

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 of the following accounts always has a debit balance?

- A Capital
- B Purchases
- C Purchase returns
- D Sales

(1)

(b) Which of the following is an intangible fixed asset?

- A Bank loan
- B Debtors
- C Goodwill
- D Premises

(1)

(c) What does the term 'working capital' mean?

- A Capital invested by the owner(s)
- B Capital less drawings
- C Current assets less current liabilities
- D Fixed assets less current assets

(1)

(d) A petty cash system operates on the imprest system with a float of £350.
If £275 is spent in the period, how much will be reimbursed at the end of the period?

- A £75
- B £275
- C £350
- D £425

(1)

(e) What does a credit balance of £500 in the account of R Jones in the books of T Richards mean?

- A Jones owes Richards £500
- B Jones has purchased goods from Richards costing £500
- C Richards owes Jones £500
- D Richards has paid Jones £500

(1)

(f) If capital expenditure is treated as revenue expenditure, which of the following will be incorrect?

- A Bank balance
- B Creditors
- C Debtors
- D Net profit

(1)

(g) A retailer purchases 50 items at £20 each. He is allowed a cash discount of 5%. VAT is charged at 10%. What is the final invoice total?

- A £1 000
- B £1 045
- C £1 095
- D £1 100

(1)

(h) The net profit of a business was calculated as £5 000 prior to discovering the following errors:

- carriage inwards £200 had been debited to the profit and loss account;
- carriage outwards £100 had been debited to the trading account.

What would the net profit be after correcting these errors?

- A £4 900
- B £5 000
- C £5 100
- D £5 300

(1)

(i) What is meant by the term 'mark up'?

- A Gross profit expressed as a percentage of cost of goods sold
- B Gross profit expressed as a percentage of sales
- C Net profit expressed as a percentage of cost of goods sold
- D Net profit expressed as a percentage of the sales

(1)

(j) What is the formula for the acid test ratio?

- A Current assets divided by current liabilities
- B Current assets minus stock divided by current liabilities
- C Sales divided by fixed assets
- D Sales divided by stock

(1)

Q1

(Total 10 marks)

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Question 2

Throughout this question, assume VAT is 10%.

Dhopak Shah is a wholesaler of spices. He buys and sells mainly on credit terms. He does not offer cash discount to any of his customers.

On 1 April 2010 his sales ledger contained the following debit balances:

D Rae	£1 879
C Small	£2 000
B Major	£2 188
A Minor	£3 244

On 1 April 2010 his nominal ledger contained the following balances:

Sales	£11 600
Returns Inwards	£675

The following were extracts from his books for April 2010.

Sales Journal

Date	Narration	Goods	VAT	Total
April 1	B Major	920	92	1 012
April 5	D Rae	360	36	396
April 13	C Small	520	52	572
April 21	A Minor	1 450	145	1 595
April 28	D Rae	600	60	660
	Totals for Month	<u>3 850</u>	<u>385</u>	<u>4 235</u>

Returns Inwards Journal

Date	Narration	Goods	VAT	Total
April 3	D Rae	90	9	99
April 8	A Minor	260	26	286
	Totals for Month	<u>350</u>	<u>35</u>	<u>385</u>

Cash Book (Debit side)

Date	Narration	Bank
April 1	Balance b/d	4 200
April 3	Cash sales (including VAT)	220
April 5	A Minor	3 244
April 8	C Small	2 000
April 15	Cash sales (including VAT)	660
April 21	B Major	2 188
April 30	Rent received	500
April 30	D Rae	1 780



(c) Prepare the sales account and returns inwards account for the month of April 2010. Balance the accounts on 30 April 2010 and bring the balances down.

(6)

Sales Account

Date	Narration	£	Date	Narration	£

Returns Inwards Account

Date	Narration	£	Date	Narration	£

(d) Dhopak is considering offering cash discount to his customers. Explain **one** benefit that this could bring to his business.

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(3)



His records also revealed the following for 2009:

- credit customers had paid £45 000 by cheque
- cash takings banked totalled £53 200
- Dipak has withdrawn £21 000 from the cash till for his own use
- trade debtors at the year end totalled £4 850.

(b) Calculate the total sales of the business for the year ended 31 December 2009.

(4)

Dipak paid his suppliers £42 700 by cheque during the year and in addition had received discount of £2 300. At the year end he owed his suppliers £5 200.

(c) Calculate the total purchases of the business for the year ended 31 December 2009.

(3)



Section B**Answer ALL questions****Question 4**

Korn Manufacturing Ltd makes a range of products. At 30 September 2009 the following balances remained in the company's books.

	£
Stock of raw materials 1 October 2008	30 000
Stock of work in progress 1 October 2008	20 140
Stock of finished goods 1 October 2008	91 530
Purchases of raw materials	568 100
Factory direct wages	352 760
Factory indirect wages	75 256
Factory indirect expenses	46 570
Administrative expenses	347 800
Selling and distribution expenses	56 500
Financial expenses	48 250
Sales of finished goods	1 808 588
Freehold premises (cost)	1 700 000
Plant and machinery (cost)	472 200
Fixtures and fittings (cost)	124 000
Motor vehicles (cost)	90 000
Provision for depreciation – plant and machinery	160 000
Provision for depreciation – fixtures and fittings	56 000
Provision for depreciation – motor vehicles	34 000
Debtors	98 300
Creditors	43 412
Bank balance (Dr)	701 076
Ordinary shares of £1 each (fully paid)	2 000 000
8% Preference shares of £1 each (fully paid)	1 200 000
Interim preference dividend paid	48 000
Interim ordinary share dividend paid	40 000
Profit and loss account 1 October 2008	290 150



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Question 5

The following summarised data shows the performance of Asia Minor’s business for the past two years:

	Year ended 31 March 2009	Year ended 31 March 2010
	£000	£000
Turnover	1 600	2 400
Gross profit	400	600
Net profit	192	240
Current assets	240	228
Current liabilities	100	152

- (a) Stating clearly the formula used, calculate the gross profit margin for each of the two years.

Formula.....

Gross profit margin for year ended 31 March 2009.

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Gross profit margin for year ended 31 March 2010.

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(2)



(b) Stating clearly the formula used, calculate the net profit margin for each of the two years.

Formula.....

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Net profit margin for year ended 31 March 2009.

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Net profit margin for year ended 31 March 2010.

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(2)



(d) Stating clearly the formula used, calculate the working capital ratio (current ratio) for each of the two years.

Formula.....
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Working capital ratio (current ratio) at 31 March 2009.
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Working capital ratio (current ratio) at 31 March 2010.
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(2)



Question 6

The Happy Days Sports Club had been in existence for a number of years. The club treasurer has provided the following information in respect of membership subscriptions for 2009:

- Annual membership fee:
 Senior members £30
 Junior members £10.
- At the beginning of 2009, 16 senior members had not paid their subscription for 2008.
- During 2009, 125 senior members had paid their subscriptions, and 45 junior members had paid their subscriptions. These payments included the subscriptions due from 2008, and 4 senior member subscriptions for 2010.
- At the end of 2009, subscriptions from 10 senior members were outstanding.
- There has been no change in the subscription rate for several years.

Prepare the subscriptions account for the year ended 31 December 2009 clearly showing the amount to be transferred to the Club's income and expenditure account. Balance the account on 31 December 2009 and bring the balances down.

(6)

Subscriptions Account

Date	Narration	£	Date	Narration	£

Q6

(Total 6 marks)

TOTAL FOR SECTION B: 40 MARKS

TOTAL FOR PAPER: 100 MARKS

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