

0010/404

NATIONAL
QUALIFICATIONS
2011

MONDAY, 30 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.



Marks

2. Maggie MacIntyre operates a small business buying and selling beauty products. The following balances were taken from her ledger on 1 March 2011.

Cash	£455.00
Bank Overdraft	£220.00
Equipment	£2,100.00

(a) Open the accounts with the above balances.

(b) Record the following transactions in the ledger.

- | | |
|----------|---|
| 2 March | Paid by cheque for 4 desktop fans for office use. Fans cost £30.00 each plus VAT |
| 4 March | Maggie decided to take one of the fans purchased on 2 March for her own use at home |
| 6 March | Cash sales £200.00 plus VAT |
| 8 March | One of the fans bought on 2 March was returned as it was faulty. A cash refund was received |
| 10 March | Maggie kept £50.00 cash in the till and transferred the rest to the bank |

(c) At the moment, Maggie operates her business on a strictly “cash only” basis ie all customers pay at the time of sale. Suggest **2** benefits and **2** costs of operating on a credit basis.

(d) Maggie is also a member of her local Tennis Club. The club only provides its members with a Receipts and Payments Account. Maggie has complained that this does not provide enough information. Suggest **2** other Financial Statements which could be provided and explain their significance.

KU	HI
	3
	14
	8
	6

[Turn over

Marks

3. JMac plc make and sell hamburgers for the catering trade. The following Profit Statement relates to last month when 30,000 hamburgers were made and sold.

Profit Statement

	£	£
Sales		15,000
Less Cost of sales		9,000
		6,000
Less Expenses		
Rent	2,000	
Insurance	200	
Wages	1,800	4,000
Profit		2,000

- (a) Calculate how many hamburgers JMac plc must sell to break even. 7
- (b) Wages are expected to increase to £2,000 next month. Calculate how many hamburgers JMac plc will have to sell to break even. 4
- (c) If the wages rise, as expected, calculate how many hamburgers JMac plc will have to sell to make a profit of £5,000. 4
- (d) State the effect each of the following will have on the break-even-point and explain why.
- (i) Selling price increases while all costs remain the same.
- (ii) Cost of sales decreases while all other costs and selling price remain constant. 6
- (e) (i) Suggest **2** sources of finance, **that are only available to a plc**, which would allow JMac plc to expand.
- (ii) Give **one** advantage and **one** disadvantage of each source suggested. **(Advantages/disadvantages of each source must be different.)** 10

	KU	HI

Marks

4. Malcolm Docherty operates a small fishing supplies business called “Flies Are Us”. The following information was extracted from his ledger on 30 April 2011.

	£
Purchases	24,650
Debtors	3,000
Loan	2,000
Wages	20,000
Drawings	1,500
Stock – 1 May 2010	4,600
Carriage Out	350
Carriage In	175
Sales	73,250
Returns Out	900
Electricity	1,540
Provision for Depreciation of Van	3,000
Van (at cost)	10,000
Bad Debts	150
Rent Received	1,200
Provision for Bad Debts	200
Creditors	2,500
Loan Interest	200

NOTES

- Stock value at 30 April 2011 £5,000
- Electricity prepaid £90
- Wages accrued £1,000
- Provide for depreciation of the van at 15% on cost
- The provision for bad debts is to be adjusted to 10% of Debtors

(a) Select the necessary information and prepare the Trading, Profit and Loss Accounts for the year.

(b) Explain the difference between the following terms.

- (i) Carriage In and Carriage Out
- (ii) Debtors and Creditors
- (iii) Bad Debts and Provision for Bad Debts

KU	HI
	23
	12

[Turn over

Marks

5. Brian and Pat Boyle run a corner shop. The total of the Dr column in the Trial Balance was £89,260 and the total of the Cr column was £90,152.

(a) Open the necessary account which will allow the Trial Balance to balance.

On checking the entries it was discovered that the following errors had been made.

- Sales Returns of £250 had been correctly entered in the Debtor and VAT Accounts, but had been recorded on the wrong side of the Sales Returns Account.
- Although recorded in the Bank Account, there was no other record made of £466 withdrawn by the owner Brian Boyle.
- Cash Sales of £240 were correctly entered in the Sales and VAT Accounts but recorded as £24 in the Cash Account.
- The Purchases Account was over-added by £290.

(b) Correct these errors showing **only** the necessary entries to be made in the account opened in part (a) above.

The following errors were discovered **after** the corrections above were made.

- Payment of £45 for the purchase of petrol for the Delivery Van was correctly entered in the Bank Account, but mistakenly entered in the Delivery Vans Account.
- Purchases of £157 on credit from Jack Green had been recorded in the account Jim Green.

(c) State the name given to each of the above types of error.

(d) Describe **2** other types of error which would not have been detected by the Trial Balance.

(e) Explain why the above errors would not have been detected by the Trial Balance.

KU	HI
	2
	6
	2
	4
	2

Marks

6. The following information was extracted from the Balance Sheets of 2 firms in the same line of business.

	Peddlers	Cycling World
Fixed Assets	£100,000	£40,000
Current Assets	£11,000	£4,500
Current Liabilities	£7,750	£1,500
Working Capital	£3,250	£3,000
	£103,250	£43,000
Financed by		
Opening Capital	£85,000	£30,000
Net Profit	£35,000	£25,000
	£120,000	£55,000
Drawings	£16,750	£12,000
Closing Capital	£103,250	£43,000

- (a) Calculate appropriate ratios for both firms. 8
- (b) Name and explain the possible use of 2 other accounting ratios.
(Give a different use for each ratio named.) 6
- (c) Identify the type of business organisation of the 2 firms above. Give a reason to support your answer. 3
- (d) State 2 reasons why “Closing Capital” may be less than “Opening Capital”. 4
- (e) Suggest 2 banking services a business could use to pay an electricity bill and justify the most appropriate service. 4

[END OF QUESTION PAPER]

[BLANK PAGE]

FOR OFFICIAL USE

--	--	--	--	--	--

C

0010/405

NATIONAL MONDAY, 30 MAY
QUALIFICATIONS 1.00 PM – 2.45 PM
2011

ACCOUNTING AND
FINANCE
STANDARD GRADE
Credit Level
Worksheet for Question 1(a)

Fill in these boxes and read what is printed below.

Full name of centre

Town

Forename

Surname

Date of birth

Day Month Year

--	--	--	--	--	--

Scottish candidate number

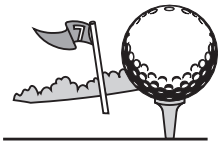
--	--	--	--	--	--	--	--	--	--

Number of seat

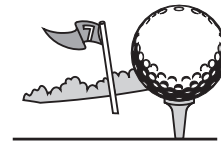
To be inserted inside the front cover of the candidate's
answer book and returned with it.



ROBERT & TOMMY ROSE



18 Fairview Road
GLASGOW
G19 4FR



Telephone: 0141-423-1212

Fax: 0141-423-2112

e-mail: old@linkscourse.com

STATEMENT OF ACCOUNT

Date: 31 March 2011

VAT Number: 135 787 337

Terry Woods
"The Bunker"
AYR
ST1 1AR

Date	Details	Dr £	Cr £	Balance £

The last amount in the balance column represents the amount now due ↑