

Subject no. 50B

Level 4 Subsidiary Certificate in International Finance, Accounting and Administration
Level 4 Certificate in International Finance and Administration

Paper 2

Accounting

Sample assessment material

January 2015

Time allowed: 1 hour 30 minutes

Do not open this examination paper until the presiding officer or an invigilator tells you to.

You must not take this paper out of the examination room.

The examination paper contains **18** questions and is divided into three sections. You must attempt **all questions** in Section A and Section B, and **two questions** in Section C.

Section A contains 15 marks, Section B contains 30 marks and Section C contains 30 marks. There are **75 marks** available in total for the paper.

You should allow yourself approximately 20 minutes in total to answer the questions in Section A, 30 minutes in total to answer the questions in Section B, and 20 minutes for each of the questions attempted in Section C.

You may continue your answers on a separate sheet of paper if necessary. Separate answer sheets are available from the invigilator.

Section A

Answer **all** questions in this section.

Continue your answers on a separate sheet of paper if necessary.

1. Which **one** of the following would be classified as capital expenditure for a sole trader?

- A. £5,000 spent on marketing
- B. £10,000 spent on loan interest
- C. £15,000 spent on a computer
- D. £20,000 spent on building repairs

(1 mark)

2. In the statement of financial position (balance sheet) for a sole trader, what would an overpayment of the annual business rent be labelled as?

(1 mark)

3. A retailer chooses to value his closing stock of 1,000 bags of flour at the current market price of £5 per kilogram rather than its original cost price of £7.50 per kilogram.

This is an example of which accounting concept?

(1 mark)

4. A business uses a petty cash float of £500. On 31 May 2014 the petty cash balance was £75.

Complete the following accounting entry required to restore the petty cash float.

Dr Petty cash £ _____

Cr Cash £ _____

(2 marks)

5. If a customer returns an item they previously purchased, how should the business treat this in its accounts?

(1 mark)

6. If the gross profit margin of a business is 40% and the gross profit is £60,000, what is its sales figure?

Use the box below for your calculations and show your workings.

Sales =

(2 marks)

7. The correct amount from a transaction has been posted to the wrong account in the ledger. Identify the type of error that has been made.

(1 mark)

8. A business pays its staff wages by cheque every month. Describe the impact of this on the accounting equation.

(1 mark)

9. Below is an extract from a company's book of accounts as at 30 June 2014.

£		£	
Current assets		Current liabilities	
Inventories	8,000	Trade creditors	75,650
Debtors	75,000		
Bank	<u>12,750</u>		
Total	<u>95,750</u>	Total	<u>75,650</u>

What is the company's acid test (quick ratio) as at 30 June 2014?

Use the box below for your calculations and show your workings.

Acid test =

(2 marks)

10. In 2014, the opening balance of a sole trader's capital account was £96,000.

At the end of the year, the closing balance was £79,500.

During the year, she withdrew £40,000 as drawings.

What was the sole trader's annual profit for 2014?

Use the box below for your calculations and show your workings.

Annual profit =

(3 marks)

TOTAL FOR SECTION A = 15 MARKS

Section B

Answer **all** questions in this section.

Continue your answers on a separate sheet of paper if necessary.

11. Explain how the following books of prime entry are used in bookkeeping.

(a) Purchases returns daybook

(2 marks)

(b) Sales daybook

(2 marks)

12. Explain the differences between a sole trader and a partnership.

(6 marks)

13. Complete the missing entries in the following trading account.

Year ended 31 Jan	Turnover	Opening stock	Purchases	Closing stock	Cost of sales	Gross profit
2014	106,200		59,665	37,850	42,480	
2013		18,340	37,730		25,490	59,470
2012	66,270	48,490		38,350		40,700

(6 marks)

14. Identify which accounts will receive the debit and credit entry for each of the following transactions.

Transaction	Debit	Credit
i) Received a telephone enquiry from a client regarding a future order for £4,900		
ii) Purchased stock on 90 days' credit		
iii) Received cash for sale of products		
iv) Received a bank loan		
v) Bank agreed an overdraft for one year for £25,000		
vi) Purchased new computer system		

(6 marks)

15. Featherlight Bakeries had a purchase ledger account balance of £15,560 on 31 December 2014. During the month of January 2015, the following transactions occurred.

	£
Discounts received	550
Payments to creditors	12,550
Credit purchases	16,920
Purchase returns	1,260

Complete the following purchase ledger control account of Featherlight Bakeries at 31 January 2015.

Featherlight Bakeries
Purchase ledger control account

Description	Dr	Cr	Balance

(8 marks)

TOTAL FOR SECTION B = 30 MARKS

Section C

Answer **two** questions only.

Continue your answers on a separate sheet of paper if necessary.

16. The financial statements for Saffrana Limited are shown below.

Saffrana Limited Income Statement for the year ended 30 June 2014

	£
Sales	1,820,000
Cost of sales	1,314,300
Gross profit	505,700
Operating expenses	387,015
Profit before interest and taxation	118,685
Interest	11,050
Pre-tax profit	107,635

Saffrana Limited Statement of Financial Position at 30 June 2014

	£	£
Non-current assets		2,039,100
Current assets		
Inventories	128,400	
Receivables	85,750	
Bank/cash	17,060	231,210
Current liabilities		
Payables	116,575	
Net current assets		114,635
Long-term liabilities		
Loan		1,000,000
Net assets		1,153,735
Capital and reserves		
Ordinary share capital		1,028,000
General reserves		125,735
Shareholder's fund		1,153,735

Using Saffrana Limited’s financial statements for the year ended 30 June 2014, identify **and** calculate:

- (i) **two** profit margin ratios
- (ii) **three** working capital management ratios.

Use the table below to complete your answer.

(15 marks)

Ratios	Calculation	Answer
Profit margins		
1:		
2:		
Management of working capital		
1:		
2:		
3:		

17. Woode's Fashions ('Woode's') financial year-end was 30 June 2014. In the month of June 2014, the following summary was extracted from Woode's accounting system.

	£
Sales ledger balance 1 June 2014	24,048
Purchases ledger balance 1 June 2014	17,832
Sales	149,520
Payments to trade creditors	112,422
Payments from credit customers	143,916
Credit purchases	114,696
Returns outwards	288
Discounts allowed	4,176
Bad debts written off	245
Discounts received	3,420
Returns inwards	1,276

For the month ended 30 June 2014, prepare Woode's sales ledger account.

Use the table below to complete your answer.

(15 marks)

Sales ledger account				
Date	Description	Dr	Cr	Balance

18. Zed Neptune is a sole trader. On 31 January 2014, his cashbook had a debit balance of £3,125 and the bank statement had a credit balance of £6,332.

The following transactions had not been entered into the cashbook:

- (i) A direct debit for the monthly business rent for £1,750.
- (ii) Monthly bank charges of £224.
- (iii) A client, F. Brown, had paid £995 directly into the bank account.
- (iv) A loan of £5,000 from Zed Neptune’s father had been paid directly into the bank account.
- (v) A cheque from B. King, for £559, had been returned by the bank unpaid.

In addition, a cheque payable to P. Telecom for £1,995 had been recorded in the cashbook but had not been presented for payment. A cheque for £2,250 had been deposited into the bank account on 28 January 2014 but had not yet appeared on the bank statement.

Using this information, prepare an up-to-date cashbook **and** a bank reconciliation statement for Zed Neptune as at 31 January 2014.

Use the tables below to complete your answer.

(15 marks)

Cashbook as at 31 January 2014

Description	Dr	Cr	Balance

Bank reconciliation as at 31 January 2014

TOTAL FOR SECTION C = 30 MARKS

TOTAL FOR PAPER = 75 MARKS

The scenarios included here are entirely fictional. Any resemblance of the information in the scenarios to real persons or organisations, actual or perceived, is purely coincidental.

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