

Section A

Answer ALL questions

Question 1

For each question, choose the best answer **A**, **B**, **C** or **D** and write it in the box.

(a) Which business document is issued when goods are sold to another business?

- A** Invoice
- B** Credit note
- C** Purchase order
- D** Debit note

(1)

(b) In which book would a credit note sent to a customer be recorded?

- A** Purchases returns day book
- B** Sales day book
- C** Sales returns day book
- D** General journal

(1)

(c) An error of principle is made if

- A** a total has been wrongly cast
- B** an entry is made in the wrong account within the correct class
- C** a transaction has been entered on the wrong side of an account
- D** an entry is made in the wrong class of account

(1)

(d) The turnover of a business is the

- A** rate of stock turnover
- B** sales less returns inwards
- C** purchases less returns outwards
- D** net sales less bad debts

(1)

(e) Which of the following would cause a decrease in working capital?

- A** Purchase of stock for cash
- B** Receipt of cash from debtor
- C** Purchase of stock on credit
- D** Purchase of office equipment by cheque

(1)



(f) A petty cash book is balanced at the end of each week and the cash float restored by the main cashier. At the start of the week the cash float is £50. Petty cash vouchers for the week total £34.56. How much will be received from the main cashier at the end of the week?

- A £50
- B £15.44
- C £34.56
- D £84.56

(1)

(g) A retail grocer's draft profit and loss account for 2007 showed a net profit of £20 000. Subsequently it was discovered that:

- (i) no entry had been made for accrued lighting of £200
- (ii) £500 for insurance cover for 2008 had been paid in 2007 and charged to 2007.

What will the correct net profit be for 2007?

- A £19 300
- B £19 700
- C £20 300
- D £20 700

(1)

(h) A trader with working capital of £20 000 owes a credit supplier £10 000. What will his working capital be if he pays this account by cheque less a 2½% cash discount?

- A £9 750
- B £10 250
- C £19 750
- D £20 250

(1)

(i) At the start of the year a business had a debit balance of £30 on the rent paid account. During the year £150 was paid for rent and a credit balance of £20 was carried forward at the end of the year. How much should be charged to profit and loss for rent?

- A £150
- B £170
- C £180
- D £200

(1)



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- (j) Amit and Bashir are in partnership with respective capitals of £10 000 and £4 000. Amit is paid a salary of £4 000. Remaining profits are shared equally. If the net profit for the year was £13 000, what would Amit's share of the remaining profits be?
- A £4 500
 - B £6 500
 - C £8 500
 - D £9 000

(1)

Q1

(Total 10 marks)

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Question 2

Throughout this question, assume that the rate of VAT is 10%.

Mihai Shah's business sells computer supplies.

On 1 April 2008 he had the following balances in his General Ledger:

Account	£
Purchases	80 000
Purchases Returns	2 000
Purchase Ledger Control Account	30 000
VAT (Credit Balance)	5 000
Rent	3 000
Stationery	2 000
Bank Loan	10 000

(a) Enter these opening balances into the accounts on pages 8 and 9.

(4)

On that date he also had the following balances in his Creditors (Purchases) Ledger:

Account	£
Allen & Co	4 000
H Ball	8 000
R Charles Ltd	6 000
B Davies	12 000

(b) Enter these opening balances into the accounts on page 10.

(2)



During the month of April 2008 the following transactions took place and have been entered into the relevant books of original entry as shown below:

Purchases Day Book

Date	Narration	Invoice Number	Goods	VAT	Total
			£	£	£
April 10	Allen & Co	P 18976	1 000	100	1 100
April 12	R Charles Ltd	C 9786	400	40	440
April 17	H Ball	B 54290	3 000	300	3 300
April 23	Allen & Co	P 19231	2 000	200	2 200
April 28	B Davies	D 43234	6 000	600	6 600
	Totals for Month		12 400	1 240	13 640

Purchases Returns Day Book

Date	Narration	Invoice Number	Goods	VAT	Total
			£	£	£
April 10	Allen & Co	C 1253	200	20	220
April 12	R Charles Ltd	V 321	50	5	55
	Totals for Month		250	25	275

Cash Book

Date	Narration	VAT	Bank	Date	Narration	VAT	Bank
		£	£			£	£
April 1	Balance b/f		5 000	April 2	Rent		250
April 4	Cash Sales	75	825	April 5	Allen & Co		4 000
April 11	Cash Sales	60	660	April 10	Stationery	15	165
April 18	B Jones		475	April 22	Loan Payment		250
April 25	Cash Sales	85	935	April 30	Balance c/d		3 230
	Totals	220	7 895		Totals	15	7 895
May 1	Balance b/d		3 230				

(c) From the day books and cash book shown above, make the appropriate entries in the accounts in the General (Main) Ledger and Creditors (Purchases) Ledger. **(14)**

Note: You are not required to balance any of the accounts.



General (Main) Ledger

Purchases Account

Date	Narration	£	Date	Narration	£

Purchases Returns Account

Date	Narration	£	Date	Narration	£

Purchase Ledger Control Account

Date	Narration	£	Date	Narration	£



Leave blank

VAT Account

Date	Narration	£	Date	Narration	£

Rent Account

Date	Narration	£	Date	Narration	£

Stationery Account

Date	Narration	£	Date	Narration	£

Bank Loan Account

Date	Narration	£	Date	Narration	£



Leave blank

Creditors (Purchases) Ledger

Allen & Co Account

Date	Narration	£	Date	Narration	£

H Ball Account

Date	Narration	£	Date	Narration	£

R Charles Ltd Account

Date	Narration	£	Date	Narration	£

B Davies Account

Date	Narration	£	Date	Narration	£



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(d) (i) Balance the VAT account showing clearly the balance carried down at 30 April 2008 and the balance brought down on 1 May 2008.

(1)

(ii) Explain fully what the balance of the VAT account represents.

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(3)

The VAT account balance will be shown in the balance sheet.

(iii) In which section of the balance sheet will this appear?

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(1)

(Total 25 marks)

Q2

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Question 3

The following trial balance of Sanjoy Patel, a shopkeeper, has been extracted from his books of account on 30 April 2008 **after** the preparation of his trading account for the year ended 30 April 2008.

Account	Debit £	Credit £
Gross Profit		185 652
Wages and Salaries	77 000	
Rent and Rates	10 974	
Postage and Telephone	2 798	
Advertising	1 782	
Sundry Expenses	13 950	
Motor Vehicles (Cost)	20 000	
Provision for Depreciation (Motor Vehicles)		5 000
Fixtures and Fittings (Cost)	50 000	
Provision for Depreciation (Fixtures and Fittings)		25 000
Profit on Disposal of Motor Vehicle		500
Closing Stock	17 480	
Debtors	4 260	
Bad Debts	250	
Provision for Doubtful Debts		185
Creditors		17 492
Cash at Bank	19 302	
Bank Loan		15 000
Loan Interest	1 250	
Cash in Hand	1 124	
Capital		28 224
Drawings	56 883	
	277 053	277 053

The following additional information is available on 30 April 2008 and is to be taken into account.

- The figure shown for wages and salaries covers the eleven months to 31 March 2008. Salaries for April 2008 are due and unpaid. There have been no salary increases or changes in staff over the past twelve months.
- The loan commenced on 1 May 2006 with a fixed interest rate of 10% per annum. The loan is due for repayment in 2010.
- Motor Vehicles are to be depreciated by 25% using the reducing balance method.
- Fixtures and Fittings are to be depreciated by 20% using the straight line method.



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Section B

Answer ALL questions

Question 4

On 2 May 2008 Real Kitchen Suppliers received the following bank statement for the previous month ending 30 April 2008.

National Bank plc				
31 The Street				
Marchtown				
Account Name: Real Kitchen Suppliers			Date: 30 April 2008	
Account Number: 3419765				
STATEMENT OF ACCOUNT				
Date	Detail	Payments £	Receipts £	Balance £
2008				
01 April	Balance B/f			8 000Cr
06 April	Cheque 10123	1 200		6 800Cr
08 April	Cash Paid In		800	7 600Cr
12 April	Cheque 10124	1 300		6 300Cr
14 April	Cash Paid In		550	6 850Cr
15 April	Direct Debit: Marchtown Council	250		6 600Cr
20 April	Direct Debit: Premier Insurance	80		6 520Cr
21 April	Cash Paid In		650	7 170Cr
22 April	Credit Transfer from M Bell		1 230	8 400Cr
28 April	Bank Charges	120		8 280Cr
30 April	Dishonoured Cheque	280		8 000Cr

(a) Explain the meaning of the term 'dishonoured cheque' shown in the bank statement.

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(2)



Question 5

The following details relate to the fixed assets of Rialto Traders for the year ended 30 April 2008:

(i) Fixed Assets at cost as at 1 May 2007

Plant and Machinery	£500 000
Motor Vehicles	£200 000

(ii) Provision for depreciation as at 1 May 2007

Plant and Machinery	£200 000
Motor Vehicles	£60 000

(iii) Depreciation policy:

Plant and Machinery 10% per annum on straight line basis

Motor Vehicles 25% per annum on reducing balance basis

A full year's depreciation is charged in the year of purchase and no depreciation is charged in the year of disposal.

The following purchases and disposals of fixed assets took place during the year:

On 31 December 2007 plant and machinery which originally cost £200 000, with a written down value of £50 000 were sold at a loss of £10 000. The proceeds of the disposal were paid into the bank account. There were no purchases of plant and machinery during the year ended 30 April 2008.

On 1 February 2008 a new fleet of motor vehicles was purchased costing £100 000. This was paid by cheque. There were no disposals of motor vehicles during the year ended 30 April 2008.



(a) Prepare the plant and machinery account, showing the balance carried down at the year end.

Plant and Machinery Account

Date	Narration	£	Date	Narration	£

(2)

(b) Prepare the motor vehicles account, showing the balance carried down at the year end.

Motor Vehicles Account

Date	Narration	£	Date	Narration	£

(2)



(c) Prepare the provision for depreciation (plant and machinery) account, showing the year end transfer and closing balance.

Provision for Depreciation Account – (Plant and Machinery)

Date	Narration	£	Date	Narration	£

(3)

(d) Prepare the disposal of machinery account, clearly identifying the profit or loss on disposal.

Disposal of Machinery Account

Date	Narration	£	Date	Narration	£

(3)

(e) (i) State **two** accounting concepts which apply to the provision of depreciation of fixed assets.

Concept 1

Concept 2

(1)



Question 6

The following figures were extracted from the books of Haydesh Kordi at the end of the previous two years' trading:

	Year ended 28 February 2007	Year ended 29 February 2008
	£	£
Sales	35 000	52 000
Opening Stock	2 900	4 000
Purchases	14 500	19 500
Closing Stock	4 000	7 000
Gross Profit	21 600	35 500
Business Expenses	5 600	9 500
Net Profit	16 000	26 000

- (a) Stating clearly the formula used, calculate the net profit margin for **each** of the two years. (Round to **two** decimal places.)

Formula.....

Net Profit Margin for year ended 28 February 2007.

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Net Profit Margin for year ended 29 February 2008.

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(3)



(b) Stating clearly the formula used, calculate the mark up for **each** of the two years. (Round to **two** decimal places.)

Formula.....
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Mark up for year ended 28 February 2007.

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Mark up for year ended 29 February 2008.

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(3)

(c) Stating clearly the formula used, calculate the rate of stock turnover in times for **each** of the two years.

Formula.....
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Rate of Stock Turnover for year ended 28 February 2007.

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Rate of Stock Turnover for year ended 29 February 2008.

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(3)



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