

Series 2 Examination 2011

CERTIFICATE IN BOOK-KEEPING AND ACCOUNTS

Level 2

Monday 11 April

Subject code: 2007

Time allowed: **3 hours**

INSTRUCTIONS FOR CANDIDATES

- Answer **any 4** questions.
- All questions carry equal marks.
- Study the “**REQUIRED**” section of each question carefully. Then extract the data required for your answers from the information supplied.
- Write your answers in blue or black ink/ballpoint. You can only use pencil for graphs, charts, diagrams, etc.
- Begin your answer to each question on a new page.
- All answers must be correctly numbered but need not be in numerical order.
- Workings must be shown.
- You may use a calculator provided the calculator gives no printout, has no word display facilities, is silent and cordless. The provision of batteries and their condition is your responsibility.
- Marks may be lost through lack of neatness and poor presentation.

QUESTION 1

The following balances were extracted from the books of Alloy Ltd on 1 January 2011.

	Dr £	Cr £
Purchases Ledger	1,912	83,025
Sales Ledger	130,905	1,940

In the month of January 2011, the following transactions were made:

	£
Debit balance on Sales Ledger transferred to Purchases Ledger	4,956
Debtor's cheque dishonoured	1,908
Legal fees charged to customer	300
Sales on credit	133,650
Credit purchases	96,645
Returns outwards to credit suppliers	3,795
Returns inwards from credit customers	1,590
Cash sales	19,005
Cash purchases	10,913
Discount allowed	1,305
Discount received	1,600
Bad debts written off	474
Payments to credit suppliers	81,540
Receipts from credit customers	127,385
Refund to customer for overpayment	600

At 1 February 2011, the following information was available:

Purchases Ledger debit balances	480
Sales Ledger credit balances	787

The provision for doubtful debts is to be 2% of debtors at 31 January.

REQUIRED

- (a) Prepare the:
- (i) Purchases Ledger Control Account for the month of January 2011 (9 marks)
 - (ii) Sales Ledger Control Account for the month of January 2011. (12 marks)
- (b) Prepare, at 31 January 2011, a balance sheet extract showing the net debtors' and creditors' figures under the headings of current assets and liabilities due within 1 year. (4 marks)

(Total 25 marks)

QUESTION 2

Carson Ltd commenced trading on 1 January 2010. The financial year ends on 31 December.

Carson Ltd manufactures goods and also purchases goods from a supplier for resale.

The following is an extract from the Trial Balance at 31 December 2010.

	£000 Dr	£000 Cr
Purchases of raw materials	3,184	
Returns of raw materials		36
Purchases of finished goods	960	
Returns of finished goods		22
Carriage on:		
Purchases of raw materials	130	
Purchases of finished goods	28	
Sales		9,526
Sales returns	184	
Direct wages	924	
Production overheads	1,848	

The following information was also available at 31 December 2010.

	£000
(1) Stock of raw materials at cost	244
(2) Work-in-progress at cost	154
(3) Stock of finished manufactured goods	890
Finished goods are transferred from the factory at production cost plus 10%	
(4) Stock of finished goods bought from the supplier at cost	114
(5) Prepaid production overheads	16
(6) Accrued direct wages	24

REQUIRED

- (a) Prepare the following for Carson Ltd:
- (i) Manufacturing Account for the year ended 31 December 2010
(11 marks)
 - (ii) Trading Account for the year ended 31 December 2010 to calculate the combined gross profit for the sale of the manufactured and purchased goods.
(10 marks)
- (b) Explain the difference between **direct** labour and **indirect** labour and give **one** example of each.
(4 marks)

(Total 25 marks)

QUESTION 3

The following is a summary of the bank columns of the Receipts and Payments Account of the Poole Sports and Social Club for the year ended 30 June 2010:

Receipts & Payments Account			
	£		£
Balance b/d	61,780	Wages of restaurant staff	81,780
Restaurant takings	341,200	Restaurant supplies	221,120
Annual subscriptions	230,800	Sports equipment	60,050
		Club treasurer's fee	12,000
		Rent and rates	101,600
		Light and heat	60,160
		General expenses	18,320
		Bank charges	1,800
		Club manager's salary	30,720
		Balance c/d	<u>46,230</u>
	<u>633,780</u>		<u>633,780</u>

The following additional information was also available:

	1 July 2009	30 June 2010
	£	£
Stock of restaurant supplies	22,180	12,100
Light and heat accrued	1,100	1,380
Rent and rates prepaid	8,000	-
Rent and rates accrued	-	10,140
Cash in hand	940	940
Sports equipment at net book value	238,800	289,400
Creditors for restaurant supplies	12,020	16,100
Subscriptions in arrears	9,700	10,020
Subscriptions in advance	6,010	6,020

40% of the rent and rates is to be apportioned to the restaurant.

REQUIRED

Prepare for the Poole Sports and Social Club the:

- (a) Statement of Affairs to calculate the Accumulated Fund at 1 July 2009. (3 marks)
- (b) Restaurant Account for the year ended 30 June 2010. (5 marks)
- (c) Income & Expenditure Account for the year ended 30 June 2010. (9 marks)
- (d) Balance Sheet at 30 June 2010. (8 marks)

(Total 25 marks)

QUESTION 4

Annie Lee has a year-end of 31 October. Her depreciation policy for motor vehicles is as follows:

- All motor vehicles are depreciated at the rate of 25% using the straight line method
- A full year's depreciation is charged when an asset is purchased in the first six months of a financial year
- When an asset is purchased in the second six months of the financial year, a half year's depreciation is charged
- There was no residual value expected for the motor vehicles
- No depreciation is charged in the year of sale.

The following purchases and sales of motor vehicles were made in the 3 years ended 31 October 2010. All payments and receipts were made by cheque.

Date of Purchase	Asset	Cost £
01 Nov 07	Motor vehicle A	20,000
21 Oct 08	Motor vehicle B	24,000
28 Feb 09	Motor vehicle C	28,000
11 Nov 09	Motor vehicle D	32,000

Date of Sale	Asset	Sale price £
11 Nov 09	Motor vehicle A	13,500

REQUIRED

Prepare the following accounts for the 3 years ended 1 November 2008, 2009 and 2010:

- (a) Motor Vehicle Account (6 marks)
- (b) Motor Vehicle Depreciation Account (6 marks)
- (c) Motor Vehicle Provision for Depreciation Account (6 marks)
- (d) Motor Vehicle Disposal Account (4 marks)
- (e) Name **three** methods of depreciation other than the straight line method. (3 marks)

(Total 25 marks)

QUESTION 5

The Trial Balance of Allan King at 30 June 2010 showed a difference, which was posted to a Suspense Account. Draft final accounts for the year ended 30 June 2010 were prepared showing a net profit of £47,240. The following errors were subsequently discovered:

- (1) Purchases, of £765, from Susie Mann, had been received on 30 June 2010 and included in the closing stock at that date, but the invoice had not been entered in the Purchases Journal
- (2) A cheque for £1,500 for rent received had been entered correctly in the Cash Book but the corresponding double entry had been omitted
- (3) Motor vehicle expenses, of £390, had been charged to the Motor Vehicle Account
- (4) The Sales Journal had been undercast by £2,000
- (5) A payment of £285 for stationery had been entered on the credit side of the Stationery Account as £825, but entered correctly in the Cash Book
- (6) Sales of £450 to C. Johnson had been debited to D. Jackson and Co Ltd.

Ignore depreciation.

REQUIRED

- (a) Prepare the Journal entries, to correct the above errors. Narratives are **not** required. (12 marks)
- (b) Prepare the Suspense Account after the above errors have been corrected. (5 marks)
- (c) Show the effect of each of these adjustments on the net profit in the draft final accounts and calculate the correct net profit for the year ended 30 June 2010. (8 marks)

(Total 25 marks)