

0010/404

NATIONAL
QUALIFICATIONS
2010

MONDAY, 24 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

Apply VAT where appropriate at 17.5% throughout the paper.

1. Charles Dal is the owner of CD Plumbing Supplies. On 5 April 2010 he sold 3 × 3 m/25 mm Copper Pipe and 2 × Copper Angle Joints to R Greaves who operates as a small plumbing business.

<p>CD Plumbing Supplies</p> <p>PRICE LIST 1/1/10 – 31/12/10</p> 	
Copper Piping	
1 metre/25 mm	£5.00 each
3 metre/25 mm	£12.00 each
5 metre/25 mm	£18.00 each
Angle Joints	
Lead	£50.00 each
Stainless Steel	£30.00 each
Copper	£40.00 each
<p>TERMS Trade Discount – 10% Cash Discount – 5% one month VAT – 17.5%</p> <p>DELIVERY £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 R Greaves.
- (b) Explain the difference between Trade and Cash Discounts.
- (c) R Greaves may have to return some of the items purchased.
- (i) Name the document R Greaves would receive in the event of a return.
- (ii) Explain why R Greaves would not receive a cash refund in the event of a return.
- (d) Suggest and justify **2** sources of finance available to Charles Dal for expansion which will allow him to remain a Sole Trader. Give a different justification for each source.

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2. The following balances were extracted from the ledger of Kathleen Fitzpatrick on 1 May 2010.

Sales	£12,250
Purchases	£3,560
Bank	£6,220
Machinery	£25,600

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

(b) Record the following transactions, opening new accounts as necessary.

- 2 May Sent an invoice to Maureen Prescott for £4,000, plus VAT
- 4 May Sent a Credit Note to Maureen Prescott for £200, plus VAT
- 7 May Maureen Prescott is declared bankrupt and as a result:
- her solicitor sends a cheque for £500
 - a machine with a value of £2,000 is accepted in part payment
 - the outstanding amount is to be written off.

(c) Kathleen Fitzpatrick is concerned about the possibility of bad debts.

Explain how the business might decide to deal with any future bad debts and state **2** effects this would have on the final accounts.

(d) When Kathleen Fitzpatrick extracted a Trial Balance from her accounts it failed to balance. Name the account which should be opened and explain how this would operate.

(e) The machinery owned by Kathleen Fitzpatrick may have to be depreciated.

Explain what depreciation is and state **2** reasons why businesses will provide for it.

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3. Gardening Direct plc operates a large gardening centre in Scotland. Its Bank/Cash balance at the end of June 2010 is estimated at £2,500.

It has Issued Share Capital of:

250,000 Ordinary Shares of £1
120,000 5% Preference Shares of £1.

The following estimates have been supplied.

Sales: May	£31,500	Purchases: May	£20,000
June	£37,250	June	£24,300
July	£42,000	July	£28,780
August	£34,000	August	£23,000
Rent	£ 2,400 per annum	Insurance	£1,200 per annum
Wages	£18,000 per annum	Electricity	£1,200 per annum

NOTES

- (1) The directors will pay an interim dividend of 50% of the amount due to Preference Shareholders in July. In August, the Ordinary Shareholders will receive an interim dividend of 2%.
 - (2) Sales figures include Cash and Credit sales. Cash sales are £5,000 per month. Credit customers will pay one month after the month of sale.
 - (3) Purchases, which are all on credit, will be paid 2 months after the month of purchase.
 - (4) All other expenses are paid monthly.
 - (5) A new Delivery Van will be purchased for £12,000, a deposit of 25% will be paid in July and the remainder will be paid in September.
- (a) Using the above estimates and notes, prepare the Cash Budget for July and August 2010.
 - (b) Explain 2 benefits to Gardening Direct plc of preparing a Cash Budget.
 - (c) Explain 3 differences between Ordinary and Preference Shares.
 - (d) Suggest and justify an **alternative** method of financing the purchase of the new van.

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4. On 31 May 2010 the Bank Account of the Hi Wave Surfing Club showed a balance of £352·40. On the same date, the balance on the club's Bank Statement showed a Credit balance of £2,962·90.

On checking the Bank Statement against the Bank Account the Treasurer found the following differences.

- (1) A Standing Order of £84·50, for rent of the Club's premises, appears only on the Bank Statement.
 - (2) Subscriptions of £500·00 received by the Club only appears in the Bank Account.
 - (3) Cheques paid to Surfequip plc for £150·00 and Speed Boatbuilders for £2,500·00 do not appear on the Bank Statement.
 - (4) A cash withdrawal of £200·00 was correctly recorded in the Bank Statement but entered in the Bank Account as £20·00.
 - (5) Bank Charges for the month amounted to £25·00.
 - (6) A donation of £750·00 had been paid directly into the Bank Account by BGC.
- (a) (i) Update the Club's Bank Account.
- (ii) Prepare a Bank Reconciliation Statement to reconcile the balance in the Bank Statement with the corrected Bank Account balance.
- (b) The Hi Wave Surfing Club has used a Standing Order to pay some of its bills. Suggest another banking service it could have used and state how this would operate.
- (c) The Treasurer of the Club may receive an honorarium from the Club. Explain the term honorarium.
- (d) The Treasurer of the Club has prepared a Receipts and Payments Account and a Cash Budget. Name 2 additional financial statements which should be presented annually at the AGM and explain why they are prepared.

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5. The following accounting data was provided by Niven & Brown on 30 April 2010.

Capital account balances 1 April 2009

Niven £90,000
Brown £30,000

Current account balances 1 April 2009

Niven £4,500 dr
Brown £1,900

Net Profit for the year to 31 March 2010 £23,500

The Partnership Agreement states the following.

- Drawings of £2,500 are to be taken in full by Niven only
- Brown is entitled to a Partnership Salary of £3,500
- Interest on Capital of 10% is to be allowed to partners
- Profits and Losses are shared in proportion to Capital

(a) Using the above information you are required to prepare:

- (i) the Appropriation Account for year ended 31 March 2010;
- (ii) a Current Account for each partner.

(b) State **2** benefits and **2** costs of operating as a Partnership rather than being Sole Traders.

(c) Suggest **one** reason why Brown is the only partner entitled to a Partnership Salary.

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6. The following figures have been extracted from the ledger of Brian Boyle Bicycles.

Sales	£120,000
Opening Stock	£6,500
Purchases	£101,000
Closing Stock	£5,500
Gross Profit	£18,000
Expenses	£15,000
Net Profit	£3,000

Figures for the “average firm” in Brian Boyle’s line of business are as follows.

- Net Profit % 8%
- Rate of Stock Turnover 15 times

- (a) You are required to calculate the **above** ratios for Brian Boyle’s business. 10
- (b) State **one** possible reason for the differences between Brian Boyle’s business and the “average firm” for **each** ratio calculated. Give a different reason for each one. 4
- (c) Name **2 other** ratios that Brian Boyle could calculate from his final Accounts. Explain his reason for calculating each of these ratios. 6

[END OF QUESTION PAPER]

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FOR OFFICIAL USE

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NATIONAL MONDAY, 24 MAY
QUALIFICATIONS 1.00 PM – 2.45 PM
2010

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

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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.**



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Worksheet for Question 1(a)

INVOICE

CD
Plumbing Supplies
22 Canal Lane
Knightswood
G17 7TG



Telephone: 0141 959 2197

e-mail: cdplumb@LOL

Invoice Number: 2123

VAT Number: 129 236

To: R Greaves
Golf View
The Village
G15 6RP

Date: 05 April 2010

Terms: 5% one month

Quantity	Description	Unit Price		Cost	
		£	p	£	p

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[END OF WORKSHEET]