



2012 Accounting and Finance

Standard Grade Foundation - Solutions

Finalised Marking Instructions

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1. (a) Using the following information, complete the Order Form below.

10 Front Wiper Blades @ £5.30 each
 20 Rear Brake Pads @ £4.00 each
 Trade Discount @ 15% = £19.95
 VAT @ 20% = £22.61

ORDER FORM			
 BILLY'S CAR COMPONENTS		Order No: 231	
Billy's Car Components 13 Hill Street GLASGOW G17 8HA			
To: Ronnie's Garage 51 Roman Crescent BEARSDEN B72 5AK		Date: 15 April 2012	
Quantity	Description	Unit Price	Cost
10	Front Wiper Blades	5 30	53 00
20	Rear Brake Pads	4 00	80 00
			133 00
	Less Trade Discount (15%)		19 95
	Net Goods Value		113 05
	Add VAT @ 20%		22 61
	TOTAL	£	135 66

<i>Marks</i>	
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2. (continued)

- (b)** Indicate which items would be used to calculate the Return on Capital Invested Ratio. Tick (✓) the **2** correct boxes.

Current Liabilities	
Sales	
Opening Capital	✓ (2)
Current Assets	
Net Profit	✓ (2)

- (c)** Indicate what the Working Capital/Current Ratio shows. Tick (✓) the correct box.

If a business can pay current debts	✓ (2)
If the owner has put in too much capital	
If the current capital is earning a good return	

- (d)** Indicate which **3** of the following could cause a reduction in the Net Profit. Tick (✓) the **3** correct boxes.

A reduction in Expenses	
A reduction in Rent Received	✓ (2)
An increase in Purchase Price	✓ (2)
An increase in Selling Price	
An increase in Sales Returns	✓ (2)

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Marks	
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3. P De Cecco had recorded the following items in his Bank Account for March 2012.

BANK ACCOUNT							
Date	Details	DR		CR		Balance	
		£	p	£	p	£	p
1 March	Balance					✓ 1,100	00 DR
4 March	Sales	500	00	✓		1,600	00 DR
7 March	C McDonald				120 00	1,480	00 DR
9 March	E Smith			✓	210 00	1,270	00 DR
15 March	Sales	250	00	✓		1,520	00 DR
21 March	B Heaney				80 00	1,440	00 DR
29 March	Sales	185	00			1,625	00 DR

When he received the following Bank Statement he ticked (3) those items which appeared both in the Bank Account and the Bank Statement.

NEW BANK plc STATEMENT	
P De Cecco 17 Eastend Road Newton GO3 4IQ	ACCOUNT NO: 087123 BRANCH CODE: 61-30-24 DATE: 31 March 2012 STATEMENT NO: 645

Date	Details	Debits	Credits	Balance
1 March	Balance			✓ 1,100 00 CR
4 March	Deposit		✓ 500 00	1,600 00 CR
9 March	SO – Rent	180 00		1,420 00 CR
10 March	001200	✓ 210 00		1,210 00 CR
12 March	BGC – Dividends		150 00	1,360 00 CR
15 March	Deposit		✓ 250 00	1,610 00 CR
23 March	DD - Electricity	85 00		1,525 00 CR

Using the above information you are required to complete on the following page:

- (a) P De Cecco's Updated Bank Account;
- (b) the Bank Reconciliation Statement.

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3. (continued)

(a)

UPDATED BANK ACCOUNT							
Date	Details	DR		CR		Balance	
		£	p	£	p	£	p
29 March	Balance					1,625	00 DR
31 March	SO – Rent			(1) 180	00	1,445	00 DR
31 March	BGC – Dividends	(1) 150	00			1,595	00 DR
31 March	DD – Electricity			(1) 85	00	(1) 1,510	00 DR

Reversal = 1,740 CL BAL (1)

(b) Bank Reconciliation Statement as at 31 March 2012

Balance as per Bank Statement 1,525.00 (1)

Items paid in but not yet credited

Cash sales 185.00 (1)

1,710.00 (1)

Cheques paid but not yet presented

C M McDonald 120.00 (1)

B Heaney 80.00 (1) 200.00 (1)

Balance as per Updated Bank Account 1,510.00 (1)

(c) Indicate what the letters plc stand for in New Bank plc. Tick (✓) the correct box.

private limited company	
peoples limited company	
public limited company	✓ (2)

Marks	
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3. (continued)

- (d) Indicate which of the following sources of finance are only available to a plc. Tick (✓) the **2** correct boxes.

Bank Loans	
Selling Shares	✓ (2)
Fundraising Events	
Obtaining Grants	
Issuing Debentures	✓ (2)

- (e) Indicate the name given to the share of profits received by shareholders. Tick (✓) the correct box.

Commission	
Salary	
Bonus	
Dividend	✓ (2)

- (f) P De Cecco has paid some bills by Standing Order (**SO**) and some by Direct Debit (**DD**). Tick (✓) the correct box to show whether each of the following statements apply to a **SO** or a **DD**.

STATEMENT	SO	DD
Only a fixed amount can be paid each month.	✓ (2)	
The person paying the money informs the bank how much to pay.	✓ (2)	
The date of the transaction can vary.		✓ (2)
The person receiving the money informs the bank how much they are due.		✓ (2)

Marks	
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4. (continued)

- (c) All members of the Gowanlea Social Club may attend a meeting about the club every year. State the name given to this meeting.

AGM (1)/Annual General Meeting (2) Any 2 words = 1 mark

- (d) Indicate which of the following officials would be in charge of the club's finances. Tick (✓) the correct box.

Chairman	
Secretary	
Treasurer	✓ (2)

- (e) The official in charge of the club's finances would present certain information at the yearly meeting. Tick (✓) the correct box to show whether each of the following statements are **True** or **False**.

Statement	True	False
An Income & Expenditure Account showing how much the club is worth.		✓ (2)
A Bar Trading Account showing the profit made on the bar.	✓ (2)	
A Balance Sheet showing the surplus/deficit made by the club.		✓ (2)

Marks	
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5. (a) Complete the ledger accounts below from the information in the Document Pack for use with Question 5 (a).

Ledger of Special Days

Account Name		Sales		Number		1	
Date	Details	Dr		Cr		Balance	
2012		£	p	£	p	£	p
1 April	Lynn Ramsay		(2)	1,650	00	1,650	00

Account Name		VAT		Number		2	
Date	Details	Dr		Cr		Balance	
2012		£	p	£	p	£	p
1 April	Lynn Ramsay		(2)	330	00	330	00
3 April	Lynn Ramsay	40	00	(2)		290	00

Account Name		Lynn Ramsay		Number		3	
Date	Details	Dr		Cr		Balance	
2012		£	p	£	p	£	p
1 April	Sales & VAT	1,980	00	(4)		1,980	00
3 April	Sales Returns & VAT		(4)	240	00	1,740	00
8 April	Bank		(2)	1,740	00	0	00

<i>Marks</i>	
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5. (continued)

(c) Tick (✓) the **2** correct boxes that show reasons for preparing a Trial Balance.

To work out the profit for the year	
To see if total debits = total credits.	✓ (2)
To see how well the business is doing.	
To check the accuracy of the double entry.	✓ (2)

<i>Marks</i>	
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6. (a) Using the notes below, complete the Cash Budget of K Sweeney for the months of July and August 2012.

NOTES

- The cash balance at the beginning of July is £1,560
- Sales in July will be £10,000 and are expected to increase by 10% for August
- A loan of £5,000 will be received in August
- Purchases for July and August will be £4,000 per month
- Electricity is £100 per month. Both months are paid for in July
- Staff Wages are £500 per month.
- Rent of £12,000 per year is paid out monthly

**CASH BUDGET of K Sweeney
for the months of July and August 2012**

	JULY £		AUGUST £	
Opening Balance	1,560	(1)	5,860	(1)
Cash In				
Sales	10,000	(1)	11,000	(2)
Loan			5,000	(1)
Total Cash Available	<u>11,560</u>		<u>21,860</u>	(1 for line)
Cash Out	10,000		16,000	Accept if CL. Bal correct
Purchases	4,000		4,000	(1 for line)
Electricity	200	(2)		
Staff Wages	500		500	(1 for line)
Rent	1,000	(2)	1,000	(1)
Total Cash Paid	<u>5,700</u>		<u>5,500</u>	(1 for line)
Closing Balance	<u>5,860</u>	(1)	<u>16,360</u>	(1)

Marks	
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6. (continued)

- (b) Indicate whether the following statements are **True** or **False** of a Cash Budget. Tick (✓) the correct box.

STATEMENT	True	False
You can see how profitable the business is.		✓ (2)
You can see how much cash you will have at the end of each month.	✓ (2)	
You can use it to help you plan for the future.	✓ (2)	

- (c) When K Sweeney received the loan he knew he would have to pay back extra money, on top of the loan amount. Tick (✓) the correct box to show what this extra amount is called.

Commission	
Interest	✓ (2)
Bonus	
Salary	

- (d) Using a computer spreadsheet to complete the accounts can have advantages. Tick (✓) the **2** correct boxes to show which of the following are advantages.

Spreadsheets are never wrong.	
Spreadsheets make calculation errors less likely.	✓ (2)
Spreadsheets can be changed quickly.	✓ (2)
Spreadsheets can help cash flow problems.	

[END OF MARKING INSTRUCTIONS]