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NATIONAL  
QUALIFICATIONS  
2010

ACCOUNTING AND FINANCE  
STANDARD GRADE  
PROJECT  
Credit Level

**TITLE: Well Being Centre plc**

## Instructions to Candidates

1. This project is part of your assessment for Accounting and Finance.

The solution to the project **must** be your own work.

You are allowed to look at books and at work you have done before. You may also ask your teacher questions. However, the more of the project you are able to do correctly on your own, the greater your chance of a better award.

2. You **must not** take any project work or material out of school.
3. The project should take approximately 15 hours.
4. Your solution to the project **must** be in ink.
5. The tasks marked \* **must** be done on a computer. Take a printout of the completed work, mark it clearly with your name and school and attach it securely in your other solutions. If you wish, you may do all of the tasks on the computer.
6. The tasks marked \* **must** be attempted and evidence provided. If evidence is not provided, **no grade** may be awarded to the project and **no overall grade** may be awarded for Accounting and Finance.
7. It is important that your work is neat and tidy.

Candidates are reminded that work undertaken outwith the examination room which is submitted in fulfilment of the requirements of the examination must be the sole work of the candidate concerned. Where it is established that work submitted by a candidate has been done in whole or in part by another person, SQA may cancel the candidate's presentation in any or all of the subjects of presentation.

## Background

Well Being plc operates a sports and fitness centre which contains a shop selling specialist sports clothing and equipment.

You are employed as an Accounts Assistant and have been asked to assist with the preparation of the accounts for the year ended 31 October 2009.

The capital of Well Being plc is:

	<i>Authorised Share Capital</i>	<i>Issued Share Capital</i>
£1 Ordinary Shares	£150,000	£120,000
£1 8% Preference Shares	£80,000	£50,000

You are given a Trial Balance at the end of September 2009 and the documents and correspondence for the final month of the financial year.

### Task 1

- (a) Open the ledger accounts on 1 October 2009, to allow the final accounts to be produced, using the figures in the Trial Balance provided on page 4.
- (b) Record the transactions from the documents/correspondence contained in pages 5–14.

### Trial Balance as at 30 September 2009

	DR	CR
	£	£
Shop Stock (1/11/08)	2,000.00	
Centre Takings		205,205.38
Shop Sales		48,783.61
Shop Purchases	68,975.75	
Shop Sales Returns	1,206.00	
Shop Purchases Returns		780.00
Carriage In	220.00	
Discount Received		3,135.00
Discount Allowed	2,474.00	
Wages	114,220.00	
Insurance	7,500.00	
General Expenses	39,590.00	
Bad Debts	965.00	
Fixed Assets	277,200.00	
Provision for Depreciation (1/11/08)		70,000.00
Don Council	6,700.00	
Glen Enterprises	2,100.00	
Lynsey's Sports		2,360.00
Healthwise Exercise		4,210.00
Berock Supplies		1,475.49
Bank	37,750.91	
Cash	1,500.00	
10% Debentures		40,000.00
Debenture Interest	3,000.00	
Ordinary Shares		120,000.00
8% Preference Shares		50,000.00
Interim Ordinary Dividend	6,000.00	
Unappropriated Profit (1/11/08)		22,580.00
VAT		3,752.18
	<b>571,401.66</b>	<b>572,281.66</b>

# INVOICE

## BEROCK SUPPLIES

32 Vernon Drive  
EDINBURGH  
EH6 8JH



Tel No : 0131 5667 3421  
VAT Reg No: 3492 6458 6321

**To:** Well Being plc – Shop  
62 Anderson Road  
ABERDEEN  
AB7 8GH

**Invoice No:** 7653

**Date:** 21 October 2009

**Terms:** Net Monthly

Quantity	Description	Unit Cost	Total Amount
		£	£
4	Smith Badminton Racquets	52.00	208.00
5	Hogg's Squash Racquets	60.00	300.00
15	Boxes of Shuttlecocks	5.00	75.00
20	Boxes of Squash Balls	6.00	120.00
			703.00
	<b>Less 25% Trade Discount</b>		175.75
	<b>Net Goods Value</b>		527.25
	<b>VAT @ 17.5%</b>		92.26
	<b>TOTAL TO PAY</b>		<b>£619.51</b>

# INVOICE

*WELL BEING plc*  
 62 Anderson Road  
 ABERDEEN  
 AB7 8GH



Tel No: 01224 653 8754  
 VAT Reg No: 2342 7693 0964

**To:** Royston Badminton Club  
 Acquithie Street  
 Kemnay  
 AB51 5YG

**Invoice No:** 3518

**Date:** 12 October 2009

**Terms:** 5% Monthly

Quantity	Description	Unit Cost	Total Amount
12	Badminton Shirts	£ 15.00	£ 180.00
	Less 20% Trade Discount		36.00
	Net Goods Value		144.00
	VAT @ 17.5%		23.94
	<b>TOTAL TO PAY</b>		<b>£167.94</b>

## CREDIT NOTE

*WELL BEING plc*  
 62 Anderson Road  
 ABERDEEN  
 AB7 8GH



Tel No: 01224 653 8754  
 VAT Reg No: 2342 7693 0964

**To:** Royston Badminton Club  
 Acquithie Street  
 Kemnay  
 AB51 5YG

**Credit Note No:** 762

**Date:** 18 October 2009

**Terms:** 5% Monthly

Quantity	Description	Unit Cost	Total Amount
2	Badminton Shirts (faulty)	£ 15.00	£ 30.00
	Less 20% Trade Discount		6.00
	Net Goods Value		24.00
	VAT @ 17.5%		3.99
	<b>TOTAL RETURNED</b>		<b>£27.99</b>

# INVOICE

No: 59



## HEALTHWISE EXERCISE

Western Road  
LONDON  
LW4 8JH

Tel No: 02884 563 8764

VAT Reg No: 2990 1549 1654

**To:** Well Being plc  
62 Anderson Road  
ABERDEEN  
AB7 8GH

**Date:** 9 October 2009

**Terms:** Net

Quantity	Description	Unit Cost	Total Amount
		£	£
	Fitness Equipment as per order	<i>This is for centre use</i>	3,500.00
	Less 20% Trade Discount		700.00
<b>Net Goods Value</b>			2,800.00
<b>VAT @ 17.5%</b>			490.00
<b>TOTAL TO PAY</b>			<b>£3,290.00</b>



**MIDLAND BANK** plc

Cheque Counterfoil

8 October 20 09

Shop Purchases 2,132.00

VAT 373.10

£ 2,505.10

008834

**MIDLAND BANK** plc

Cheque Counterfoil

22 October 20 09

Lynsey's Sports

(in full settlement)

£ 2,345

008835

**MIDLAND BANK** plc

Cheque Counterfoil

27 October 20 09

Gen Expenses 4,984.00

VAT 872.20

£ 5,856.20

008836

**MIDLAND BANK** plc

Cheque Counterfoil

31 October 20 09

Wages

£ 9,980

008837

**CASH PAYMENT**

**TO** *Part time staff*

**FOR** *Wages*

**AMOUNT** *£800 (eight hundred pounds only)*

**DATE** *31 October 2009*

PAID

**Signature** *Clare Blain*

## Shop Sales and Centre Takings paid into Bank

5 October 2009	
Shop	£872.34
VAT	£152.65
<b>TOTAL</b>	<b>£1,024.99</b>
Centre	£3,325.10
VAT	£581.89
<b>TOTAL</b>	<b>£3,906.99</b>

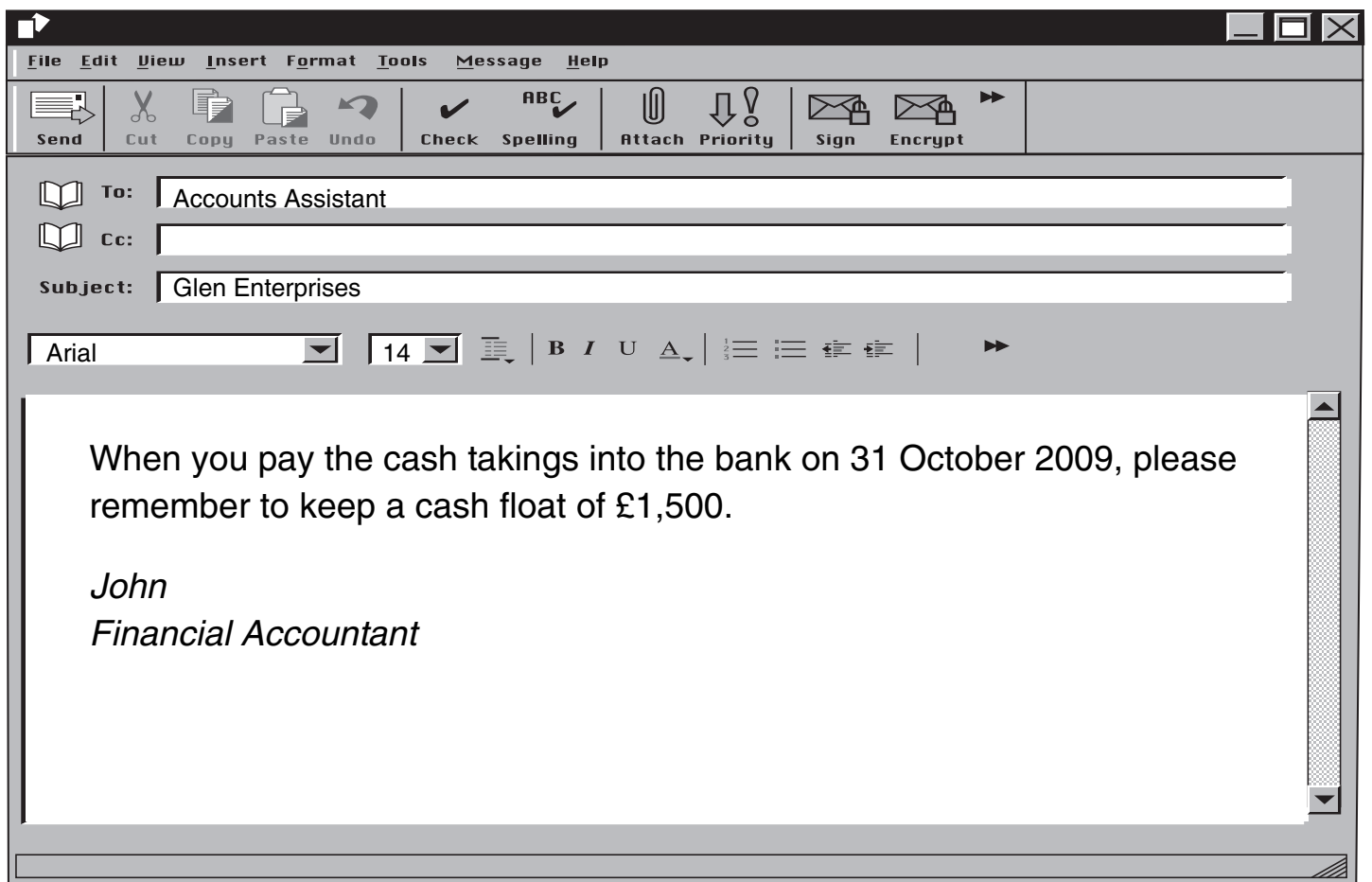
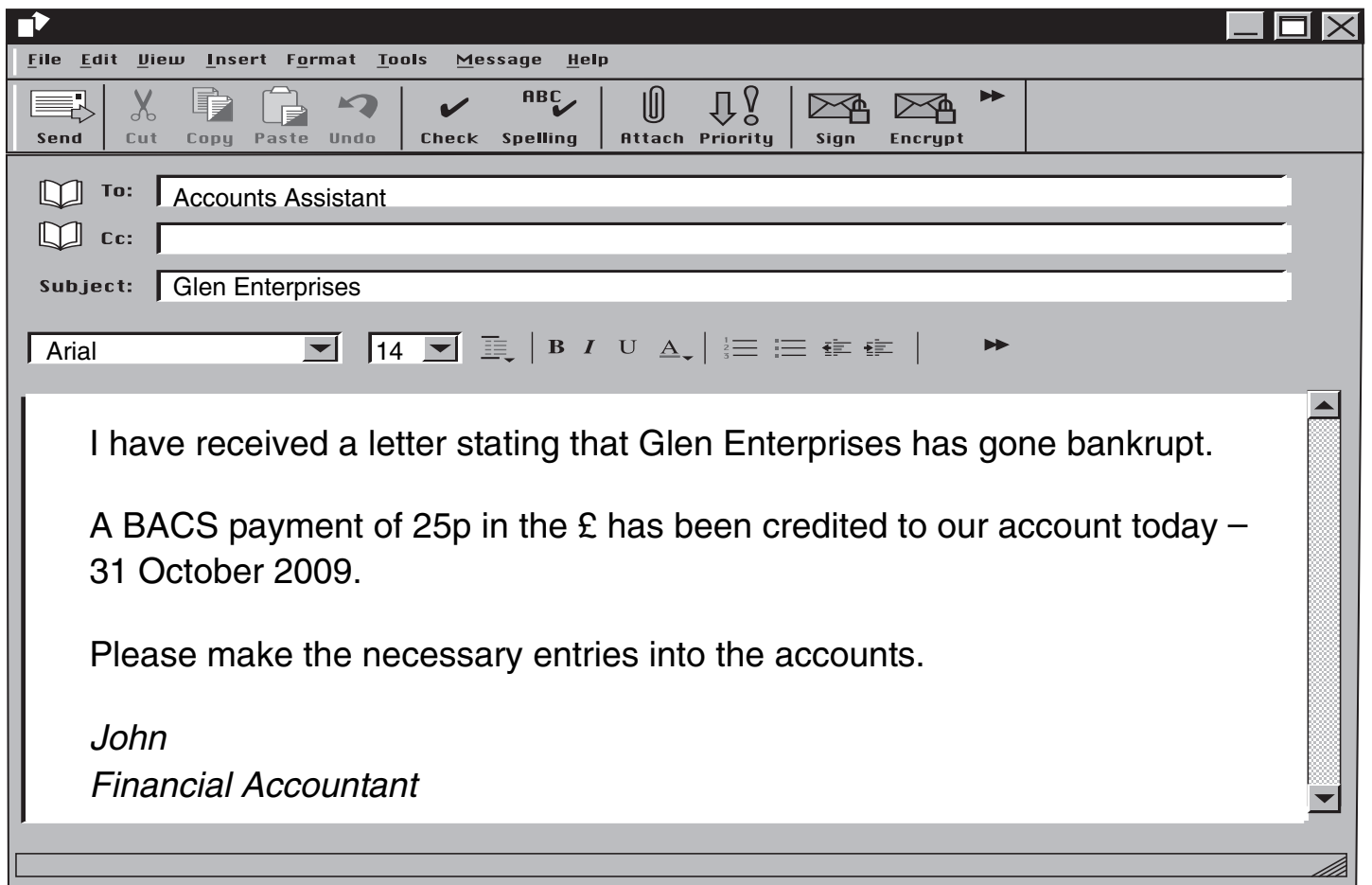
12 October 2009	
Shop	£901.38
VAT	£157.74
<b>TOTAL</b>	<b>£1,059.12</b>
Centre	£3,465.70
VAT	£606.49
<b>TOTAL</b>	<b>£4,072.19</b>

19 October 2009	
Shop	£884.21
VAT	£154.73
<b>TOTAL</b>	<b>£1,038.94</b>
Centre	£4,039.21
VAT	£706.86
<b>TOTAL</b>	<b>£4,746.07</b>

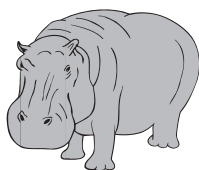
26 October 2009	
Shop	£654.29
VAT	£114.50
<b>TOTAL</b>	<b>£768.79</b>
Centre	£3,225.10
VAT	£564.39
<b>TOTAL</b>	<b>£3,789.49</b>

## Shop Sales and Centre Takings received in Cash from 27–31 October 2009

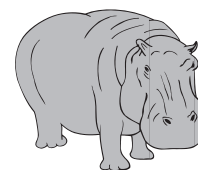
Shop	£210.17	Centre	£1,739.51
VAT	£36.77	VAT	£304.41
<b>TOTAL</b>	<b>£246.94</b>	<b>TOTAL</b>	<b>£2,043.92</b>



# HIPPO INSURANCE COMPANY



Hayfield Place  
GLASGOW  
GW34 8JY



Tel: 0141 776 5432  
E-mail: [enquiries@hippo.com](mailto:enquiries@hippo.com)  
Web site: [www.hippo.com](http://www.hippo.com)

GK/MM

18 September 2009

Well Being plc  
62 Anderson Road  
ABERDEEN  
AB7 8GH

Dear Sirs

*Policy No 543H8762310*

We would like to thank you for renewing your annual insurance with us and signing the direct debit mandate.

The insurance will run from 1 October 2009–30 September 2010. The annual premium is £9,000 and will be taken from your bank account in full on 1 October 2009.

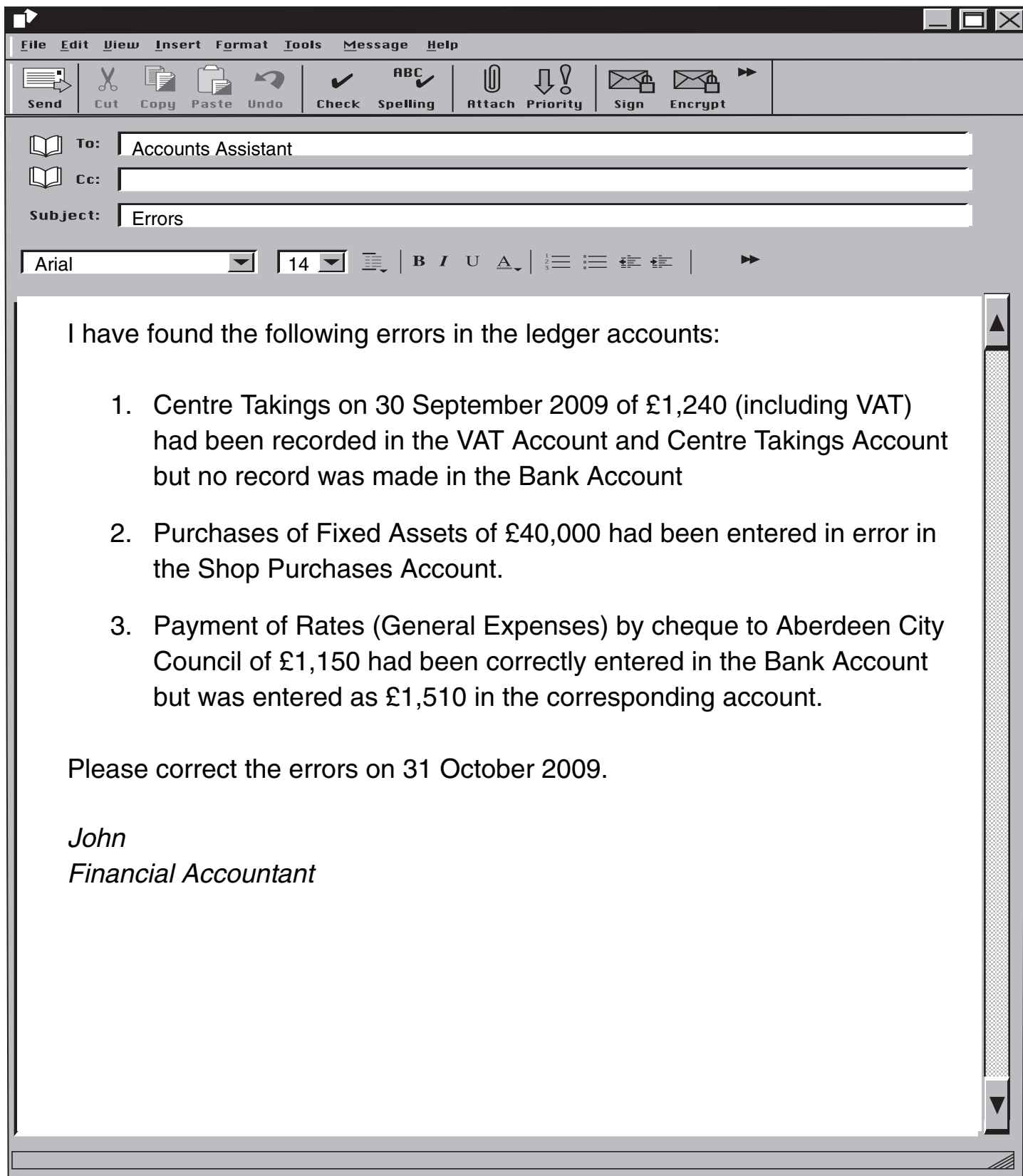
Please do not hesitate to contact us if you have any queries.

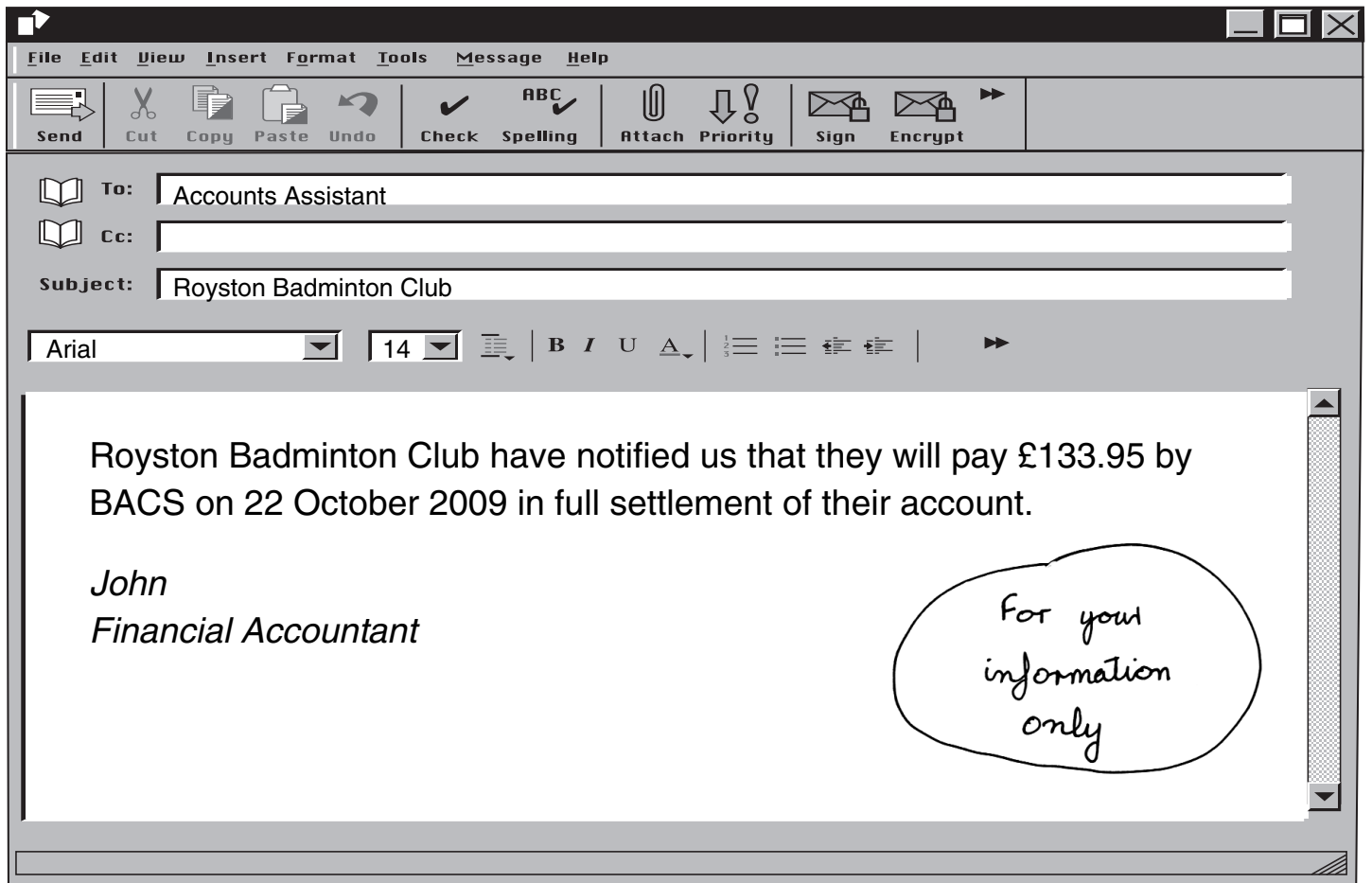
Yours faithfully

*George Keppie*

George Keppie  
Insurance Broker

*For your  
information  
only*

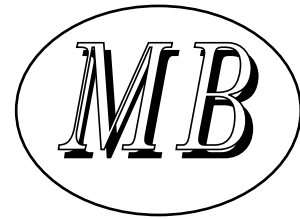




## The Bank Statement Arrives



**MIDLAND BANK** plc  
**Vincent Viaduct**  
**Aberdeen**



**Account No:** 00873440

**Branch Code:** 81-08-65

**Customer:** Well Being plc  
 62 Anderson Road  
 ABERDEEN  
 AB7 8GH

**Date:** 31 October 2009

Date	Particulars	Payments	Receipts	Balance
2009		£	£	£
1 October	Balance			37,750.91
	Deposit		1,240.00	38,990.91
	Insurance DD	9,000.00		29,990.91
6 October	Deposit		4,931.98	34,922.89
13 October	Deposit		5,131.31	40,054.20
13 October	Cheque 008834	2,505.10		37,549.10
20 October	Deposit		5,785.01	43,334.11
22 October	Royston Badminton Club (BACS)		133.95	43,468.06
27 October	Deposit		4,558.28	48,026.34
30 October	Bank Charges	86.00		47,940.34
31 October	Cheque 008836	5,856.20		42,084.14

**Abbreviations:** DD – Direct Debit  
 SO – Standing Order  
 DR – Overdraft

### Task 2

- Update the Bank Account and any other relevant ledger accounts on 31 October 2009.
- Prepare a Bank Reconciliation Statement as at 31 October 2009.

## Check the accuracy of the Ledger

All transactions have now been recorded in the ledger and it is time to check the accuracy of your work.

### Task 3

Draw up a Trial Balance as at 31 October 2009.

## Preparation of the Final Accounts

### Task 4

Using the Trial Balance as at 31 October 2009 and the notes below, prepare:

- (a) the Trading, Profit and Loss and Appropriation Accounts for Well Being plc for the year ended 31 October 2009 and
- (b) the Balance Sheet as at 31 October 2009.

### NOTES

- The Trading Account is for the Shop only. The Profit and Loss and Appropriation Accounts are for the whole organisation.
- Closing Stock is £4,100.
- Wages due £2,500.
- Fixed Assets to be depreciated by 5%.
- Debenture Interest to be paid in full.
- Create a Provision for Bad Debts—2% of Debtors.
- Insurance has been prepaid.

The Director's propose that:

- Preference Dividend is to be paid in full.
- Ordinary Shareholders are to be paid a final dividend of 12%.



## How has the business performed?

Average ratios for this type of organisation are as follows.

<b>Shop</b>		<b>Shop and Centre</b>	
Gross Profit Percentage	40%	Net Profit Percentage	18%
Rate of Stock Turnover	12 times	Working Capital Ratio	1·8 : 1
		Return on Capital	21%

### Task 5

(a) Calculate the ratios for Well Being plc (to 2 decimal places).

**NB:** Add Net Shop Sales and Centre Takings for use in the Net Profit Percentage.

(b) Prepare a report using the layout below:

- comparing each of Well Being plc's ratios with the industry average;
- giving a possible reason for any difference;
- making a suggestion for any improvements.

Ratio	Well Being plc	Industry Average
Gross Profit Percentage		
Comparison		
Reason for difference		
Suggestion		

## Cash Forecast

The Financial Accountant has asked you to prepare a Cash Budget to estimate the cash balance at the end of April 2010 from the following information.

The projected Bank Account balance at 1 January 2010 is £32,180.

## Projected Shop Sales Figures

	Dec	Jan	Feb	Mar	Apr
Credit Sales (£)	4,350	3,150	3,600	3,825	3,900
Cash Sales (£)	1,450	1,050	1,200	1,275	1,300

Credit customers pay one month after the month of sale.

## Projected Centre Takings

January — £22,400  
February — as January  
March — 10% increase on February  
April — £500 more than March

## Estimated Purchases

All purchases are on credit and suppliers are paid one month after goods are bought.

December — £3,000  
January — £500 less than December  
February — 10% more than January  
March — Same as February  
April — 12% more than March

## Monthly Expenses

The wage bill is £11,000 per month. A 5% wage increase is expected from 1 April.

Light and Heat is £750 per month. An 8% increase is expected from 1 March.

## Additional Expenses

Maintenance is carried out 3 times per year—in February, June and October. This costs the firm £55,500 per annum.

General Expenses are estimated at £30,000 per annum, paid every 2 months starting in February.

### **Task 6\***

Using your computer, open the file “CREDIT1” and enter your name and school in Cell A1.

- (a) Complete a Cash Budget for the 4 months, January to April 2010.
- (b) Save and print one copy of the Cash Budget.

## **Future Plans**

Well Being plc is planning to introduce a new health spa complete with sauna and treatment rooms. This will involve alterations to the building and the purchase of additional equipment.

The following information has been received from the Financial Accountant.

- the finance required is £160,000
- the local council will provide a grant of £75,000
- a balance of £30,000 should be kept in the bank to meet the following month’s commitments

### **Task 7**

Prepare a Report to the Financial Accountant stating the financial position of the company at the end of April 2010. Your Report must highlight:

- the amount available in the bank account;
- other sources of finance already agreed;
- the shortfall to be financed;
- 3 possible methods open to the company to raise the necessary finance;
- the justification for each of your choices.

[END OF PROJECT]