the section for the rest of the day. At noon, Ellen asked this assistant to deliver a document to a supplier.

- (b) (i) What principle of effective management has been violated in the above case? (1 mark)
- (ii) Suggest two problems that might arise when the principle in (i) is violated. (4 marks)

QUESTION 3		Marks
(a)	Books of original entry:	
	(i) Sales Day Book / Sales Journal	1
	(ii) Return Outwards Day Book / Return Outwards Journal	1
	(iii) Cash Book	1
(b)	(i) Real account:	Max. 1
	■ Cash at bank, trade receivables, trade payables (1 mark for each relevant example, max. 1 mark)	
	(ii) Nominal account:	Max. 1
	■ sales, return outwards, office salaries (1 mark for each relevant example, max. 1 mark)	
		<u>5 marks</u>

QUESTION 5		Marks
(a)	Mike Statement of financial position as at 31 December 2013	½
	Non-current assets	
	Furniture and fixtures	\$ 63 000 ½
	Current assets	
	Inventory	7 000 ½
	Rental deposit	20 000 ½
	Accounts receivable	27 000 ½
	TOTAL ASSETS	<u>117 000</u>
	Capital, 1 January 2013 (<i>balancing figure</i>)	65 200 ½
	Add: Net profit	3 800 ½
		<u>69 000</u>
	Non-current liabilities	
	Bank loan	22 000 ½
	Current liabilities	
	Accounts payable	15 000 ½
	Bank overdraft	11 000 ½
	TOTAL CAPITAL AND LIABILITIES	<u>117 000</u> (5)
(b)	Adverse impacts:	Max. 4
	– unethical practice will harm the reputation of Mike's business	
	– customers lose confidence and sales and prospects will be affected	
	– affected customers may claim compensation from Mike	
	(2 marks for each relevant adverse impact, max. 4 marks)	
(c)	Stakeholder:	Max. 1
	– employees, suppliers/creditors, distributors, government, public	
	(1 mark for each relevant stakeholder, max. 1 mark)	
		<u>10 marks</u>

QUESTION 6

Marks

Sunshine Department Store			
Income statement for the year ended 31 December 2013			
	\$	\$	
Sales		268 000	½
Less : Return inwards		<u>2 000</u>	½
Net sales		266 000	
Less : <u>Cost of goods sold</u>			
Opening inventory	80 000		½
Add: Purchases	120 000		½
Carriage inwards	<u>9 000</u>		½
	209 000		
Less: Closing inventory	<u>60 000</u>	<u>149 000</u>	½
Gross profit		117 000	
Less: <u>Expenses</u>			
Rent and rates	48 000		½
Sundry expenses	<u>30 000</u>	<u>78 000</u>	½
Net profit		<u>39 000</u>	½
			(5)

(b)	(i) Unity of command	1
	(ii) Problems:	Max. 4
	– contradictory instructions will cause confusion to the subordinates	
	– unclear chain-of-command / line of authority will cause conflicts between the managers	
	(2 marks for each relevant problem, max. 4 marks)	

10 marks