

# Accounting and Book-keeping

Level 3

8991-03-003

2012 Sample paper



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**Candidate's name** (Block letters please)

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**Centre no**

**Date**

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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	Total
/16	/9	/10	/12	/18	/20	/15	/100

## 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.

	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	
Drawings: Mushrow	14 800	
Severn	7 600	
Current Accounts: Mushrow		1 600
Severn	140	
Capital Accounts: 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 below:

<b>Wigan Warriors Appreciation Society Subscriptions Account</b>			
<b>Details</b>	<b>£</b>	<b>Details</b>	<b>£</b>

(9 marks)

### Task 3

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

Ratio	2010	2011
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 the most likely explanation for the years' changes for each of the ratios.

(10 marks)

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

#### 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	45 500
- Work in progress	44 000
Purchases – raw materials	98 720
Returns – raw materials	1 150
Rent 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 2011:

- Stocks of raw materials at 31 January 2011 were £36 100.
- The following amounts have been prepaid at 31 January 2011:
  - insurance £1 600
  - water £800.
- The following amounts remain outstanding at 31 January 2011:
  - 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 2011.

(12 marks)















**End of examination**