



ICM

DECEMBER 2016

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 Ramos as at 30 November 2016:

	£dr	£cr
Debtors (accounts receivable)	28,000	
Creditors (accounts payable)		20,000
Sales		527,000
Purchases	176,000	
Communication expenses	29,000	
Insurance	24,000	
Carriage inwards	2,000	
Returns inwards	1,000	
Energy costs	38,000	
Payroll costs	136,000	
Discounts allowed	2,000	
Business rates	27,000	
Inventory (stock) at 01 12 15	11,000	
Marketing expenses	16,000	
Interest on loan	1,000	
Long-term loan		25,000
Drawings	29,000	
Premises	330,000	
Equipment	80,000	
Capital		365,000
Balance at bank	6,000	
Cash	1,000	
	-----	-----
	937,000	937,000
	=====	=====

Notes at 30 November 2016:

- The value of inventory was £13,000
- Payroll costs owing amounted to £4,000
- Insurance prepaid amounted to £2,000
- Business rates prepaid amounted to £3,000
- Ignore depreciation

TASKS

- a) Prepare the income statement (trading and profit and loss account) for the year ended 30 November 2016. [13]
- b) Prepare the position statement (balance sheet) as at 30 November 2016. [12]

continued overleaf

2. a) Explain the principal sources of finance available to a sole trader. [10]
 b) Explain the following terms:
 i Cash flow
 ii Trial balance
 iii Current account [5 each]

3. Explain the following:
 a) An actuary
 b) Non-insurable risks
 c) The principles of accounting
 d) A business plan
 e) The declining use of cheques [5 each]

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

Income statement:	£000
Sales	1,400
Cost of sales	(750)

Gross profit	650
Expenses	(290)

Net profit	360
	=====

Balance sheet:	
Fixed assets	420
Inventory	110
Accounts receivable	80
Cash and bank	20
Accounts payable	(70)

Total capital	560
	=====

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 stock turnover
 v The current ratio
 vi The acid test [3 each]

b) Comment briefly on the financial performance of the business. [7]
 For information the equivalent ratios for the previous year were:
 gross profit percentage 45.6%; net profit percentage 28.9%; expenses percentage 16.79%;
 the rate of stock turnover 5.1; current ratio 2.8:1; acid test 1.6:1.

5. Write short notes on FIVE of the following:
 a) Depreciation
 b) Working capital
 c) Bookkeeping
 d) The role of a loan officer
 e) VAT
 f) Leasing finance
 g) Insurable risk [5 each]