

Surname					Other Names				
Centre Number					Candidate Number				
Candidate Signature									

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General Certificate of Education
Specimen Question Paper

APPLIED BUSINESS
UNIT 15 Financial Accounting for Managers

BS15

Date and time

<p>You will need no other materials.</p> <ul style="list-style-type: none"> You may use a calculator.

Time allowed: 1 hour 30 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- Answer the questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want marked.
- If you need additional space, you should continue your answers at the end of this book, indicating clearly which question you are answering.

Information

- The maximum mark for this paper is 80.
- The marks for questions are shown in brackets.

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
Total (Column 1)			
Total (Column 2)			
TOTAL			
Examiner's Initials			

1 Read **Item A** and then answer the questions that follow.

Item A

Hurford Horticultural Supplies (HHS) is an established and growing business selling high quality flowers and garden products to the public and to other businesses.

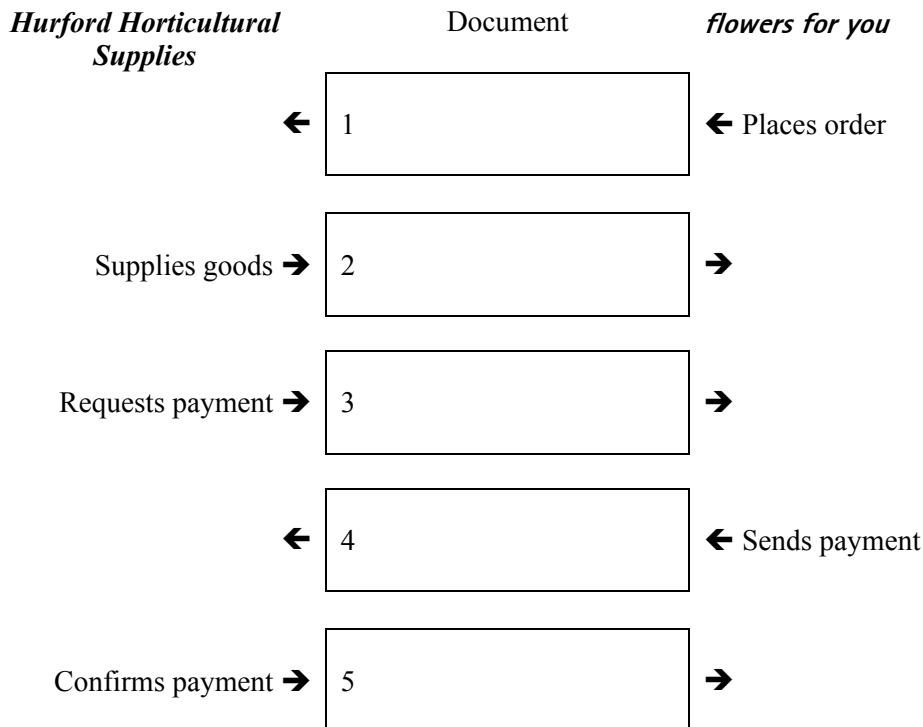
A new trainee manager, Justin, has been appointed. As part of his training, he will spend two weeks in each department of the business to find out how everything works. The first department that Justin will work in is accounts.

As part of this training, the manager of the accounts department explains the importance of keeping accurate financial records and major documents used by the business.

Hurford Horticultural Supplies has received an order from a regular customer, *flowers for you*, for flowers worth £3000 less a trade discount of 5%. The flowers were subject to VAT at 17.5%.

Justin was given the responsibility for issuing an invoice. A week later, the manager of the accounts department received a complaint from *flowers for you* as they had not received a discount.

(a) Complete the flow chart below, by stating the name of the financial documents that should be in each of the numbered boxes.



(5 marks)

- (b) (i) Using **Item A** calculate the correct value of the invoice that Justin should have sent to *flowers for you*.

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(4 marks)

- (ii) Explain how *HHS* might correct an error in an invoice they have issued.

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(2 marks)

- (iii) Explain **one** possible consequence to *HHS* of issuing incorrect invoices.

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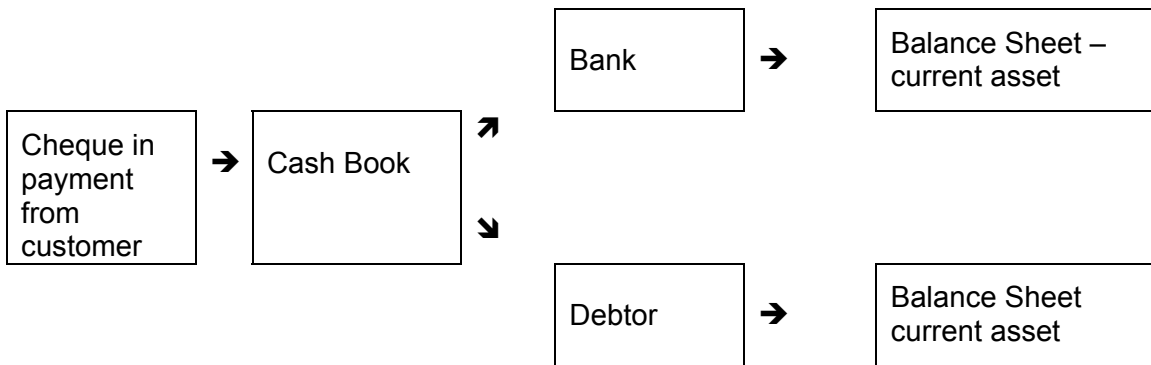
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(2 marks)

Question 1 continues on the next page

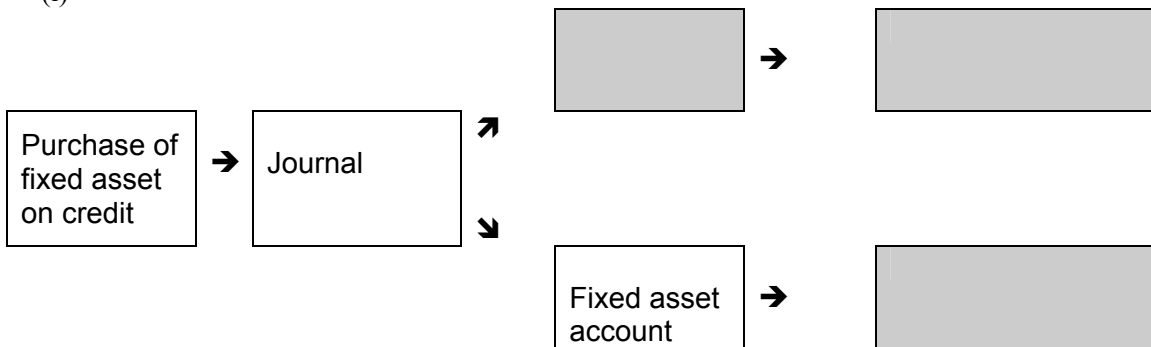
(c) The flow chart below shows how a recent transaction at *HHS* would have been recorded in the businesses accounting system.

Document	Book of Original Entry	Ledger Accounts Involved	Where Account Appears in Final Accounts (ie Balance Sheet and Profit & Loss Account)
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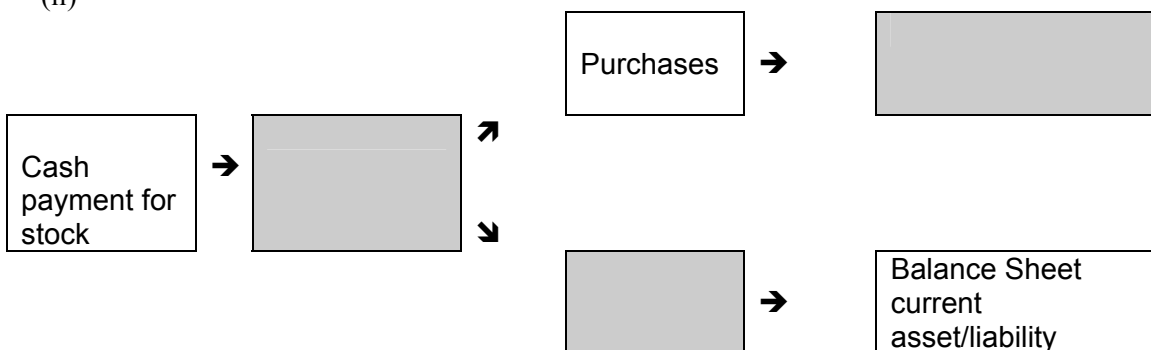
Complete the flow charts for the situations set out below.

(i)



(3 marks)

(ii)



(3 marks)

Turn over for the next question

2 Read **Item B** and then answer the questions that follow.

Item B

Hurford Horticultural Supplies are considering expanding their business and have recently appointed a new financial director.

Tracey has prepared the following trial balance for *Hurford Horticultural Supplies* at 31 December 2005. She has done this to:

- check the accuracy of the bookkeeping entries of the business;
- summarise the balances in the accounts, making it easier to prepare a balance sheet and a trading profit and loss account.

<i>Hurford Horticultural Supplies</i>		
Trial Balance as at 31 December 2005		
	£	£
	Dr	Cr
Sales		500 700
Purchases	249 700	
Capital		275 000
Drawings	29 000	
Vehicles at cost	70 000	
Fixtures and fittings at cost	40 000	
Premises	200 000	
Trade debtors	50 000	
Provision for depreciation		
- vehicles		28 000
- fixtures and fittings		16 000
Motor expenses	24 000	
Insurance	14 800	
Stock at 1 January 2005	33 000	
Electricity	16 000	
Salaries	97 000	
Bad debts	5 000	
Trade creditors		37 000
Bank	23 000	
Cash	2 800	
Sundry expenses	4 400	
Provision for doubtful debts		2 000
	£858 700	£858 700

The following additional information is also available.

- 1) Stock at 31 December 2005 was £35 000.
- 2) Provide for depreciation on vehicles at 20%, using the straight-line method.
- 3) The provision for doubtful debts is to be adjusted to 5% of debtors.
- 4) Fixtures and fittings should be depreciated at 20%, using the reducing balance method.

- (a) A trial balance could still balance even if errors have been made in the bookkeeping entries.

Identify and explain the effect of **one** error that could be made in the books of *Hurford Horticultural Supplies* that would **not** be identified by the preparation of a trial balance.

Error

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(2 marks)

- (b) It was discovered that an amount for electricity of £4000 was outstanding at 31 December 2005.

Using the trial balance opposite, calculate the amount for electricity that should be included in the Profit and Loss account.

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(2 marks)

- (c) It was discovered that the amount for insurance in the trial balance included £3000 for the following year.

Using the trial balance opposite, calculate the amount for insurance that should be included in the Profit and Loss account for the year ending 31 December 2005.

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(2 marks)

Question 2 continues on the next page

- (d) Use the trial balance, on page 6, that Tracey has prepared to complete the following Trading and Profit and Loss account. You should take into account the adjustments you calculated in 2 (b) and (c). The information should be entered in the shaded boxes.

Hurford Horticultural Supplies

Trading and Profit and Loss account for the year ended 31 December 2005

	£	£
Turnover		500700
Less cost of sales		
Opening stock		
Purchases	249700	
Total		
Less closing stock		
Gross profit		
Less expenses		
Motor expenses	24000	
Insurance		
Electricity		
Salaries	97000	
Bad debts	5000	
Sundry expenses	4400	
Provision for depreciation		
- vehicles	14000	
- fixtures and fittings		
Provision for doubtful debts	500	
Net profit		

(7 marks)

- (e) Use the trial balance, on page 6, that Tracey has prepared to complete the following Balance Sheet. The information should be entered in the shaded boxes.

<i>Hurford Horticultural Supplies</i>			
Balance Sheet as at 31 December 2005			
	Cost £	Agg depn £	NBV £
<u>Fixed Assets</u>			
Premises	200000	-	200000
Motor vehicles	70000		
Fixtures and fittings	40000		
<u>Current Assets</u>			
Stock	35000		
Trade debtors less provision for doubtful debts			
Expenses prepaid	3000		
Bank	23000		
Cash	2800	111300	
<u>Less Current Liabilities</u>			
Trade creditors	37000		
Expenses owing	4000	41000	
			£317500
Financed by:			
Capital at 1 January 2005			275000
Add Net Profit			71500
			346500
Less Drawings			29000
			£317500

(4 marks)

Question 2 continues on the next page

- (f) Accounting concepts have been applied to the preparation of the Trading Profit and Loss account and Balance Sheet in parts (d) and (e).

Discuss the importance of applying accounting concepts to the preparation of the Trading Profit and Loss account **or** Balance Sheet.

(7 marks)



Turn over for the next question

3 Read **Item C** and then answer the questions that follow.**Item C**

Hurford Horticultural Supplies (HHS) has discovered that a horticultural supplier called *Gardens of England* is available for sale at a price of £260 000. *Gardens of England* currently only sells to trade customers.

Tracey has been asked to investigate the financial position of *Gardens of England* in order to recommend if *HHS* should buy the business.

The following information is available for *Gardens of England* at 31 December 2005. All sales and purchases are on credit and all invoices should be paid within 30 days.

	£
Sales	360 000
Stock 1 April 2002	31 200
Stock 31 March 2003	28 800
Purchases	270 000
Gross Profit	87 600
Net Profit	36 000
Capital employed	288 000
Bank (dr)	8 700
Debtors	48 000
Creditors	66 000
Cash	300

The following information at 31 December 2004 is also available.

Current ratio	1.5:1
Acid test ratio	1:1
The percentage of gross profit to sales ratio	25%
The percentage of net profit to sales ratio	10%
Return on capital employed ratio	11%
Rate of stock turnover	10 times
The debtors collection period	40 days
The creditors collection period	75 days

(b) Using **Item C**, assess the profitability of *Gardens of England*.

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(8 marks)

(c) Using **Item C**, assess the efficiency of *Gardens of England*.

(8 marks)

Question 3 continues on the next page

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