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**Current Accounts**

**(15)**















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If you answer question 3, put a cross in this box (☒).

Source material for use with question 3 can be found on pages 6 and 7 of the source booklet

3. (a) Distinguish between the terms **profitability** and **liquidity**.

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(4)

(b) Calculate, for Wavepower and for Solargain, from the balances given:

- net profit as a percentage of sales
- return on capital employed
- current ratio
- liquid (acid test) ratio.

**Net Profit as a Percentage of Sales**

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<b>Return on Capital Employed</b>	Leave blank
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<b>Current Ratio</b>	
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<b>Liquid (acid test) Ratio</b>	
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<b>(8)</b>	





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(d) Calculate for Wavepower and Solargain the revised:

- return on capital employed
- liquid (acid test) ratio.

**Return on Capital Employed**

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**Liquid (acid test) Ratio**

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**(5)**





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**SECTION B**

**Answer THREE questions from this section**

**If you answer question 4, put a cross in this box (☒).**

**Source material for use with question 4 can be found on pages 8 and 9 of the source booklet**

4. (a) Calculate for the year ended 31 December 2007, the value of:
- sales
  - purchases.

**Sales**

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**Purchases**

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**(6)**







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(c) Identify and explain which accounting concept has been broken by Rizan's failure to maintain a separate bank account for the business.

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(2)

(d) Evaluate Rizan's decision to not maintain a formal set of accounts.

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(2)

(Total 16 marks)

Q4

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(b) Prepare a quotation for a customer's vehicle repair, where the vehicle parts cost £70 and the repair will take 7 hours to complete.

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**(4)**

(c) Calculate the revised hourly cost of Ahmed's repair service, if the 'hi tech' electronic analysing equipment is purchased.

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**(4)**



(d) Evaluate whether Ahmed should purchase the 'hi tech' electronic analysing equipment.

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(2)

(Total 16 marks)

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Q5











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(b) Prepare the following ledger accounts for the year:

- rent account
- commission receivable account.

**Rent Account**

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**Commission Receivable Account**

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**(6)**



(c) Evaluate the role of a trial balance in ensuring the accuracy of ledger accounts.

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(2)

(Total 16 marks)

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Q7

**TOTAL FOR SECTION B: 48 MARKS**

**TOTAL FOR PAPER: 100 MARKS**

**END**

