

Accounting and Book-keeping Level 3

This paper must be returned with the candidate's work, otherwise the entry will be void and no result will be issued.



8991-03-003
Sample paper 001

Candidate's name (Block letters please)

Centre no

Date

Time allowed: 2 hours 30 minutes
(plus 5 minutes' reading time)

Note making is not allowed during reading time.

The marks allocated to each question are shown in brackets.

Answer all questions

Calculators may be used.

All answers must be written in ink.

Show all your workings.

If additional separate sheets of paper are used, make sure each page is clearly labelled with your name.

For examiner's use only

T1	T2	T3	T4	T5	T6	T7	T8	Total
/16	/9	/12	/10	/6	/12	/20	/15	/100

Scenario

You work as a trainee accountant with Faith, Hill and Charlton Accountants and have a number of jobs to do in your in-tray today. All of these jobs need completing within the next few hours.

Task 1

Firstly, you look at some balances of Mushrow and Severn who are in partnership sharing profits and losses in the ratio 4:1. The following list of balances is relevant to your first task, taken from their Trial Balance as at 31 January.

	Dr £	Cr £
Gross profit		63 062
Heating and lighting	980	
Rent received		1 960
Wages and salaries	14 220	
Vehicles at cost	15 000	
Fixtures at cost	12 000	
Provision for depreciation: vehicles		5 600
Provision for depreciation: fixtures		1 800
Cash	905	
Drawing: Mushrow	14 800	
Severn	7 600	
Current Account: Mushrow		1 600
Severn	140	
Capital Account: Mushrow		60 000
Severn		20 000

At 31 January the following information needs to be taken into account:

- £560 is still owed by a tenant who rents office space in the premises.
- £48 has been prepaid for heating and lighting.
- wages and salaries of £480 are accrued due.
- depreciation needs to be provided for on the following basis:
 - Vehicles at 20% straight line method
 - Fixtures at 20% reducing balance method.
- the partnership agreement provides for the following:
 - Interest on drawings is to be charged at 6% per annum.
 - Interest on capital is allowed at 4% per annum
 - Mushrow is to receive a salary of £3 054

Task 2

Next you turn your attention to the message that the secretary of the Wigan Warriors Appreciation Society has left, which is reproduced below:

Telephone message

I'm trying to work out how much subscription income we should include in our income and expenditure account this year from our members.

At the start of the year we were owed £566 in subscriptions while at the same time £388 had been prepaid. The total subscription income we banked this year was £35 080 – this includes the amount we were owed. This amount also includes £372 prepaid towards next year. We are still owed £449 from some members.

Can you have a look at this and email me a Subscriptions account please?

Complete the Wigan Warriors Appreciation Society Subscriptions account using the space below:

Wigan Warriors Appreciation Society Subscriptions Account			
Details	£	Details	£

(9 marks)

Task 3

Your next task requires you to look at some figures that Brett Dallas, who runs a business manufacturing rugby balls, has provided. The following balances were taken from his books at 31 January 2007:

	£
Stock at 1 February 2006	
- Raw materials	45 500
- Work in progress	44 000
Purchases – raw material	98 720
Returns – raw materials	1 150
Rents and rates	30 000
Lighting and heating	28 800
Insurance	4 400
Production wages	60 200
Workshop equipment (Cost £250 000)	160 000
Water	2 800
Factory supervision	22 200
Discount received	1 000
Discount allowed	450

The following information is also relevant at 31 January 2007

- Stocks at 31 January 2007 were raw materials £36 100
- The following amounts have been prepaid at 31 January 2007
 - Insurance £1 600
 - Water £800
- The following amounts remain outstanding at 31 January 2007:
 - rent and rates £9 600
 - lighting and heating £2 400
- $\frac{3}{4}$ of insurance relates to factory, $\frac{1}{4}$ relates to office.
- $\frac{2}{3}$ of lighting and heating relates to factory, $\frac{1}{3}$ relates to office.
- 80% of rent and rates relates to factory, 20% to office.
- Water is to be apportioned evenly between factory and office.
- Workshop equipment is to be depreciated at 25% per annum on the reducing balance method.

Prepare Brett Dallas's manufacturing account for the year ended 31 January 2007

(12 marks)

Task 4

You now turn your attention to some accounting ratios of the Betts Company that you prepared earlier which are detailed below:

Ratio	2006	2007
Gross profit margin	65.1%	50.2%
Stock turnover	30 times	10 times
Net profit margin	51.5%	21.2%
Debtors collection period	7.9 days	106.9 days
Current ratio	2.5:1	1:1

For each ratio, tick (✓) the box with most likely explanation for the years change for each of the ratios

(10 marks)

Gross profit margin	
An attempt to stimulate demand by cutting prices	<input type="checkbox"/>
Customers buying their goods from another business	<input type="checkbox"/>
Stock turnover	
Increase in payment terms for creditors	<input type="checkbox"/>
Too much stock being held	<input type="checkbox"/>
Net profit margin	
Fell because the gross profit margin fell	<input type="checkbox"/>
Bigger increase in operating expenses	<input type="checkbox"/>
Debtors collection period	
Customers who pay more quickly	<input type="checkbox"/>
Poor credit control management	<input type="checkbox"/>
Current ratio	
Better credit control management	<input type="checkbox"/>
Increase in current liabilities	<input type="checkbox"/>

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Sample 001

