

General Certificate of Education
January 2007
Advanced Level Examination



ACCOUNTING
Unit 5 Further Aspects of Financial Accounting

ACC5

Friday 19 January 2007 1.30 pm to 2.45 pm

For this paper you must have:

- an answer book for Accounting.

You may use a calculator.

Time allowed: 1 hour 15 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ACC5.
- Answer **all** questions.
- 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 the answer book. Cross through any work you do not want to be marked.

Information

- The maximum mark for this paper is 105.
Five of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.
- Question 3 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.

Answer **all** questions.

Total for this question: 18 marks

1

Ali, Bambi and Charlie have been in partnership for many years. They share profits and losses in the ratio 3:2:1 respectively. After a number of years of poor results, they agree to dissolve the partnership on 31 December 2006.

The partnership balance sheet at 31 December 2006 is shown below.

| Ali, Bambi and Charlie | | |
|--|---------------|-----------------|
| Balance sheet at 31 December 2006 | | |
| | | £ |
| All assets (other than bank) | | 82 020 |
| Bank balance | | 700 |
| Liabilities | | <u>(23 420)</u> |
| | | <u>59 300</u> |
| Capital accounts | | |
| – Ali | 40 000 | |
| Bambi | 10 000 | |
| Charlie | <u>10 000</u> | 60 000 |
| Current accounts | | |
| – Ali | <u>1 700</u> | |
| Bambi | (4 700) | |
| Charlie | <u>2 300</u> | <u>(700)</u> |
| | | <u>59 300</u> |

Daphne agreed to purchase the business for £40 000 cash.

All assets and liabilities, other than the bank balance, were taken over by Daphne.

The dissolution took place and was completed on 1 January 2007.

Bambi was unable to meet any liability to the partnership out of his personal funds.

REQUIRED

- (a) Calculate the profit or loss on dissolution. *(5 marks)*
- (b) Prepare detailed capital accounts to close the partnership books of account. *(13 marks)*

Total for this question: 24 marks

2

The treasurer of the Padds Cricket Club supplies the following information extracted from the club's receipts and payments account for the year ended 30 September 2006, relating to monies received for subscriptions.

| | |
|-------------------------------|----------|
| | £ |
| Annual subscriptions | 14 220 |
| Life membership subscriptions | 4 050 |

Additional information

| (1) | At 1 October 2005 | At 30 September 2006 |
|--|-------------------|----------------------|
| | £ | £ |
| Annual subscriptions outstanding | 300 | 480 |
| Annual subscriptions received in advance | 420 | 120 |
| (2) Half of the annual subscriptions outstanding at 30 September 2006 are to be written off and membership cancelled. | | |
| (3) The balance of the life membership fund at 1 October 2005 stood at £8550. | | |
| (4) The club treasurer transfers $\frac{1}{8}$ of the balance of the fund at each year end to the club's income and expenditure account. | | |

REQUIRED

- (a) Prepare an annual subscriptions account. *(8 marks)*
- (b) Prepare a life membership fund account. *(4 marks)*
- (c) Evaluate the effect of the life membership fund on the club's liquidity. *(12 marks)*

Turn over for the next question

Turn over ►

Total for this question: 58 marks

3

Martin and Nasser are in partnership. Their partnership agreement provides that:

- Nasser be credited with a partnership salary of £3000 per annum
- partners be credited with interest on capital of 6% per annum
- interest on drawings be charged
- residual profits and losses be shared in the ratio of 3:2 respectively.

The partners have never kept a full set of accounting records. However, they are able to provide the following information.

Cash book summary

| | £ | | £ |
|----------------------------|---------|------------------------|---------|
| Balance 1 January 2006 | 2 178 | Wages | 63 156 |
| Cash sales | 332 467 | Purchase of machine | 8 800 |
| Cash received from debtors | 44 049 | General expenses | 56 676 |
| Rent received | 7 000 | Payments to creditors | 195 911 |
| Balance 31 December 2006 | 989 | Drawings – Martin | 35 660 |
| | | Nasser | 26 480 |
| | 386 683 | | 386 683 |
| | | Balance 1 January 2007 | 989 |

Additional information

| | At 1 January 2006 | At 31 December 2006 |
|---------------------------------|-------------------|---------------------|
| | £ | £ |
| Fixed capital accounts – Martin | 100 000 Cr | 100 000 Cr |
| Nasser | 70 000 Cr | 70 000 Cr |
| Current accounts – Martin | 3 210 Cr | ? |
| Nasser | 1 304 Cr | ? |
| Machinery at valuation | 147 000 | 145 000 |
| Vehicle at valuation | 16 000 | 8 000 |
| Stock | 14 003 | 13 471 |
| Debtors | 317 | 183 |
| Creditors | 4 872 | 5 163 |
| Wages accrued | 612 | 938 |
| Rent receivable owing | 500 | – |
| Rent receivable paid in advance | – | 500 |

During the year, an old machine that cost £10 000 was traded for £3200 in part exchange for a new machine costing £12 000. The old machine had been depreciated by £6000 over its lifetime.

| | |
|--|------|
| Interest on drawings for the year amounted to – Martin | £230 |
| Nasser | £100 |

REQUIRED

Prepare the following:

- (a) a total debtors' account for the year ended 31 December 2006; *(4 marks)*
- (b) a total creditors' account for the year ended 31 December 2006; *(4 marks)*
- (c) a trading and profit and loss account for the year ended 31 December 2006; *(25 marks)*
- (d) a profit and loss appropriation account for the year ended 31 December 2006; *(7 marks)*
- (e) partners' current accounts at 31 December 2006. *(8 marks)*

Many partnerships maintain separate capital and current accounts.

REQUIRED

- (f) Evaluate the extent to which a partnership is likely to benefit from this practice. *(10 marks)*

END OF QUESTIONS

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