

## Certificate in Book-keeping and Accounts

ASE2007

Level 2

Monday 8 April 2013

Time allowed: 3 hours

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### Information

- There are 5 questions in this question paper.
  - All questions carry equal marks.
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### Instructions

- Do **not** open this paper until you are told to do so by the supervisor.
  - Answer **any 4** questions.
  - Study the “**REQUIRED**” section of each question carefully and 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.
  - Please ensure your answers are written clearly.
  - 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.
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## QUESTION 1

Li, Hana and Nasir are in partnership sharing profits and losses in the ratio of 3:1:1.

### Li, Hana and Nasir Balance Sheet at 31 December 2012

	£	£
<b>Fixed Assets</b>		
Premises		180,000
Vehicles		50,000
Fixtures and fittings		<u>35,000</u>
		265,000
<b>Current Assets</b>		
Stock	24,000	
Debtors	32,000	
Bank	<u>28,000</u>	
	84,000	
<b>Creditors: Amounts falling due within one year</b>		
Creditors	(14,000)	
<b>Net Current Assets</b>		<u>70,000</u>
		335,000
<b>Creditors: Amounts falling due after more than one year</b>		
6% Bank loan		( 25,000)
		<u>310,000</u>
<b>Capital Accounts</b>	£	£
Li		120,000
Hana		80,000
Nasir		<u>70,000</u>
		270,000
<b>Current Accounts</b>		
Li	35,000	
Hana	(10,000)	
Nasir	<u>15,000</u>	
		<u>40,000</u>
		<u>310,000</u>

The partners decide to dissolve the business on 31 December 2012.

#### Additional information:

- (1) The premises were sold to Salako Ltd at a purchase price of £240,000. Payment was made by the issue of £1 ordinary shares in Salako Ltd, shared among the partners in their profit sharing ratio.
- (2) All the vehicles were taken by the partners, at agreed values as follows:

	£
Li	18,000
Hana	14,000
Nasir	12,000
- (3) Sales of other assets were:

	£
Fixtures and fittings	32,800
Stock	21,770
Debtors	30,000
- (4) Creditors were settled, less cash discount of 5%
- (5) The bank loan was paid off
- (6) Dissolution expenses were £1,270.

**QUESTION 1 CONTINUED**

**REQUIRED**

Prepare the:

- (a) Dissolution Account (9 marks)
- (b) Partners' Capital Accounts (10 marks)
- (c) Bank Account. (6 marks)

**(Total 25 marks)**

## QUESTION 2

On 1 February 2010 Lin Yee bought a machine, which he planned to use for three years. The following information related to the purchase of the machine:

Cost	£75,000, less 6% trade discount
Delivery	£5,400
Installation	£3,600
Insurance premium	£1,500 for six months to 31 July 2010

### REQUIRED

- (a) Explain **two** differences between capital expenditure and revenue expenditure. (4 marks)
- (b) Calculate the cost of the machine to be entered in the Machinery Account. (4 marks)

Depreciation is charged at 30% per annum reducing balance method.

### REQUIRED

- (c) Prepare the Provision for Depreciation of Machinery Account for the **two** years ended 31 January 2011 and 31 January 2012. (6 marks)

On 1 March 2012, Lin Yee sold the machine for £36,500 on credit to Jason Chan. He then bought a replacement machine costing £87,000 on credit from Vijay Ltd. No depreciation is charged in the year of disposal.

### REQUIRED

- (d) Prepare at 1 March 2012, the:
- (i) Machinery Account (4 marks)
- (ii) Machinery Disposal Account. (5 marks)
- (e) Explain why the reducing balance is the most suitable method for depreciating machinery. (2 marks)

**(Total 25 marks)**

### QUESTION 3

The following balances were in the books of Benji at 1 December 2012:

Purchases Ledger	£
Dr -	1,750
Cr -	65,200
Sales Ledger	£
Dr -	98,400
Cr -	800

The following transactions took place during December:

	£
Credit sales	110,300
Cash sales	10,760
Credit purchases	69,830
Cash purchases	8,275
Refund from credit supplier	840
Transfer from sales ledger to purchases ledger	3,100
Cheque from customer dishonoured	1,460
Returns outwards	1,350
Returns inwards	1,090
Discount allowed	570
Discount received	300
Payments to suppliers	59,700
Bad debt	515
Receipts from credit customers	92,450

#### Additional information at 31 December 2012:

- (1) Purchases Ledger debit balances £980
- (2) Sales Ledger credit balances £650
- (3) Provision for doubtful debts £1,968
- (4) The provision for doubtful debts is to be maintained at 2% of the debtors.

#### REQUIRED

- (a) Prepare for the month of December 2012 the:
  - (i) Purchases Ledger Control Account (9 marks)
  - (ii) Sales Ledger Control Account. (10 marks)
- (b) Prepare a Balance Sheet extract at 31 December 2012, showing the debtors and creditors at the year end. (5 marks)
- (c) State **one** purpose of keeping Control Accounts. (1 mark)

**(Total 25 marks)**

#### QUESTION 4

The following Trial Balance was prepared from the books of Laxmi Ltd at 30 November 2012:

	Dr £	Cr £
Buildings at cost	720,000	
Equipment at cost	108,000	
Motor vehicles at cost	87,200	
Provision for depreciation of equipment		23,400
Provision for depreciation of motor vehicles		25,100
Stock, 1 December 2011	86,290	
Sales		582,200
Purchases	183,900	
Salaries and wages	87,440	
Administration expenses	56,560	
Selling and distribution expenses	40,150	
Rent receivable		30,500
Auditors fees	6,440	
Directors fees	46,300	
Debtors	59,000	
Creditors		38,970
Bank		5,690
Provision for doubtful debts		2,400
£1 Ordinary share capital		450,000
8% £1 Preference share capital		120,000
6% Debentures (repayable 2018)		80,000
Share premium		84,000
Interim ordinary dividend	22,500	
Interim preference dividend	4,800	
Profit and loss account		66,320
	<u>1,508,580</u>	<u>1,508,580</u>

#### Additional information at 30 November 2012:

- (1) Stock £88,470
- (2) An invoice received from a supplier, as follows for goods bought on credit £3,500, had been omitted from the books
- (3) Depreciation is charged as follows:
  - motor vehicles 20% per annum reducing balance method
  - equipment 12% per annum straight line method
- (4) Rent receivable owing £6,500
- (5) Directors fees accrued £10,400
- (6) The provision for doubtful debts is to be maintained at 3% of debtors
- (7) The directors propose to:
  - (i) pay the full preference dividend for the year
  - (ii) pay a final ordinary dividend of £0.12p per share.

#### REQUIRED

Prepare the:

- (a) Trading, Profit & Loss and Appropriation Account for the year ended 30 November 2012. (13 marks)

- (b) Balance Sheet at 30 November 2012. (12 marks)

**(Total 25 marks)**

## QUESTION 5

A summary of Lee King's final accounts at 31 December 2012 was as follows:

### Trading and Profit & Loss Account for the year ended 31 December 2012

	£	£
Sales		96,000
<b>Less Cost of sales</b>		
Opening stock	19,000	
Add Purchases	<u>40,000</u>	
	59,000	
Less Closing stock	<u>(18,000)</u>	<u>(41,000)</u>
<b>Gross profit</b>		55,000
Less expenses (including loan interest)		<u>(43,000)</u>
<b>Net profit</b>		<u>12,000</u>

### Balance Sheet at 31 December 2012

	£	£
<b>Fixed Assets</b>		52,000
<b>Current Assets</b>		
Stock	18,000	
Debtors	15,000	
Bank	<u>8,000</u>	
	41,000	
<b>Creditors: Amounts falling due within one year</b>		
Creditors	<u>( 8,000)</u>	
<b>Net Current Assets</b>		<u>33,000</u>
		85,000
<b>Creditors: Amounts falling due after more than one year</b>		
5% Bank Loan		<u>(20,000)</u>
		<u>65,000</u>
<b>Capital</b>		<u>65,000</u>

## REQUIRED

(a) Calculate correct to **one** decimal place the following ratios:

- (i) Net profit margin
- (ii) Return on total capital employed (using net profit before interest)
- (iii) Rate of stock turnover
- (iv) Current ratio (working capital)
- (v) Liquidity ratio (acid test)
- (vi) Debtors' collection (days)
- (vii) Creditors' settlement (days).

(11 marks)

Lee King is planning his budgets for 2013 and has made the following forecasts:

- (1) Sales will increase by 25% in value
- (2) Stock turnover will be 3 times. His closing stock at 31 December 2013 will be £4,000 less than his opening stock.
- (3) General expenses will be 45,000
- (4) Selling expenses will be 3% of sales
- (5) The bank loan will be reduced by £4,000 on 31 March 2013.

**QUESTION 5 CONTINUED**

**REQUIRED**

- (b) Prepare Lee King's planned Trading and Profit & Loss Account for the year ended 31 December 2013. (11 marks)
- (c) (i) Calculate the planned net profit margin (1 mark)
- (ii) Compare the planned net profit margin in 2013 with that of 2012 (1 mark)
- (iii) Give **one** reason for the change. (1 mark)
- (Total 25 marks)**