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NATIONAL  
QUALIFICATIONS  
2010

ACCOUNTING AND FINANCE  
STANDARD GRADE  
PROJECT  
General Level

**TITLE: Premier Fitness plc**

**SOLUTIONS AND SUGGESTED  
MARKING SCHEME**

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

Tasks 1-3

		£	£	£		
<b>Ordinary Share Capital Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance		200,000.00	200,000.00	Cr	<b>1</b>
<b>Preference Share Capital Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance		50,000.00	50,000.00	Cr	<b>1</b>
<b>8% Debentures Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance		100,000.00	100,000.00	Cr	<b>1</b>
<b>Administration Expenses Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	11,260.00		11,260.00	Dr	<b>1</b>
30-Sept	Bank	1,480.00		12,740.00	Dr	<b>1</b>
<b>Purchases Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	177,980.00		177,980.00	Dr	<b>1</b>
1-Sept	Equipment		6,500.00	171,480.00	Dr	<b>1</b>
7-Sept	Figure Flattering Fashion plc	6,250.00		177,730.00	Dr	<b>1</b>
16-Sept	Wellness plc	8,550.00		186,280.00	Dr	<b>1</b>
<b>Sales Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance		291,295.00	291,295.00	Cr	<b>1</b>
3-Sept	Leisureworld plc		12,600.00	303,895.00	Cr	<b>1</b>
9-Sept	Cash		3,290.00	307,185.00	Cr	<b>1</b>
26-Sept	Bags Galore plc		1,700.00	308,885.00	Cr	<b>1</b>
29-Sept	Cash		1,120.00	310,005.00	Cr	<b>1</b>
<b>Purchases Returns Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance		4,150.00	4,150.00	Cr	<b>1</b>
17-Sept	Figure Flattering Fashion plc		80.00	4,230.00	Cr	<b>1</b>
<b>Sales Returns Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	4,025.00		4,025.00	Dr	<b>1</b>
14-Sept	Leisureworld plc	450.00		4,475.00	Dr	<b>1</b>
<b>Debenture Interest Account</b>		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	4,000.00		4,000.00	Dr	<b>1</b>

<b>Bank Account</b>		<b>£</b>	<b>£</b>	<b>£</b>		
		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	22,350.00		22,350.00	Dr	<b>1</b>
1-Sept	Leisureworld plc	352.00		22,702.00	Dr	<b>1</b>
1-Sept	Wages and Salaries	180.00		22,882.00	Dr	<b>1</b>
1-Sept	Figure Flattering Fashion plc		5,538.50	17,343.50	Dr	<b>1</b>
5-Sept	Smartwear plc		4,740.00	12,603.50	Dr	<b>1</b>
6-Sept	Leisureworld plc	6,000.00		18,603.50	Dr	<b>1</b>
7-Sept	Heating and Lighting		940.00	17,663.50	Dr	<b>1</b>
21-Sept	Bags Galore plc	5,500.00		23,163.50	Dr	<b>1</b>
27-Sept	VAT		3,308.00	19,855.50	Dr	<b>1</b>
29-Sept	Figure Flattering Fashion plc		6,073.00	13,782.50	Dr	<b>1</b>
30-Sept	Wages and Salaries		2,816.00	10,966.50	Dr	<b>1</b>
30-Sept	Administration Expenses		1,480.00	9,486.50	Dr	<b>1</b>
<b>Cash Account</b>						
		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	8,935.00		8,935.00	Dr	<b>1</b>
9-Sept	Sales and VAT	3,865.75		12,800.75	Dr	<b>1</b>
29-Sept	Sales and VAT	1,316.00		14,116.75	Dr	<b>1</b>
<b>VAT Account</b>						
		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance		8,040.00	8,040.00	Cr	<b>1</b>
3-Sept	Leisureworld plc		2,205.00	10,245.00	Cr	<b>1</b>
7-Sept	Figure Flattering Fashion plc	1,039.06		9,205.94	Cr	<b>1</b>
9-Sept	Cash		575.75	9,781.69	Cr	<b>1</b>
14-Sept	Leisureworld plc	78.75		9,702.94	Cr	<b>1</b>
16-Sept	Wellness plc	1,496.25		8,206.69	Cr	<b>1</b>
17-Sept	Figure Flattering Fashion plc		13.30	8,219.99	Cr	<b>1</b>
26-Sept	Bags Galore plc		297.50	8,517.49	Cr	<b>1</b>
27-Sept	Bank	3,308.00		5,209.49	Cr	<b>1</b>
29-Sept	Cash		196.00	5,405.49	Cr	<b>1</b>
<b>Heating and Lighting Account</b>						
		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	8,660.00		8,660.00	Dr	<b>1</b>
7-Sept	Bank	940.00		9,600.00	Dr	<b>1</b>
<b>Land and Buildings Account</b>						
		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	252,850.00		252,850.00	Dr	<b>1</b>
<b>Machinery and Equipment Account</b>						
		<b>DR</b>	<b>CR</b>	<b>Balance</b>		
1-Sept	Balance	92,700.00		92,700.00	Dr	<b>1</b>
1-Sept	Purchases	6,500.00		99,200.00	Dr	<b>1</b>

		£	£	£		
		DR	CR	Balance		
<b>Wages and Salaries Account</b>						
1-Sept	Balance	27,000.00		27,000.00	Dr	<b>1</b>
1-Sept	Bank		180.00	26,820.00	Dr	<b>1</b>
30-Sept	Bank	2,816.00		29,636.00	Dr	<b>1</b>
<b>Stock Account</b>						
1-Sept	Balance	36,595.00		36,595.00	Dr	<b>1</b>
<b>Bad Debts Account</b>						
1-Sept	Balance	4,200.00		4,200.00	Dr	<b>1</b>
<b>Figure Flattering Fashion plc Account</b>						
1-Sept	Balance		5,830.00	5,830.00	Cr	<b>1</b>
1-Sept	Bank	5,538.50		291.50	Cr	<b>1</b>
1-Sept	Discount Received	291.50		0.00		<b>1</b>
7-Sept	Purchases and VAT		7,289.06	7,289.06	Cr	<b>1</b>
17-Sept	Purchases Returns and VAT	93.30		7,195.76	Cr	<b>1</b>
29-Sept	Bank	6,073.00		1,122.76	Cr	<b>1</b>
<b>Wellness plc Account</b>						
1-Sept	Balance		4,740.00	4,740.00	Cr	<b>1</b>
5-Sept	Bank	4,740.00		0.00		<b>1</b>
16-Sept	Purchases and VAT		10,046.25	10,046.25	Cr	<b>1</b>
<b>Leisureworld plc Account</b>						
1-Sept	Balance	8,000.00		8,000.00	Dr	<b>1</b>
1-Sept	Bank		352.00	7,648.00	Dr	<b>1</b>
3-Sept	Sales and VAT	14,805.00		22,453.00	Dr	<b>1</b>
6-Sept	Bank		6,000.00	16,453.00	Dr	<b>1</b>
14-Sept	Sales Returns and VAT		528.75	15,924.25	Dr	<b>1</b>
<b>Bags Galore plc Account</b>						
1-Sept	Balance	5,500.00		5,500.00	Dr	<b>1</b>
21-Sept	Bank		5,500.00	0.00		<b>1</b>
26-Sept	Sales and VAT	1,997.50		1,997.50	Dr	<b>1</b>
<b>Discount Received Account</b>						
1-Sept	Figure Flattering Fashion plc		291.50	291.50	Cr	<b>1</b>
<b>Smartwear plc Account</b>						
5-Sept	Bank	4,740.00		4,740.00	Dr	<b>1</b>

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**Task 4**

<b>Trial Balance of Premier Fitness plc as at 30 September 2009</b>		
	<b>Dr</b>	<b>Cr</b>
	<b>£</b>	<b>£</b>
Ordinary Share Capital		200,000.00
10% Preference Share Capital		50,000.00
8% Debentures (2020)		100,000.00
Administration Expenses	12,740.00	
Purchases	186,280.00	
Sales		310,005.00
Purchases Returns		4,230.00
Sales Returns	4,475.00	
Debenture Interest	4,000.00	
Bank	9,486.50	
Cash	14,116.75	
VAT		5,405.49
Heating and Lighting	9,600.00	
Land and Buildings	252,850.00	
Machinery and Equipment	99,200.00	
Wages and Salaries	29,636.00	
Stock	36,595.00	
Bad Debts	4,200.00	
Figure Flattering fashion plc		1,122.76
Wellness plc		10,046.25
Leisureworld plc	15,924.25	
Bags Galore plc	1,997.50	
Discount Received		291.50
	<b>£681,101.00</b>	<b>£681,101.00</b>
	<b>1</b>	

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**Task 5**

<b>Trading, Profit and Loss and Appropriation Accounts } 1</b> <b>for the year ended 30 September 2009</b>				
	£	£	£	
Sales		310,005.00	<b>1</b>	
<b>Less Sales Returns</b>		4,475.00	<b>1</b>	
				305,530.00 <b>1</b>
<b>Less Cost of Sales</b>				
Opening Stock		36,595.00	<b>1</b>	
<b>Add Purchases</b>	186,280.00	<b>1</b>		
<b>Less Purchases Returns</b>	4,230.00	<b>1</b>		
		182,050.00	<b>1</b>	
		218,645.00	<b>1</b>	
<b>Less Closing Stock</b>		53,250.00	<b>1</b>	
				165,395.00 <b>1</b>
<b>GROSS PROFIT</b>				<b>140,135.00 1</b>
<b>Add Discount Received</b>				291.50 <b>1</b>
				140,426.50 <b>1</b>
<b>Less Expenses</b>				
Administration Expenses		12,740.00	<b>1</b>	
Debenture Interest		4,000.00	<b>1</b>	
<b>Add Debenture Interest Due</b>		4,000.00	<b>1</b>	
Heating and Lighting		9,600.00	<b>1</b>	
Wages and Salaries		29,636.00	<b>1</b>	
Bad Debts		4,200.00	<b>1</b>	
Provision for Depreciation—Machinery and Equipment		9,920.00	<b>1</b>	
				74,096.00 <b>1</b>
<b>NET PROFIT</b>				<b>66,330.50 1</b>
<b>Appropriations</b>				
Proposed Preference Share Dividend		5,000.00	<b>1</b>	
Proposed Ordinary Share Dividend		7,000.00	<b>1</b>	
				12,000.00 <b>1</b>
<b>UNAPPROPRIATED PROFIT</b>				<b>£54,330.50 1</b>

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**Task 6**

<b>Balance Sheet as at 30 September 2009</b>				<b>1</b>
<b>FIXED ASSETS</b>	<b>Cost</b>	<b>Depreciation</b>	<b>Net Book Value</b>	
	£	£	£	
Land and Buildings	252,850.00	0.00	252,850.00	<b>1</b>
Machinery and Equipment	99,200.00	9,920.00	89,280.00	<b>2</b>
			342,130.00	<b>1</b>
<b>CURRENT ASSETS</b>				
Stock		53,250.00		<b>1</b>
Debtors		17,921.75		<b>2</b>
Bank		9,486.50		<b>1</b>
Cash		14,116.75		<b>1</b>
		94,775.00		<b>1</b>
<b>CURRENT LIABILITIES</b>				
Debenture Interest Due	4,000.00			<b>1</b>
Preference Dividend Due	5,000.00			<b>1</b>
Ordinary Dividend Due	7,000.00			<b>1</b>
VAT	5,405.49			<b>1</b>
Creditors	11,169.01			<b>2</b>
		32,574.50		<b>1</b>
<b>WORKING CAPITAL</b>			62,200.50	<b>1</b>
			£404,330.50	<b>1</b>
<b>FINANCED BY</b>				
200,000 Ordinary Shares @ £1 each		200,000.00		<b>1</b>
50,000 Preference Shares @ £1 each		50,000.00		<b>1</b>
			250,000.00	<b>1</b>
<b>RESERVES</b>				
Profit and Loss Account			54,330.50	<b>1</b>
<b>LONG TERM LIABILITY</b>				
8% Debentures (2020)			100,000.00	<b>1</b>
			£404,330.50	<b>1</b>

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**Task 7**

<b>(a) Gross Profit Percentage</b>		$\frac{\text{GP}}{\text{Sales}} \times 100$		
	=	$\frac{140,135}{305,530} \times 100$	<b>1</b>	
			<b>1</b>	
	=	$45.87\%$	<b>1</b>	<b>3</b>
<b>(b) Net Profit Percentage</b>		$\frac{\text{NP}}{\text{Sales}} \times 100$		
	=	$\frac{66,330.50}{305,530.00} \times 100$	<b>1</b>	
			<b>1</b>	
	=	$21.71\%$	<b>1</b>	<b>3</b>
<b>(c) Average Stock</b>		$\frac{\text{OS} + \text{CS}}{2}$		
	=	$\frac{36,595 + 53,250}{2}$	<b>2</b>	
	=	$44,922.50$	<b>1</b>	
<b>Rate of Stock Turnover</b>		$\frac{\text{Cost of Sales}}{\text{Average Stock}}$		
	=	$\frac{165,395.00}{44,922.50}$	<b>1</b>	
			<b>1</b>	
	=	$3.68 \text{ times}$	<b>1</b>	<b>6</b>
<b>(d) Working Capital Ratio</b>		$\frac{\text{Current Assets}}{\text{Current Liabilities}}$		
	=	$\frac{94,775}{32,574.50}$	<b>1</b>	
			<b>1</b>	
	=	$2.91 : 1$		<b>3</b>

**(15)**



Task 8

<b>Premier Fitness plc</b>		<b>Competitor</b>	
<b>Gross Profit Percentage</b>			
Comparison	45.87%	40%	<b>1</b>
Reason for difference:			
Premier Fitness plc has a higher percentage than its competitor which means that they are making more profit per unit when selling their goods			
<b>Net Profit Percentage</b>			
Comparison	21.71%	17%	<b>1</b>
Reason for difference:			
Premier Fitness plc has a much higher percentage than its competitor which means that they have lower expenses; higher Gross Profit			
<b>Rate of Stock Turnover</b>			
Comparison	3.68 times	3 times	<b>1</b>
Reason for difference:			
Premier Fitness plc is slightly better than its competitor which shows that they are selling their goods faster			
<b>Working Capital Ratio</b>			
Comparison	2.91 : 1	1.5 : 1	<b>1</b>
Reason for difference:			
Premier Fitness plc's ratio is a lot higher than its competitor. This could be because of the high stock that it has OR the high amount of Cash			

**Accept any other valid reason (8)**

**Task 9(a)**

	A	B	C	D	E
1	<b>Candidate's Name and School</b>				
2					
3	<b>Premier Fitness plc</b>				
4					
5	<b>Cash Budget for November, December 2009 and January 2010</b>				
6					
7			<b>November</b>	<b>December</b>	<b>January</b>
8					
9	<b>Opening Balance</b>		£40,300 <b>1</b>	-£4,730	-£32,280
10					
11	<b>Add Cash In</b>				
12	Sales		£36,200 <b>1</b>	£38,700 <b>1</b>	£41,400 <b>1</b>
13			£76,500	£33,970	£9,120
14					
15	<b>Less Cash Out</b>				
16	Purchases		£22,400 <b>1</b>	£24,500 <b>1</b>	£26,700 <b>1</b>
17	Heating and Lighting		£580 <b>1</b>	£875 <b>1</b>	£875 <b>1</b>
18	Wages		£2,250 <b>1</b>	£3,375 <b>1</b>	£3,375 <b>1</b>
19	Building Work		£56,000 <b>1</b>		
20	Furniture and Fittings			£27,500 <b>1</b>	
21	Interim Dividend			£10,000 <b>1</b>	
22			£81,230	£66,250	£30,950
23					
24	<b>Closing Balance</b>		-£4,730	-£32,280	-£21,830
25					

**(16)**

**Task 9(b)**

- Mortgage **1**
- Issue of Debentures **1**
- Issue of more Shares **1**
- Bank Loan **1**

**Accept any other valid source of finance**

**(2 max)**