

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
4	
TOTAL	



General Certificate of Education  
Advanced Subsidiary Examination  
January 2009

# Accounting

# ACCN2

## Unit 2 Financial and Management Accounting

Friday 9 January 2009 1.30 pm to 3.00 pm

**You will need no other materials.**  
You may use a calculator.

### Time allowed

- 1 hour 30 minutes

### Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- 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 marks for questions are shown in brackets.
- The maximum mark for this paper is 80.  
Four of these marks will be awarded for:
  - using good English
  - organising information clearly
  - using specialist vocabulary where appropriate.



J A N O 9 A C C N 2 0 1

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

**Total for this question: 10 marks**

**1**

Tony has the opportunity to buy some equipment in February. He estimates the equipment will cost £2500. He is not sure whether he will have enough cash available. He has provided the following budgeted information.

	<b>January</b>	<b>February</b>
	<b>£</b>	<b>£</b>
Sales	4800	3600
Purchases of material	2800	2400
General expenses	1894	1688

**Additional information**

- (1) Sales are made on the basis of 80% cash and 20% credit. Credit customers will pay one month after the sale.
- (2) All purchases of materials are on credit. Tony will pay his suppliers one month after the purchase of materials.
- (3) General expenses are paid in the month in which they are incurred.
- (4) Tony depreciates all equipment at 10% per annum on cost. He depreciates his existing equipment by £750 per month.
- (5) Tony calculates that the cash balance at 31 January will be £2176.

*Workings*

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**REQUIRED**

- 1 Prepare a cash budget for February **only** and state if Tony can afford the equipment.

**Cash budget for February** **£**

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Can Tony afford the equipment?

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*(10 marks)*

10

**Turn over ▶**



**Total for this question: 10 marks**

2

The Directors of TJ Ltd needed to raise funds to finance the expansion of the business. They decided to make a rights issue of ordinary shares on the basis of 1 new share for every 4 shares held, at a price of £1.20 each. The issue was fully subscribed.

The capital and reserves section of the balance sheet, **before** the issue, is shown below.

<b>Capital and reserves</b>	<b>£</b>
Ordinary shares of £1 each fully paid	400 000
Share premium	40 000
Profit and loss account	185 642
	<u>625 642</u>

**REQUIRED**

- 2 (a) Prepare the capital and reserves section of the balance sheet immediately **after** the rights issue.

**Capital and reserves** **£**

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*(6 marks)*

*Workings*

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2 (b) Define the term ‘capital reserves’. Give **one** example of a capital reserve.

Definition .....

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Example .....

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*(2 marks)*

2 (c) Define the term ‘revenue reserves’. Give **one** example of a revenue reserve.

Definition .....

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Example .....

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*(2 marks)*

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**Turn over for the next question**

**Turn over ▶**



**Total for this question: 30 marks****3**

The following trial balance has been extracted from the books of account of Mandeep, a sole trader, at 30 November 2008.

	£	£
Bank	1 713	
Capital at 1 December 2007		109 439
Discounts	1 286	2 375
Equipment at cost	38 800	
Equipment – provision for depreciation		12 865
Motor vehicles at cost	67 500	
Motor vehicles – provision for depreciation		28 500
Operating expenses	115 782	
Provision for doubtful debts		2 281
Purchases and sales	225 550	525 000
Rent and rates	46 750	
Returns	2 500	
Stock at 1 December 2007	38 500	
Trade debtors and trade creditors	87 500	65 421
Wages	120 000	
	745 881	745 881

**Additional information**

- (1) Stock at 30 November 2008 was valued at £39 750.
- (2) During the year ended 30 November 2008, Mandeep had taken £2550 of goods for his own use.
- (3) At 30 November 2008, wages due and unpaid amounted to £5780.
- (4) Rent paid for the year ending 30 November 2009 amounted to £4200.
- (5) The provision for doubtful debts is to be 5% of debtors at 30 November 2008.
- (6) Depreciation on motor vehicles is to be provided using the reducing balance method at  $33\frac{1}{3}\%$  per annum.
- (7) Depreciation on equipment is to be provided using the straight-line method at 15% per annum.





Dotted lines for writing.

*(28 marks)*  
*(for quality of presentation: plus 2 marks)*

*Workings*

Dotted lines for working.





**Turn over for the next question**

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ANSWER IN THE SPACES PROVIDED**

**Turn over ►**



**Total for this question: 30 marks**

4

The Directors of Russel Ltd are concerned about the liquidity of the company.

Sales and purchases for the year ended 31 December 2008 were:

	£
cash sales	156 500
credit sales	145 000
cash purchases	36 000
credit purchases	120 000

Current assets and liabilities at 31 December 2008 were:

	£
stock	14 008
trade debtors	22 660
bank overdraft	11 560
trade creditors	12 860

**REQUIRED**

4 (a) Calculate the net current asset (current) ratio. State the formula used.

Formula .....

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Calculation .....

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*(3 marks)*



4 (b) Calculate the liquid capital (acid test) ratio. State the formula used.

Formula .....

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Calculation .....

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(3 marks)

4 (c) Calculate the debtor collection period. State the formula used.

Formula .....

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Calculation .....

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(3 marks)

Question 4 continues on the next page

Turn over ►



4 (d) Calculate the creditor payment period. State the formula used.

Formula .....

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Calculation .....

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(3 marks)

The Directors of Russel Ltd want to see how their business compares with others in the same sector. To do this, they have obtained the following average ratios for the sector.

Net current asset ratio	0.9:1
Liquid capital ratio	0.5:1
Debtor collection period	45 days
Creditor payment period	60 days

**REQUIRED**

4 (e) Write a report to the Directors of Russel Ltd.

4 (e) (i) Explain the ratios you have calculated in your answers to 4(a) to 4(d).

4 (e) (ii) Compare the ratios calculated with the sector average ratios.

4 (e) (iii) Assess the ratios calculated for Russel Ltd.



**Report**

**To** .....

**From** .....

**Date** .....

**Subject** .....

(i) .....

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*(8 marks)*

(ii) .....

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**Turn over ▶**



(iii)

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*(4 marks)*

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*(4 marks)*

*(for quality of written communication: plus 2 marks)*

<b>30</b>

**END OF QUESTIONS**



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ANSWER IN THE SPACES PROVIDED**



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