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NATIONAL  
QUALIFICATIONS  
2010

ACCOUNTING AND FINANCE  
STANDARD GRADE  
PROJECT  
Foundation Level

**TITLE: Keep Well plc**

**SOLUTIONS AND SUGGESTED  
MARKING SCHEME**

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

**TASKS 1–2, 3b, 4–13**

<b>Account Name</b> <u>PREMISES</u> <b>No</b> <u>1</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	255,000.00	<b>1</b>	255,000.00

**1**

<b>Account Name</b> <u>STOCK</u> <b>No</b> <u>2</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	5,400.00	<b>1</b>	5,400.00

**1**

<b>Account Name</b> <u>RATES</u> <b>No</b> <u>3</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	12,500.00	<b>1</b>	12,500.00
31 Oct	Bank	500.00	<b>1</b>	13,000.00

**2**

<b>Account Name</b> <u>INSURANCE</u> <b>No</b> <u>4</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	7,040.00	<b>1</b>	7,040.00

**1**

<b>Account Name</b> <u>BANK</u> <b>No</b> <u>5</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	22,250.00	<b>1</b>	22,250.00
3 Oct	Water 4 U Supplies		<b>1</b> 900.00	21,350.00
19 Oct	Quality Fruit Deliveries		<b>1</b> 650.00	20,700.00
25 Oct	Sales and VAT	7,050.00	<b>1</b>	27,750.00
26 Oct	Office Recruitment	200.00	<b>1</b>	27,950.00
29 Oct	Wages		<b>1</b> 3,250.00	24,700.00
31 Oct	Rates		<b>1</b> 500.00	24,200.00
31 Oct	Heat and Light		<b>1</b> 1,000.00	23,200.00

8

<b>Account Name</b> <u>HEALTH EQUIPMENT</u> <b>No</b> <u>6</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	20,000.00	<b>1</b>	20,000.00

1

<b>Account Name</b> <u>FIXTURES AND FITTINGS</u> <b>No</b> <u>7</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	39,000.00	<b>1</b>	39,000.00
2 Oct	Purchases	1,000.00	<b>1</b>	40,000.00

2

<b>Account Name</b> <u>WAGES</u> <b>No</b> <u>8</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	27,250.00	<b>1</b>	27,250.00
29 Oct	Bank	3,250.00	<b>1</b>	30,500.00

**2**

<b>Account Name</b> <u>WATER 4 U SUPPLIES</u> <b>No</b> <u>9</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance		<b>1</b> 3,200.00	3,200.00
3 Oct	Bank	900.00	<b>1</b>	2,300.00
3 Oct	Discount Received	40.00	<b>1</b>	2,260.00
14 Oct	Purchases and VAT		<b>1</b> 517.00	2,777.00
20 Oct	Purchases Returns and VAT	141.00	<b>1</b>	2,636.00

**5**

<b>Account Name</b> <u>QUALITY FRUIT DELIVERIES</u> <b>No</b> <u>10</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance		<b>1</b> 650.00	650.00
11 Oct	Purchases and VAT		<b>1</b> 188.00	838.00
19 Oct	Bank	650.00	<b>1</b>	188.00

**3**

<b>Account Name</b> SALES <b>No</b> 11				
2009		Dr	Cr	Balance
1 Oct	Balance		<b>1</b> 175,175.00	175,175.00
5 Oct	Office Recruitment		<b>1</b> 480.00	175,655.00
9 Oct	Amberglow Ltd		<b>1</b> 400.00	176,055.00
25 Oct	Bank		<b>1</b> 6,000.00	182,055.00

4

<b>Account Name</b> AMBERGLOW LTD <b>No</b> 12				
2009		Dr	Cr	Balance
1 Oct	Balance	3,000.00	<b>1</b>	3,000.00
9 Oct	Sales and VAT	470.00	<b>1</b>	3,470.00

2

<b>Account Name</b> PURCHASES <b>No</b> 13				
2009		Dr	Cr	Balance
1 Oct	Balance	72,815.00	<b>1</b>	72,815.00
2 Oct	Fixtures and Fittings		<b>1</b> 1,000.00	71,815.00
11 Oct	Quality Fruit Deliveries	160.00	<b>1</b>	71,975.00
14 Oct	Water 4 U Supplies	440.00	<b>1</b>	72,415.00

4

<b>Account Name</b> <u>ORDINARY SHARE CAPITAL</u> <b>No</b> <u>14</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance		<b>1</b> 240,000.00	240,000.00

**1**

<b>Account Name</b> <u>5% PREFERENCE SHARE CAPITAL</u> <b>No</b> <u>15</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance		<b>1</b> 40,000.00	40,000.00

**1**

<b>Account Name</b> <u>UNAPPROPRIATED PROFITS</u> <b>No</b> <u>16</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance		<b>1</b> 20,000.00	20,000.00

**1**

<b>Account Name</b> <u>    VAT    </u> <b>No</b> <u>    17    </u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance		<b>1</b> 6,720.00	6,720.00
5 Oct	Office Recruitment		<b>1</b> 84.00	6,804.00
9 Oct	Amberglow Ltd		<b>1</b> 70.00	6,874.00
11 Oct	Quality Fruit Deliveries	28.00	<b>1</b>	6,846.00
14 Oct	Water 4 U Supplies	77.00	<b>1</b>	6,769.00
20 Oct	Water 4 U Supplies		<b>1</b> 21.00	6,790.00
25 Oct	Bank		<b>1</b> 1,050.00	7,840.00

**7**

<b>Account Name</b> <u>    HEAT AND LIGHT    </u> <b>No</b> <u>    18    </u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	6,490.00	<b>1</b>	6,490.00
31 Oct	Bank	1,000.00	<b>1</b>	7,490.00

**2**

<b>Account Name</b> <u>    ADVERTISING    </u> <b>No</b> <u>    19    </u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
1 Oct	Balance	15,000.00	<b>1</b>	15,000.00

**1**

<b>Account Name</b> <u>DISCOUNT RECEIVED</u> <b>No</b> <u>20</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
3 Oct	Water 4 U Supplies		<b>1</b> 40.00	40.00

**1**

<b>Account Name</b> <u>OFFICE RECRUITMENT</u> <b>No</b> <u>21</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
5 Oct	Sales and VAT	564.00	<b>1</b>	564.00
26 Oct	Bank		<b>1</b> 200.00	364.00

**2**


<b>Account Name</b> <u>PURCHASES RETURNS</u> <b>No</b> <u>22</u>				
<b>2009</b>		<b>Dr</b>	<b>Cr</b>	<b>Balance</b>
20 Oct	Water 4 U Supplies		<b>1</b> 120.00	120.00

**1**

**(53)**



TASK 3a

 <p><b>Cheque Counterfoil</b>  <u>3 October 2009</u>  <u>Water 4U Supplies</u>    <u>£ 900.00 1</u></p>	<div style="text-align: right;">28-32-45</div> <p>45 Solar Park Drive, Edinburgh <span style="float: right;"><u>3 October</u> 20 <u>09</u><sup>1</sup></span></p> <p>Pay <u>Water 4U Supplies</u> <span style="float: right;">or order</span></p> <p><u>Nine hundred pounds only</u><sup>1</sup></p> <div style="text-align: right; border: 1px solid black; padding: 2px;">£ 900.00 1</div> <p style="text-align: right;"><u>(Pupil's Name)</u><sup>1</sup></p>
003431	003431      28-32-45      ~2170862~

(8)

**Task 14**

**Bank Reconciliation Statement as at 31 October 2009** **1**

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	£	£
<b>Balance as per Bank Statement</b>		26,250.00 <b>1</b>
<b>Less</b> Cheques not presented:		
Wages (003433)		3,250.00 <b>1</b>
		<hr/>
		23,000.00 <b>1</b>
<b>Add</b> Amounts not Credited:		
Office Recruitment		200.00 <b>1</b>
		<hr/>
<b>Balance as per updated Bank Account</b>		£ 23,200.00 <b>1</b>
		<hr/> <hr/>

**(6)**

**TASK 15**

**Trial Balance**

as at 31 October 2009 <sup>1</sup>

	£	£	
Premises	255,000.00	<b>1</b>	
Stock	5,400.00	<b>1</b>	
Rates	13,000.00	<b>1</b>	
Insurance	7,040.00	<b>1</b>	
Bank	23,200.00	<b>1</b>	
Health Equipment	20,000.00	<b>1</b>	
Fixtures and Fittings	40,000.00	<b>1</b>	
Wages	30,500.00	<b>1</b>	
Water 4 U Supplies		2,636.00	<b>1</b>
Quality Fruit Deliveries		188.00	<b>1</b>
Sales		182,055.00	<b>1</b>
Amberglow	3,470.00	<b>1</b>	
Purchases	72,415.00	<b>1</b>	
Ordinary Share Capital		240,000.00	<b>1</b>
5% Preference Share Capital		40,000.00	<b>1</b>
Unappropriated Profit		20,000.00	<b>1</b>
VAT		7,840.00	<b>1</b>
Heat and Light	7,490.00	<b>1</b>	
Advertising	15,000.00	<b>1</b>	
Discount Received		40.00	<b>1</b>
Office Recruitment	364.00	<b>1</b>	
Purchases Returns		120.00	<b>1</b>
	<b>£ 492,879.00</b>	<b>£ 492,879.00</b>	
		<b>1</b>	<b>(24)</b>

## TASK 16

### Trading, Profit and Loss and Appropriation Accounts

for year ending 31 October 2009 <sup>1</sup>

	£	£	£
Sales			182,055.00 <b>1</b>
<b>less Cost of Sales</b>			
Opening Stock		5,400.00 <b>1</b>	
Purchases	72,415.00 <b>1</b>		
<b>less Returns</b>	120.00 <b>1</b>	72,295.00 <b>1</b>	
		<u>77,695.00 <b>1</b></u>	
<b>less Closing Stock</b>		6,350.00 <b>1</b>	71,345.00 <b>1</b>
<b>GROSS PROFIT</b>			<u>110,710.00 <b>1</b></u>
Discount Received			40.00 <b>1</b>
			<u>110,750.00 <b>1</b></u>
<b>less Expenses</b>			
<u>Rates</u>	13,000.00 <b>1</b>		
<b>less Prepaid</b>	2,000.00 <b>1</b>	11,000.00 <b>1</b>	
<u>Insurance</u>		7,040.00 <b>1</b>	
<u>Wages</u>		30,500.00 <b>1</b>	
<u>Heat and Light</u>		7,490.00 <b>1</b>	
<u>Advertising</u>		15,000.00 <b>1</b>	
<b>Depreciation</b>			
<u>Fixtures and Fittings</u>		4,000.00 <b>1</b>	
<u>Health Equipment</u>		5,000.00 <b>1</b>	80,030.00 <b>1</b>
<b>NET PROFIT</b>			<u>30,720.00 <b>1</b></u>
<b>add Unappropriated Profit</b>			20,000.00 <b>1</b>
			<u>50,720.00 <b>1</b></u>
Preference Dividend Due		4,000.00 <b>1</b>	
Proposed Ordinary Dividend		19,200.00 <b>1</b>	23,200.00 <b>1</b>
Unappropriated Profit (31/10/09)			<u>£27,520.00 <b>1 (29)</b></u>

## TASK 17

### Balance Sheet as at 31 October 2009 **1**

	Cost	Depreciation	Net Book Value
	£	£	£
<b>Fixed Assets</b>			
Premises	255,000.00 <b>1</b>		255,000.00 <b>1</b>
Health Equipment	20,000.00 <b>1</b>	5,000.00 <b>1</b>	15,000.00 <b>1</b>
Fixtures and Fittings	40,000.00 <b>1</b>	4,000.00 <b>1</b>	36,000.00 <b>1</b>
			306,000.00 <b>1</b>
<b>Current Assets</b>			
Bank		23,200.00 <b>1</b>	
Debtors*		3,834.00 <b>2</b>	
Stock		6,350.00 <b>1</b>	
Pre-paid Rates		2,000.00 <b>1</b>	
		35,384.00 <b>1</b>	
<b>Current Liabilities</b>			
Creditors**	2,824.00 <b>2</b>		
Proposed Ordinary Dividend	19,200.00 <b>1</b>		
Proposed Preference Dividend	4,000.00 <b>1</b>		
VAT	7,840.00 <b>1</b>	33,864.00 <b>1</b>	
<b>Working Capital</b>			1,520.00 <b>1</b>
			£ 307,520.00 <b>1</b>
<b>Financed by:</b>			
Ordinary Shares		240,000.00 <b>1</b>	
5% Preference Shares		40,000.00 <b>1</b>	280,000.00 <b>1</b>
Unappropriated Profits			27,520.00 <b>1</b>
			£ 307,520.00 <b>1</b>

\*Debtors (Amberglow Ltd £3,470 Office Recruitment £364)

\*\*Creditors (Water 4 U Supplies £2,636 Quality Fruit Deliveries £188)

**(29)**

**TASK 18a**

**(i) Gross Profit Ratio**

$$\frac{\text{Gross Profit}}{\text{Net Sales}} \times 100 = \frac{110,710 \mathbf{1}}{182,055 \mathbf{1}} \times 100 = 60.8\% \mathbf{1} \quad \mathbf{3}$$

**(ii) Net Profit Ratio**

$$\frac{\text{Net Profit}}{\text{Net Sales}} \times 100 = \frac{30,720 \mathbf{1}}{182,055 \mathbf{1}} \times 100 = 16.9\% \mathbf{1} \quad \mathbf{3}$$

**(iii) Average Stock**

$$\frac{\text{Opening Stock} + \text{Closing Stock}}{2} = \frac{5,400 \mathbf{1} + 6,350 \mathbf{1}}{2} = \pounds 5,875 \mathbf{1} \quad \mathbf{3}$$

**(iv) Rate of Stock Turnover**

$$\frac{\text{Cost of Sales}}{\text{Average Stock}} = \frac{71,345 \mathbf{1}}{5,875 \mathbf{1}} = 12.1 \text{ times} \mathbf{1} \quad \mathbf{3}$$

**(v) Current Ratio**

$$\begin{aligned} \text{Current Assets} : \text{Current Liabilities} &= 35,384 \mathbf{1} : 33,864 \mathbf{1} \\ &= 1 : 1 \end{aligned} \quad \mathbf{3}$$

**(15)**

## TASK 18b

I have completed the Ratio Analysis for Keep Well plc and I can report that the Gross Profit Percentage is  $60.8\%$  and the Net Profit Percentage is  $16.8\%$ . If this Net Profit Percentage is to be increased in the future then expenses will have to be ~~increased~~/decreased\*.

The Rate of Stock Turnover is  $12.1$  times. If the average firm has a rate of 15 times a year then Keep Well plc is doing ~~better~~/worse\* than the average firm.

The Current Ratio is  $1:1$ . The ideal ratio is  $2:1$ /~~3:1~~\*. This means that Keep Well plc's ratio is ~~better~~/worse\* than the ideal ratio.

(8)

\* Delete as appropriate

	A	B	C	D	E
1	<b>Candidate's Name and School</b>				
2					
3	<b>Foundation Task 19a</b>				
4					
5					
6	<b>Keep Well plc</b>				
7					
8	<b>Cash Budget for January–March 2010</b>				
9				<b>No of Passes Sold in:</b>	
10	<b>Type of Pass</b>	<b>Cost of Pass</b>	<b>January</b>	<b>February</b>	<b>March</b>
11	Gold	<b>1</b> £400	<b>1</b> 10	<b>1</b> 15	<b>1</b> 12
12	Silver	<b>1</b> £250	<b>1</b> 15	<b>1</b> 15	<b>1</b> 20
13	Bronze	<b>1</b> £150	<b>1</b> 10	<b>1</b> 10	<b>1</b> 10
14					
15					
16					
17		<b>January</b>	<b>February</b>	<b>March</b>	
18		£	£	£	
19	Opening Balance	<b>1</b> 15,000.00	19,700.00	26,950.00	
20					
21	<b>Add Cash In</b>				
22	Gold Pass	4,000.00	6,000.00	4,800.00	
23	Silver Pass	3,750.00	3,750.00	5,000.00	
24	Bronze Pass	1,500.00	1,500.00	1,500.00	
25		24,250.00	30,950.00	38,250.00	
26					
27	<b>Less Cash Out</b>				
28	Staff Wages <b>1</b>	2,500.00	2,000.00	3,000.00	
29	Heat and Light <b>1</b>	500.00	450.00	500.00	
30	Laundry <b>1</b>	500.00	500.00	500.00	
31	Administration <b>1</b>	300.00	300.00	300.00	
32	Catering <b>1</b>	600.00	600.00	600.00	
33	Advertising <b>1</b>	150.00	150.00	150.00	
34		4,550.00	4,000.00	5,050.00	
35					
36	Closing Balances	19,700.00	26,950.00	33,200.00	
37					
38					
39					
40					
41	<b>NOTE:</b>				
42	Please ensure candidate's solution is stapled to their Workbook.				

(20)



**TASK 19b**

The opening balance in January is £15,000 <sup>1</sup>

The closing balance in March is £33,200 <sup>1</sup>

Therefore, cash has increased/~~decreased~~<sup>1</sup>\* by £18,200 <sup>1</sup>

For this reason I would recommend/~~not recommend~~<sup>1</sup>\* that we go ahead with this special offer.

**(5)**

**\* Delete as appropriate**

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