



ACCOUNTING II

Monday 6th June 2022

Time allowed

Three hours

Instructions

- Ensure that you pay particular attention to words in **bold**.
- Write the question number next to each answer in your answer booklet.
- You are **not** required to rewrite the question in your answer booklet.

Information

- Different questions may carry a different number of marks.
- Marks for each question are shown in [].

Advice

- Read each question carefully before you start to answer it.
- Use the full time permitted and check all your answers.

Materials

- Notes or books are **not** permitted.
- Non-programmable calculators are permitted.

ANSWER ANY FIVE QUESTIONS FROM THE FOLLOWING SEVEN QUESTIONS

1. The information in Table 1 refers to the trial balance for a limited company.

Table 1: Trial Balance at 31st May 2022

	Dr	Cr
	£	£
Turnover		3,898,000
Purchases	3,111,000	
Stock (inventory) (1 st June 2021)	120,000	
Postage and stationery	3,000	
Rent, rates and insurance	91,000	
Advertising	199,000	
Heating and lighting	16,000	
Auditor's fee	15,000	
Salaries	275,000	
Debenture interest paid	5,000	
Communication costs	98,000	
Accounts payable		202,000
Provision for doubtful debts		17,000
Equipment at cost	403,000	
Depreciation of equipment (1 st June 2021)		108,000
Debentures (5%)		100,000
Ordinary share capital (£1 shares)		200,000
Profit and loss a/c bal. (1 st June 2021)		121,500
Debtors (amounts receivable)	325,000	
Bank balance		14,500
	4,661,000	4,661,000

Notes at 31st May 2022:

- Stock/inventory is valued at £175,000
- Salaries owing amounted to £10,000
- Insurance prepaid amounted to £7,000
- The depreciation policy for equipment is 10% pa on cost
- The provision for doubtful debts is to be reduced to £9,000
- The provision for corporation tax is estimated at £3,000
- The directors have declared an ordinary dividend of £0.08 per share

- (a) Prepare the limited company's income statement (profit and loss account) for the year ended 31st May 2022 from the information provided in Table 1.
- (b) Prepare the limited company's position statement (balance sheet) at 31st May 2022 from the information provided in Table 1.

[12 marks]

[8 marks]

2. William and Harry are in partnership. Interest is allowed on capital and on the opening current account balances at 5% pa. William is to be credited with a salary of £55,000 in recognition of extra duties. William and Harry agree to share profits equally. The trial balance in Table 2 was drawn up on 31st May 2022.

Table 2: Trial Balance at 31st May 2022

		Dr	Cr
		£	£
Capital accounts:	William		200,000
	Harry		200,000
Current accounts:	William		50,000
	Harry		20,000
Drawings:	William	70,000	
	Harry	30,000	
Purchases		650,000	
Sales			1,100,000
Postage and stationery		10,000	
Staff wages		240,000	
Rent and insurance		48,000	
General expenses		10,000	
Bad debts written off		4,000	
Stock (inventory) (1 st June 2021)		50,000	
Equipment at cost		300,000	
Accumulated depreciation (1 st June 2021)			60,000
Premises		150,000	
Debtors (amounts receivable)		95,000	
Creditors (amounts payable)			40,000
Cash and bank		13,000	
		1,670,000	1,670,000

Notes at 31st May 2022:

- Closing work (inventory) is valued at £60,000
- Staff wages owing amounts to £10,000
- Insurance prepaid amounts to £5,000
- The depreciation policy for equipment is 20% reducing balance
- Both partners are to be charged £2,000 interest on drawings

- (a) Prepare the partnership's income statement (trading and profit and loss account), including the appropriation section for the year ended 31st May 2022 from the information provided in Table 2. [9 marks]
- (b) Prepare the partners' current accounts for the year ended 31st May 2022 from the information provided in Table 2. [4 marks]
- (c) Prepare the partnership's position statement (balance sheet) at 31st May 2022 from the information provided in Table 2. [7 marks]

3. The information in Table 3 refers to a limited company.

Table 3: Extract from annual accounting information

	£000		£000
Sales (all credit)	3,400	Cost of sales	2,100
Administration expenses	520	Distribution costs	350
Interest paid	40	Provision for taxation	125
Proposed dividend	200	Value of fixed assets	1,000
Closing stock	200	Opening stock	130
Closing debtors	260	Closing bank balance	50
Closing creditors	150	Issued ordinary share capital (£1)	1,000

- (a) Prepare a summarised profit and loss account from the information provided in Table 3. [4 marks]
- (b) Calculate each of the following ratios: [2 marks]
- (i) Gross profit to sales percentage [2 marks]
 - (ii) Operating profit (PBIT) as a percentage of sales [2 marks]
 - (iii) Dividend cover [2 marks]
 - (iv) The stock turnover period in days [2 marks]
 - (v) The debtor collection period in days [2 marks]
 - (vi) The total expenses as a percentage of sales [2 marks]
- (c) State **two** comparative measures that would assist in analysing the ratios you calculated in question 3 part (b). [4 marks]

4. The balances in Table 4 have been extracted from the accounting records of a limited company at 31st May 2022:

Table 4

	£
Raw material in stock at 1 st June 2021	12,000
Raw material purchases	140,000
Carriage inwards	5,000
Direct labour	140,000
Indirect factory labour	79,000
Factory power (indirect)	30,000
Insurance of production equipment	15,000
Depreciation of production equipment	55,000
Other production overheads	40,000
WIP at 1 st June 2021	38,000
Finished goods stock at 1 st June 2021	50,000
Sales	890,000
Distribution costs	160,000
Administration expenses	110,000
Raw material in stock at 31 st May 2022	15,000
WIP at 31 st May 2022	29,000
Finished goods stock at 31 st May 2022	46,000

- (a) Prepare the manufacturing account for the year ended 31st May 2022 from the information provided in Table 4. [7 marks]
- (b) Prepare the trading, profit and loss account for the year ended 31st May 2022 from the information provided in Table 4. [5 marks]
- (c) Outline what is meant by each of the following:
- (i) An aged debtor schedule [4 marks]
 - (ii) The use of a suspense account [4 marks]

5. The information in Table 5 and Table 6 refers to a limited company.

Table 5: Balance sheets at 31st May

	2021		2022	
	£	£	£	£
Fixed assets at cost	40,000		55,000	
Depreciation	(22,000)	18,000	(33,000)	22,000
Current assets (non-fixed assets):				
Stock (inventory)	15,000		16,000	
Debtors (amounts receivable)	16,000		13,000	
Bank	-		5,000	
	3,000		34,000	
Current liabilities:				
Creditors (amounts payable)	11,000		9,000	
Taxation	4,000		5,000	
Dividends	6,000		4,000	
Bank	1,000		-	
	22,000		18,000	
Working capital		9,000		16,000
Long-term loans		(10,000)		(5,000)
		11,000		33,000
Capital and reserves:				
Ordinary shares (£1)		10,000		10,000
Profit and loss account		1,000		23,000
		11,000		33,000

Table 6: Income statement (profit and loss account) for the year ended 31st May 2022

	£
Operating profit	31,800
Interest paid	(800)
Profit before tax	31,000
Taxation	(5,000)
Profit after tax	26,000
Dividend	(4,000)
Retained profit	22,000

- (a) Prepare a cash flow statement for the limited company for the year ended 31st May 2022 using the information provided in Table 5 and Table 6. [10 marks]
- (b) Analyse the change in liquidity between the two balance sheets. Use examples of ratios and identification of sources of cash to support your analysis. [10 marks]
6. (a) Explain the reasons spreadsheets are used by accountants. Use examples from accounting practice to support your explanation. [10 marks]
- (b) Explain the differences between the financial statements of non-profit-orientated organisations and the financial statements of profit-orientated organisations. [10 marks]

7. An organisation has not maintained a full set of accounts.

Table 7: Assets and liabilities

	1 st June 2021	31 st May 2022
	£	£
Fixed assets (book value)	175,000	X
Debtors (amounts receivable)	40,000	38,000
Creditors (amounts payable)	25,000	30,000
Stock (inventory)	31,000	26,000
Wages owing	6,000	9,000
Prepaid insurance	600	700
Balance at bank	12,000	X

Note at 31st May 2022:

- The fixed asset depreciation policy is 15% on cost.

Table 8: Summary of the bank transactions

	Payments	Receipts
	£	£
Purchase of new fixed assets	25,000	
Wages	101,000	
Insurance	9,000	
Rent and rates	16,000	
Postage and telephones	15,000	
Payments to suppliers	187,000	
Misc. expenses	14,000	
Drawings	40,000	
Receipts from debtors		405,000

- (a) Calculate the opening capital using the information provided in Table 7 and Table 8. [2 marks]
- (b) Calculate the bank balance at 31st May 2022 using the information provided in Table 7 and Table 8. [3 marks]
- (c) Calculate the total amount of sales for the year using the information provided in Table 7 and Table 8. [2 marks]
- (d) Calculate the total amount of purchases for the year using the information provided in Table 7 and Table 8. [2 marks]
- (e) Prepare the income statement (trading and profit and loss account) for the year ended 31st May 2022 using the information provided in Table 7 and Table 8. [6 marks]
- (f) Prepare the position statement (balance sheet) at 31st May 2022 using the information provided in Table 7 and Table 8. [5 marks]

END OF QUESTIONS