

Section A

Answer ALL questions

Question 1

For each question, choose the best answer **A**, **B**, **C** or **D** and write it in the box.

(a) Cash discount allowed is originally recorded in the

- A** general ledger
- B** journal
- C** purchases book
- D** cash book

(1)

(b) Individual entries in the sales day book are posted to which of the following?

- A** debit side of the customer's account
- B** debit side of the sales account
- C** credit side of the sales account
- D** credit side of the customer's account

(1)

(c) Postage costs recorded in the petty cash book are posted to the

- A** debit side of the cash book
- B** debit side of the postages account
- C** credit side of the cash book
- D** credit side of the postages account

(1)

(d) A suspense account is opened when which of the following **does not** balance?

- A** the trading account
- B** the profit and loss account
- C** the balance sheet
- D** the trial balance

(1)

(e) What does the closing balance on a creditors ledger control account represent?

- A** the amount owing to credit suppliers
- B** the amount due from credit customers
- C** the amount of total purchases for the year
- D** the amount paid to credit suppliers for the year

(1)



- (f) A sale on credit to A. Patel was posted in error to S. Patel in the sales ledger. This is an error of
- A commission
 - B omission
 - C principle
 - D reversal

(1)

- (g) Working capital is the surplus of
- A all assets over all liabilities
 - B current assets over all liabilities
 - C current assets over current liabilities
 - D all assets over current liabilities

(1)

- (h) In a partnership, to which of the following accounts would a partner's drawings be debited?
- A appropriation account
 - B bank account
 - C capital account
 - D current account

(1)

- (i) A sports club has received subscriptions totalling £1 040 during the year, of which £80 was received in advance. At the end of the year £120 was outstanding. Which amount for subscriptions should be included in the income and expenditure account?
- A £960
 - B £1 000
 - C £1 040
 - D £1 080

(1)

- (j) A business issues an invoice for stock with a list price of £20 000. The invoice was subject to a trade discount of 25% and a cash discount of 5%. VAT is charged at 10%. How much VAT should be shown on the invoice?
- A £1 425
 - B £1 500
 - C £1 900
 - D £2 000

(1)

Q1

(Total 10 marks)



Question 2

Throughout Question 2, assume that the rate of VAT is 10%

Charles Brown is a wholesaler of footwear. He buys and sells mainly on credit terms. He does not offer cash discount to any of his customers.

On 1 April 2008 his sales ledger contained the following debit balances.

C Lyon	£1 200
H Green	£3 200
D Black	£1 000
F White	£2 500

The following are extracts from his books for April 2008.

Sales Journal

Date	Narration	Goods	VAT	Total
		£	£	£
April 1	C Lyon	750	75	825
April 5	H Green	1 200	120	1 320
April 13	D Black	500	50	550
April 21	F White	2 300	230	2 530
April 28	C Lyon	600	60	660
	Totals for Month	5 350	535	5 885

Returns Inwards Journal

Date	Narration	Goods	VAT	Total
		£	£	£
April 3	C Lyon	120	12	132
April 8	F White	50	5	55
	Totals for Month	170	17	187



Cash Book (Debit side)
Bank Column

Date	Narration	Bank
		£
April 1	Balance b/d	3 500
April 3	Cash Sales (including VAT)	240
April 5	C Lyon	1 200
April 8	H Green	3 200
April 15	Cash Sales (including VAT)	600
April 21	D Black	1 000
April 30	F White	2 500

The Journal

Date	Narration	Debit	Credit
		£	£
April 21	C Lyon (Purchases Ledger)	650	
	C Lyon (Sales Ledger)		650
	Being transfer of balance in purchases ledger set off against balance in the sales ledger		



- (a) Prepare the account of C Lyon in Charles Brown's sales ledger. Balance the account on 30 April 2008 and bring the balance down.

C Lyon Account

Date	Narration	£	Date	Narration	£

(6)

- (b) Prepare the total debtors account for the month of April 2008. Balance the account on 30 April 2008 and bring the balance down.

Total Debtors Account

Date	Narration	£	Date	Narration	£

(6)



(c) Explain **two** ways in which Charles might find the total debtors account useful in the running of his business.

(i)

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(2)

(ii)

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(2)

At the end of April, Charles is advised that one of his debtors, D Black, has ceased trading and is unable to pay his outstanding amount of £550. Charles decides to write this off as a bad debt.

(d) Set out the journal entry for this transaction.

The Journal

Date	Narration	Debit	Credit
		£	£

(3)



Charles has been experiencing problems in the past year in collecting payments from credit customers. He has been advised to offer some form of discount to his customers but is unsure which one to offer.

(e) Explain the following terms.

(i) Trade Discount

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(2)

(ii) Cash Discount

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(2)

(iii) What would be the effect, if any, on the calculation of VAT, if **cash discount** was introduced?

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(2)

(Total 25 marks)

Q2

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Question 3

Luke and Simon have been partners for some years in a travel business. They share profits and losses equally.

The business final accounts have been prepared and the appropriation account is as follows.

**Luke and Simon
Appropriation Account
For year ended 30 September 2008**

	£	£
Net profit for the year		75 000
Interest on drawings: Luke	500	
Simon	<u>750</u>	
		<u>1 250</u>
		76 250
Interest on capitals: Luke	12 000	
Simon	<u>10 000</u>	
		22 000
Partnership salary: Luke		<u>5 000</u>
		49 250
Share of remaining profit: Luke	24 625	
Simon	<u>24 625</u>	
		<u>49 250</u>



In addition the following balances appeared in the partnership books on 30 September 2008.

Account	£
Premises	200 000
Bank	7 025
Insurance prepaid	260
Light and heat owing	200
Fixtures and fittings (Cost)	25 000
Provision for depreciation (furniture and fittings)	12 500
Debtors	6 500
Provision for doubtful debts	195
Creditors	4 200
Capital accounts: Luke	120 000
Simon	100 000
Current account balances (1 October 2007): Luke	2 340 (Cr)
Simon	650 (Dr)
Drawings for the year: Luke	35 000
Simon	40 000



(a) Prepare the current accounts of Luke and Simon as they would appear in the ledger.

Luke – Current Account

Date	Narration	£	Date	Narration	£

Simon – Current Account

Date	Narration	£	Date	Narration	£

(8)



(c) Evaluate why the partners have agreed to be charged interest on drawings.

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(5)

Q3

(Total 25 marks)

TOTAL FOR SECTION A: 60 MARKS



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Section B**Answer ALL questions****Question 4**

The treasurer of the Sevenoaks College Drama Society has produced the following statements for the society's committee, covering the financial year ended 31 December 2007.

**Sevenoaks College Drama Society
Statement of Affairs
As at 1 January 2007**

	£	£
Assets		
Scenery (Net Book Value)	7 500	
Stock of refreshments	100	
Subscriptions due	50	
Bank balance	<u>3 000</u>	
		10 650
Liabilities		
Costume hire fee outstanding		650
		<u>10 000</u>

**Sevenoaks College Drama Society
Receipts and Payments Account
For Period 1 January 2007 – 31 December 2007**

Receipts	£	Payments	£
Bank balance 1 January 2007	3 000	Hire of costumes	1 500
Subscriptions : 2006	50	Rent of theatre	750
2007	1 600	Administrative expenses	440
2008	90	Purchase of refreshments	845
Ticket sales	4 000	Purchase of new scenery	7 000
Refreshment sales	1 200		
Bank balance 31 December 2007	595		
	<u>10 535</u>		<u>10 535</u>



Question 5

Ahmed Patel is a manufacturer of high performance motor car engines. His manufacturing account for 2007 – 2008 is shown below.

**Ahmed Patel
Manufacturing Account
For Year Ended 30 September 2008**

	£000	£000	£000
Opening stock of raw materials	120		
Purchases of raw materials	<u>540</u>		
	660		
Closing stock of raw materials	<u>100</u>		
		560	
Manufacturing wages		<u>720</u>	
			1 280
Factory rent and insurance		180	
Depreciation of machinery		220	
Factory light and heat		80	
Factory supervisor wages		<u>260</u>	
			<u>740</u>
			2 020
Work in progress			
Opening stock		60	
Closing stock		?	
			<u>(20)</u>
			<u>2 000</u>

(a) For the year ended 30 September 2008 identify

(i) cost of raw materials consumed

..... (1)

(ii) prime cost

..... (1)

(iii) total factory overheads

..... (1)

(iv) value of the closing stock of work in progress

..... (1)



The following additional information is available on 30 September 2008 and is to be taken into account.

- During the year 1 000 engines were manufactured
- Three-quarters of production was sold
- The firm's pricing policy is to mark up factory cost of production by 50%

(b) For the year ended 30 September 2008 calculate

(i) the selling price of **one** engine

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..... (2)

(ii) the total gross profit

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..... (2)

(iii) the value of the closing stock of finished goods based on factory cost of production.

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..... (2)

(Total 10 marks)

Q5



Question 6

Ben Farrell is the owner of a retail business which has been operating successfully for a number of years.

The business's summarised profit and loss account for the last two years is shown below:

	Year ended 30 June 2007	Year ended 30 June 2008
	£ 000	£ 000
Turnover	480	720
Cost of sales	240	396
Average stock	36	44
Gross profit	240	324
Variable expenses	80	95
Fixed expenses	18	18
Net profit	142	211

- (a) Stating clearly the formula used, calculate the Net Profit Margin for **each** of the two years.

Formula

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Net Profit Margin for year ended 30 June 2007

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Net Profit Margin for year ended 30 June 2008

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(3)



(b) Stating clearly the formula used, calculate the Mark up for **each** of the two years.

Formula

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Mark up for year ended 30 June 2007

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Mark up for year ended 30 June 2008

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(3)

(c) Stating clearly the formula used, calculate the Rate of Stock Turnover for **each** of the two years.

Formula

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Rate of Stock Turnover for year ended 30 June 2007

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Rate of Stock Turnover for year ended 30 June 2008

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(3)



