## 0010/31/01

NATIONAL QUALIFICATIONS 2013

TUESDAY, 4 JUNE
$1.00 \mathrm{PM}-2.45 \mathrm{PM}$

# ACCOUNTING AND FINANCE <br> 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 Worksheet for Question 1(a) has been provided.

## Apply VAT where appropriate at $20 \%$ throughout the paper.

1. James Wann is the owner of Scottish Salon Suppliers. On 9 April 2013 he sold 8 Volume Conditioners and 3 Mega M50 Hairdryers to Julia Morgan who runs her own hairdressing salon.

| SCOTTISH SALON SUPPLIERS |  |  |  |
| :---: | :---: | :---: | :---: |
| PRICELIST FOR 2013 |  |  |  |
| Shampoo |  | Conditioner |  |
| Moisturising 300 ml | $£ 4.00$ | Shine 500 ml | £5.00 |
| Volumising 300 ml | £5.50 | Repair 500 ml | £6.00 |
| Colour Protect 300 ml | £6.00 | Volume 500 ml | £8.75 |
| Brushes |  | Hairdryers |  |
| Ceramic Brush | £8.00 | Turbo 220 | £32.00 |
| Vent Brush | £4.00 | Mega M50 | £40.00 |
| Curling Brush | £6.00 | UltraPro | £25.00 |
| TERMS: |  | DELIVERY: |  |
| Trade Discount - 10\% Cash Discount - 5\% one month VAT - 20\% |  | $£ 10.00$ on orders under $£ 250$ <br> FREE on orders of $£ 250$ or more |  |

(a) Using the information from the Price List above, complete the Invoice to be sent to Julia Morgan (on the Worksheet provided).
(b) State 2 reasons why James would keep a copy of the invoice sent to Julia Morgan on 9 April 2013.
(c) Identify 2 accounting documents, other than an Invoice, which James could use in credit transactions. Explain their use.
(d) James plans to expand his business. Identify 2 sources of finance that could fund this without James having to share control of the business. Suggest one advantage and one disadvantage of each source. Advantages and disadvantages of each source of finance must be different.
2. Ternan plc provided the following financial information as at 31 March 2013 after the Trading, Profit and Loss Accounts have been prepared.

## $£ 000$

Net Profit 56
Equipment 230
VAT (CR) 16
Unappropriated Profit at 1 April 201228
Debtors 40
Interim Preference Dividend 2
Creditors 22
5\% Debentures 20
Stock at 31 March 2013130
Bank 50
Issued Share Capital: $10 \%$ Preference Shares $(80,000) 80$
Ordinary Shares (200,000) 200
Provision for Bad Debts 6
Insurance prepaid 8
Provision for Depreciation of Equipment 26
Rent Owing 5
Debenture Interest due 1
The Board of Directors proposed that:

- an Ordinary Share dividend of $4 \%$ is to be paid in full
- the Preference Share dividend is to be paid in full
(a) Prepare Ternan plc's Appropriation Account and Balance Sheet using the above information.
(b) Ternan plc offers Trade and Cash Discounts. Explain one benefit of each to the company.
(c) Explain the difference between Bad Debts and Provision for Bad Debts.
(d) A profitable business can suffer liquidity problems. Suggest 2 reasons why this could arise.

3. (a) Using the information below, make the necessary entries in the ledger accounts of Crathes Crafts.

## Ledger balances as at 1 March 2013

| Credit: R Cook | $£ 420$ |
| :--- | ---: |
| Bank Overdraft | $£ 850$ |
| Office Equipment | $£ 3,500$ |

5 March Bought goods on credit from R Cook $£ 280$ plus VAT
12 March Paid for repairs to office equipment by cheque - £150 plus VAT

21 March Bought new printers on credit from DB Office Supplies $£ 960$ plus VAT
24 March Paid R Cook $£ 300$ on account by cheque
28 March A faulty printer worth $£ 320$ plus VAT was returned to DB Office Supplies.
(b) Each month Crathes Crafts receives a Bank Statement. Suggest 2 reasons why the closing balance on this statement rarely agrees with the closing balance in the Bank Account in the ledger.
(c) As well as preparing a Profit and Loss Account, the owner of Crathes Crafts prepares a Cash Budget. Explain the importance of both to the efficient running of the business.
4. Lochton Athletics Club is planning an end of season Awards Dinner/Disco. The following information has been provided.

$$
\begin{array}{lr}
\text { Disco hire } & £ 135 \\
\text { Hire of Venue for event } & £ 265 \\
\text { Food/Refreshments per person } & £ 15 \\
\text { Price of ticket per person } & £ 20
\end{array}
$$

(a) Calculate the number of tickets which the club need to sell for the Awards Dinner/Disco to break even.
(b) Calculate the number of tickets that would have to be sold to make a £250 profit.
(c) Calculate the selling price of the tickets for the event to allow the club to break even if 200 people want to attend.
(d) The club Treasurer prepares a Receipts and Payments Account and a Cash Budget. Suggest 2 other financial statements that could be prepared and explain the information they would provide to members.
(e) (i) A club will incur both capital and revenue expenditure. Explain the difference between capital and revenue expenditure.
(ii) Give an example of each type of expenditure.
5. Andrew King and Fraser Thomson are in partnership running Bennarty Bikes. They have discovered that their Trial Balance as at 30 April failed to agree. The Debit column totalled $£ 5,980$ and the Credit column totalled £6,090.

On checking the ledger accounts, the following errors were discovered.
(1) An entry for $£ 200$ had been entered twice in the Sales account.
(2) Rent received of $£ 340$ had been correctly entered in the Bank account but had been entered on the wrong side of the Rent Received account.
(3) An invoice received from A Law for $£ 140$ (excluding VAT) had been omitted from the Purchases account only.
(4) £450 was withdrawn by Fraser Thomson for his own use. This was only recorded in the Bank account.
(a) (i) Open the account which will allow the Trial Balance to agree.
(ii) Make the entries in this account only to correct the above errors.
(b) The partners in Bennarty Bikes have been discussing the future of their business. Andrew King suggested their business should become a plc. Outline $\mathbf{2}$ advantages and $\mathbf{2}$ disadvantages of this move to the partners.
(c) Explain why a Bank account can have either a Debit or Credit balance in the Trial Balance.
6. The following figures were taken from the books of Pat Marshall and Sons.

|  | $\mathbf{2 0 1 2}$ | $\mathbf{2 0 1 3}$ |
| :--- | :---: | :---: |
| Opening Capital | $£ 90,000$ | $£ 126,000$ |
| Closing Capital | $£ 126,000$ | $£ 159,000$ |
| Working Capital | $£ 7,000$ | $£ 13,000$ |
| Current Assets | $£ 22,000$ | $£ 27,000$ |
| Fixed Assets | $£ 169,000$ | $£ 206,000$ |
| Long-term Liabilities | $£ 50,000$ | $£ 60,000$ |
| Current Liabilities | $£ 15,000$ | $£ 14,000$ |
| Net Profit | $£ 36,000$ | $£ 33,000$ |

(a) Calculate appropriate ratios for this business for the 2 years.
(b) (i) Comment briefly on any difference in the ratios between the years.
(ii) Suggest why any differences may have taken place.
(c) Closing Capital could be less than Opening Capital. Suggest 2 reasons why this might occur.
[END OF QUESTION PAPER]
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## 0010/31/11

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

Fill in these boxes and read what is printed below.


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

## SCOTTISH SALON SUPPLIERS

48 Waterside Way DUNDEE DD2 5TP

Tel: 01382559001
email: scotsalon@bmail.com


## WORKING:

