

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  
June 2011

# Accounting

# ACCN2

## Unit 2 Financial and Management Accounting

Tuesday 24 May 2011 1.30 pm to 3.00 pm

**For this paper you must have:**

- 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. Do not write outside the box around each page or on blank pages.
- 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 U N 1 1 A C C N 2 0 1

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

**1**

**Total for this question: 9 marks**

Mau Pau is concerned that his business is not as profitable as in previous years.

He provides the following details of revenue (sales) and costs for the year ended 31 March 2011.

	£
Revenue (sales)	181 000
Cost of sales	104 400
Operating expenses	58 010
Depreciation	3 000
Finance costs	1 560

Last year, Mau Pau's business had a gross profit margin of 60% and a profit in relation to revenue (sales) ratio of 20% (net profit margin).

**1 (a)** Calculate the gross profit margin for the year ended 31 March 2011. State the formula used.

Formula .....

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Calculation .....

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**(3 marks)**



**1 (b)** State **two** possible causes of any difference in the gross profit margin calculated in **1 (a)** and the gross profit margin from last year.

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(2 marks)

*Extra space* .....

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**1 (c)** Calculate the profit in relation to revenue (sales) ratio (net profit margin) for the year ended 31 March 2011.

Calculation .....

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(2 marks)

*Extra space* .....

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**1 (d)** State **two** possible causes of any difference in the profit in relation to revenue (sales) ratio (net profit margin) calculated in **1 (c)** and the ratio from last year.

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(2 marks)

*Extra space* .....

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9

Turn over ►



2

Total for this question: 10 marks

Ying is a sole trader. She employs a bookkeeper to maintain her cash book and sales and purchases ledger accounts. She pays the bookkeeper £8500 a year.

Ying also pays an accountant £500 a year to prepare her financial statements.

Ying is considering purchasing an accounting software package for £600. She would then maintain her accounting records and prepare the financial statement herself. The advertising for the accounting software states:

*“Keep your finances in check with our software. It is easy to use, fast and accurate. All your accounts available at the touch of a button.”*

2 (a) Explain **two** advantages to Ying, other than those mentioned in the advertising, of purchasing the software package.

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(4 marks)

Extra space .....

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**2 (b)** Explain **two** disadvantages to Ying of purchasing the accounting software.

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(4 marks)

*Extra space* .....

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**2 (c)** Advise Ying whether she should purchase the accounting software.

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(2 marks)

*Extra space* .....

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10
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**Turn over for the next question**

**Turn over ▶**



3

**Total for this question: 30 marks**

Joe Blanchard intends to set up a business as a sole trader on 1 August 2011. He needs to rent premises, buy non-current (fixed) assets and inventory (stock), so he will not begin trading until 1 September 2011.

He has asked his bank manager for a bank loan of £9000 and an overdraft facility of £6500. The bank manager has asked Joe to prepare a cash budget before giving final approval for the loan and overdraft facility.

Joe is able to provide the following information.

- He will invest £12 000 from his personal savings and will deposit this amount in the business bank account on 1 August 2011.
- The bank loan of £9000, if granted, would be received on 1 August 2011. The loan is repayable in equal monthly instalments over 2 years commencing on 1 September 2011. Annual interest of £360 will be paid monthly from 1 September 2011.
- During August, Joe plans to:
  - purchase non-current (fixed) assets costing £12 500; he estimates that the depreciation on these will be £250 per month;
  - pay rent on the business premises; the annual rent is £15 000 and he will pay this quarterly in advance.
- Joe's forecast for the first three months of trading is:

	September	October	November
	£	£	£
Sales	18 000	19 000	24 000
Purchases	6 700	7 600	9 600
Operating expenses	1 125	1 145	2 160

Joe expects that 20% of his sales will be on a cash basis, and the remaining 80% will be received in the following month.

He has agreed to pay his suppliers one month in advance.

The operating expenses will be paid one month in arrears.

- Joe will not take drawings in August and September. From October, he will take drawings of 5% of that month's sales total.











4

Total for this question: 31 marks

A draft income statement (trading and profit and loss account) has been prepared for Borca Ltd for the year ended 30 April 2011.

**Borca Ltd**  
**Draft income statement (trading and profit and loss account)**  
**for the year ended 30 April 2011**

	£	£
Revenue (sales)		1 267 580
Cost of sales		898 760
Gross profit		368 820
Other income		7 890
		376 710
Marketing expenses	46 780	
Administration expenses	85 630	
Depreciation	25 000	
		157 410
Profit from operations		219 300

**Additional information**

- (1) Inventory (stock) costing £43 586 has been included in the closing inventory (stock). No account has been taken of the fact that this inventory (stock) has been damaged and can only be sold if it is repaired. The repair costs will be £13 586 and the inventory (stock) could then be sold for £45 000.
- (2) A debt of £1054 had been written off in the year ended 30 April 2010. This amount has now been received but no record has been made in the books of account.
- (3) Included in marketing expenses is £3640 for an advertising campaign due to start in July 2011.
- (4) The depreciation charge in the draft income statement (trading and profit and loss account) was incorrectly calculated using the straight-line method based on an estimated useful life of 4 years. Company policy is to use the reducing balance method at a rate of 25% per annum. The provision for depreciation at 1 May 2010 was £43 752.
- (5) Debenture interest of £35 000 was due but not yet paid at 30 April 2011.
- (6) The financial accountant estimates that taxation payable of £16 000 is due on the profits for the year ended 30 April 2011.







**4 (b)** Identify the accounting concepts which should be used to make adjustments to the income statement (trading and profit and loss account) for additional information items (1) and (4) listed on page 10.

Item (1) .....

.....

Item (4) .....

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*(2 marks)*

**Question 4 continues on the next page**

**Turn over ►**



The Equity (capital and reserves) section of the balance sheet at 1 May 2010 is shown below.

<b>Equity (capital and reserves)</b>	<b>£</b>
Ordinary shares of £1 each	200 000
Share premium	25 000
Retained earnings	268 756
	<u>493 756</u>

On 1 January 2011, the directors issued 500 000 ordinary shares at a premium of £1.25 per share. The share issue was fully subscribed.

On 31 March 2011, the shareholders authorised a dividend of 20p per share payable on all shares in issue at that date. The dividends were paid on 29 April 2011.

- 4 (c) Complete the following extract from the statement of changes in equity for the year ended 30 April 2011.

**Borca Ltd**  
**Statement of changes in equity for the year ended 30 April 2011**

	Ordinary shares £	Share premium £	Retained earnings £

(8 marks)





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

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**

