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**SECTION A**

**Answer TWO questions from this section**

**If you answer question 1, put a cross in this box (☑).**

**Source material for use with question 1 can be found on pages 2 and 3 of the source booklet**

1. (a) Prepare for the year ended 31 December 2007:

- capital accounts of the partners recording the entry of Pauline
- profit and loss account
- appropriation account
- current accounts of the partners.

**Capital Accounts**

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**Profit and Loss and Appropriation Account**

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Dotted lines for writing the Profit and Loss and Appropriation Account.



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**Current Accounts**

**(15)**







If you answer question 2, put a cross in this box (☑).

Source material for use with question 2 can be found on pages 4 and 5 of the source booklet

2. (a) Prepare, for the year ended 31 December 2007, the:
- manufacturing account (in columnar format), showing the **prime cost** and **production cost** of manufacturing sports bags and golf bags
  - trading and profit and loss account, showing the **gross profit** for both the sports bags and the golf bags and the total **net profit** for the business.

**Manufacturing Account**

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<b>Trading and Profit and Loss Account</b>		Leave blank
<b>(18)</b>		







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(b) Calculate the production cost of manufacturing:

- **one** sports bag
- **one** golf bag.

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(2)

(c) Calculate what the **net profit** of Sportex would be if the offer was accepted and production of the bags ceased.

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If you answer question 3, put a cross in this box (☒).

Source material for use with question 3 can be found on pages 6 and 7 of the source booklet

3. (a) Distinguish between the terms **profitability** and **liquidity**.

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(4)

(b) Calculate, for Wavepower and for Solargain, from the balances given:

- net profit as a percentage of sales
- return on capital employed
- current ratio
- liquid (acid test) ratio.

**Net Profit as a Percentage of Sales**

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**Return on Capital Employed**

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**Current Ratio**

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**Liquid (acid test) Ratio**

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(d) Calculate for Wavepower and Solargain the revised:

- return on capital employed
- liquid (acid test) ratio.

**Return on Capital Employed**

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**Liquid (acid test) Ratio**

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**SECTION B**

**Answer THREE questions from this section**

**If you answer question 4, put a cross in this box (☒).**

**Source material for use with question 4 can be found on pages 8 and 9 of the source booklet**

4. (a) Calculate for the year ended 31 December 2007, the value of:
- sales
  - purchases.

**Sales**

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**Purchases**

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**(6)**





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(b) Prepare for the year ended 31 December 2007:

- the trading account
- a calculation of the stock stolen
- the profit and loss account.

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(c) Identify and explain which accounting concept has been broken by Rizan's failure to maintain a separate bank account for the business.

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(d) Evaluate Rizan's decision to not maintain a formal set of accounts.

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(Total 16 marks)

Q4

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If you answer question 5, put a cross in this box (☒).

Source material for use with question 5 can be found on pages 10 and 11 of the  
source booklet

5. (a) Calculate the hourly cost of Ahmed's repair service.

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- (b) Prepare a quotation for a customer's vehicle repair, where the vehicle parts cost £70 and the repair will take 7 hours to complete.

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- (c) Calculate the revised hourly cost of Ahmed's repair service, if the 'hi tech' electronic analysing equipment is purchased.

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(d) Evaluate whether Ahmed should purchase the 'hi tech' electronic analysing equipment.

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(Total 16 marks)

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Q5



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If you answer question 6, put a cross in this box (☒).

Source material for use with question 6 can be found on pages 12 and 13 of the source booklet

- 6. (a) Explain, for each of (i) to (v), the accepted accounting concept or convention, **other than prudence**, which should have been complied with.

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(b) Prepare a revised trading and profit and loss account for the year ended 31 December 2007 which complies with accepted accounting concepts and conventions.

**Revised Trading and Profit and Loss Account**

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(c) Discuss the role played in accounting by accepted accounting concepts and conventions.

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(d) Evaluate a circumstance in which it could be appropriate for a business to account for the increased skill of staff.

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**(Total 16 marks)**

Q6

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If you answer question 7, put a cross in this box (☒).

Source material for use with question 7 can be found on pages 14 and 15 of the source booklet

7. (a) Prepare for Jerome:

- journal entries to correct the errors. (narrations not required)
- the suspense account showing clearly the opening balance.

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(b) Prepare the following ledger accounts for the year:

- rent account
- commission receivable account.

**Rent Account**

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**Commission Receivable Account**

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(c) Evaluate the role of a trial balance in ensuring the accuracy of ledger accounts.

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(Total 16 marks)

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Q7

**TOTAL FOR SECTION B: 48 MARKS**

**TOTAL FOR PAPER: 100 MARKS**

**END**

