



## CERTIFICATE IN BUSINESS ADMINISTRATION SAMPLE EXAMINATION PAPER

### PRINCIPLES OF ACCOUNTING

**Instructions to candidates:**

- a) **Time allowed: Three hours**
- b) **Answer any FIVE questions**
- c) **All questions carry equal marks.**

1. You have received the following accounting information relating to a client's business as at 31 March 2017

Purchases	£ 1,380,000
Capital	£ 270,000
Long-term loan	£ 60,000
Sales	£ 2,218,000
Advertising expenses	£ 10,000
Stock	£ 67,000
Debtors	£ 80,000
Provisions for doubtful debts	£ 1,000
Creditors	£ 63,000
Business rates	£ 50,000
Insurances	£ 45,000
Energy costs	£ 60,000
Vehicle expenses	£ 25,000
Payroll costs	£ 266,000
Loan interest	£ 3,000
Buildings at cost	£ 535,000
Vehicles at cost	£ 80,000
Vehicle depreciation	£ 20,000
Bad debts written off	£ 3,000
Bank	£ 2,000
Cash	£ 1,000
Drawings	£ 25,000



Prepare a trial balance on behalf of your client

2. Using the above information prepare the Trading and Profit and Loss Account and advise your client on the overall financial situation
3. Critically appraise the importance of financial ratios in assessing the overall performance of commercial organisations
4. Compare and contrast long term sources of capital and short term sources of capital and summarise the benefits and risks associated with each option
5. You have received the following information in relation to the activities of two competing organisations:

	£ (000's)	£ (000's)
Sales (all on credit)	690	980
Cost of sales	260	420
Total expenses	150	210
Closing debtors	30	40
Average value of stock	20	25
Closing current assets	192	102
Closing current liabilities	104	82

Using the above information calculate the following:

- a) Percentage net margin
  - b) Percentage gross profit
  - c) Stock turnover
  - d) Current ratio
6. Discuss the key issues associated with the following accounting terms:
    - a) Working capital
    - b) Accruals
    - c) Prepayments
  7. Write notes on three of the following:
    - a) Double entry
    - b) Liquidity ratios



- c) Return on investment
  - d) Funds flow analysis
8. Explain what you understand by the term 'breakeven analysis', describe the information you will require in order to complete such analysis and comment on its value to financial management and control