## Accounting and Book-keeping

Level 3

8991-03-003
2012 Sample paper
$\qquad$
Candidate's name (Block letters please)

## Centre no Date

Time allowed: $\mathbf{2}$ hours $\mathbf{3 0}$ 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 | Total |  |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- | :--- | :---: |
|  |  | T6 |  |  |  |  |  |  |

## Scenario

You work as a trainee accountant with Faith, Hope 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 balances at 31 January are relevant to your first task.

|  | $\begin{array}{r} \mathrm{Dr} \\ \mathrm{\Sigma} \end{array}$ | $\begin{aligned} & \mathrm{Cr} \\ & \mathrm{\Sigma} \end{aligned}$ |
| :---: | :---: | :---: |
| Gross profit |  | 63062 |
| Heating and lighting | 980 |  |
| Rent received |  | 1960 |
| Wages and salaries | 14220 |  |
| Vehicles at cost | 15000 |  |
| Fixtures at cost | 12000 |  |
| Provision for depreciation: vehicles |  | 5600 |
| Provision for depreciation: fixtures |  | 1800 |
| Cash | 905 |  |
| Drawings: Mushrow | 14800 |  |
| Severn | 7600 |  |
| Current Accounts: Mushrow |  | 1600 |
| Severn | 140 |  |
| Capital Accounts: Mushrow |  | 60000 |
| Severn |  | 20000 |

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 $£ 3054$.

Prepare the partnership profit and loss and appropriation account for the year ended 31 January.
(9 marks)

| Mushrow and Severn Partnership Profit and Loss and Appropriation Account <br> for the year ended 31 January |
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Prepare each partner's current account at 31 January.
(7 marks)

| Current Accounts |  |  |  |  |  |  |
| :--- | :---: | :---: | :---: | :---: | :---: | :---: |
| Details | Mushrow <br> £ | Severn <br> £ | Details | Mushrow <br> £ | Severn <br> $£$ |  |
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(Total 16 marks)

## 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 below:

| Wigan Warriors Appreciation Society Subscriptions Account |  |  |  |
| :--- | :---: | :--- | :--- |
| Details | $\mathbf{£}$ | Details | $\mathbf{£}$ |
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## Task 3

You now turn your attention to some accounting ratios of Betts Company which are detailed below:

| Ratio | $\mathbf{2 0 1 0}$ | $\mathbf{2 0 1 1}$ |
| :--- | :--- | :--- |
| 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 $(\sqrt{ })$ the box with the most likely explanation for the years' changes for each of the ratios.
(10 marks)

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

## Task 4

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 2011:

|  | $£$ |
| :--- | ---: |
| Stock at 1 February 2010 |  |
| - Raw materials | 45500 |
| - Work in progress | 44000 |
| Purchases - raw materials | 98720 |
| Returns - raw materials | 1150 |
| Rent and rates | 30000 |
| Lighting and heating | 28800 |
| Insurance | 4400 |
| Production wages | 60200 |
| Workshop equipment (cost £250 000) | 160000 |
| Water | 2800 |
| Factory supervision | 22200 |
| Discount received | 1000 |
| Discount allowed | 450 |

The following information is also relevant at 31 January 2011:

- Stocks of raw materials at 31 January 2011 were $£ 36100$.
- The following amounts have been prepaid at 31 January 2011:
- insurance $£ 1600$
- water £800.
- The following amounts remain outstanding at 31 January 2011:
- rent and rates $£ 9600$
- lighting and heating £2 400.
- $3 / 4$ of insurance relates to factory, $1 / 4$ relates to office.
- $2 / 3$ of lighting and heating relates to factory, $1 / 3$ 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 2011.

| Brett Dallas's Manufacturing Account for the year ended 31 January 2011 |
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## Task 5

You now pick up some limited company accounts for Johnson Ltd which has an authorised share capital of $£ 500000$ divided into 400000 ordinary shares of $£ 1$ each and $10000014 \%$ preference shares of $£ 1$ each. The net profit for the current year was $£ 92000$ and the profit and loss account balance brought forward amounts to $£ 45900$. The issued share capital is as follows:

- preference share capital: fully paid £70 000
- ordinary share capital: fully paid
£230 000
The directors have informed you that they propose to do the following:
- create a fixed asset replacement reserve amounting to $25 \%$ of the current year's net profit
- provide $£ 9500$ for taxation

An ordinary dividend of $6 \%$ and the year's preference dividend have been paid during the year.

Prepare the profit and loss appropriation account for the year below:
(6 marks)

| Johnson Ltd |
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You have further been asked to produce the capital and reserves (financed by) section of the Johnson Ltd balance sheet below:
(12 marks)

| Financed by | Johnson Ltd <br> Balance Sheet as at 31 January 2011 |
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(Total 18 marks)

## Task 6

Now you commence work on the books of Gayle Stott, a shop-keeper, who has prepared her limited financial records for you for the year ended 31 January 2011.

|  | Bank Account |  |
| :--- | :---: | :---: |
|  | $\boldsymbol{£}$ | $\mathbf{£}$ |
| Balance at 1 February 2010 | 990 Payments to trade creditors | 12890 |
| Amounts paid into the bank | 24860 Rent and rates | 3925 |
|  | General expenses | 4120 |
| Balance at 31 January 2011 | $\underline{\text { 3585 }}$ Drawings | $\underline{8500}$ |
|  | $\underline{29435}$ | $\underline{29435}$ |

The total of cash sales and receipts from trade debtors during the year to 31 January 2011 amounted to $£ 30890$; of this $£ 24860$ was paid into the bank, $£ 3250$ was paid for wages and $£ 290$ was paid for general expenses. Cash not otherwise accounted for was taken by Gayle Stott as additional drawings.

Other assets and liabilities at 31 January:

|  | $\mathbf{2 0 1 0}$ | $\mathbf{2 0 1 1}$ |
| :--- | :---: | ---: |
|  | $\mathbf{£}$ | $\mathfrak{£}$ |
| Stock | 4970 | 3980 |
| Debtors | 3000 | 2745 |
| Creditors | 1850 | 1465 |
| Rent and rates prepaid | 170 | nil |
| Rent and rates accrued | nil | 70 |
| General expenses accrued | nil | 160 |
| Cash | 20 | 190 |
| Motor vehicles | 2500 | 2000 |

Using the above information calculate Gayle Stott's capital at start of business at 1 February 2010 using a Statement of Affairs.

$\square$

Prepare Gayle Stott's cash account for the year.

| Gayle Stott Cash Account |  |  |  |
| :--- | :--- | :--- | :--- |
|  | $\mathbf{\Sigma}$ |  | $\mathbf{£}$ |
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Prepare Gayle Stott's trading, profit and loss account for the year ended 31 January 2011
(8 marks)

| Gayle Stott's |
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| Trading, Profit and Loss Account for the year ended 31 January 2011 |$|$|  |
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Prepare Gayle Stott's Balance Sheet as at 31 January 2011
(5 marks)

| Gayle Stott's |
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| Balance Sheet as at 31 January 2011 |
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(Total 20 marks)

## Task 7

Finally, you need to construct the balance sheet of Rodgers Ltd. The balances you have been given are as follows:

|  | £ |
| :--- | ---: |
| Premises at cost | 60000 |
| Furniture and fittings at cost | 14000 |
| Stock | 7000 |
| Debtors | 3500 |
| Cash at bank and in hand | 8000 |
| Taxation due | 2600 |
| Trade creditors | 2400 |
| Provision for depreciation - premises | 15000 |
| Provision for depreciation - furniture and fittings | 12000 |
| Provision for bad debts | 400 |
| Other creditors | 700 |

Prepare the balance sheet for Rodgers Ltd to show the net current assets and the net assets.
(15 marks)

| Rodgers Ltd Balance Sheet as at 31 January |
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End of examination

