

QUESTION 1

(a)

Revaluation Account

	£	£		£
Machinery		4.200	Buildings	21.000
Provision for bad debts		1.800	Stock	6.600
Profit on Revaluation :				
Capital Andreas (3/5)	12.960			
Capital Petros (2/5)	8.640	21.600		
		<u>27.600</u>		<u>27.600</u>

(Marks 5, 5)

Partners' Capital Accounts

	Andreas	Petros	Renos		Andreas	Petros	Renos
	£	£	£		£	£	£
Balance c/d	99.960	66.640	28.000	Balance b/d	84.000	56.000	
				Bank			18.000
				Motor Van			10.000
				Bank, Renos G/W	3.000	2.000	
				Profit on Reval	12.960	8.640	
	<u>99.960</u>	<u>66.640</u>	<u>28.000</u>		<u>99.960</u>	<u>66.640</u>	<u>28.000</u>
				Balance b/d	99.960	66.640	28.000

(Marks 6, 5)

(Total Marks 12)

QUESTION 2

1.

Motor Van A/c

2004	£	2004	£
Jan. 1 Balance b/d	82.000	Dec. 31 Balance c/d	82.000
2005		2005	
Jan. 1 Balance b/d	82.000	Sept. 30 Disposal	5.000
July 1 Bank	8.000	Dec. 31 Balance c/d	85.000
	<u>90.000</u>		<u>90.000</u>
2006			
Jan. 1 Balance b/d	85.000		

(Marks 2)

Provision for Depreciation of Motor Vans A/c

2004	£	2004	£
Dec. 31 Balance c/d	44.800	Jan. 1 Balance b/d	28.400
		Dec. 31 Depreciation (W1)	16.400
	44.800		44.800
2005		2005	
Sept. 30 Disposal (W2)	2.750	Jan. 1 Balance b/d	44.800
Dec. 31 Balance c/d	59.000	Dec. 31 Depreciation (W3)	16.950
	61.750		61.750

(Marks 3)

Disposal A/c

2005	£	2005	£
June 30 Motor Vans	5.000	June 30 Bank	1.800
		Prov. for depreciation	2.750
		Loss on disposal	450
	5.000		5.000

(Marks 1, 5)

Workings

(Marks 3, 5)

1. Depreciation for 2004

$$\frac{82.000 \times 20}{100} = 16.400$$

2. Depreciation on Disposal

2003 = 12 months

2004 = 12 months

2005 = $\frac{9}{33}$ months

$$5.000 \times \frac{20}{100} \times \frac{33}{12} = 2.750$$

3. Depreciation for 2005

$$82.000 - 5.000 = 77.000$$

$$77.000 \times \frac{20}{100} = 15.400$$

$$8.000 \times \frac{20}{100} \times \frac{6}{12} = 800$$

$$5.000 \times \frac{20}{100} \times \frac{9}{12} = \frac{750}{16.950}$$

2

Trading and Profit and Loss A/c

	£		£
Opening Stock	35.200	Sales	250.000
Purchases	192.100		
	227.300		
Less Closing Stock (W4)	39.800		
Cost of Sales	187.500		
Gross Profit (W1)	62.500		
	250.000		250.000
Depreciation	5.400	Gross Profit	62.500
General Expenses (W3)	32.100		
Net Profit (W2)	25.000		
	62.500		62.500

(Marks 10)

Workings: 1. Gross Profit: $250.000 \times 25\% = \text{£}62.500$
 2. Net Profit: $250.000 \times 10\% = \text{£}25.000$
 3. General Expenses: $62.500 - (5.400 + 25.000) = \text{£}32.100$

4. $\frac{\text{Cost of sales}}{\text{Average stock}} = 5$

$\text{Average stock} = \frac{187.500}{5} = \text{£}37.500$

$\frac{\text{Opening Stock} + \text{Closing Stock}}{2} = \text{£}37.500$

$\text{Opening Stock} + \text{Closing Stock} = 37.500 \times 2 = \text{£}75.000$

$\text{Closing Stock} = 75.000 - 35.200 = \text{£}39.800$

(Total Marks 20)

QUESTION 3

STAR CO LTD
Profit and Loss and Appropriation Accounts
for the year ended 31 December 2005

	£	£		£
Salaries	33.200		Gross Profit	124.000
Less Prepaid	2.500	30.700	Provision for Bad Debs	1.080
Bad Debts		1.500	(68.000x4%=2.720-3.800)	
Debenture Interest	1.800			
Add Due	600	2.400		
Directors Remuneration		30.000		
Auditors Fees		10.000		
<u>Depreciation on:</u>				
Furniture & Fittings	2.000			
(20.000x10%)				
Delivery Vans	<u>3.200</u>	5.200		
(28.000-12.000) X20%				
Net Profit c/d		45.280		
		<u>125.080</u>		<u>125.080</u>
Corporation Tax		4.528	Balance b/d	26.400
(45.280x10%)			Net Profit for the year	45.280
<u>Interim dividend paid</u>				
5% Preference Shares		2.800		
<u>Final dividend due</u>				
5% Preference Shares	1.200			
(80.000x5%=4.000-2.800)				
Ordinary Shares	12.000	13.200		
(200.000x6%)				
<u>Transfer to:</u>				
General Reserve		6.000		
<u>Amounts written off:</u>				
Goodwill		5.000		
Balance c/d		40.152		
		<u>71.680</u>		<u>71.680</u>
			Balance b/d	40.152

(Marks 10)

STAR CO LTD
BALANCE SHEET AS AT 31ST DEC. 2005

	Cost	Deprec. to date	Net
	£	£	£
FIXED ASSETS			
INTANGIBLE ASSETS			
Goodwill	20.000	5.000	15.000
TANGIBLE ASSETS			
Land and Buildings	216.000	----	216.000
Furniture and Fittings	20.000	5.200	14.800
Delivery Vans	28.000	15.200	12.800
	264.000	20.400	258.600
CURRENT ASSETS			
Stock 31 December 2005		119.000	
Debtors	68.000		
Less Provision for Bad Debts	2.720	65.280	
Salaries prepaid		2.500	
Bank		16.100	
		202.880	
LESS CURRENT LIABILITIES			
Creditors	34.000		
Debenture Interest due	600		
Corporation tax due	4.528		
<u>Proposed (final) dividend:</u>			
5% Preference Shares	1.200		
Ordinary Shares	12.000	52.328	
WORKING CAPITAL (NET CURRENT ASSETS)			150.552
TOTAL ASSETS LESS CURRENT LIABILITIES			409.152
AUTHORISED SHARE CAPITAL			
100 000 5% Preference Shares of £1 each		100.000	
150 000 Ordinary Shares of £2 each		300.000	400.000
ISSUED SHARE CAPITAL			
80 000 5% Preference Shares of £1 each		80.000	
100 000 Ordinary Shares of £2 each		200.000	280.000
RESERVES			
General Reserve (23.000+6.000)		29.000	
Profit and Loss Appropri. A/c balance		40.152	69.152
LONG TERM LIABILITIES			
4% Debentures			60.000
TOTAL CAPITAL EMPLOYED			409.152

(Marks 14)
(Total Marks 24)

QUESTION 4

BOOKS OF PARTNERSHIP

Realisation A/c

Land and Building	£	£	Creditors	£
Motor Vans		500.000	VERA Plc	7.500
Stock		60.000		822.800
Debtors		85.000		
Profit on Realisation :		14.000		
A 171.300x3/5	102.780			
B 171.300x2/5	68.520	171.300		
		830.300		830.300

(Marks 4)

Capital Accounts

	A	B		A	B
	£	£		£	£
Current A/c		2.100	Balance b/d	400.000	230.000
Shares in VERA Plc	450.000	300.000	Current A/c	12.600	
Cash	65.380		Profit on Realisation	102.780	68.520
			Cash		3.580
	515.380	302.100		515.380	302.100

(Marks 5)

Cash A/c

Balance b/d	£	Bank overdraft	£
VERA Plc	6.400	Capital A	17.400
Capital B	72.800		65.380
	3.580		82.780
	82.780		

(Marks 3)

VERA Plc

Realisation A/c	£ 822.800	Cash Shares in VERA Plc	£ 72.800 750.000
	822.800		822.800

(Marks 2)

BOOKS OF VERA PLC

Α΄ Τρόπος

	Dr £	Cr £
Goodwill	25.000	
Land and Buildings	650.000	
Motor Vans	45.000	
Stock	97.000	
Debtors	14.000	
		7.500
		700
		822.800
Vendor A and B	822.800	
		72.800
		600.000
		150.000
Ordinary Shareholders	450.000	
		300.000
		150.000
Bank	450.000	
		450.000
Preliminary Expenses	3.500	
		3.500
Share Premium	3.500	
		3.500

(Marks 15)

(Total marks 29)

B' Τρόπος

Goodwill		Dr £	Cr £
Land and Buildings		25.000	
Motor Vans		650.000	
Stock		45.000	
Debtors		97.000	
	Vendor A and B	14.000	831.000
Vendor A and B		8.200	
	Creditors		7.500
	Provision for Bad Debts		700
Bank		450.000	
	Ordinary Shareholders		450.000
Ordinary Shareholders		450.000	
	Ordinary Share Capital		300.000
	Share Premium		150.000
Vendor A and B		822.800	
	Bank		72.800
	Ordinary Share Capital		600.000
	Share Premium		150.000
Preliminary Expenses		3.500	
	Bank		3.500
Share Premium		3.500	
	Preliminary Expenses		3.500

QUESTION 5

Branch Stock A/c

	Invoice Price £	Cost price £		Invoice Price £	Cost price £
Op. Stock b/d	45.600	30.400	Goods Sent (19.200x2/3)	19.200	12.800
Goods Sent to Branch.	540.000	360.000	Goods Sent (600x2/3)	600	400
Br. Debtor>Returns	4.800	4.800	Cash – Cash Sales	131.200	131.200
Br. Debtors>Returns	600	600	Allowances	8.000	
Branch Gross Profit		166.800	Credit Sales	394.200	394.200
			Shortage in stock	1800	
			Closing Stock c/d	36.000	24.000
	591.000	562.600		591.000	562.600

(Marks 11)

Branch Debtors A/c

	£		£
Balance b/d	68.800	Branch Stock – Ret.	4.800
Credit Sales	394.200	Branch Stock – Ret.	600
		Cash	366.400
		Bad Debts	5.600
		Discount Allowed	7.200
		Balance c/d	78.400
	463.000		463.000

(Marks 4)

(Total Marks 15)

(Grand Total Marks 100)