

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For Examiner's Use
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General Certificate of Education  
June 2007  
Advanced Subsidiary Examination



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

**ACC3**

Wednesday 6 June 2007 1.30 pm to 2.30 pm

<p><b>You will need no other materials.</b> 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.
- 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 to be marked.

**Information**

- The maximum mark for this paper is 80.  
Four 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.

For Examiner's Use			
Question	Mark	Question	Mark
1		3	
2		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: 10 marks**

**1**

Gabrielle has just started a business. She intends to depreciate her vehicles by 20%, using the straight-line method. Her accountant has suggested that she should use 20% reducing balance, as it is a more appropriate method.

**REQUIRED**

(a) State how the change in depreciation method would affect her profits in the first year of use **and** in the third year of use.

(i) In the first year after the change in depreciation policy, Gabrielle's profits would

.....  
(1 mark)

(ii) In the third year after the change in depreciation policy, Gabrielle's profits would

.....  
(1 mark)

(b) Identify **two** concepts or principles used in the provision of depreciation of fixed assets.

Concept 1 .....  
(1 mark)

Concept 2 .....  
(1 mark)

- (c) Explain why it is necessary to apply the two concepts identified in (b) when preparing final accounts.

It is necessary to apply the concept of .....

because .....

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*(3 marks)*

It is necessary to apply the concept of .....

because .....

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*(3 marks)*

<b>10</b>

**Turn over for the next question**

**Turn over ►**

**Total for this question: 27 marks**

2

The directors of Ben Novice Ltd provide the following information.

**Trial balance extract at 31 December 2006**

	Dr £	Cr £
Ordinary shares of 50 pence each		2 000 000
Taxation paid for the year ended 31 December 2006	157 300	
Sales		3 932 210
Cost of sales	2 163 420	
Rent receivable		14 500
Office expenses	500 000	
Directors' fees	310 000	
Selling and distribution expenses	270 000	
8% debentures (2015)		700 000
Debenture interest	56 000	
Interim dividend paid	50 000	

**Additional information at 31 December 2006**

- (1) The authorised share capital was 10 000 000 ordinary shares of 50 pence each.
- (2) The directors:
  - (i) wish to make provision for corporation taxation of £142 500;
  - (ii) propose a final ordinary dividend of 3 pence per share.

**REQUIRED**

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

**Ben Novice Ltd**

**Profit and loss and appropriation account for the year ended 31 December 2006**

Dotted lines for writing the account.

(18 marks)

**Question 2 continues on the next page**

**Turn over ►**

(b) Explain fully the terms:

(i) 8% debentures (2015);

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*(4 marks)*

(ii) interim dividend paid;

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*(2 marks)*

(iii) authorised share capital of 10 000 000 ordinary shares of 50 pence each.

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*(3 marks)*

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27

**Turn over for the next question**

**Turn over ►**

**Total for this question: 14 marks****3**

Zoe Moss owns and runs a manufacturing business. Finished goods are transferred from the manufacturing account to the trading account at factory cost plus 50%.

She provides the following information for the year ended 31 December 2006.

	at 1 January 2006	at 31 December 2006
	£	£
Stocks – Raw materials	110 000	120 000
Work in progress	75 000	80 000
Finished goods	25 200	37 200

**REQUIRED**

- (a) Calculate the amount to be charged to the profit and loss account for the year ended 31 December 2006 for the provision for unrealised profit.

The amount to be charged is £ .....

*Workings* .....

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*(7 marks)*

- (b) State how the amount calculated in (a) should be treated in the profit and loss account.

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*(2 marks)*



- (c) Prepare an extract from the balance sheet at 31 December 2006, showing stocks and how the provision for unrealised profit should be treated.

**Balance sheet extract at 31 December 2006**

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*(5 marks)*

<b>14</b>

**Turn over for the next question**

**Turn over ►**

**Total for this question: 25 marks**

4

Polly Flanders provides the following information for her business at 31 October 2006.

	<b>£</b>
Gross profit for the year ended 31 October 2006	90 647
Discount allowed	342
Discount received	701
Carriage outwards	812
Vehicle at cost	20 000
Provision for depreciation of vehicle at 1 November 2005	10 000
Motor expenses	32 163
Rent and rates	7 400
General expenses	23 651

**Additional information for the year ended 31 October 2006**

- (1) Included in the figure for motor expenses is a second-hand vehicle purchased at a cost of £18 000 in April 2006.
- (2) Depreciation of vehicles is provided at 25% per annum on cost at the financial year end.
- (3) At 31 October 2006:
  - (i) rent amounting to £600 remained unpaid for September and October 2006;
  - (ii) rates amounting to £1000 had been paid for the following financial year.



