

Certificate in Book-keeping and Accounts

ASE2007

Level 2

Thursday 6 June 2013

Time allowed: 3 hours

Information

- There are 5 questions in this examination.
 - 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

Abdul Aziz has a small shop and does not keep full accounting records. The following is a summary of his bank transactions for the year ended 31 December 2012:

Receipts	£
Sales (cash)	50,800
Payments	
Payments to creditors	27,400
General expenses (including bank loan interest)	2,100
Rent	4,050
Fixtures and fittings	3,000
Bank loan repayment	500
Insurance	1,750
Wages	8,500

Additional information:

(1) Balances at	1 January 2012	31 December 2012
Fixtures and fittings (net book value)	2,300	4,900
Creditors	5,600	6,120
General expenses owing	180	220
Insurance prepaid	120	-
Stock	3,400	3,860
Bank loan (long term)	2,000	1,500
Bank	4,400	5,900

- (2) Cash sales of £800, had been used to pay wages
- (3) Discount of £350, had been received from suppliers
- (4) Abdul had taken £420 of goods for his own use
- (5) Abdul had taken cash drawings, but had not kept a record of the amount.

REQUIRED

- (a) Calculate Abdul's opening capital at 1 January 2012. (3 marks)
- (b) Calculate Abdul's cash drawings for the year. (2 marks)
- (c) Prepare the Trading and Profit & Loss Account for the year ended 31 December 2012. (12 marks)
- (d) Prepare the Balance Sheet at 31 December 2012. (8 marks)

(Total 25 marks)

QUESTION 2

Aliya is a sole trader. The following is a summary of her final accounts:

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

	£	£
Sales		84,000
Less Cost of sales:		
Opening stock	4,000	
Add Purchases	<u>42,000</u>	
	46,000	
Less Closing stock	(3,600)	<u>42,400</u>
Gross profit		41,600
Less Expenses		
General expenses	29,600	
Loan interest	<u>400</u>	(30,000)
Net profit		<u>11,600</u>

Note: 5% of sales are cash sales

Balance Sheet at 31 December 2012

	£	£
Fixed Assets		48,000
Current Assets		
Stock	3,600	
Debtors	14,500	
Bank	<u>8,500</u>	
	26,600	
Creditors: Amounts falling due within one year		
Creditors	(7,800)	<u>18,800</u>
Net Current Assets		66,800
Creditors: Amounts falling due after more than one year		
5% Bank Loan		(8,000)
		<u>58,800</u>
Capital		
Opening balance		54,400
Add Net profit		<u>11,600</u>
		66,000
Less Drawings		(7,200)
		<u>58,800</u>

REQUIRED

(a) Calculate correct to **one** decimal place, the following ratios, stating the formula used:

- (i) Return on owners capital on net profit after interest
- (ii) Return on capital employed on net profit before interest
- (iii) Gross profit margin
- (iv) Net profit margin after interest
- (v) Sales to capital employed
- (vi) Current ratio (working capital)
- (vii) Liquidity ratio (acid test)
- (viii) Rate of stock turnover
- (ix) Debtors' collection period (days)
- (x) Creditors' settlement period (days).

(20 marks)

QUESTION 2 CONTINUED

The return on capital employed at 31 December 2011 was 14%.

REQUIRED

- (b) Comment on the change in the ratio **and** suggest **three** possible reasons for the change. (5 marks)

(Total 25 marks)

QUESTION 3

Jian has a factory which occupies a floor space of 50,000 sq m, and has offices which occupy a further 10,000 sq m.

The following information is available for the year ended 29 February 2012:

Opening stock:	£
Raw materials	36,000
Work in progress	17,800
Finished goods	24,000
Purchases of raw materials	335,000
Sales of finished goods	1,050,000
Packaging	62,000
Factory wages	180,000
Office wages and salaries	80,500
Factory manager's salary	38,000
Rent	24,000
Insurance	18,000
Electricity	44,000
General expenses	28,000
Machinery at cost	500,000
Provision for depreciation of machinery	120,000
Office equipment at cost	14,000
Provision for depreciation of office equipment	4,200

Additional information at 29 February 2012:

- (1) Stock
Raw materials £ 32,000
Work in progress 15,000
Finished goods 22,800
- (2) 40% of the packaging is a direct cost
- (3) Rent and insurance are apportioned on the basis of floor space
- (4) Electricity is allocated 80% to the factory
- (5) General expenses are allocated 75% to the office
- (6) Machinery is depreciated at 25% per annum reducing balance method
- (7) Office equipment is depreciated at 15% per annum straight line method
- (8) Finished goods are transferred to stock at production cost plus 22%.

REQUIRED

Prepare for the year ended 29 February 2012 the:

- (a) Manufacturing Account (15 marks)
- (b) Trading and Profit & Loss Account. (10 marks)

(Total 25 marks)

QUESTION 4

The Hilton Hockey Club has several hockey teams, and also runs a shop selling equipment to members.

The following extract was taken from the Receipts and Payments Account of the club for the year ended 31 December 2012:

Receipts	£	Payments	£
Subscriptions:		Creditors	33,740
2011	120	Insurance	1,850
2012	55,400		
2013	2,800		
Life subscriptions	4,000		

Additional information:

- (1) Subscriptions:
 - (i) At 1 January 2012 subscriptions owing for 2011 were £180.
 - (ii) Any subscriptions for 2011 unpaid at the end of 2012 have to be written off.
 - (iii) Subscriptions paid in advance for 2012 were £2,200.
 - (iv) At 31 December 2012, subscriptions in arrears were £240.
- (2) At 1 January 2012 the balance of the Life Membership Fund was £13,000. 10% of the fund's closing balance is apportioned to income each year
- (3) Creditors for stock at 1 January 2012 were £3,270 and at 31 December 2012 £2,950. Cash discount of £270 had been received during the year
- (4) Insurance prepaid at 1 January 2012 was £135. The insurance premium for the year was £1,800.

REQUIRED

Prepare for the year ended 31 December 2012 the:

- (a) Subscriptions Account (10 marks)
 - (b) Life Membership Fund (5 marks)
 - (c) Creditors Control Account (5 marks)
 - (d) Insurance Account. (5 marks)
- (Total 25 marks)**

QUESTION 5

The following list of balances was taken from the books of Ekta Ltd on 31 January 2012.

	£000
Freehold property	2,700
Machinery	500
Office equipment	80
Provision for depreciation of machinery	175
Provision for depreciation of office equipment	11
£1 Ordinary shares	1,600
6% £1 Preference shares	400
Share premium	150
General reserve	300
Profit and loss account	125 Cr
10% Bank deposit	80
8% Debentures	100
Debtors	78
Creditors	56
Bank overdraft	24
Provision for doubtful debts	2
Gross profit	929
Stock at 31 January 2012	92
Administration expenses	110
Selling and distribution expenses	160
Ordinary interim dividend	60
Preference interim dividend	12

Additional information at 31 January 2012:

- (1) A full year's interest on the bank deposit is outstanding
- (2) Depreciation has to be charged as follows:
 - (i) machinery 20% per annum reducing balance method
 - (ii) office equipment 12.5% per annum straight line method
- (3) A bad debt of £3,000 is to be written off, and the provision for doubtful debts is to be maintained at 4% of the debtors
- (4) The debentures have to be repaid in December 2012. (Ignore debenture interest)
- (5) The directors propose:
 - (i) to increase the general reserve to £400,000
 - (ii) payment of the full preference dividend for the year
 - (iii) a final ordinary dividend of £0.11p per share.

REQUIRED

Prepare the:

- (a) Profit and Loss & Appropriation Account for the year ended 31 January 2012. (13 marks)
- (b) Balance Sheet at 31 January 2012. (12 marks)

(Total 25 marks)