

0010/404

NATIONAL
QUALIFICATIONS
2008

WEDNESDAY, 28 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 a Worksheet for Question 1(a) has been provided.



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Apply VAT where appropriate at 17·5% throughout the paper.

1. You are employed by New World Computers. One of your duties is to send Statements of Account to customers at the end of the month.

New World Computers offers the following terms.

VAT	17·5%
Trade Discount	10%
Cash Discount	5% – 1 month

- (a) From the following information, complete the Statement of Account (**on the Worksheet provided**) to be sent to Electronic Retailers on 30 April 2008.

1 April	Electronic Retailers owed New World Computers £300·25
10 April	Sold goods on credit with a catalogue price of £250·00 (excluding VAT) to Electronic Retailers
15 April	Electronic Retailers paid New World Computers £286·15 by cheque in full settlement of the amount owed on 1 April
19 April	Electronic Retailers returned goods valued at £52·48 (including VAT) to New World Computers.

- (b) Name the documents that would have been sent to Electronic Retailers on 10 and 19 April and explain their use.

2. The following information was extracted from the accounts of the Old World Bowling Club.

Assets and Liabilities at 1 May 2007

Premises	£78,000
Bar Stocks	£2,950
Equipment	£12,500
Subscriptions Prepaid	£150
Creditor for Bar Stock	£225
Bank	£1,350

Receipts for year

Bar Sales	£52,334
Subscriptions Received	£10,625
Donations	£750
Competition Entry Fees	£900

Payments for year

Purchase of Equipment	£1,500
Bar Purchases	£25,000
Honorarium	£500
Competition Prizes	£475
Bar Wages	£10,500
Insurance	£600
Greenkeeper's Wages	£6,000
Repairs to Bar	£250

Assets and Liabilities at 30 April 2008

Premises	£78,000
Bar Stocks	£1,890
Equipment	£13,000
Subscriptions Owing	£800
Creditors for Bar Stock	£350
Bar Wages Owing	£200
Bank	£21,384

- (a) From the above information, you are required to prepare for the year ended 30 April 2008:
- (i) a Bar Trading Account;
 - (ii) an Income and Expenditure Account.
- (b) Explain the term "Honorarium" and justify its payment.
- (c) The club is considering buying land to create a new bowling green. State 3 sources of finance available to the club, other than a bank loan, and justify your choices.

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3. The following Estimated Profit Statement is based on the purchase and sale of 1,000 bicycles by A Murray, a sole trader.

	£	£
Sales		90,000
LESS COST OF SALES		
Purchases		<u>42,000</u>
		48,000
LESS EXPENSES		
Light & Heat	5,000	
Insurance	2,420	
Shop Assistant's Wages	10,080	
Rent	<u>12,500</u>	<u>30,000</u>
PROFIT		<u>£18,000</u>

- (a) Calculate the number of bicycles A Murray has to sell to break even.
- (b) Calculate how many bicycles A Murray will have to sell to break even if he decides not to employ the shop assistant.
- (c) If A Murray does not employ the shop assistant, how many bicycles will he need to sell to make a £36,000 profit?
- (d) Explain the difference between a Fixed Cost and a Variable Cost.
- (e) A Murray could expand his business by forming a Partnership. State 2 benefits and 2 drawbacks of doing this.

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4. The ledger of James Brown included the following balances on 1 May 2008.

Bank Overdraft	£350.00
Debtors: A Smith	£220.00
G Green	£424.00
VAT	£110.00 Cr

(a) Open the appropriate ledger accounts and enter the above balances.

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

2 May G Green purchased goods on credit costing £150 plus VAT

7 May A Smith was declared bankrupt and could only pay £0.25 in the £ of his debt – this amount was received by cheque

10 May £50 of the goods sold to G Green on 2 May were returned as they were damaged

(c) James Brown suffered a number of bad debts over the year. State how he could allow for this in future and what effect this would have on his final accounts.

(d) James Brown records ALL cash transactions in his Cash Account. State an alternative system he could use to record small items of expenditure and describe how this would operate.

[Turn over

5. Utopia plc is a herbal remedy shop. Below are the figures from last year's accounts.

Sales	£100,000
Purchases	£57,000
Opening Stock	£4,000
Closing Stock	£6,000
Expenses	£25,000

(a) Analyse the performance of the business using **3** appropriate ratios.

(b) State **2** ways of improving each of the following.

- Working Capital Ratio (Current Ratio)
- Return on Capital Invested

(c) State **3** benefits to Utopia plc of calculating ratios each year.

(d) Explain **3** differences between Ordinary Shares and Debentures.

6. (a) Name the account which should be opened to allow the final accounts to be prepared when the Trial Balance fails to agree.

(b) Even when the Trial Balance agrees there may still be errors in the ledger accounts. State **2** types of error which are not revealed by the Trial Balance and describe how they may have arisen.

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