



SEPTEMBER 2015

BUSINESS FINANCE & BOOKKEEPING

Instructions to candidates:

- a) Time allowed: Three hours (plus an extra ten minutes' reading time at the start – do not write anything during this time)
- b) Answer any FOUR questions
- c) All questions carry equal marks. Marks for each question are shown in []
- d) Non-programmable calculators are permitted in this examination.

1. The following is the trial balance of Wezzie as at 31 August 2015:

	£dr	£cr
Sales		561,000
Accounts receivable (debtors)	27,000	
Accounts payable (creditors)		16,000
Purchases	191,000	
Communication expenses	32,000	
Insurance	24,000	
Carriage inwards	1,000	
Returns inwards	3,000	
Energy costs	39,000	
Payroll costs	163,000	
Advertising expenses	36,000	
Business rates	28,000	
Inventory (stock) at 01 09 14	15,000	
Interest on loan	1,000	
Long-term loan		20,000
Drawings	29,000	
Land and buildings	380,000	
Equipment	150,000	
Capital (01 09 14)		525,000
Balance at bank	3,000	
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	1,122,000	1,122,000
	=====	=====

Notes at 31 August 2015:

- The value of inventory (stock) was £19,000
- Payroll costs owing amounted to £4,000
- Advertising expenses owing amounted to £3,000
- Business rates prepaid amounted to £5,000
- Ignore depreciation

TASKS

- a) Prepare the income statement (trading and profit and loss account) for the year ended 31 August 2015. [13]
 - b) Prepare the position statement (balance sheet) as at 31 August 2015. [12]
2. a) Explain the principal sources of finance available to a limited company. [10]
- b) Explain the following terms:
- i Double entry bookkeeping
 - ii A bank current account
 - iii Insurance premiums [5 each]

3. a) Explain the following terms:
- i Utmost good faith
 - ii Cash flow
 - iii Working capital
- b) Explain the process of applying for a business loan.
- [5 each]
[10]

4. The following are the summarised final accounts of a trader:

Income statement (profit and loss account)		£000
Sales		1,800
Cost of sales		(1,000)

Gross profit		800
Expenses		(510)

Net profit		290
		=====

Position statement (balance sheet)		
Fixed assets		450
Inventory (stock)		180
Accounts receivable (debtors)		130
Cash and bank		20
Accounts payable (creditors)		(250)

Total capital		530
		=====

TASKS

- a) Calculate the following ratios:
- i Gross profit to sales percentage
 - ii Net profit to sales percentage
 - iii The expenses to sales percentage
 - iv The rate of stock turnover
 - v The current ratio
 - vi The acid test
- b) Comment briefly on the financial performance of the business.
- For information the equivalent ratios for the previous year were:
- | | | |
|-----------------------------|---------------------------|--------------------------------|
| gross profit percentage 37% | net profit percentage 18% | the rate of stock turnover 5.1 |
| expenses percentage 19% | current ratio 1.7:1 | acid test 1:1 |
- [3 each]
[7]

5. Write short notes on FIVE of the following:
- a) The use of accounting ratios
 - b) FIFO
 - c) VAT (sales tax)
 - d) A trial balance
 - e) Hire purchase
 - f) Books of prime entry
 - g) Fixed assets
- [5 each]