

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education  
 June 2003  
 Advanced Subsidiary Examination



**ACCOUNTING**  
**Unit 3 Financial Accounting:**  
**Determination of Income**

**ACC3**

Wednesday 4 June 2003 Afternoon Session

**No additional materials are required.**  
 You may use a calculator.

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: 2 marks**

Janice owns and runs a plumbing business. She operates her business from an industrial unit on the outskirts of town.

The same sized unit next to hers was sold for £120 000 in May. Janice has shown her premises on her balance sheet as at 31 May 2003 at the cost price of £60 000.

**REQUIRED**

- (a) Complete the following sentence.

This is an example of the ..... concept. (1 mark)

Recently Janice purchased a desk top calculator for use in the business. It cost £9.99. She expects that it will be in constant use for at least 5 years. She has included the cost of the calculator in her books of account as office expenses.

**REQUIRED**

- (b) Complete the following sentence.

This is an example of the ..... concept. (1 mark)

2

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ►

2

**Total for this question: 6 marks**

Gina O'Malley has recently purchased a new delivery van for use in her business. The following is a summary of the invoice that Gina received from the garage.

	<b>£</b>
Purchase price of van	27 450
Alterations to interior of van	1 760
Road fund tax	170
Tank of fuel	48
Cost of painting logo on side of van	314
Insurance premium for one year	509

**REQUIRED**

- (a) Calculate the total amount of capital expenditure incurred by Gina.

The total amount of capital expenditure incurred was £.....

*Workings* .....

.....

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- (b) Calculate the total amount of revenue expenditure incurred by Gina.

The total amount of revenue expenditure incurred was £.....

*Workings* .....

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(6 marks)

6

3

**Total for this question: 12 marks**

Jock McIntyre has produced a draft profit and loss account for the year ended 31 March 2003. As yet no entries have been made in the profit and loss account for the following information.

	<b>£</b>
Payments to local authority for business rates during the year	1950
Payments to landlord for rent of premises during the year	4200
Receipts from Qualwen plc for commission receivable during the year	600

**Additional information**

	<b>Year ended 31 March 2002</b>	<b>Year ended 31 March 2003</b>
	<b>£</b>	<b>£</b>
Payment to local authority	in advance 70	in arrears 80
Payment to landlord	in arrears 60	in advance 120
Commission received from Qualwen plc	in arrears 50	in arrears 40

**REQUIRED**

Calculate the amounts to be entered in the profit and loss account for the year ended 31 March 2003. Indicate in the table below the amount and whether it should be subtracted from or added to the profit of the business.

	<b>Amount to be subtracted from draft net profit £</b>	<b>Amount to be added to draft net profit £</b>
Business rates		
Rent of premises		
Commission receivable		

*Workings* .....

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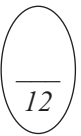
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(12 marks)



**Turn over** ▶

4

**Total for this question: 8 marks**

Cindy Fireplace wishes to improve her reported business profits and cash balances. She has purchased a new computer system for her business at a cost of £6000. She will use the system for two years and then replace it. At the end of the two years the system will have no scrap value.

She will depreciate her computer system by using  
**either** the straight-line method  
**or** the reducing-balance method using 60% per annum.

She is unsure which method will increase her reported profits **and** her cash balances over the two years.

**REQUIRED**

(a) Calculate the charge to the profit and loss account for **each** year for **each** method.

	<b>Straight-line method</b> £	<b>Reducing-balance method</b> £
Year 1		
Year 2		

*Workings* .....

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(4 marks)

(b) Discuss how charging depreciation will affect Cindy’s cash flow.

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(4 marks)











