



Qualifications:

LEVEL 3 Certificate in Bookkeeping (QCF)
(Accreditation number: **601/0731/5**)

LEVEL 3 Certificate in Manual Bookkeeping (QCF)
(Accreditation number: **500/9260/1**)

LEVEL 3 Diploma in Bookkeeping (QCF)
(Accreditation number: **601/0484/3**) – **Apprenticeship Framework**

Examination

Units:

Prepare financial statements for a partnership – Y601/0742

Prepare financial statements for a sole trader – A601/0734

Sample Assessment Material

QUESTION PAPER 2

Time Allowed: 3 hours

SECTION A – PREPARE FINANCIAL STATEMENTS FOR A PARTNERSHIP

INSTRUCTIONS

You must complete **ALL TASKS** in this section of the Examination Paper

QUESTION ONE

PREPARE ACCOUNTS FOR A PARTNERSHIP

Amir and Petra have been in partnership for several years. The following Trial Balance has been extracted from their books of account as at the financial year end 31 May 2010:

**Amir and Petra
Trial Balance as at 31 May 2010**

	DR	CR
	£	£
Capital Accounts (31 May 2010) - Amir		100,000
- Petra		80,000
Current Accounts (31 May 2010) - Amir		5,500
- Petra	1,500	
Drawings (31 May 2010) - Amir	18,800	
- Petra	11,400	
Sales		671,780
Purchases	550,690	
Stock @ 31 May 2009	76,350	
Debtors and creditors	85,442	51,163
Office expenses	12,366	
Salaries and wages	36,448	
Discounts allowed	3,216	
Rent and rates	15,733	
Motor expenses	5,967	
Heating and lighting	3,810	
General expenses	8,293	
Fixtures and fittings (cost)	34,500	
- Provision for depreciation - 31 May 2009		12,600
Motor vehicles (cost)	26,490	
- Provision for depreciation - 31 May 2009		15,940
Bank	45,978	
	<u>936,983</u>	<u>936,983</u>

Additional Information as at 31 May 2010

- 1 Stock on hand as at 31 May 2010 £85,250
- 2 Heating and lighting accrued £1,413
- 3 Rent and rates prepaid £960
- 4 Depreciation for the year ended 31 May 2010 is to be provided for as follows:
 - Fixtures and fittings - £3,450
 - Motor vehicles - £2,110

A Partnership Agreement drawn upon on behalf of Amir and Petra contains the following details:

- 1 Partners' are to be charged interest on the balance on their Drawings Accounts at the year end at the rate of 5%.
- 2 Partners' are to be given interest on their capital at the rate of 6% on the balance on their Current Accounts at the year end.
- 3 Petra is to be given a partnership salary of £8,000 per annum.
- 4 Remaining profits or losses are to be shared equally between the partners.

REQUIRED

TASK A

Prepare the Trading and Profit and Loss Account of the partnership for the year ended 31 May 2010.

TASK B

Prepare the Profit and Loss Appropriation Account of the partnership for the year ended 31 May 2010.

TASK C

Prepare the Current Account of each partner for the year ended 31 May 2010.

TASK D

Prepare the Balance Sheet of the partnership as at 31 May 2010.

Note: The following proformas are provided for your use in completing the above tasks:

- Trading and Profit and Loss Account – see **page 1** of your **answer booklet**
- Profit and Loss Appropriation Account – see **page 2** of your **answer booklet**
- Current Accounts – see **page 2** of your **answer booklet**
- Balance Sheet – see **page 3** of your **answer booklet**

QUESTION TWO

ACCOUNT FOR A CHANGE IN THE STRUCTURE OF A PARTNERSHIP

Tim and Toby have been in partnership for several years. A Partnership Agreement drawn up on their behalf included the agreement that they would share profits and losses equally.

As at 31 May 2009 the Capital and Current Accounts of Tim and Toby carried balances as follows:

	Capital Account	Current Account
Tim	£80,000	£1,200 (CR)
Toby	£80,000	£800 (DR)

It was agreed that as from 1 June 2009 Lola would be admitted to the partnership at which date she paid £100,000 into the business Bank Account in respect of her capital and share of goodwill.

As at 1 June 2009 the goodwill of Tim and Toby's business was valued at £48,000.

Following the admission of Lola to the partnership it was agreed that:

- A Goodwill Account would not be kept in the books of account of the partnership
- Partners' would be given interest on capital at the rate of 5% per year on the balance on their capital account at the year end
- Salaries would be paid to partners' as follows:
 - Tim £20,000 per year
 - Toby £20,000 per year
 - Lola £24,000 per year
- Remaining profits or losses would be shared equally between the partners

In the year ended 31 May 2010 the partners' took drawings from their business as follows:

Tim	£22,000
Toby	£22,000
Lola	£24,000

In the year ended 31 May 2010 the partnership of Tim, Toby and Lola generated a net profit of £95,000.

REQUIRED

TASK A

Prepare the Capital Accounts of each Partner as at 1 June 2009 to account for the admission of Lola to the partnership. Balance off the Capital Accounts as at 1 June 2009 bringing down the account balances as at that date.

TASK B

Prepare the Profit and Loss Appropriation Account of the partnership (Tim, Toby and Lola) for the year ended 31 May 2010.

TASK C

Prepare the Current Accounts of Tim, Toby and Lola for the year ended 31 May 2010.

Note: The following proformas are provided for your use in completing the above tasks:

- Capital Accounts – see **page 5** of your **answer booklet**
- Profit and Loss Appropriation Account – see **page 6** of your **answer booklet**
- Current Accounts – see **page 6** of your **answer booklet**

SECTION B – PREPARE FINANCIAL STATEMENTS FOR A SOLE TRADER

INSTRUCTIONS

You must complete **ALL TASKS** in this section of the paper

QUESTION THREE

PREPARE FINANCIAL STATEMENTS FOR A SOLE TRADER

- (A) The following list of balances has been extracted from the books of account of Continental Foods as at the financial year end 31 May 2010.

	£
Premises (cost)	100,000
Motor vehicles (cost)	40,000
Office equipment (cost)	7,500
Provisions for depreciation (31 May 2009)	
- Motor vehicles	17,500
- Office equipment	1,500
Stock (31 May 2009)	25,400
Purchases	279,600
Sales	435,000
Discounts received	4,050
Discounts allowed	3,590
Wages and salaries	72,630
Carriage inwards	1,720
Loan interest	2,000
Vehicle expenses	5,250
Rates	14,800
Operating expenses	36,200
Trade debtors	45,600
Trade creditors	37,200
Cash	250
Bank	14,500 (CR)
Drawings	27,500
Bank loan (5 years)	20,000
Capital	131,050

REQUIRED

TASK A

List the balances given above on the Trial Balance provided on **page 8** of your **answer booklet**. You are to make the Trial Balance debit and credit agree by adding any imbalance in the books as a Suspense Account balance.

TASK B

Post the imbalance in the books calculated in Task A above to the Suspense Account provided on **page 9** of your **answer booklet**.

(Total 15 Marks)

Note: The following proformas are provided for your use in completing the above tasks:

- Trial Balance – see **page 8** of your **answer booklet**
 - Suspense Account – see **page 9** of your **answer booklet**
- (B) Since the list of ledger balances above were extracted from the books of account of Continental Foods the following bookkeeping errors have been discovered:
- (i) The discounts received total of £420 had not been transferred from the Cash Book to the Discounts Received Account at the month end 31 May 2010.
 - (ii) The Wages Account had been incorrectly balanced off as at 31 May 2010. As a result of this error the Wages Account balance is overstated by £1,000.
 - (iii) A cheque for £1,750 paid for repairs to a delivery vehicle in May 2010 has been posted to the Vehicle Expenses Account as £1,570.

REQUIRED

TASK C

Prepare the Journal entries necessary to correct the errors given above. Date your Journal entries 31 May 2010 and provide suitable narratives.

TASK D

Post the Journal entries prepared in Task C above to the Suspense Account, thereby eliminating the difference in books balance.

TASK E

Using the ledger account balances per the Trial Balance prepared in Task A above and the Journal entries prepared in Task C list the balances (adjusted where necessary) on the Extended Trial Balance provided on **page 10** of your **answer booklet**.

Note: The following proformas are provided for your use in completing the above tasks:

- Journal – see **page 9** of your **answer booklet**
 - Suspense Account – see **page 9** of your **answer booklet**
 - Extended Trial Balance – see **page 10** of your **answer booklet**
- (C) You are provided with the following information relating to accounting adjustments to be applied in preparing financial statements on behalf of Continental Foods for the year ended 31 May 2010:
- Stock at 31 May 2010 was valued at £27,200
 - Rates of £7,800 were prepaid at 31 May 2010
 - An accrual of £2,600 needs to be made at 31 May 2010 to account for operating expenses incurred but unpaid at that date
 - Depreciation for the year ended 31 May 2010 is to be provided for as follows:
 - Motor vehicles £4,500
 - Office equipment £750

REQUIRED

TASK F

Process the adjustments given above through the adjustments column of the Extended Trial Balance.

TASK G

Extend the Trial Balance, calculate net profit or loss in the year ended 31 May 2010 and balance the Balance Sheet columns.

TASK H

Use account balances extended to the Profit and Loss Account and Balance Sheet columns of the Extended Trial Balance prepare the following financial statements on behalf of Continental Foods:

- Trading and Profit and Loss Account for the Year Ended 31 May 2010
- Balance Sheet as at 31 May 2010

Note: The following proformas are provided for your use in completing the above tasks:

- Extended Trial Balance – see **page 10** of your **answer booklet**
- Trading and Profit and Loss Account – see **page 11** of your **answer booklet**
- Balance Sheet – see **page 12** of your **answer booklet**