

ACCOUNTANCY APRIL 2010

QUESTION 1 -- ANSWER

The AA Social Club Limited

1 - REVENUE ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

Bar trading account:

Sales		355,300	
Less: Cost of sales		<u>(159,885)</u>	
Gross profit	55.00	195,415	(A)

Other income:

Gaming machines	30,205	
Raffles and draws	12,647	
Snooker and pool	3,157	
Bingo income	2,419	
Investment income	3,650	
Subscription income	1,582	
		<u>53,660</u> (B)
		<u>249,075</u>

Deduct - expenses:

Wages	(71,060)	
Entertainments	(17,765)	
Rates and water rates	(15,300)	
Heating and lighting	(8,487)	
Repairs and renewals	(8,423)	
Cleaning materials	(4,914)	
Printing, postages and stationery	(2,702)	
Telephones	(1,168)	
Professional fees	(5,800)	
Other costs	(161)	
		<u>(135,780)</u> (C)

PROFIT FOR THE YEAR 113,295 (D)

2 -

Gross profit percentage	=	$\frac{\text{Gross profit} \times 100}{\text{Sales}}$	=	$\frac{195415 \times 100}{355300}$	=	55%
Wages percentage	=	$\frac{\text{Wages} \times 100}{\text{Sales}}$	=	$\frac{70060 \times 100}{355300}$	=	20%
Entertainments percentage	=	$\frac{\text{Entertainments} \times 100}{\text{Sales}}$	=	$\frac{17765 \times 100}{355300}$	=	5%

3 -

Gross profit		55
Less: Wages	20	
Entertainments	5	25
Profit before other income and expenditure		<u><u>30</u></u>

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QUESTION 2- ANSWER

A)

BANK CASH BOOK ACCOUNT

01-Apr Balance brought down	1760			
03-Apr Banking	5165	03-Apr I Printem	424	380
		07-Apr I Countem	425	90
10-Apr Banking	4750	08-Apr S Washemup Ltd	426	175
		16-Apr Big Brew Ltd	427	7250
17-Apr Banking	4895			
20-Apr Credit transfer - HM C& E VAT	375	23-Apr Big Brew Ltd	428	2350
		26-Apr Tossitaway Ltd	429	2350
		26-Apr DD Rates		1350
		Balance to end c/d		3000
	<u>16945</u>			<u>16945</u>

B) BANK RECONCILIATION STATEMENT AT 30 APRIL

Balance as per bank statement	5350
Add: uncredited bank deposit	-
	<u>5350</u>
Less: unpresented cheques:-	
Big Brew Ltd - 428	<u>(2,350)</u>
Balance as per Bank Cash book	<u>3000</u>

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QUESTION 3- ANSWER

a) Discount offered £ 75.00 per barrel
Number of pints in a Barrel 288
Discount per pint 75 divided by 288 = £ 0.26

b) Members to get 50% of the discount = 50% of 0.26
= 0.13

But retail price includes VAT -so add vat to 0.13
Add VAT 17.50% 0.02
Price reduction per pint 0.15

Price reduction per pint is 15P

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QUESTION 4

a) Without the entertainment

Retail sales		940
Less VAT	7/47	<u>(140)</u>
		800
Cost of sales		<u>(440)</u>
Gross profit	45%	360
Other expenses		<u>(324)</u>
Net Profit		<u>36</u>

b) With the entertainment

Retail sales		1,880
Less VAT	7/47	<u>(280)</u>
		1,600
Cost of sales		<u>(880)</u>
Gross profit	45%	720
Entertainers		(400)
Extra staff (3 at £7 for 4 hours)		(84)
Advertising		(20)
Other expenses		<u>(324)</u>
Net (Loss)		<u>(108)</u>

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QUESTION 5 - ANSWER

Extract from detailed stock report:-

	<u>Cost per</u>	<u>Disc per</u>	<u>Net Cost per</u>	<u>Stocks consumed</u>	
	<u>Barrel</u>	<u>Barrel</u>	<u>Barrel</u>	<u>Quantity</u>	<u>Value</u>
				<u>Gallons</u>	
Best bitter	311.04	129.60	181.44	720	3628.80
Smooth	302.40	115.20	187.20	900	4680.00
Lager	345.60	132.48	213.12	1188	7032.96
Ordinary	296.64	120.96	175.68	756	3689.28
Odd beer	288.00	115.20	172.80	540	2592.00
					<u>21623.04</u>

Discounts

	<u>Disc per</u>
	<u>Barrel</u>
Best bitter	129.60
Smooth	115.20
Lager	132.48
Ordinary	120.96
Odd beer	115.20

NOTE: there are 288 pints in one barrel

Bar Trading Account

Bar takings (excluding VAT)	44776.00
LESS:	
Stocks consumed at cost per report	21623.04
Gross Profit	<u>23152.96</u>
Gross profit %	<u>51.71</u>

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QUESTION 7- ANSWER

SUGGESTIONS TO IMPROVE THE OVERALL STATE OF AFFAIRS

Calculate the cash and stock requirements of the business within the next accounting period. This starts with the Net Current Assets of £53,000. The liabilities to be paid are the trade creditors of £8,000 and the sundry creditors of £2,000. The club therefore needs at least £10,000 worth of current assets. The excess could be transferred into the secure guaranteed investment giving 10% interest. The proposals are therefore:-

- 1 -Bank as much cash as possible into the current account say £23,000 to leave a cash float of say £2,000.
- 2 -Pay off the overdraft of £5,000 from the current account.
- 3 -Reduce the stocks to reflect say one months trade - this would create more cash in the bank. Stocks could be reduce to say £8,000.
- 4 -Transfer the whole of the deposit account balance of £22,000 and a large part of the resultant current account balance say £25,000 to the better investment of 10% held in the secure guaranteed investment.

The results of the above are shown below to create net current assets of £6,000. Any sensible variation on these figures would also be acceptable as correct. Other possible advice might include the collection of the Debtors of £1,000.

BALANCE SHEET AT 31 DECEMBER

	Original	Adjustments		Revised
		+	-	
FIXED ASSETS				
Property, fixtures and fittings	230,000			230,000
Secure guaranteed investment - 10% return	500	(+22000+25000)		47,500
	<u>230,500</u>			<u>277,500</u>
CURRENT ASSETS				
Stocks	20,000		(-12000)	8,000
Debtors	1,000			1,000
Bank deposit account - 2% return	22,000		(-22000)	
Bank Current account		(+23000+12000-5000-25000)		5,000
Cash in hand	25,000		(-23000)	2,000
	<u>68,000</u>			<u>16,000</u>
CURRENT LIABILITIES				
Bank overdraft	(5,000)	(+5000)		
Trade creditors -1 months trade	(8,000)			(8,000)
Sundry creditors	(2,000)			(2,000)
	<u>(15,000)</u>			<u>(10,000)</u>
NET CURRENT ASSETS	<u>53,000</u>			<u>6,000</u>
	<u><u>283,500</u></u>			<u><u>283,500</u></u>
CAPITAL AND RESERVES				
Share capital	500			500
Revenue reserves	283,000			283,000
	<u>283,500</u>			<u>283,500</u>