Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

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

AQA

General Certificate of Education
Advanced Subsidiary Examination
June 2014

Accounting ACCN2

Unit 2 Financial and Management Accounting

Thursday 22 May 2014 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.
- 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.

A

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

1 **Total for this question: 24 marks**

Mo is concerned about the cash flow of his business. He is able to provide the following information to assist in the preparation of a cash budget.

	May 2014	**June 2014**	**July 2014**	**August 2014**	**September 2014**
	£	**£**	**£**	**£**	**£**
Sales	12 000	15 000	18 000	15 000	12 000
Purchases of goods for resale	6 000	7 000	8 000	8 500	9 000
Overheads	6 500	6 800	7 100	7 500	8 240

- All sales are on credit. It is expected that 40% of customers will take advantage of the cash discount of 2.5% that Mo offers and will pay in the month of sale. Of the remaining 60%, it is expected that half will pay in the month after sale and the remainder will pay two months after sale.
- One supplier of Mo's purchases of goods for resale demands that he pay cash immediately. This supplier accounts for 10% of purchases. The other suppliers are paid one month after the purchase has taken place.
- Overheads are paid in the month they are incurred.
- Mo intends to pay for non-current assets costing £10 800 in September 2014.
- Mo will take cash drawings from the business equal to 10% of the total cash received that month. However, this will never be less than £1500.
- He expects his bank balance to be £6860 on 30 June 2014.

1 Prepare a cash budget for Mo's business for each of the three months July, August and September 2014. (A space for workings is provided on page 4.)

[24 marks]

Cash Budget for Mo for each of the 3 months ending 30 September 2014

	July	August	September
	£	£	£

Workings

24

Do not write outside the box

Turn over for the next question

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED

2 **Total for this question: 23 marks**

The accountant of Weirwolf plc has begun preparing the financial statements for the year ended 30 April 2014. However, she is absent from work due to illness and you have been asked to complete the income statement on page 7 and the statement of changes in equity on page 9.

The balances remaining in the books of account at 30 April 2014, following the preparation of the first part of the income statement, are shown below.

	£
6% Debentures 2024–26	600 000
Cash at bank	6 840
Debenture interest	36 000
Depreciation charge for the year	257 780
Directors' remuneration	240 000
Interim dividend paid on 31 July 2013	120 000
Inventory	98 240
Non-current assets at cost	1 478 000
Ordinary shares of 20p each	1 200 000
Provision for depreciation	446 880
Retained earnings	876 590
Share premium	300 000
Taxation for the year ended 30 April 2014	107 788
Trade payables	89 309
Trade receivables	238 000

Additional information

The following have not been recorded in the books of account.

On 1 April, the Directors made a rights issue of ordinary shares. The issue was made on the basis of 1 new share for every 3 existing shares held, at a price of 35p per share. The issue was fully subscribed.

On 30 April, the Directors paid the final dividend of 2p per share. The dividend was paid on all shares in issue at that date.

2 (a) Complete the income statement, showing clearly the profit for the year after tax.
(A space for workings is provided on page 8.)

[7 marks]

Income Statement for Weirwolf plc year ended 30 April 2014

	£	£
Revenue		2 856 000
Cost of sales		1 142 400
Gross profit		1 713 600
Less expenses		
Marketing	335 600	
Administration	236 780	
Distribution	68 500	

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Workings

Do not write outside the box

2 (b) Prepare the statement of changes in equity for the year ended 30 April 2014, using the table below.

[16 marks]
[includes 2 marks for quality of presentation]

Statement of changes in equity for the year ended 30 April 2014

	Issued share capital	Share premium	Retained earnings	Total

Workings ....

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23

Turn over ▸

3 **Total for this question: 16 marks**

Andy is the owner of a removal business called Murraymovers. The business owns several motor vans that are used to move furniture.

Extract from the balance sheet of Murraymovers at 31 December 2012

	Cost	**Depreciation to date**	**Net book value**
	£	**£**	**£**
Motor vans	90 000	30 000	60 000

During the year ended 31 December 2013 Andy purchased three motor vans in a part-exchange arrangement agreed with Robson Motors. The details are as follows.

- Andy purchased three new motor vans at a total cost of £45 000.
- He part-exchanged three old motor vans that had originally cost £27 000 in total and had a net book value of £12 000.
- He paid the balance owing for the new motor vans with a cheque for £35 000.

It is Andy's policy to provide a full year's depreciation in the year of acquisition and none in the year of disposal. Depreciation is provided at the rate of $33\frac{1}{3}$% per annum using the reducing-balance method.

3 (a) Prepare the motor vans at cost, provision for depreciation of motor vans, and the disposal of motor vans accounts, as they would appear after the preparation of the financial statements at 31 December 2013.

[15 marks]

Dr **Motor vans at cost** **Cr**

Details	**£**	**Details**	**£**

Do not write outside the box

Dr **Provision for depreciation of motor vans** **Cr**

Details	£	Details	£

Dr **Disposal of motor vans** **Cr**

Details	£	Details	£

Workings ....

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Turn over ▶

3 (b) Tick **one** box to show which of the concepts shown below is being applied in the treatment of depreciation in the financial statement of Murraymovers.

[1 mark]

Concept	✓
Accruals	
Business entity	
Realisation	

16

Turn over for the next question

DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED

4 **Total for this question: 17 marks**

The Directors of Pendgard Ltd are concerned that their business is not performing as well as others in their industry. In particular, they believe that the business is not as profitable as its competitors. They have decided to carry out a performance appraisal using financial ratios. They have obtained the industry average ratios which are based on financial statements up to and including the year ended 31 December 2013. They have also calculated the comparable ratios for Pendgard Ltd based on the financial statements for the year ended 31 March 2014.

Ratio	Pendgard Ltd	Industry average
Gross profit margin	20%	25%
Profit in relation to turnover	5%	7.5%
Return on capital employed	2.5%	4%

4 (a) Assess, using only the ratios given, whether the Directors are correct in their belief that Pendgard Ltd is less profitable than its competitors.

[3 marks]

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Extra space..

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Do not write outside the box

4 (b) Explain **three** limitations of using ratios to assess business performance.

[14 marks]
[includes 2 marks for quality of written communication]

Turn over ▸

Extra space

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END OF QUESTIONS