



ICM

MARCH 2017

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 Njoroge as at 28 February 2017:

	£dr	£cr
Capital (01 03 16)		298,000
Accounts receivable (debtors)	26,000	
Accounts payable (creditors)		17,000
Sales		332,000
Purchases	129,000	
Communication expenses	19,000	
Insurance	17,000	
Carriage inwards	3,000	
Returns inwards	1,000	
Delivery costs	19,000	
Payroll costs	102,000	
Discounts allowed	2,000	
Business rates	22,000	
Inventory (stock at 01 03 16)	13,000	
Interest on loan	1,000	
Long-term loan		20,000
Drawings	28,000	
Land and buildings	200,000	
Equipment	80,000	
Balance at bank	5,000	
	-----	-----
	667,000	667,000
	=====	=====

Notes at 28 February 2017:

- The value of inventory was £12,000
- Business rates prepaid amounted to £1,000
- Payroll costs owing amounted to £5,000
- Insurance prepaid amounted to £2,000
- Ignore depreciation

TASKS

- a) Prepare the income statement (trading and profit and loss account) for the year ended 28 February 2017. [13]
 - b) Prepare the position statement (balance sheet) as at 28 February 2017. [12]
- 2.
- a) Explain the process of applying for business finance from a bank or other major lending institution. [10]
 - b) Explain the following terms:
 - i Share capital
 - ii Bookkeeping
 - iii Hire purchase and leasing [5 each]

continued overleaf

3. Explain the following terms:
- An overdraft
 - Insurable risks
 - Trial balance
 - A direct debit
 - Working capital
- [5 each]

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

Income statement:	£000
Sales	1,050
Cost of sales	(450)

Gross profit	600
Expenses	(280)

Net profit	320
	=====

Balance sheet:	
Fixed assets	350
Inventory	120
Accounts receivable	100
Cash and bank	30
Accounts payable	(100)

Total capital	500
	=====

TASKS

- Calculate the following ratios:
 - Gross profit to sales percentage
 - Net profit to sales percentage
 - The expenses to sales percentage
 - The stock turnover
 - The current ratio
 - The acid test

[3 each]
- Comment briefly on the financial performance of the business. [7]

For information the equivalent ratios for the previous year were:

Gross profit percentage 54.5%; net profit % 26.5%; expenses percentage 28%; stockturn 4.1 times; current ratio 2.1:1; acid test ratio 1.6:1

5. Write short notes on FIVE of the following:
- Depreciation
 - A current account in a bank
 - FIFO
 - The importance of positive cash flow
 - VAT
 - Return on capital invested
 - Day books
- [5 each]