



EXAMINATIONS COUNCIL OF LESOTHO
Lesotho General Certificate of Secondary Education

CANDIDATE
NAME

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CENTRE
NUMBER

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ACCOUNTING

0187/01

Paper 1

October/November 2018

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 on all the work you hand in.
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	
1	
2	
3	
4	
Total	

This document consists of **13** printed pages and **3** blank pages.



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) Mpho keeps a full set of books of account. Where will the rent account appear?

- A** cash book
- B** general journal
- C** general ledger
- D** sales ledger

[1]

(b) Capital appears in the books of a sole trader. What is the corresponding item in the accounts of a club?

- A** accumulated fund
- B** members' subscription
- C** profit on refreshments
- D** surplus for the year

[1]

(c) A business prepares ledger accounts using the running balance method

Which statement is correct?

- A** The balance is shown only at month end.
- B** The balance is shown after every transaction.
- C** There are fewer calculations than in a 'T' account.
- D** This method is not suitable for computerised accounts.

[1]



- (d) Moholi owns a factory and requires that all the factory workers should have their time of reporting to the factory recorded.

Which document could be used?

- A clock card
 B payroll register
 C time sheet
 D wages sheet

[1]

- (e) A business has the following assets and liabilities:

	M
Buildings	30 000
Plant and machinery	10 000
Trade payables	5 000
Trade receivables	7 100
Bank overdraft	8 000

How much is the capital employed?

- A M29 900
 B M34 100
 C M45 900
 D M48 000

[1]

- (f) Which statement about a service business is correct?

- A It does not have employees.
 B It does not aim to earn a profit.
 C It does not sell shares.
 D It does not sell goods.

[1]



(g) Lefa took out a bank loan. How will he classify the interest payable on this loan?

- A capital expenditure
- B capital receipt
- C revenue expenditure
- D revenue receipt

[1]

(h) A business sent an invoice to a customer.

What is the purpose of an invoice?

- A to show amount owing to the customer
- B to show amount paid by the customer
- C to show details of goods returned by the customer
- D to show details of goods sent to the customer

[1]

(i) What is the accounting equation?

- A $\text{assets} - \text{liabilities} = \text{capital}$
- B $\text{assets} + \text{liabilities} = \text{capital}$
- C $\text{capital} + \text{assets} = \text{liabilities}$
- D $\text{capital} - \text{assets} = \text{liabilities}$

[1]

(j) Why are control accounts prepared?

- A to calculate the profit or loss
- B to locate errors easily
- C to calculate sales and purchases
- D to show the financial position

[1]



(k) Which account may have a credit balance?

- A bank
 B cash
 C drawings
 D purchases

[1]

(l) Naleli maintains a provision for doubtful debts of 5% of trade receivables at the end of each year.

Trade receivables owed M40 000 on 31 December 2016

Trade receivables owed M46 000 on 31 December 2017

Which journal entry did Naleli make on 31 December 2017?

		Debit (M)	Credit (M)
A	Income statement Provision for doubtful debts	300	300
B	Income statement Provision for doubtful debts	2300	2300
C	Provision for doubtful debts Income statement	300	300
D	Provision for doubtful debts Income statement	2300	2300

[1]

(m) A trader took goods at cost price for his own use.

In which account would he make a credit entry?

- A drawings
 B inventory
 C purchases
 D sales

[1]



(n) Which statement about a computerised accounting system is correct?

- A Anyone with a computer can gain access to the accounting records.
- B Data input can only be used for one specific purpose.
- C Data output can only be understood by computer programmers.
- D Operator error may result in inaccurate information.

[1]

(o) What is the formula for calculating the quick ratio?

- A $\frac{\text{current assets}}{\text{current liabilities}}$
- B $\frac{\text{current assets} + \text{inventory}}{\text{current liabilities}}$
- C $\frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$
- D $\frac{\text{current liabilities} - \text{inventory}}{\text{current assets}}$

[1]

[Total: 15]



- 2 Likueneng Swimming Club provided the following information for the year ended 31 August 2018.

Receipts	M	Payments	M
Balance b/d	16 200	Purchase of diving boards	8 450
Subscriptions	6 500	Secretary's expenses	2 455
Donations	5 000	Repairs to swimming pool	788
		Coach's salary	3 000

Additional information on 31 August 2018

1. Subscriptions owing amounted to M500.
 2. Secretary's expenses prepaid amounted to M55.
- (a) Calculate the balance at bank for the club at 31 August 2018

.....

.....

..... [1]

- (b) State **one** purpose of preparing the receipts and payments account

.....

..... [1]



- 3 Reithabetse is a sole trader. Her bank statement for September 2018 is given below.

Reithabetse

Bank Statement – September 2018

Date	Details	Debit(M)	Credit(M)	Balance(M)
Sept 1	Balance b/d			7 800
6	Ralitsebe		2 300	10 100
12	Browns Wholesalers Cheque no: 007	9 600		500
15	M & M Insurance Co. Cheque no: 009	400		100
28	Sekoala Brothers		900	1 000
30	Bank charges	210		790

After receiving her bank statement Reithabetse updated her cash book. The following items were recorded in Reithabetse's cash book but not in the bank's records.

1. Cash sales deposited M2335
2. Cheques paid:

R. Lefu	M860
M. Rothe	M550



Reithabetse provided the following information on 30 September 2018.

Sept 30 Inventory was valued at M16 200.

30 Buildings are to be depreciated by M3900.

- (c) Record the above information in Reithabetse's general journal. Narratives are required.

Reithabetse

General Journal – September 2018

..... [7]

[Total: 13]



4 Khomo Muu Pty (Ltd) buys inventory from its supplier cash and on credit. At the end of the financial year inventory will be recorded in the financial statements.

(a) (i) State the basis on which inventory should be valued.

.....
..... [1]

(ii) Identify and explain the accounting principle which should be applied when valuing inventory.

Principle [1]

Explanation

.....
.....
..... [2]

The draft profit of Khomo Muu Pty (Ltd) for the year ended 30 September 2018 was M17 500.

The following errors were later discovered.

1. A sale of inventory, M950, to T. Makere was recorded in T. Makara's account.
2. An Office computer bought by cheque M6500, was recorded in the office expenses account.
3. Cash sales, M340, were recorded as M430 in the books.
4. Discount received, M200, was entered on the debit side of the discount allowed account.



- (b) Complete the following statement to show the effect on the profit for the year of correcting errors 1 – 4.
 Calculate the corrected profit for the year.
 If the error does not affect the profit, place a (✓) tick in the column headed “No effect”.

Khomo Muu Pty (Ltd)

Statement of corrected profit for the year ended 30 September 2018

	Effect on profit			M
Draft profit for the year	Increase	Decrease	No effect	17500
	M	M	M	
Error 1	
Error 2	
Error 3	
Error 4	
			
Corrected profit for the year:			

[6]

[Total: 10]