

**0010/404**

NATIONAL  
QUALIFICATIONS  
2007

FRIDAY, 25 MAY  
1.00 PM – 2.45 PM


ACCOUNTING AND  
FINANCE  
STANDARD GRADE  
Credit Level

- 1 Answer **all** the questions.
- 2 Read each question carefully.
- 3 Write your answers in the answer book provided.
- 4 Candidates should start each question on a new page in the answer book.
- 5 Calculators may be used.
- 6 Check that Worksheets for Questions 1(a) and 3(a) have been provided.



Apply VAT where appropriate at 17.5% throughout the paper.

1. On 13 April 2007 Bill Jones sold 4 Wooden Garden Chairs and one Octagonal Garden Table to Gerry Tait on credit.

 <h1 style="text-align: center;">The Bill Jones Garden Centre</h1>	
<p>PRICE LIST 1/1/07 – 31/12/07</p>	
<p>Garden Chairs</p>	
Wood	£25.00 each
Plastic	£15.00 each
Wrought Iron	£20.00 each
<p>Garden Tables</p>	
Square	£35.00 each
Octagonal	£50.00 each
Round	£40.00 each
<p><b>TERMS</b> Trade Discount – 10 % Cash Discount – 5 % one month VAT – 17.5 %</p> <p><b>DELIVERY</b> £5.00 on orders under £200 FREE on orders over £200</p>	

- (a) Using the price list above, complete the Invoice (**on the Worksheet provided**) to be sent to Gerry Tait. 8
- (b) Explain **one** benefit to Bill Jones of offering Trade and Cash Discounts. 2
- (i) Trade Discount 2
- (ii) Cash Discount 2
- (c) Name **2** accounting documents (other than an Invoice) which could be used in credit transactions and explain their use. 8

**Apply VAT where appropriate at 17.5% throughout the paper.**

2. The following account balances appeared on 1 March 2007 in the ledger of Just Jim's, a sole trader.

Purchases	£2,450
Sales	£4,500
Creditor: A Black	£600
Bank	£2,700

(a) Enter the above balances into the appropriate accounts.

(b) Record the following transactions in the appropriate accounts.

- 02 March Purchased goods worth £100 plus VAT from K Smith, paying by cheque
- 03 March Returned goods costing £50 plus VAT to A Black
- 04 March The owner took £200 worth of goods for his own use
- 05 March Paid A Black £505 in full settlement of the amount owed

(c) Just Jim's may have to open a Suspense Account. Explain why this may be required and describe how it would be used.

(d) The owner of Just Jim's is considering expanding the business. Suggest **and** justify an alternative form of ownership which would assist this expansion.

(e) Identify **two** disadvantages to the owner of Just Jim's of the alternative form of ownership.

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**[Turn over**

3. The Bank Statement and Bank Account of Grindles plc are shown below.

		Dr	Cr	Balance
1/3/07	Balance		1,230	1,230
4/3/07	Deposit		550	1,780
5/3/07	00145	52		1,728
6/3/07	Insurance – SO	120		1,608
7/3/07	00146	220		1,388
9/3/07	Deposit		267	1,655
14/3/07	Cash	100		1,555
16/3/07	Deposit		300	1,855
18/3/07	00147	250		1,605
20/3/07	Cash	100		1,505
21/3/07	Electricity – DD	156		1,349
23/3/07	Deposit		300	1,649
26/3/07	00149	250		1,399
27/3/07	Dividends – BGC		500	1,899
28/3/07	Cash	100		1,799
29/3/07	Bank Charges	60		1,739

## 3. (continued)

BANK ACCOUNT				
Date	Details	Dr £	Cr £	Balance £
1/3/07	Balance	1,230		1,230
2/3/07	Sales	550		1,780
4/3/07	Travel Expenses		52	1,728
7/3/07	Purchases		220	1,508
9/3/07	Sales	267		1,775
14/3/07	Cash		10	1,765
15/3/07	Furniture		250	1,515
16/3/07	Sales	160		1,675
16/3/07	Sales	140		1,815
20/3/07	Cash		100	1,715
21/3/07	Postages		50	1,665
23/3/07	Sales	300		1,965
24/3/07	Repairs		45	1,920
24/3/07	Purchases		250	1,670
28/3/07	Cash		100	1,570
29/3/07	Sales	450		2,020

\*\*\* An error was discovered in the Bank Account on 14/3/07 \*\*\*

Using the Worksheet provided you are required to:

- (a) (i) update the Bank Account of Grindles plc; 7
- (ii) prepare a statement to reconcile the Updated Bank Account and Bank Statement balances. 7
- (b) State **one** reason why Grindles plc uses a Direct Debit to pay its electricity bill rather than a Standing Order. 2
- (c) State **one** reason why the bank deducted an amount for bank charges. 2
- (d) Grindles plc has issued both Ordinary and Preference Shares. Explain 3 important differences between these types of share. 6

[Turn over



5. Ronnie Muir owns a small engineering firm and his Balance Sheet is shown below.

**RM ENGINEERING**

**Balance Sheet as at 30 April 2007**

	£	£	£
		<b>PROV</b>	
<b>FIXED ASSETS</b>	<b>COST</b>	<b>FOR DEP</b>	<b>NBV</b>
Premises	30,000	0	30,000
Equipment	15,000	5,000	10,000
			40,000
 <b>CURRENT ASSETS</b>			
Stock	2,500		
Debtors	4000		
Less: Provision for Bad Debts	400		
	3,600		
Cash	500	6,600	
 <b>LESS CURRENT LIABILITIES</b>			
Creditors	1,800		
Bank	400	2,200	
<b>WORKING CAPITAL</b>			4,400
			£44,400
 <b>FINANCED BY</b>			
Capital at the beginning	40,000		
ADD Net Profit	10,000	50,000	
LESS Drawings		5,600	
Capital at the end			£44,400

- (a) Calculate **2** appropriate ratios to analyse the performance of the business.
- (b) Name **2** other ratios which could be used to analyse the final accounts and explain their significance.
- (c) Explain **2** reasons why a Provision for Bad Debts is created.
- (d) Identify **2** reasons why the “Capital at the end” may be less than the “Capital at the beginning”.

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**[Turn over for Question 6 on Page eight**

6. (a) From the following information, you are required to prepare the Cash Budget of Lucy Liu for the month of **September 2007**.

(1) At the end of August 2007 Lucy Liu estimates a Bank Balance of £13,000.

(2) <b>SALES</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>
	£10,000	£12,000	£8,000	£7,000

\* Sales are split 50% cash and 50% credit

\*\* Debtors pay on average one month after the month of sale

(3) Lucy Liu will take out a Bank Loan of £12,000 at the beginning of September to help pay for new equipment costing £15,000. This equipment will be paid for in September.

(4) <b>PURCHASES</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>
	£8,000	£10,000	£9,000	£6,000

\* All purchases are on credit and Lucy Liu takes full advantage of her 2 month credit term

(5) **RENT** Monthly rent of £200 is paid annually in September

(6) **SALARIES** Lucy Liu employs 2 workers at an annual salary of £15,000 each—this is paid monthly

(7) **OTHER COSTS** These amount to £3,000 per month

(b) State **one** benefit to Lucy Liu of preparing a Cash Budget.

(c) Explain why the cash balance might not change by the same amount as the profit made in that month.

(d) Explain the difference between Capital and Revenue Expenditure.

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[END OF QUESTION PAPER]



FOR OFFICIAL USE

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NATIONAL  
 QUALIFICATIONS 2007

FRIDAY, 25 MAY  
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ACCOUNTING AND  
 FINANCE  
 STANDARD GRADE  
 Credit Level  
 Worksheets for Questions 1(a)  
 and 3(a)

**Fill in these boxes and read what is printed below.**

Full name of centre

Town

Forename(s)

Surname

Date of birth

Day Month Year

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Scottish candidate number

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Number of seat

**To be inserted inside the front cover of the candidate's  
 answer book and returned with it.**



Worksheet for Question 1 (a)

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**INVOICE**



# The Bill Jones Garden Centre



53 Tinto Firs Road  
GLASGOW  
G15 7YZ

Telephone: 0141 944 4442  
Fax: 0141 944 2444  
Invoice Number: 1225

To: Gerry Tait  
245 Coastal Lane  
KILMARNOCK  
KA1 4RS

email: [bjonesgc@htp.co.uk](mailto:bjonesgc@htp.co.uk)  
VAT Number: 1543 236  
Date: 13 April 2007

Terms: 5% one month

Quantity	Description	Unit Price	Cost
		£      p	£      p
	TOTAL		
	Delivery		
	AMOUNT DUE		

**Working:**

**Worksheet for Question 3 (a)**

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3. (a) (i)

<b>UPDATED BANK ACCOUNT</b>				
<b>Date</b>	<b>Details</b>	<b>Dr £</b>	<b>Cr £</b>	<b>Balance £</b>

7

(ii) **Bank Reconciliation Statement for the month of March 2007**

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[END OF WORKSHEETS]

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