General Certificate of Education
Advanced Level Examination
January 2011

Accounting ACCN3

Unit 3 Further Aspects of Financial Accounting

Wednesday 26 January 2011 9.00 am to 11.00 am

For this paper you must have:
- an AQA 12-page answer book
- a calculator.

Time allowed
- 2 hours

Instructions
- Use black ink or black 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 ACCN3.
- 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 your answer 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 90.
  Four of these marks will be awarded for:
  – using good English
  – organising information clearly
  – using specialist vocabulary where appropriate.

Answer **all** questions.

Task 1 **Total for this task: 16 marks**

Amir sells a single product. During December 2010, the following transactions took place.

Date	Purchases	Sales
8 December	250 units @ £11.40 each	
14 December		480 units
16 December	330 units @ £11.80 each	
22 December		400 units

At 1 December 2010, there were 500 units in stock which cost £5400 in total.

Amir calculates his selling price to achieve a 20% gross profit margin.

0 1 Calculate the value of inventory (stock) at 31 December 2010 using the AVCO method. *(7 marks)*

0 2 Prepare an extract from the income statement (trading account) for the month ended 31 December 2010, to show the gross profit. *(9 marks)*

Task 2 **Total for this task: 26 marks**

Jacob, Caleb and Ethan are in partnership sharing profits and losses in the ratio 2:2:1 respectively.

Profits for the year ended 30 November 2010 were £78 000 and accrued evenly throughout the year.

Interest on capital is to be calculated at 4% per annum.

Interest on drawings is to be charged at 2% per annum. Partners' drawings were £18 500, £19 000 and £11 000 respectively.

The summarised balance sheet at 30 November 2009 was as follows.

Balance sheet at 30 November 2009

	£	£	£
Non-current (fixed) assets			350 000
Net current assets			42 000
			392 000
Financed by			
Capital accounts:			
Jacob		175 000	
Caleb		98 000	
Ethan		75 000	348 000
Current accounts:			
Jacob		30 000	
Caleb		25 000	
Ethan		(11 000)	44 000
			392 000

From 1 June 2010, the partners had agreed the following changes.

(1) Jacob, Caleb and Ethan to share the profits in the ratio 3:2:1 respectively.

(2) Ethan to receive an annual salary of £6406.

(3) Interest on capital and interest on drawings to remain unchanged throughout the year.

0 3 Prepare the partners' current accounts for the year ended 30 November 2010. *(18 marks)*
(for quality of presentation: plus 2 marks)

0 4 Explain the purpose of a partnership capital account. *(3 marks)*

0 5 Explain the purpose of a partnership current account. *(3 marks)*

Turn over ▶

Task 3 **Total for this task: 17 marks**

The directors of Cole-Daniel plc are unsure about the correct accounting treatment of the following items in the financial statements for the year ended 31 October 2010.

(1) Damaged finished goods for resale have been included in the inventory (stock) valuation at an original cost of £52 000. These goods will be sold at the original cost plus 20%. However, before sale, the stock will need to be repaired at an additional cost of £12 500.

(2) £62 000 has been spent on the purchase of a patent.

(3) A credit customer who owed £35 000 at the year ended 31 October 2010 was declared bankrupt on 9 November 2010, before the financial statements had been approved by the Board of Directors.

0 6 Identify the accounting standard to be applied to each of the items (1) to (3). *(3 marks)*

0 7 Explain, with reference to the relevant accounting standard, how each of the items (1) to (3) should be treated in the financial statements. *(12 marks)*
(for quality of written communication: plus 2 marks)

Turn over for the next task

Task 4 **Total for this task: 31 marks**

Morpeth Ltd is a wholesale company which has been experiencing cash flow problems.

Morpeth Ltd
Balance sheet

	At 31 December 2010		At 31 December 2009	
	£	£	£	£
Assets				
Non-current (fixed) assets (note 1)		124 100		50 000
Current assets				
Inventories (stocks)	16 500		19 200	
Trade receivables (debtors)	12 400		10 100	
Cash and cash equivalents (cash at bank and in hand)	–		9 700	
		28 900		39 000
Total assets		153 000		89 000
Equity and liabilities				
Equity				
Ordinary share capital		50 000		40 000
Share premium account		10 000		8 000
Retained earnings **(note 2)**		28 900		(9 300)
Total equity		88 900		38 700
Non-current liabilities				
Debentures		32 700		27 600
Current liabilities				
Bank overdraft	6 200		–	
Trade payables (creditors)	7 600		6 800	
Tax liabilities	17 600		15 900	
		31 400		22 700
Total liabilities		64 100		50 300
Total liabilities and equity		153 000		89 000

Note 1

	2010	2009
Non-current (fixed) assets	**£**	**£**
Cost	163 600	68 900
Depreciation	(39 500)	(18 900)
Net book value	124 100	50 000

A non-current (fixed) asset with a cost of £20 000 was sold during the year for £10 200.
The accumulated depreciation on the asset at the time of disposal was £4400.

Note 2

An extract from the income statement (trading and profit and loss account) for the year ended 31 December 2010 is as follows.

	£
Profit from operations	64 500
Finance costs	(5 700)
Profit before tax	58 800
Taxation	(18 200)
Profit for the year	40 600

Dividends paid in 2010 were £2400.

0 8 Prepare a statement of cash flows for the year ended 31 December 2010, in accordance with the requirements of IAS7. *(23 marks)*

0 9 Assess **two** sources of finance being used by Morpeth Ltd. *(8 marks)*

END OF QUESTIONS

There are no questions printed on this page