Resource description

This resource contains example questions for Higher Accounting, to assess the Period-end Financial Statements topic – specifically the Income Statement from profit for the year after tax and the Statement of Financial position. There are both Plc and Partnership examples.

These questions have been adapted from past papers, and the resource bank questions:

Question 1	2019
Question 2	2003
Question 3	2018
Question 4	2013
Question 5	2015 Old Higher
Question 6	2015
Question 7	2011
Question 8	2010

Question 1

The Income Statement of Patterson plc for the year ended 31 December Year 4 has been completed up to the Profit for the Year after Tax. The following information is also available.

	£000	£000
Profit for the Year after Tax		90
Corporation Tax Payable		30
Unappropriated Profit 1 January Year 4		36
400,000 6% Preference Shares £1 each		400
400,000 Ordinary Shares £1 each		400
VAT	23	
Provision for Doubtful Debts 31 December Year 4		6
Trade Receivables	47	
Trade Payables		30
Share Premium		150
Cash and Cash Equivalents	9	
Goodwill	20	
Preliminary Expenses	60	
Property (at cost)	620	
Office Equipment (at cost)	400	
Motor Vehicles (at cost)	150	
Provisions for Depreciation at 31 December Year 4:		
Office Equipment		151
Motor Vehicles		75
Closing Inventory	26	
Admin Expenses Payable		6
Selling Expenses Receivable	4	
Ordinary Dividend Paid	15	
	1374	1374

Notes at 31 December Year 4

1. At 31 December Year 4 a bonus issue of 50,000 Ordinary Shares was made. This issue was financed by a transfer from the Share Premium Account. This has yet to be recorded in the accounts.

2. Property is revalued at £680,000.

3. Write-off the Preliminary Expenses by transfer from the Share Premium Account.

4. Goodwill is to be written down by £6,000.

5. The preference dividend has been paid by bank transfer, but no entries have been recorded in the accounts.

The Income Statement has been completed to determine Profit for the Year after Tax. Prepare:

i. the remainder of the Income Statement to determine the Unappropriated Profit for the year ended 31 December Year 4. **3**

ii. a Statement of Financial Position as at 31 December Year 4. **15**

Question 2

The following is information about Cova plc at 31 December Year 4.

	£000
Profit for the Year after Tax	24
Corporation Tax Payable	8
Unappropriated Profit 31 December Year 3	10
VAT	16 Dr
10% Debentures	80
150,000 Ordinary Shares £1 each	150
Dividend due from investment	3
Provision for Doubtful Debts 31 December Year 4	6
Trade Receivables	60
Trade Payables	35
Share Premium	30
Cash and Cash Equivalents	7 Cr
Quoted investments	70
Goodwill	20
Preliminary Expenses	10
Property (at cost)	100
Office Equipment (at cost)	30
Motor Vehicles (at cost)	50
Provisions for Depreciation at 31 December Year 4:	
Office Equipment	11
Motor Vehicles	18
Closing Inventory	20
Admin Expenses Receivable	2
Debenture Interest Payable	8
Ordinary Dividend paid	6

Notes at 31 December Year 4

1. Property has been revalued at £110,000 — the surplus on revaluation is to be transferred directly to a revaluation reserve.
2. Write off the Preliminary Expenses by transfer from the Share Premium Account.
3. Goodwill is to be written down by £12,000.

You are required to prepare:

i. the remainder of the Income Statement to determine the Unappropriated Profit for the year ended 31 December Year 4. **3**

ii. a Statement of Financial Position as at 31 December Year 4. **17**

Question 3

The following Trial Balance and notes relate to the business of Calderwood plc.

Trial Balance as at 31 December Year 6	**£000**	**£000**
Profit for the Year after Tax		117
Corporation Tax Payable		39
Property at Cost	500	
Fittings at Cost	120	
Motor Vehicles at Cost	44	
Investments (Market Value £80,000)	278	
Dividends Receivable on Investments	2	
350,000 Ordinary Shares of £1 each		350
200,000 6% Preference Shares of £1 each		200
Ordinary Share dividend paid	26	
Preference Share dividend paid	12	
10% Debentures (redeemable Years 8–10)		160
Provisions for Depreciation:		
Fittings		40
Motor Vehicles		29
Preliminary Expenses	10	
Share Premium		80
Unappropriated Profits at 1 January Year 6		54
Cash and Cash Equivalents	50	
Trade Receivables	80	
Trade Payables		118
Inventory 31 December Year 6	120	
Provision for Doubtful Debts		4
Auditors Fees Payable		6
Selling and Distribution Expenses Receivable	3	
Wages and Salaries Payable		4
VAT		44
	£1,245	£1,245

3. (continued)

NOTES at 31 December Year 6

1. Property is professionally revalued at £540,000.

2. The Share Premium account is used to write off Preliminary Expenses.

3. The Share Premium account is used to finance a Bonus Issue of Ordinary Shares in the ratio of one for every 50 held.

You are required to prepare:

(a) the Income Statement for year ended 31 December Year 6, from Profit for the Year after Tax. **2**

(b) a Statement of Financial Position as at 31 December Year 6. **18**

Question 4

The following is information about Nowak plc as at 31 December Year 3.

	£000
200,000 8% Preference Shares of £1 each	200
300,000 Ordinary Shares of 50p each	150
10% Debentures	100
Profit for the Year after Tax	33
Inventory at 31 December Year 3	13
Advertising Receivable	2
Provision for Doubtful Debts at 31 December Year	3
Salaries Payable	2
Trade Payables	21
Trade Receivables	22
Cash and Cash Equivalents	51 Cr
Preference Dividend Paid	16
Ordinary Dividend Paid	12
Long-term Investments	150
VAT	14 Dr
Unappropriated Profits at 1 January Year 3	70
Property (at cost)	280
Fixtures and Fittings (at cost)	150
Vehicles (at cost)	90
Provisions for Depreciation at 31 December Year 3	
Fixtures and Fittings	86
Vehicles	27

Notes at 31 December Year 3

1 The market value of the closing inventory is £15,000.
2 Corporation tax at 25% is payable.
3 Dividends of 10% are receivable on the long-term investments.
4 Debenture interest is payable.

You are required to prepare:

(a) the Income Statement from Profit for the year after tax for the year ended 31 December Year 3. **3**

(b) a Statement of Financial Position as at the above date. **16**

Question 5

The following information is about Skorzeny and Kelly, a partnership, on 31 December Year 5.

	£000
Profit for the Year	247
Equity Accounts at 1 January Year 5:	
Skorzeny	200
Kelly	100
Current Accounts at 1 January Year 5:	
Skorzeny	20 Dr
Kelly	30 Cr
Drawings Accounts:	
Skorzeny	30
Kelly	50
VAT	40 Cr
Loan - Kelly	100
Provision for Doubtful Debts 31 December Year 5	7
Trade Receivables	140
Trade Payables	62
Cash and Cash Equivalents	15 Cr
Property (at cost)	400
Office Equipment (at cost)	120
Motor Vehicles (at cost)	100
Provisions for Depreciation at 31 December Year 4:	
Office Equipment	42
Motor Vehicles	36
Closing Inventory	25
Office Expenses Receivable	2
Salaries Payable	3

NOTES at 31 December Year 5

(1) The property was professionally revalued at £450,000.

(2) The loan from Kelly was taken out on 1 July Year 5, the annual interest rate is 10% and has been paid.

(3) The Partnership Agreement states:

(a) an annual salary of £15,000 is to be paid to Skorzeny

(b) interest will be charged on drawings at 10% per annum

(c) interest will be paid on equity at 5% per annum

(d) Residual Profits/Losses are to be shared in the ratio of equity invested

You are required to prepare from the information and Notes:

(i) The Income Statement from Profit for the Year for the year ended 31 December Year 5 . **4**

(ii) Current Accounts of Skorzeny and Kelly. **6**

(iii) A Statement of Financial Position as at 31 December Year 5. **12**

Question 6

Kerr and Casson are in partnership sharing profits and losses in the ratio of equity invested.

Their partnership agreement states that:

(i) Interest on equity will be paid at 5% per annum.

(ii) Interest on drawings will be charged at 4% per annum.

(iii) A partnership salary of £4,000 will be paid to Kerr.

(iv) Interest on loans from partners will be paid at 5% per annum. Casson made the loan on 1 July Year 2.

The following is information about their partnership, on 31 December Year 2.

	£
Profit for the Year after tax	53,000
Inventory at 31 December Year 2	5,000
Rates Receivable	1,000
Electricity Payable	2,000
Vehicles (at cost)	70,000
Provision for Depreciation of Vehicles at 31 December Year 2	38,000
Machinery (at cost)	130,000
Provision for Depreciation of Machinery at 31 December Year 2	52,500
Provision for doubtful debts	3,000
Cash and cash equivalents	15,000 Cr
VAT	4,000 Dr
Trade Receivables	30,000
Trade Payables	20,000
Current Accounts at 1 January Year 2: Kerr Casson	 7,000 Cr 2,000 Dr
Equity Accounts: Kerr Casson	 30,000 15,000
Drawings: Kerr Casson	 8,000 6,000
Loan – Casson	20,000

NOTES at 31 December Year 2: **MARKS**

Kerr receives a bonus on salary of £1,500 if the Profit for the Year is above £50,000.

(a) From the information and notes you are required to prepare:

(i) the Income Statement from Profit for the Year for the year ended 31 December Year 2; **4**

(ii) Current accounts at that date; **6**

(iii) a Statement of Financial Position as at 31 December Year 2. **11**

Kerr and Casson decide to admit Thompson as a new partner under the following conditions.

- Before Thompson is admitted, the assets are revalued resulting in a surplus of £7,200.
- Thompson will contribute £30,000 to the partnership.
- Goodwill has been valued at £12,000 and is to be written off against the Equity Accounts of the new partnership.
- Thompson is to receive 40% share of profits with Kerr and Casson continuing to share in the same proportions as before.

(b) Calculate:

(i) the new profit sharing ratio; **1**

(ii) the new opening Equity Account balances for each partner. **3**

Question 7

Frazer and Balkus are in partnership.

Their partnership agreement states that:

- **i.** Interest on equity will be paid at 10% per annum.
- **ii.** Interest on drawings will be charged at 5% per annum.
- **iii.** A partnership salary of £14,000 will be paid to Frazer.
- **iv.** Profits and losses are to be shared Frazer 2/5, Balkus 3/5.

The following is information about the partnership on 31 December Year 2.

	£
Profit for the Year after tax	79,000
Inventory at 31 December Year 2	15,000
Vehicles (at cost)	30,000
Provision for Depreciation of Vehicles at 31 December Year 2	10,000
Fittings (at cost)	50,000
Provision for Depreciation of Fittings at 31 December Year 2	9,000
Provision for doubtful debts	3,000
Cash and cash equivalents	27,000 Dr
Selling and advertising expenses	4,000 Dr
VAT	8,000 Cr
Trade Receivables	60,000
Trade Payables	40,000
Office and admin expenses	3,000 Cr
Current Accounts at 1 January Year 2: Frazer Balkus	 1,000 Cr 3,000 Cr
Equity Accounts: Frazer Balkus	 30,000 40,000
Drawings: Frazer Balkus	 20,000 20,000

MARKS

From the information and notes you are required to prepare:

(i) the Income Statement from Profit for the Year for the year ended 31 December Year 2; **4**

(ii) Current accounts for each partner; **6**

(iii) a Statement of Financial Position as at 31 December Year 2. **10**

Question 8

Robinson and Fingal are in partnership, sharing profits and losses in the ratio of equity invested. The following is information at 31 December Year 2.

	£000
Profit for the year after tax	60
Inventory at 31 December Year 2	9
Rates Payable	2
Advertising Receivable	1
Property (at cost)	100
Equipment (at cost)	50
Delivery Vans (at cost)	20
Provisions for Depreciation at 31 December Year 2:	
Equipment	14
Delivery Vans	8
Cash and Cash Equivalents	49 Dr
Trade Receivables	26
Trade Payables	15
Provision for Doubtful Debts at 1 January Year 2	4
VAT	12 Dr
Equity Accounts	
Robinson	120
Fingal	40
Current Accounts	
Robinson	7 Cr
Fingal	4 Dr
Drawings	
Robinson	30
Fingal	20
Loan — Robinson	40

Notes at 31 December Year 2

1. The partnership agreement of Robinson and Fingal states:

   i. interest on equity will be paid at 20% per annum.
   ii. interest on drawings will be charged at 10% per annum.
   iii. a partnership salary of £17,000 will be paid to Fingal.
   iv. interest on loans from partners will be paid at 10% per annum.

2. Equipment which had been purchased on 31 May Year 1 and had cost £15,000 was sold on 31 October Year 2 for £7,000 by cheque. It is the policy of the firm to charge a full year's depreciation in the year of purchase and none in the year of sale. No entries have been made in respect of this sale.

3. Provide for depreciation per annum as follows:

   i. Equipment — 20% on cost
   ii. Delivery vans — 25% of the reduced balance

4. The provision for doubtful debts is to be adjusted to £3,000.

5. Property was professionally revalued during the year at £110,000. The surplus on revaluation is to be transferred directly to a Revaluation Reserve Account.

6. Inventory at 31 December Year 2 had a market value of £11,000.

From the trial balance and notes you are required to prepare:

(a) an Income Statement for the year ended 31 December Year 2. **4**
(b) updated current accounts. **6**
(c) a Statement of Financial Position as at 31 December Year 2. **13**