

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education  
 June 2006  
 Advanced Subsidiary Examination



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

Wednesday 7 June 2006 1.30 pm to 2.30 pm

**You will need no other materials.**  
 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.
- Answer the 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.
- Page 3 is perforated. Detach it and use it when answering Question 1.

**Information**

- The maximum mark for this paper is 80.  
 4 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. Some questions involve only numerical work; all other questions should be answered in continuous prose. Quality of Written Communication will be assessed in all prose answers.

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

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

**Total for this question: 29 marks**

**1**

**Tear page 3 out of this question paper.** Given on page 3 is a list of balances taken from the books of Pann Ltd at 31 December 2005.

**REQUIRED**

- (a) Prepare a trial balance at 31 December 2005 from the list given on page 3 and calculate the value of the issued share capital.

**Pann Ltd  
Trial Balance at 31 December 2005**

	Debit	Credit
	£	£
Audit fees		
Sales		
Carriage outwards		
Returns inwards		
Motor vehicle		
Trade debtors		
Rent received		
Purchases		
Directors' fees		
Stock at 1 January 2005		
Trade creditors		
Carriage inwards		
Bank overdraft		
VAT – amount owed		
Returns outwards		
Issued share capital		

*(16 marks)*

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Remove this page and use when answering Question 1.

The following list of balances was taken from the books of Pann Ltd at 31 December 2005.

	£
Audit fees	6 750
Sales	125 000
Carriage outwards	3 000
Returns inwards	2 000
Motor vehicle	38 250
Trade debtors	25 000
Rent received	5 000
Purchases	65 000
Directors' fees	24 250
Stock at 1 January 2005	22 000
Trade creditors	8 000
Carriage inwards	2 500
Bank overdraft	4 500
VAT – amount owed	2 250
Returns outwards	4 000

**There are no questions printed on this page**





(d) Revenue reserves .....

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(2 marks)

<b>8</b>

**Turn over for the next question**

**Turn over ►**

**Total for this question: 19 marks**

**3**

A trainee accountant produced a draft profit and loss account which showed a net profit for the year ended 31 March 2006 of £17 690. Her supervisor subsequently discovered the following errors.

- (1) The purchases day book had been undercast by £520.
- (2) The cost of repairs to a delivery van of £450 had been entered in the motor vehicles account.
- (3) A payment of £500 for audit fees had been completely omitted from the accounts.
- (4) A cheque for £2300 received from B Harrison, a debtor, had been entered in the account of B Harris.
- (5) Discount received of £1300 had been charged as an expense in the profit and loss account.
- (6) The closing stock had been recorded in the trading account as £3000. The correct figure was £300.

**REQUIRED**

- (a) Calculate the correct net profit. Show clearly whether **each** adjustment is added, subtracted or has no effect on the profit calculation.

Correction (1) has been completed as an example.

**Corrected Net Profit for the year ended 31 March 2006**

		£	
Net profit as given		17 690	
(1) <i>Purchases undercast</i>	<i>subtract</i>	<u>520</u>	
		17 170	
(2) .....			
(3) .....			
(4) .....			
(5) .....			
(6) .....			
Corrected net profit .....		<u>          </u>	

*(7 marks)*



(b) Explain the difference between an error of commission and an error of principle.

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*(4 marks)*

(c) Explain the purpose of a suspense account.

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*(3 marks)*

**Question 3 continues on the next page**

**Turn over ►**

(d) Evaluate the extent to which the use of computer accounting software can eliminate errors in accounting.

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(5 marks)

**Total for this question: 10 marks**

**4**

**REQUIRED**

- (a) Explain **two** reasons why the employees of a limited company would find the published accounts useful.

Reason 1 .....

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Reason 2 .....

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*(4 marks)*

- (b) Explain the following terms and state why they are relevant to the ordinary shareholders of a company.

Earnings per share

Explanation .....

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Relevance .....

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Dividend per share

Explanation .....

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Relevance .....

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*(6 marks)*

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**Turn over ▶**

**Total for this question: 10 marks**

**5**

The following balances remained in the accounts of TS plc after the trading and profit and loss account for the year ended 31 March 2006 was prepared.

This was the company's first year of trading.

	£000
Net profit after interest but before tax	65
Share premium	50
Issued share capital:	
Ordinary shares of 50p each, fully paid	50
10% Preference shares of £1 each, fully paid	20
12% Debentures (2015)	40
Trade creditors	9

The directors propose the following:

- (1) provision for corporation tax of £21 000;
- (2) the payment of the preference dividend for the year;
- (3) an ordinary dividend of 10p per share.

**REQUIRED**

- (a) Prepare the profit and loss appropriation account for the year ended 31 March 2006.

**TS plc**  
**Profit and Loss Appropriation Account for the year ended 31 March 2006**

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*(5 marks)*

- (b) Prepare a balance sheet extract at 31 March 2006 to show the share capital and reserves section.

**TS plc**  
**Balance Sheet Extract at 31 March 2006**

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*(5 marks)*

<b>10</b>

**END OF QUESTIONS**

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