



ICM

MARCH 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 Matilde as at 29 February 2016:

	£dr	£cr
Sales		561,000
Accounts receivable (debtors)	31,000	
Accounts payable (creditors)		18,000
Purchases	202,000	
Communication expenses	29,000	
Insurance	28,000	
Interest on loan	1,000	
Returns inwards	4,000	
Energy costs	37,000	
Payroll costs	165,000	
Advertising expenses	41,000	
Business rates	27,000	
Inventory (stock) at 01 03 15	15,000	
Stationery expenses	7,000	
Long-term loan		30,000
Drawings	25,000	
Land and buildings	420,000	
Equipment	140,000	
Capital (01 03 15)		565,000
Balance at bank	2,000	
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	1,174,000	1,174,000
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Notes at 29 February 2016:

- The value of inventory was £17,000
- Energy costs owing amounted to £6,000
- Advertising expenses 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 29 February 2016. [13]
 - b) Prepare the position statement (balance sheet) as at 29 February 2016. [12]
2. a) Explain the following terms:
- i Insurance
 - ii Bookkeeping
 - iii Accounting ratios [6 each]
- b) Outline the benefits of purchasing expensive fixed assets using hire purchase. [7]

continued overleaf

3. Explain the following terms:
- Life assurance
 - A bank current account
 - Working capital
 - Debenture finance
 - A trial balance
- [5 each]

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

Income Statement	£000
Sales	1,900
Cost of sales	(1,000)

Gross profit	900
Expenses	(500)

Net profit	400
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Balance Sheet (position statement)	
Fixed assets (non-current assets)	430
Inventory	160
Accounts receivable	110
Cash and bank	20
Accounts payable	(260)

Total capital	460
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TASKS:

- a) Calculate the following ratios:
- Gross profit to sales percentage
 - Net profit to sales percentage
 - The expenses to sales percentage
 - The rate of stock turnover
 - The current ratio
 - 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 39%; net profit percentage 19%; the rate of stock turnover 5.3;
expenses percentage 20%; current ratio 1.8:1; acid test 0.9:1.

5. Write short notes on FIVE of the following:
- VAT
 - The importance of stock control
 - Cash smoothing
 - Leasing
 - Petty cash
 - Cost accounting
 - A banker's draft
- [5 each]