

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Secondary Education
June 2004



ACCOUNTING
Higher Tier
Paper 2

3122/2H

Tuesday 29 June 2004 1.30 pm to 3.30 pm

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<p>No additional materials are required. You may use a calculator.</p>

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Time allowed: 2 hours

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 126. In addition to the mark allocations indicated within the paper, you will be awarded up to 6 marks for your ability to organise and present information, ideas, descriptions and arguments clearly and logically. Account will be taken of your use of grammar, punctuation and spelling.
- Mark allocations are shown in brackets.

Advice

- In all calculations, show clearly how you work out your answer.

Answer **all** questions in the spaces provided.

1

Total for this question: 30 marks

Marion Hall is an office supplies wholesaler. Information about some of the business's transactions for March 2004 is given below.

Purchases journal transactions for 6 March 2004

On this date, Marion Hall received two invoices from suppliers. The details were as follows.

Invoice number EBL234 from Executive Bags Ltd	£
4 executive brief cases model PEB02 at £70 each	280.00
8 laptop cases model LC090 at £30 each	240.00
	<u>520.00</u>
Less trade discount 30%	156.00
	<u>364.00</u>
Plus VAT	63.70
	<u><u>427.70</u></u>

Invoice number CTC900 from Beta Telephone Group	£
10 cordless telephones CT007 at £60 each	600.00
Plus VAT	105.00
	<u><u>705.00</u></u>

(a) Record the information from the two invoices in the purchases journal.

Date 2004	Supplier	Invoice No	Goods		VAT		Total	
			£	p	£	p	£	p

(6 marks)

Account of Jacqueline Lycett

Jacqueline Lycett is one of Marion Hall's customers. The following information relates to the account of this debtor.

March	1	Balance, amount owed to Marion Hall, £450
	17	Account settled by cheque
	23	Invoice sent to Jacqueline Lycett for goods £1600 plus VAT £280
	28	Credit note issued to Jacqueline Lycett for goods £120 plus VAT £21

The account was balanced on 31 March 2004.

- (b) Record the above information in the account of Jacqueline Lycett. Bring down the balance on the account at 1 April 2004.

J Lycett Account

Date 2004		£	Date 2004		£

(6 marks)

QUESTION 1 CONTINUES ON THE NEXT PAGE

Turn over ►

Marion Hall keeps her petty cash book using the imprest system, the imprest being £50. For the month of March 2004, her petty cash transactions were as follows.

March	1	Petty cash balance	17.10
	1	Petty cashier obtained cash to restore the imprest	32.90
	9	Bought stamps	8.10
	18	Bought petrol	20.00
	23	Paid bus fare	2.40
	26	Received cash for a personal telephone call	1.20
	28	Paid creditor D Austin	9.96
	30	Bought envelopes	6.70

- (c) Enter the above transactions in the petty cash book (opposite) and balance the petty cash book at 31 March, bringing down the balance on 1 April.

Ignore VAT.

Petty Cash Book

Receipts		Date 2004	Details	Total		Postage and Stationery		Travelling Expenses		Purchase Ledger	
£	p			£	p	£	p	£	p	£	p

(12 marks)

QUESTION 1 CONTINUES ON THE NEXT PAGE

Turn over **▶**

(d) Using the relevant information from part (c), complete the ledger accounts for *Postage and Stationery* and *Travelling Expenses*.

Postage and Stationery Account							
Date 2004		£	p	Date 2004		£	p

Travelling Expenses Account							
Date 2004		£	p	Date 2004		£	p

(4 marks)

(e) Identify **two** reasons why some businesses keep a petty cash book as well as a cash book.

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(2 marks)

TURN OVER FOR THE NEXT QUESTION

Turn over ►

2

Total for this question: 18 marks

S Scott has prepared the following balance sheet which contains a number of errors.

S Scott
Balance Sheet for the year ended 31 December 2003

	£		£
Premises	100 000	Capital	131 000
Net profit	27 000	Cash	1 000
Drawings	20 000	Motor vehicles	28 500
Stock at 31 December 2003	14 000	Creditors	7 000
Stock at 1 January 2003	8 000	Debtors	13 000
Bank overdraft	11 500		
	£180 500		£180 500

- (a) Prepare a balance sheet for S Scott as at 31 December 2003, showing clearly sub-totals for the following.
- Fixed assets
 - Current assets
 - Current liabilities
 - Working capital (net current assets)
 - Capital

S. Scott			
Balance Sheet as at 31 December 2003			
	£	£	£
Fixed Assets			
Current Assets			
Less Current Liabilities			
Capital			

(14 marks)

(b) S Scott made a net profit for the year but is overdrawn at the bank. Give **two** reasons why this could happen and briefly explain your answer.

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(4 marks)

18

TURN OVER FOR THE NEXT QUESTION

Turn over ►

3

Total for this question: 20 marks

The following are extracts from the cash book and bank statement of Nicola Stiles for the month of May 2004.

Debit	Cash Book (bank columns only)				Credit
		£			
May 1	Balance b/d	5300	May 6	T Shastri	350
6	R Simpson	240	19	C Walsh	1200
20	B Murdoch	370	25	I Khan	333
29	T Gemmell	25	28	K Dev	130
30	J Johnstone	499	31	Balance c/d	4421
		6434			6434
May 1	Balance b/d	4421			

Bank Statement				
		Debit	Credit	Balance
		£	£	£
May 1	Balance b/d			5300 cr
8	Cheque	350		4950 cr
9	Deposit		240	5190 cr
17	Credit transfer		36	5226 cr
21	Cheque	1200		4026 cr
23	Deposit		370	4396 cr
27	Bank charges	50		4346 cr
28	Cheque	333		4013 cr
30	Standing order	90		3923 cr

(a) Bring the cash book up to date to show a corrected bank balance.

		£			£

(5 marks)

(b) Prepare a statement reconciling the corrected cash book balance with the balance shown by the bank statement.

(12 marks)

(c) Explain why it is important for Nicola Stiles to prepare a bank reconciliation statement.

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(3 marks)

4

Total for this question: 15 marks

The following balances were taken from the books of Maryhill Manufacturing Ltd for the year ended 31 March 2004.

	£
Stock of raw materials 1 April 2003	19 000
Stock of raw materials 31 March 2004	22 000
Stock of work in progress 1 April 2003	24 000
Stock of work in progress 31 March 2004	25 000
Depreciation of machinery in the factory	12 000
Factory wages:	
Direct	55 000
Indirect	38 000
Purchases of raw materials	93 000
Factory lighting and heating	8 400
Royalties	12 000
Rent of factory	17 000
Carriage inwards on raw materials	5 000

Prepare a manufacturing account for the year ended 31 March 2004, showing clearly:

- (i) cost of raw materials consumed;
- (ii) prime cost;
- (iii) production cost of goods completed.

Maryhill Manufacturing Ltd Manufacturing Account for the year ended 31 March 2004	

(15 marks)

15

5

Total for this question: 37 marks

The following information is available for the business of Graham Parsons, a trader, at 31 March 2004. All sales and purchases are on credit and all invoices should be paid within 30 days.

	£
Sales	336 000
Stock 1 April 2003	24 000
Stock 31 March 2004	18 000
Purchases	246 000
Gross profit	84 000
Net profit	36 960
Capital employed	462 000
Current assets (including stock)	30 000
Current liabilities	15 000

In addition, the following information at 31 March 2003 is also available.

Current ratio	1.4:1
Acid test ratio	0.6:1
The percentage of gross profit to sales	30%
The percentage of net profit to sales	15%
Return on capital employed	12%
Rate of stock turnover	8 times
Expenses to sales percentage	12%

(a) Calculate for the year ended 31 March 2004:

(i) the current ratio;

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(3 marks)

(ii) the acid test ratio.

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(4 marks)

QUESTION 5 CONTINUES ON THE NEXT PAGE

Turn over ►

(b) Comment on the solvency (or liquidity) position of the business. Make use of your answers to (a)(i) and (ii) and the information for the year ended 31 March 2003.

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(3 marks)

(c) Calculate for the year ended 31 March 2004:

(i) the percentage of gross profit to sales;

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(3 marks)

(ii) the percentage of net profit to sales;

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(3 marks)

(iii) the percentage net profit to capital employed.

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(3 marks)

(d) Comment on the profitability position of the business. Make use of your answers to (c)(i), (ii) and (iii) and the information for the year ended 31 March 2003.

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(3 marks)

(e) Calculate for the year ended 31 March 2004:

(i) the rate of stock turnover;

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(3 marks)

(ii) the percentage of expenses to sales;

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(3 marks)

(f) Describe the activity (or efficiency) of the business. Make use of your answers to (e)(i) and (ii) and the information for the year ended 31 March 2003.

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(2 marks)

QUESTION 5 CONTINUES ON THE NEXT PAGE

Turn over ►

- (g) Graham Parsons would like to know if his business did better in the year to 31 March 2003 or the year to 31 March 2004.

Explain to Graham in which year you think his business did best. Give reasons for your answer.

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(3 marks)

- (h) Identify an internal group who have an interest in the accounts of a business organisation and give **one** reason why they would be interested.

Internal group

Reason

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(2 marks)

- (i) Identify an external group who may have an interest in the accounts of a business and give **one** reason why they would be interested.

External group

Reason

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(2 marks)

END OF QUESTIONS