

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education
 June 2003
 Advanced Subsidiary Examination



ACCOUNTING **ACC2**
Unit 2 Financial Accounting:
Introduction to Published Accounts of Limited Companies

Wednesday 4 June 2003 Afternoon Session

<p>No additional materials are required. You may use a calculator.</p>
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Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in this book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 80. This includes up to 4 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
6			
7			
Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Answer **all** questions in the spaces provided.

1

Total for this question: 18 marks

A to Z Spares Ltd has an authorised capital of:
3 million ordinary shares of £1 each
1 million 6% preference shares of 25p each.

The company issued:
2 million ordinary shares at a premium of 50p each and
500 000 6% preference shares at par.
All shares were fully paid.

REQUIRED

- (a) Complete the following table to show the amount to be entered in each account.

Account	Amount £
Ordinary share capital	
Preference share capital	
Share premium	
Bank	

(6 marks)

- (b) On 31 March 2003 there was profit available for distribution of £750 000. The directors therefore propose that the annual dividend is paid on the preference shares and a dividend of 10p per share is paid on the ordinary shares.

Calculate:

- (i) the total preference share dividend;

.....

(3 marks)

- (ii) the total ordinary share dividend;

.....

(3 marks)

(iii) the total of retained profit after distribution.

.....
.....
.....

(3 marks)

(c) List **three** items which will be included in the Directors' Report.

Item 1 *(1 mark)*

Item 2 *(1 mark)*

Item 3 *(1 mark)*

18

TURN OVER FOR THE NEXT QUESTION

Turn over ►

2

Total for this question: 12 marks

The trial balance of H G Patel Ltd, as at 30 April 2003, has been partially completed, but the following balances have yet to be included.

	£
Purchases	38 900
Sales	98 000
Returns outwards	3 698
Carriage inwards	367
Carriage outwards	450
Discount received	2 135
Dividends paid	6 900

REQUIRED

- (a) Enter these figures into the trial balance provided below. (7 marks)
- (b) Total the trial balance and enter any difference in the suspense account. (1 mark)

H G Patel Ltd: Trial Balance as at 30 April 2003

Account	Debit £	Credit £
Wages	23 890	
Administration costs	6 000	
Share capital		60 000
Premises	65 000	
Motor vehicles	15 000	
Motor expenses	1 650	
Purchases		
Sales		
Returns outwards		
Carriage inwards		
Carriage outwards		
Discount received		
Dividends paid		
Suspense		
TOTAL		

- (c) There are many reasons for the error(s) giving rise to the suspense account.

From the following list of bookkeeping errors, tick the Yes or No box to indicate whether or not it could be responsible for the difference in the trial balance.

An example has been given.

Error	Yes	No
1. <i>A balance has been entered in the wrong column of the trial balance.</i>	✓	
2. An error of principle has occurred.		
3. The sales account has been totalled incorrectly.		
4. An invoice has been completely omitted.		
5. A cheque has been debited in the cash book as £150 but credited in the customer's account as £105.		

(4 marks)

TURN OVER FOR THE NEXT QUESTION

Turn over ►

3

Total for this question: 13 marks

The accountant of James White Ltd has prepared a trial balance to verify the accuracy of the ledgers. The directors believe this to be a waste of time.

REQUIRED

Prepare a report for the directors under the following headings.

REPORT

To:

From:

Date:

Subject:

(Report headings: 1 mark)

(a) **Two** reasons for preparing a trial balance

Reason 1

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.....

.....

(2 marks)

Reason 2

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.....

.....

(2 marks)

(b) **One** limitation of a trial balance (other than that of being time consuming)

.....

.....

.....

.....

(3 marks)

(c) **Two** sources of trial balance entries

Source 1 (1 mark)

Source 2 (1 mark)

(d) Why the trial balance totals should agree if the bookkeeping has been carried out correctly

.....
.....
.....
..... (3 marks)

13

TURN OVER FOR THE NEXT QUESTION

Turn over ►

4

Total for this question: 9 marks

The balance sheet of Highfield Products Ltd shows capital reserves and revenue reserves.

REQUIRED

Explain the nature of these reserves, giving **one** example of each.

(a) Capital reserves

Explanation

.....

.....

.....

(3 marks)

Example

(1 mark)

(b) Revenue reserves

Explanation

.....

.....

.....

(3 marks)

Example

(1 mark)

(c) Will reserves be shown on the debit or credit side of the general ledger accounts?

.....

(1 mark)

9

TURN OVER FOR THE NEXT QUESTION

Turn over ►

5

Total for this question: 12 marks

REQUIRED

From the following figures, complete the balance sheet for A to Z Engineering Supplies Ltd as at 31 March 2003. Clearly show the fixed and current assets and long-term and current liabilities. To complete the balance sheet, calculate the issued share capital.

	£
Profit and loss account at 31 March 2003	19 031
Stocks at 31 March 2003	14 905
Debtors	6 500
Creditors	4 590
Premises	50 000
Motor vehicles	14 560
Bank overdraft	3 400
Petty cash	56
Dividends proposed	13 000
10% Debentures (2020)	25 000

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A large rectangular area with horizontal dotted lines for writing.

(12 marks)

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Turn over ►

6

Total for this question: 8 marks

Barbara Smith is proposing to use a computer for the accounting functions of her business.

REQUIRED

Why will this contribute to greater speed and accuracy in the accounting process?

Speed

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(4 marks)

Accuracy

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(4 marks)

8

7

Total for this question: 4 marks

REQUIRED

Explain briefly the value of the published report and accounts to:

(a) potential shareholders;

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.....

(2 marks)

(b) potential debenture holders.

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(2 marks)

4

END OF QUESTIONS