
NATIONAL
QUALIFICATIONS
2010

ACCOUNTING AND FINANCE
STANDARD GRADE
PROJECT
Credit Level

TITLE: Well Being Centre plc

**SOLUTIONS AND SUGGESTED
MARKING SCHEME**

**The contents of this document MUST NOT be divulged
to any candidate.**

Task 1

		£	£	£	
Stock Account		Dr	Cr	Bal	
1-Oct	Balance	1	2,000.00		2,000.00 Dr 1
Centre Takings Account					
1-Oct	Balance		1	205,205.38	205,205.38 Cr
5-Oct	Bank		1	3,325.10	208,530.48 Cr
12-Oct	Bank		1	3,465.70	211,996.18 Cr
19-Oct	Bank		1	4,039.21	216,035.39 Cr
26-Oct	Bank		1	3,225.10	219,260.49 Cr
31-Oct	Cash		1	1,739.51	221,000.00 Cr 6
Shop Sales Account					
1-Oct	Balance		1	48,783.61	48,783.61 Cr
5-Oct	Bank		1	872.34	49,655.95 Cr
12-Oct	Royston Badminton Club		1	144.00	49,799.95 Cr
12-Oct	Bank		1	901.38	50,701.33 Cr
19-Oct	Bank		1	884.21	51,585.54 Cr
26-Oct	Bank		1	654.29	52,239.83 Cr
31-Oct	Cash		1	210.17	52,450.00 Cr 7
Shop Purchases Account					
1-Oct	Balance	1	68,975.75		68,975.75 Dr
8-Oct	Bank	1	2,132.00		71,107.75 Dr
21-Oct	Berock Supplies	1	527.25		71,635.00 Dr
31-Oct	Fixed Assets		1	40,000.00	31,635.00 Dr 4
Shop Sales Returns Account					
1-Oct	Balance	1	1,206.00		1,206.00 Dr
18-Oct	Royston Badminton Club	1	24.00		1,230.00 Dr 2
Shop Purchases Returns Account					
1-Oct	Balance		1	780.00	780.00 Cr 1
Carriage In Account					
1-Oct	Balance	1	220.00		220.00 Dr 1
Discount Received Account					
1-Oct	Balance		1	3,135.00	3,135.00 Cr
22-Oct	Lynsey's Sports		1	15.00	3,150.00 Cr 2
Discount Allowed Account					
1-Oct	Balance	1	2,474.00		2,474.00 Dr
31-Oct	Royston Badminton Club	1	6.00		2,480.00 Dr 2

		£	£	£	
Wages Account		Dr	Cr	Bal	
1-Oct	Balance	1 114,220.00		114,220.00	Dr
31-Oct	Bank	1 9,980.00		124,200.00	Dr
31-Oct	Cash	1 800.00		125,000.00	Dr
Insurance Account					
1-Oct	Balance	1 7,500.00		7,500.00	Dr
31-Oct	Bank	1 9,000.00		16,500.00	Dr
General Expenses Account					
1-Oct	Balance	1 39,590.00		39,590.00	Dr
27-Oct	Bank	1 4,984.00		44,574.00	Dr
31-Oct	Suspense		1 360.00	44,214.00	Dr
Bad Debts Account					
1-Oct	Balance	1 965.00		965.00	Dr
31-Oct	Glen Enterprises	1 1,575.00		2,540.00	Dr
Fixed Assets Account					
1-Oct	Balance	1 277,200.00		277,200.00	Dr
9-Oct	Healthwise Exercise	1 2,800.00		280,000.00	Dr
31-Oct	Purchases	1 40,000.00		320,000.00	Dr
Provision for Depreciation Account					
1-Oct	Balance		1 70,000.00	70,000.00	Cr
Don Council Account					
1-Oct	Balance	1 6,700.00		6,700.00	Dr
Glen Enterprises Account					
1-Oct	Balance	1 2,100.00		2,100.00	Dr
31-Oct	Bank		2 525.00	1,575.00	
31-Oct	Bad Debts		1 1,575.00	0.00	
Lynsey's Sports Account					
1-Oct	Balance		1 2,360.00	2,360.00	Cr
22-Oct	Bank	1 2,345.00		15.00	Cr
22-Oct	Discount received	1 15.00		0.00	Cr
Healthwise Exercise Account					
1-Oct	Balance		1 4,210.00	4,210.00	Cr
9-Oct	Fixed Assets and VAT		1 3,290.00	7,500.00	Cr

		£	£	£	
Berock Supplies Account		Dr	Cr	Bal	
1-Oct	Balance		1 1,475.49	1,475.49	Cr
21-Oct	Shop Purchases and VAT		1 619.51	2,095.00	Cr
Bank Account					
1-Oct	Balance	1 37,750.91		37,750.91	Dr
5-Oct	Sales—Shop and VAT	1 1,024.99		38,775.90	Dr
5-Oct	Centre Takings and VAT	1 3,906.99		42,682.89	Dr
8-Oct	Purchases and VAT		1 2,505.10	40,177.79	Dr
12-Oct	Sales—Shop and VAT	1 1,059.12		41,236.91	Dr
12-Oct	Centre Takings and VAT	1 4,072.19		45,309.10	Dr
19-Oct	Sales—Shop and VAT	1 1,038.94		46,348.04	Dr
19-Oct	Centre Takings and VAT	1 4,746.07		51,094.11	Dr
22-Oct	Lynsey's Sports		1 2,345.00	48,749.11	Dr
26-Oct	Sales—Shop and VAT	1 768.79		49,517.90	Dr
26-Oct	Centre Takings and VAT	1 3,789.49		53,307.39	Dr
27-Oct	General Expenses and VAT		1 5,856.20	47,451.19	Dr
31-Oct	Wages		1 9,980.00	37,471.19	Dr
31-Oct	Glen Enterprises	1 525.00		37,996.19	Dr
31-Oct	Cash	1 1,490.86		39,487.05	Dr
31-Oct	Suspense	1 1,240.00		40,727.05	Dr
31-Oct	Insurance		1 9,000.00	31,727.05	Dr
31-Oct	Royston Badminton Club	1 133.95		31,861.00	Dr
31-Oct	Bank Charges (or General Expenses)		1 86.00	31,775.00	Dr
Cash Account					
1-Oct	Balance	1 1,500.00		1,500.00	Dr
31-Oct	Wages		1 800.00	700.00	Dr
31-Oct	Sales—Shop and VAT	1 246.94		946.94	Dr
31-Oct	Centre Receipts and VAT	1 2,043.92		2,990.86	Dr
31-Oct	Bank		2 1,490.86	1,500.00	Dr
10% Debentures Account					
1-Oct	Balance		1 40,000.00	40,000.00	Cr
Debenture Interest Account					
1-Oct	Balance	1 3,000.00		3,000.00	Dr
Ordinary Share Capital Account					
1-Oct	Balance		1 120,000.00	120,000.00	Cr
8% Preference Share Capital Account					
1-Oct	Balance		1 50,000.00	50,000.00	Cr
Interim Ordinary Dividend Account					
1-Oct	Balance	1 6,000.00		6,000.00	Dr

		£	£	£		
		Dr	Cr	Bal		
Unappropriated Profits Account						
1-Oct	Balance		1	22,580.00	22,580.00	Cr 1
VAT Account						
1-Oct	Balance		1	3,752.18	3,752.18	Cr
5-Oct	Bank		1	152.65	3,904.83	Cr
5-Oct	Bank		1	581.89	4,486.72	Cr
8-Oct	Bank	1	373.10		4,113.62	Cr
9-Oct	Healthwise Exercise	1	490.00		3,623.62	Cr
12-Oct	Royston Badminton Club		1	23.94	3,647.56	Cr
12-Oct	Bank		1	157.74	3,805.30	Cr
12-Oct	Bank		1	606.49	4,411.79	Cr
18-Oct	Royston Badminton Club	1	3.99		4,407.80	Cr
19-Oct	Bank		1	154.73	4,562.53	Cr
19-Oct	Bank		1	706.86	5,269.39	Cr
21-Oct	Berock Supplies	1	92.26		5,177.13	Cr
26-Oct	Bank		1	114.50	5,291.63	Cr
26-Oct	Bank		1	564.39	5,856.02	Cr
27-Oct	Bank	1	872.20		4,983.82	Cr
31-Oct	Cash		1	36.77	5,020.59	Cr
31-Oct	Cash		1	304.41	5,325.00	Cr 17
Suspense Account						
1-Oct	Balance	2	880.00		880.00	Dr
31-Oct	Bank		1	1,240.00	360.00	Cr
31-Oct	General Expenses	1	360.00		0.00	4
Royston Badminton Club Account						
12-Oct	Shop Sales and VAT	1	167.94		167.94	Dr
18-Oct	Shop Returns and VAT		1	27.99	139.95	Dr
31-Oct	Bank		1	133.95	6.00	Dr
31-Oct	Discount Allowed		1	6.00	0.00	4
Bank Charges (or General Expenses) Account						
31-Oct	Bank	1	86.00		86.00	Dr 1

(109)

Task 2

Bank Reconciliation Statement as at 31 October 2009 1			
		£	£
Balance as per Bank Statement			42,084.14 1
Add deposits not yet credited:			
Cash	1	1,490.86	
Glen Enterprises	1	525.00	
			2,015.86
			44,100.00 1
Less unpresented cheques:			
Lynsey's Sports	1	2,345.00	
Wages	1	9,980.00	
			12,325.00
Balance as per Bank Account			£31,775.00 1
		Balance labels	1 (9)
OR			
OR			
Bank Reconciliation Statement as at 31 October 2009 1			
		£	£
Balance as per Bank Account			31,775.00 1
Less deposits not yet credited			
Cash	1	1,490.86	
Glen Enterprises	1	525.00	
			2,015.86
			29,759.14 1
Add unpresented cheques			
Lynsey's Sports	1	2,345.00	
Wages	1	9,980.00	
			12,325.00
Balance as per Bank Statement			£42,084.14 1
		Balance labels	1 (9)

Task 3

Trial Balance as at 31 October 2009		
	Dr	Cr
	£	£
Stock Account	2,000.00	1
Centre Takings Account		221,000.00 1
Shop Sales Account		52,450.00 1
Shop Purchases Account	31,635.00	1
Shop Sales Returns Account	1,230.00	1
Shop Purchases Returns Account		780.00 1
Carriage In Account	220.00	1
Discount Received Account		3,150.00 1
Discount Allowed Account	2,480.00	1
Wages Account	125,000.00	1
Insurance Account	16,500.00	1
General Expenses Account	44,214.00	1
Bad Debts Account	2,540.00	1
Fixed Assets Accounts	320,000.00	1
Provision for Depreciation Account		70,000.00 1
Don Council Account	6,700.00	1
Healthwise Exercise Account		7,500.00 1
Berock Supplies Account		2,095.00 1
Bank Account	31,775.00	1
Cash Account	1,500.00	1
10% Debentures Account		40,000.00 1
Debenture Interest Account	3,000.00	1
Ordinary Share Capital Account		120,000.00 1
8% Preference Share Capital Account		50,000.00 1
Interim Ordinary Dividend Account	6,000.00	1
Unappropriated Profits Account		22,580.00 1
VAT Account		5,325.00 1
Bank Charges (or General Expenses) Account	86.00	1
	£594,880.00	£594,880.00 1

(29)

Task 4 (a)

Trading, Profit and Loss and Appropriation Account } 1			
for year ended 31 October 2009			
	£	£	£
Sales			52,450.00
less Returns In			1,230.00
			51,220.00
less Cost of Sales			
Opening Stock		2,000.00	
add Purchases	31,635.00		
less Returns Out	780.00		
	30,855.00		
add Carriage In	220.00		
		31,075.00	
		33,075.00	
less Closing Stock		4,100.00	
			28,975.00
Gross Profit			22,245.00
add Gains			
Centre Receipts			221,000.00
Discount Received			3,150.00
			246,395.00
less Expenses			
Discount Allowed		2,480.00	
Wages	125,000.00		
add due	2,500.00		
		127,500.00	
Insurance	16,500.00		
less Prepaid	8,250.00		
		8,250.00	
General Expenses		44,214.00	
Bad Debts		2,540.00	
Bank Charges		86.00	
Debenture Interest	3,000.00		
add Due	1,000.00		
		4,000.00	
Depreciation Fixed Assets		16,000.00	
Provision for Bad Debts		134.00	
			205,204.00
Net Profit			41,191.00
add Unappropriated Profit 1/11/08			22,580.00
			63,771.00
Dividends Paid			
Ordinary		6,000.00	
Dividends Proposed			
Preference	4,000.00		
Ordinary	14,400.00	18,400.00	
			24,400.00
Unappropriated Profit at 31/10/09			£39,371.00

Task 4 (b)

Balance Sheet as at 31 October 2009				
	Cost	Depreciation	Net Book Value	
	£	£	£	
Fixed Assets				
Fixed Assets	320,000.00	86,000.00	234,000.00	1
Current Assets				
Stock		4,100.00		1
Debtors	6,700.00			1
less Provision for Bad Debts	134.00	6,566.00		
Bank		31,775.00		1
Cash		1,500.00		1
Prepaid Insurance		8,250.00		1
		52,191.00		
less Current Liabilities				
Creditors*	9,595.00			2
VAT	5,325.00			1
Accrued Wages	2,500.00			1
Debenture Interest due	1,000.00			1
Proposed Dividends:				
Preference	4,000.00			1
Ordinary	14,400.00			1
		36,820.00		
			15,371.00	1
			249,371.00	1
less Long Term Liabilities**				
10% Debentures			40,000.00	1
			£209,371.00	
Financed by				
Issued Capital				
120,000 £1 Ordinary Shares			120,000.00	1
50,000 £1 8% Preference Shares			50,000.00	1
			170,000.00	
Reserves				
Profit and Loss/Unappropriated Profits			39,371.00	1
			£209,371.00	
* Creditors (7,500 + 2,095)				
** Accept Long Term Liabilities in Financed by section of the Balance Sheet				

(24)

Task 5 (a)

Shop				
Gross Profit Percentage	$\frac{\text{Gross Profit}}{\text{Sales}} \times 100\%$	$\frac{22,245.00}{51,220.00} \times 100\%$	$= \underline{\underline{43.43\%}}$	3
Average Stock	$\frac{\text{Opening Stock} + \text{Closing Stock}}{2}$	$\frac{2,000.00 + 4,100.00}{2}$	$= \underline{\underline{3,050.00}}$	4
Rate of Stock Turnover	$\frac{\text{Cost of Sales}}{\text{Average Stock}}$	$\frac{28,975.00}{3,050.00}$	$= \underline{\underline{9.5 \text{ times}}}$	3
Shop and Centre				
Shop and Centre Takings	$51,220.00 + 221,000.00 = \underline{\underline{272,220.00}}$			
Net Profit Percentage	$\frac{\text{Net Profit}}{\text{Sales}} \times 100\%$	$\frac{41,191.00}{272,220.00} \times 100\%$	$= \underline{\underline{15.13\%}}$	4
Working Capital Ratio	$\text{Current Assets} : \text{Current Liabilities}$			
	$52,191.00 : 36,820.00 = \underline{\underline{1.42 : 1}}$			3
Return on Capital (accept any of the answers below)				
	OR			
$\frac{\text{Net Profit}}{\text{Capital}}$	$\frac{41,191.00}{209,371.00}$	$\frac{41,191.00}{170,000.00}$	$\frac{41,191.00}{249,371.00}$	3
	$= \underline{\underline{19.67\%}}$	$= \underline{\underline{24.23\%}}$	$= \underline{\underline{16.52\%}}$	

Task 5 (b)

Ratio	Well Being plc	Industry average	
Gross Profit %	43·43%	40%	1
Comparison	Well Being plc better than industry average		1
Reason for difference	Higher selling price Lower cost price – better discounts		1
Suggestion	Get a cheaper supplier		1
Rate of Stock Turnover	9·50 times	12 times	1
Comparison	Well Being plc selling stock slower		1
Reason for difference	Holding more stock Selling price higher		1
Suggestion	Advertise more Reduce stock holding		1
Net Profit %	15·13%	18%	1
Comparison	Well Being plc lower than industry average		1
Reason for difference	Higher expenses		1
Suggestion	Reduce expenses eg Wages		1
Working Capital Ratio	1·42 : 1	1·8 : 1	1
Comparison	Well Being plc is worse than industry average		1
Reason for difference	Less current assets to cover current liabilities Pay more ordinary dividend Higher creditors		1
Suggestion	Sell off stock quickly to get in more cash		1
Return on Capital	19·67% 24·43% 16·52%	21%	1
Comparison	Well Being plc either better or worse depending on answer		1
Reason for difference	Worse — due to higher expenses — lower NP% Better — due to lower expenses — higher NP%		1
Suggestion	Reduce expenses to help increase Net Profit		1

Accept any other valid answer

(20)

Task 6*

	A	B	C	D	E	
1	Candidate's Name and School					
2						
3	Credit Task 6*					
4						
5	Cash Budget for 4 months — January to April 2010					
6		January	February	March	April	
7	Opening Balance	32,180	45,230	34,230	49,185	1
8						
9	Cash In					
10	Shop — Cash	1,050	1,200	1,275	1,300	4
11	Shop — Credit	4,350	3,150	3,600	3,825	4
12	Centre Takings	22,400	22,400	24,640	25,140	4
13						
14		59,980	71,980	63,745	79,450	
15	Cash Out					
16	Purchases	3,000	2,500	2,750	2,750	4
17	Wages	11,000	11,000	11,000	11,550	2
18	Light and Heat	750	750	810	810	2
19	Maintenance of Equipment		18,500			1
20	General Expenses		5,000		5,000	1
21						
22		14,750	37,750	14,560	20,110	
23						
24	Closing Balance	£45,230	£34,230	£49,185	£59,340	
25						
26						

(23)

Task 7**REPORT**

Amount available in bank account	
Bank Balance at end of april is £59,340	1
Need to keep £30,000 for running costs	1
£29,340 is available for expansion	1

Sources of finance already agreed	
Grant of £75,000 agreed	1

Shortfall to be financed	
Have $29,340 + 75,000 = £104,340$	2
Need $160,000 - 104,340 = £55,660$	2

3 possible methods of finance	
Issue more Shares	1
Issue Debentures	1
Bank Loan	1
Grant	1

(Any 3)

Justification of methods of finance	
• Issue £30,000 Preference Shares and £30,000 Ordinary Shares— Do not have to pay back— receive money straight away	2
• Debentures— Like a loan receive money immediately— have to pay interest— have to pay back at a later date	2
• Bank Loan— Will receive money immediately— have to repay with interest	2
• Grant— Does not need to be repaid	2

(Any 3)**(17)**