

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) Entries in the purchases day book are made from?

- A Credit notes
- B Delivery notes
- C Invoices
- D Petty cash vouchers

(1)

(b) In which section of a balance sheet will a debit balance on a firm's bank account be shown?

- A Current assets
- B Current liabilities
- C Fixed assets
- D Long term liabilities

(1)

(c) Capital expenditure is money

- A contributed by the business owner
- B spent on selling fixed assets
- C spent on buying fixed assets
- D spent on the day to day running of the business day-to-day

(1)

(d) An error of principle is made if

- A a total has been wrongly cast
- B an entry has been 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 has been made in the wrong class of account

(1)

(e) Rent owing is normally shown as a

- A current asset in the balance sheet
- B debit balance in the rent account
- C fixed asset in the balance sheet
- D credit balance in the rent account

(1)



(f) On a machine purchased for £40 000, depreciation is 25% straight line method. After two years the net book value of the vehicle is

- A £10 000
- B £20 000
- C £22 500
- D £30 000

(1)

(g) A sports club has received subscriptions totalling £1 040 during the year, of which £80 was received in advance. At the end of the year £120 was outstanding. Which amount for subscriptions should be included in the income and expenditure account?

- A £960
- B £1 000
- C £1 040
- D £1 080

(1)

(h) A business issues an invoice for stock with a list price of £20 000. The invoice was subject to a trade discount of 25% and a cash discount of 5%. VAT is charged at 10%. How much VAT should be shown on the invoice?

- A £1 425
- B £1 500
- C £1 900
- D £2 000

(1)

(i) The word 'limited' after a business' name indicates

- A the number of shareholders is fixed
- B there is a limit to the number of debentures that can be issued
- C the shareholders' liability for the debts of the business is limited
- D there is a limit to the number of businesses of this type

(1)

(j) Which of the following should be included in a limited company's appropriation account?

- A Audit fees
- B Debenture interest
- C Depreciation
- D Interim dividends

(1)

Q1

(Total 10 marks)



Question 2

Throughout this question, assume VAT is 10%.

Selina Kaur owns a wholesale electrical supplies business. She buys and sells goods mainly on credit terms.

On 1 September 2010 her purchases ledger contained the following credit balances:

A Alda	£1 500
C Charles	£1 567
D Davis	£1 769
B Blair	£4 299

On 1 September 2010 her nominal ledger contained the following balances:

Purchases	£16 890
Returns Outwards	£1 733

The following are extracts from her books for September 2010.

Purchases Journal

Date	Narration	Goods	VAT	Total
Sept 1	A Alda	430	43	473
Sept 5	C Charles	280	28	308
Sept 13	B Blair	520	52	572
Sept 21	D Davis	1 320	132	1 452
Sept 28	C Charles	800	80	880
	Totals for Month	<u>3 350</u>	<u>335</u>	<u>3 685</u>

Returns Outwards Journal

Date	Narration	Goods	VAT	Total
Sept 3	A Alda	70	7	77
Sept 8	D Davis	220	22	242
	Totals for Month	<u>290</u>	<u>29</u>	<u>319</u>



Cash Book (Credit side)

Date	Narration	Bank
Sept 1	Cash purchases (including VAT)	198
Sept 3	A Alda	900
Sept 5	D Davis	1 769
Sept 8	B Blair	4 000
Sept 15	Cash purchases (including VAT)	660
Sept 21	C Charles	1 567
Sept 30	Wages	500
Sept 30	Rent	650

The Journal

Date	Narration	Debit	Credit
Sept 28	A Alda (Purchases Ledger)	600	
	A Alda (Sales Ledger)		600
	Being transfer of balance in purchases ledger offset against balance in the sales ledger		

(a) Prepare the account of A Alda in Selina Kaur’s purchase ledger. Balance the account on 30 September 2010 and bring the balance down.

(6)

A Alda Account

Date	Narration	£	Date	Narration	£



(b) Prepare the total creditors account for the month of September 2010. Balance the account on 30 September 2010 and bring the balance down.

(6)

Total Creditors

Date	Narration	£	Date	Narration	£

(c) Prepare the purchases account and returns outwards account for the month of September 2010. Balance the accounts on 30 September 2010 and bring the balances down.

(6)

Purchases

Date	Narration	£	Date	Narration	£

Returns Outwards

Date	Narration	£	Date	Narration	£



Question 3

Priteh Patel commenced business several years ago selling domestic appliances. She did not maintain a full set of accounting records.

Her receipts and payments account for the year ended 30 June 2010 was as follows:

Receipts			Payments		
Date	Narrative	£	Date	Narrative	£
July 1	Balance b/d	5 600	June 30	Payments to trade creditors	36 000
Jan 1	Loan – National Bank	25 000	June 30	Rent	7 500
June 30	Receipts from debtors	93 500	June 30	Motor expenses	5 400
			June 30	Wages	24 000
			June 30	Drawings	18 000
			June 30	General expenses	9 297
			June 30	Balance c/d	23 903
		124 100			124 100
July 1	Balance b/d	23 903			

The following additional information is available on 30 June 2010 and is to be taken into account.

- The receipts and payments details have been prepared from the business bank account through which all receipts and payments have passed.
- The loan from the National Bank was received on 1 January 2010. Interest is payable at 5% per annum.
- Discount received from suppliers for the year ended 30 June 2010 was £2 800.

Her records also showed the following assets and liabilities:

	1 July 2009 £	30 June 2010 £
Motor vehicle (net book value)	10 000	8 500
Stock	4 500	5 940
Debtors	4 600	7 500
Trade creditors	2 400	3 600
Rent prepaid	500	750
Wages accrued	1 000	2 000



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(c) Evaluate the usefulness to Rehka's business of regularly preparing a bank reconciliation statement.

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(5)

Q4

(Total 16 marks)



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(b) Prepare the current account of High for the year ended 30 April 2010. Balance the account on 30 April 2010 and bring the balance down.

High – Current Account

Date	Narration	£	Date	Narration	£

(6)

(Total 12 marks)

Q5



Question 6

The following information is available concerning the retail business of Dharma Greig.

	Year ended 30 June 2009	Year ended 30 June 2010
Sales	£580 000	£650 000
Return on capital employed	18%	16%
Liquid (acid test) ratio	1.5:1	0.9:1
Gross profit margin	60%	55%
Net profit margin	15%	8%
Rate of stock turnover	6 times	8 times

(a) State clearly the formulas used to calculate:

(i) Gross profit margin.

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 (1)

(ii) Liquid (acid test) ratio.

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 (1)

(iii) Rate of stock turnover.

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 (1)



(b) Calculate the following amounts:

(i) the net profit for the year ended **30 June 2010**.

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(2)

(ii) the capital employed during the year ended **30 June 2010**.

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(2)



