

THE TRAINING PLACE OF EXCELLENCE
Prepare Final Accounts for Sole Traders & Partnerships

Practice Assessment: Questions

Task 1

This task is about finding missing figures in ledger accounts where the records are incomplete. You are working on the final accounts of a business for the year ended 30 June 20X1. You have the following information:

Balances as at:	30 June 20X0	30 June 20X1
	£	£
Vehicles at cost	35,000	35,000
Vehicles accumulated depreciation	14,000	21,000
Cash	150	150
Stock at cost	15,000	11,100
Accrued running costs	3,550	
Trade debtors	43,500	46,250
VAT payable	6,300	
Trade creditors	24,800	29,000

Bank summary for the year ended 30 June 20X1

	Dr £		Cr £
Receipts from trade debtors	280,049	Balance b/d	1,610
Bank interest	1,900	Running costs	29,800
		Payroll expenses	28,500
		Payments to trade creditors	161,000
		VAT	18,095
		Drawings	18,000
		Balance c/d	24,944
	281,949		281,949

Summaries for the year ended 30 June 20X1

Day book summaries:	Goods £	VAT £	Total £
Sales	240,680	48,136	288,816
Sales returns	3,450	690	4,140
Purchases	143,000	28,600	171,600
Purchases returns	1,580	316	1,896

Further information:	Net £	VAT £	Total £
Running costs	21,000	4,200	25,200

All sales and purchases are on credit terms

Running costs are not included in the purchases day book

(a) Using the figures given above, prepare the purchases ledger control account for the year ended 30 June 20X1. Show clearly discounts as the balancing figure.

Purchases ledger control account			

(b) Using the figures given above, prepare the sales ledger control account for the year ended 30 June 20X1. Show clearly discounts as the balancing figure.

Sales ledger control account			

(c) Find the closing balance for VAT by preparing the VAT control account for the year ended 30 June 20X1. Use the figures given on the previous page.

VAT control			

Note: There will be other variants covering a range of missing figures to be found from control accounts and the bank account.

(d) Compute the capital value as at 30 June 20X0.

(e) A small business uses a profit margin of 40% and its sales were £800,000 for the year. The opening inventory was £150,000 and the closing inventory was £181,000. What will be the purchases value for the year?

(f) On 31 December 20X2, a new computer is purchased on credit for £480 (ignore VAT). Tick the boxes to show what effect this transaction will have on the balances. You must choose ONE answer for EACH line.

	Debit ✓	Credit ✓	No change ✓
Computers			
Trade debtors			
Trade creditors			
Bank			
Capital			

(g) Which of the following is best described as a current asset? Choose ONE answer.

- A computer item that will be sold in the next month.
- An amount of cash available in the bank to be used in the next month.
- A purchase invoice that will be paid to a supplier in the next month.
- Capital injection from a partner that will be paid back in the next month.

Task 2

This task is about preparing financial statements for sole traders. You have the following trial balance for a sole trader known as Victory Trading. All the necessary year-end adjustments have been made.

(a) Prepare a statement of profit or loss for the business for the year ended 31 May 20X0.

Victory Trading		
Trial balance as at 31 May 20X0	DR £	CR £
SALES		4,243.00
PURCHASES	4,000.00	
POSTAGE	44.00	
CAPITAL		3,410.00
CLOSING INVENTORY	2,365.00	2,365.00
STATIONERY	45.00	
BANK	1,485.00	
ACCUMULATED DEPRECIATION		800.00
CASH	376.00	
INSURANCE	185.00	
SALES LEDGER CONTROL	1,356.00	
PURCHASES LEDGER CONTROL		3,480.00
OPENING INVENTORY	1,410.00	
DISCOUNT ALLOWED	55.00	
VAT	247.00	
COMPUTERS	2,350.00	
SALES RETURNS	195.00	
PURCHASES RETURNS		130.00
DEPRECIATION CHARGE	315.00	
	14,428.00	14,428.00

Victory Trading		
Income statement for the year ended 31 May 20X0		
	£	£
Sales		
Cost of goods sold		
Gross profit		
Less:		
Total expenses		
Profit/ (loss) for the year		

(b) Indicate where the VAT payable should be shown in the final accounts. Choose ONE from:

- As an addition to capital.
- As a deduction from capital.
- As an addition to current assets.
- As an addition to current liabilities.

(c) Identify ONE valid reason for producing a trial balance.

- It proves that no errors have been made.
- It provides a net profit figure.
- It shows where figures appear in the final accounts.
- It proves that double entry has taken place.

Task 3

This task is about accounting for partnerships.

You have the following information about a partnership:

The partners are John and Jeffrey.

- James was admitted to the partnership on 1 April 20X1 when he introduced £25000 to the bank account.
- Profits were shared equally up until 31 March 20X1
- Profit share, effective from 1 April 20X1:
 - John 35%
 - Jeffrey 35%
 - James 30%
- Goodwill was valued at £30000 on 31 March 20X1.
- Goodwill is to be introduced into the partners' capital accounts on 31 March and then eliminated on 1 April.

- (a) Prepare the capital account for James, the new partner, showing clearly the balance carried down as at 1 April 20X1.

Capital account - James			
		Balance b/d	0

- (b) Prepare the goodwill account for the business, showing clearly the transactions on the admission of the new partner.

Goodwill account			

- (c) Complete the following sentence by selecting the appropriate phrase in each case:
 When a partner retires from a partnership business, the balance on the **(business bank account/partner's capital account/partner's current account)** must be transferred to the **(partner's capital account/partner's current account)**.

Task 4

This task is about partnership accounts. You have the following information about a partnership business:

- The financial year ends on 31 December.
- The partners at the beginning of the year were Agnes, Benard and Rocky.
- Bernard retired on 31 July 20X0.
- Partners' annual salaries:
 - Agnes £18,000
 - Benard £19,500
 - Rocky £21,000
- Partners' interest on capital:
 - Agnes £1,980 per full year
 - Benard £1,620 per full year
 - Rocky £1,740 per full year
- Profit share, effective until 31 July 20X0:
 - Agnes 30%
 - Benard 40%
 - Rocky 30%
- Profit share, effective from 1 August 20X0:
 - Agnes 55%
 - Rocky 45%

Net profit for the year ended 31 December 20X0 was £114,000. You can assume that profits accrued evenly during the year.

Prepare the appropriation account for the partnership for the year ended 31 December 20X0.

Partnership Appropriation account for the year ended 31 December 20X0

	1 January X0 – 31 July X0 £	1 August X0 – 31 December X0 £	Total £
Net profit			
Salaries:			
Agnes			
Benard			
Rocky			
Interest on capital:			
Agnes			
Benard			
Rocky			
Profit available for distribution			

Profit share			
Agnes			
Benard			
Rocky			
Total profit distributed			

Task 5

This task is about preparing a partnership statement of financial position.

You are preparing the statement of financial position for the Freddy & Co partnership for the year ended 31 March 20X1. The partners are Fred and Jane.

All the necessary year end adjustments have been made, except for the transfer of profit to the current accounts of the partners.

Before sharing profits the balances of the partners' current accounts are:

- Fred £1050 credit
- Jane £1300 debit

Each partner is entitled to £5410 profit share.

(a) Calculate the balance of each partner's current account after sharing profits. Fill in the answers below.

Current account balance: Fred £

Current account balance: Jane £

Note: these balances will need to be transferred into the statement of financial position of the partnership which follows.

You have the following trial balance. All the necessary year-end adjustments have been made.

- (b) Prepare a statement of financial position for the partnership as at 31 March 20X1. You need to use the partners' current account balances that you have just calculated. Do NOT use brackets, minus signs or dashes.

Freddy & Co Partnership
Trial balance as at 31 March 20X1

	Dr £	Cr £
Capital – Fred		16000
Capital – Jane		18500
Bank	4100	
Payroll charges	12544	
Closing inventory	8100	8100
Cash	440	
Computers accumulated depreciation		2969
Wages	23957	
Current account – Fred		1050
Current account – Jane	1300	
Depreciation charge	985	
Printing costs	1400	
Computers at cost	24450	
Purchases ledger control account		14025
VAT		2152
Purchases	79724	
Prepayments	2103	
Sales		125300
Sales ledger control account	27000	
Accrued expenses		1977
Opening inventory	3970	
Total	190073	190073

Freddy & Co Partnership
Statement of financial position as at 31 March 20X1

	Cost £	Depreciation £	Carrying amount £
Non-Current assets			
Current assets			
Current liabilities			
Net current assets			
Net assets			
Financed by:	Fred	Jane	Total