Series 3 Examination 2011

CERTIFICATE IN BOOK-KEEPING AND ACCOUNTS

Level 2

Tuesday 7 June

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 information is available for the business of Sally Bright at 31 March 2011:

	£
Purchases	93,750
Sales	125,000
Cost of sales	94,750
Gross profit	30,250
Net profit	15,000
Debtors	7,535
Creditors	10,000
Bank	500 Dr
Capital employed	150,000
Stock 1 April 2010	10,500
Stock 31 March 2011	9,500

REQUIRED

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

(i) Current/working capital
(ii) Liquidity/acid test
(iii) Gross profit margin
(iv) Net profit margin
(v) Return on capital employed
(vi) Rate of stock turnover (times per year)
(vii) Debtors' collection period (days)
(viii) Creditors' settlement period (days)
(ix) Sales to capital employed (percentage)

(18 marks)

(b) State **three** interested parties who might use ratio analysis, and explain how they would use the information.

(6 marks)

(c) State **one** limitation of using ratio analysis.

(1 mark)

(Total 25 marks)

QUESTION 2

Sam and Gill agreed to dissolve their partnership on 31 March 2011.

At 31 March 2011, the partnership had the following assets and liabilities:

	£	
Equipment at net book value	36,000	
Motor vehicles at net book value	28,000	
Bank	1,167	Dr
Stock	430	
Debtors	1,250	
Creditors	340	

The Capital Account balances were:

	£
Sam	51,319
Gill	15,188

The following information was also available:

(1) A vehicle with a book value of £12,000 was taken over by Gill for £9,000
(2) The remaining vehicles were sold for £15,000
(3) Stock was sold for £380
(4) The equipment was sold to Miles Ltd for £20,000. The purchase price of the equipment was settled by the issue of 20,000 ordinary shares of £1 each in Miles Ltd. Each partner received half of the shares
(5) Creditors were paid in full
(6) Debtors paid £1,150 in full settlement
(7) The costs of dissolution amounted to £2,485
(8) Profits and losses are shared by Sam and Gill in the ratio of 2:1 respectively

REQUIRED

(a) Prepare the Dissolution Account to calculate the profit or loss on dissolution.
(12 marks)

(b) Prepare the partners' Capital Accounts to record the closing entries.
(9 marks)

(c) Name **four** items that are included in a Partnership Agreement.
(4 marks)

(Total 25 marks)

QUESTION 3

The Trading Account has been completed and the following were extracted from the books of Stone Ltd on 30 April 2011.

	£	
Land and buildings	341,850	
Motor vehicles	100,000	
Provision for depreciation on motor vehicles	75,000	
Office equipment	35,000	
Provision for depreciation on office equipment	14,000	
Gross profit	252,200	
Stock at 30 April 2011	45,000	
Selling expenses	30,000	
Distribution expenses	65,000	
Administration expenses	42,500	
5% Debentures repayable 2019	50,000	
Interest paid to debenture holders for the first half of the year	1,250	
Provision for doubtful debts	750	
Profit on sale of vehicle	600	
Profit and loss account: 1 May 2010	41,750	Cr
6% Bank deposit	25,000	
Debtors	31,000	
Creditors	22,500	
Bank overdraft	3,400	
Ordinary share capital: issued and fully paid at £1 each	200,000	
8% Preference share capital: issued and fully paid at £1 each	40,000	
Share premium	20,000	
Interim dividend paid: preference shares	1,600	
Interim dividend paid: ordinary shares	2,000	

Additional information at 30 April 2011:

(1) Depreciation is to be provided, as follows:

 (i) motor vehicles 25% per annum reducing balance
 (ii) office equipment 20% per annum on cost

(2) Prepaid selling expenses, £1,000

(3) Accrued distribution expenses, £300

(4) The provision for doubtful debts is to be 2% of debtors

(5) The 6% Bank deposit was invested on 1 January 2011. The first year's interest will be received on 31 December 2011

(6) The directors have proposed:

 (i) a transfer to a general reserve of £12,500
 (ii) to pay the remainder of the preference divided for the year
 (iii) a final dividend to the ordinary shareholders of £0.10 per share.

REQUIRED

(a) Prepare the Profit & Loss and Appropriation Account for year ended 30 April 2011.

(15 marks)

(b) Prepare the Balance Sheet at 30 April 2011.

(10 marks)

(Total 25 marks)

QUESTION 4

The Bourne Social Club had the following Balance Sheet at 30 April 2010:

Fixed assets	**Cost**	**Accumulated Depreciation**	**NBV**
	£	**£**	**£**
Equipment	17,200	3,200	14,000
Fixtures and fittings	15,600	5,575	10,025
	32,800	8,775	24,025
Current assets			
Stock – restaurant		3,080	
Subscriptions in arrears		200	
Prepaid rent		500	
Bank		4,610	
		8,390	
Creditors falling due within 1 year			
Creditors – restaurant	400		
Subscriptions in advance	100		
Accrued wages – restaurant	250		
Accrued heating and lighting	110		
		860	
Net current assets			7,530
			31,555
Accumulated fund			30,985
Life members' fund			570
			31,555

The following additional information is available:

(1) The Receipts & Payments Account for the year ended 30 April 2011 was as follows:

	£		**£**
Balance b/d	4,610	Rent	6,700
Restaurant sales	54,100	Restaurant purchases	32,870
Subscriptions received for the year ended:		Restaurant wages	9,600
30 April 2010	120	Fixtures and fittings	4,650
30 April 2011	16,480	Heating and lighting	6,130
30 April 2012	120	General expenses	12,145
Life members' subscriptions	900	Balance c/d	4,685
Bank interest	50		
Sale of fixtures and fittings	400		
	76,780		76,780

(2) Depreciation is provided on equipment at 25% per annum reducing balance and on fixtures and fittings at 10% per annum on cost. A full year's depreciation is provided in the year of purchase and none in the year of disposal.

(3) Unpaid subscriptions are written off when they have been outstanding for a year.

(4) Life membership is available for a one-off subscription of £300. The Club apportions this evenly to income over a period of 20 years. The club has five life members.

(5) The fixtures and fittings sold during the year had been purchased on 1 December 2007, at a cost of £1,100.

(6) Half of the heating and lighting costs are apportioned to the restaurant.

QUESTION 4 CONTINUED

(7) Other balances at 30 April 2011 were:

	£
Stock - Restaurant	5,660
Subscriptions in arrears	420
Prepaid rent	600
Creditors for restaurant purchases	560
Accrued heating and lighting	130

REQUIRED

Prepare, for the year ended 30 April 2011, the:

(a) Subscriptions Account

(4 marks)

(b) Life Members' Fund Account

(3 marks)

(c) Fixtures & Fittings Disposal Account

(4 marks)

(d) Restaurant Trading Account to calculate the restaurant profit

(5 marks)

(e) Income & Expenditure Account.

(9 marks)

(Total 25 marks)

QUESTION 5

Suzie values her stock at the month end. The stock record at 28 February 2011 showed a value of £85,200, at cost. The following information relates to all stock movements for March 2011:

(1) Purchases during March 2011 were £44,700, at cost

(2) Sales during March 2011 were £63,900

(3) A quantity of stock, valued at selling price, £3,600, was damaged in March. This could now only be sold at half the cost price

(4) A stock sheet at 28 February 2011 had been over-cast by £1,275

(5) Returns by customers during March 2011 were £1,085, at selling price

(6) Returns to suppliers during March 2011 were £2,025, at cost price

(7) Included in the March sales figure were goods on a sale or return basis £975, at selling price. The customer had not stated an intention to buy or return the goods, at 31 March 2011

(8) All sales include a mark-up on cost of 25%.

REQUIRED

(a) Commencing with the value of stock of £85,200 at 28 February 2011, calculate the value of closing stock at 31 March 2011.

(15 marks)

(b) Prepare Suzie's Trading Account for the month ended 31 March 2011.

(10 marks)

(Total 25 marks)

