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LONGON EXAMINATIONS GCE Team Leader's use only

Accounting (Modular Syllabus) Advanced Subsidiary/Advanced Level

Unit 1: The Accounting System and Costing

Wednesday 6 June 2007 - Afternoon

Time: 3 hours

Materials required for examination	Items included with question paper
Nil	Source booklet

Instructions	to	Can	4i4	atas

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature. Answer FIVE questions, choosing TWO from Section A and THREE from Section B.

Indicate which questions you are answering by marking the box (\boxtimes) .

If you change your mind, put a line through the box (\(\)) and then indicate your new question with a cross (\boxtimes) .

All calculations must be shown.

Write your answers in the spaces provided in this question paper.

Do not return the insert with the question paper.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2). The total mark for this paper is 100.

This paper has 7 questions. Any blank pages are indicated.

Calculators may be used.

The source material for use with questions 1 to 7 is in the enclosed source booklet.

Advice to Candidates

Write your answers neatly and in good English.

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SECTION A

Answer TWO questions from this section

If you answer question 1, put a cross in this box (\square) .

Source material for use with question 1 can be found on pages 2 and 3 of the source booklet.

1.	(a)	Prepare the:
		(i) book trading account for the year ended 30 April 2007 (below);
		(ii) income and expenditure account for the year ended 30 April 2007 (on page 3);
		(iii) balance sheet as at 30 April 2007 (on page 4).
		Book Trading Account for the year ended 30 April 2007



Income and Expenditure Account for the year en	iucu 50 Api ii 2007



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Balance Sheet as at 30 April 2007	
(16)	

Explain the term net realisable value .
(2)
Explain why the application of the accruals (matching) concept will be important in determining how the redecoration of the premises and the extension to the premises will be treated in the income and expenditure account.
(4)
Evaluate the decision of the Club to offer ten year subscriptions at a reduced rate.
(4)



If you answer question 2, put a cross in this box (\square) .

Source material for use with question 2 can be found on pages 4 and 5 of the source booklet.

- **2.** (a) Prepare for the year ended 30 April 2007, the:
 - (i) Manufacturing account, showing the production cost of the Regular and Premium;
 - (ii) Premium production line machinery account;
 - (iii) Premium production line provision for depreciation account;
 - (iv) Machinery disposal account.

Manufacturing Account for the year ended 30 April 2007						



blank **Machinery Account Machinery – Provision for Depreciation Account Disposal Account (16)**



,

Leave

	Explain three characteristics of overhead expenses.
	(6)
e)	Evaluate the benefits of using straight line depreciation for production machinery rather than using reducing balance.
c)	Evaluate the benefits of using straight line depreciation for production machinery
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If you answer question 3, put a cross in this box ().

Source material for use with question 3 can be found on pages 6 and 7 of the source booklet.

3.	(a)	Prepare the journal entries, recording the correction of errors (i) to (v). (Narratives are not required.)
		(8)



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Leave blank (b) Prepare, incorporating any adjustments required from (a), and showing the balance at 30 April 2007, the: (i) purchases ledger control account; (ii) sales ledger control account. (10)

C)	(i)	Explain two limitations of the trial balance.
		(2)
	(ii)	Distinguish between errors of principle and errors of reversal .
	(11)	Distinguish between errors of principle and errors of reversal.
		(2)
d)		luate the contribution of control accounts in ensuring that the debtors and creditors ounts are always accurate.
d)		



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SECTION B

Answer THREE questions from this section

If you answer question 4, put a cross in this box ().

Source material for use with question 4 can be found on pages 8 and 9 of the source booklet.

4.	(a)	Prepare for the dissolution of the partnership, the:
••	(u)	
		(i) realisation account;
		(ii) capital accounts of Gill and Hameed;
		(iii) bank account.
		Realisation Account
		Capital Accounts



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the term goodwill ;				
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			••••••	
1	dissolved.	the term goodwill ; why goodwill would be entere dissolved.	the term goodwill ; why goodwill would be entered into the bo dissolved.	the term goodwill ; why goodwill would be entered into the books when the dissolved.



(2)
(Total 16 marks)

If you answer question 5, put a cross in this box ().

Source material for use with question 5 can be found on pages 10 and 11 of the source booklet.

5.	(a)	Calculate for both Jameel and Kalid the:
		(i) gross profit to sales percentage;
		(ii) rate of stock turnover;
		(iii) fixed assets to sales;
		(iv) current ratio;
		(v) liquid (acid test) ratio.
		Gross Profit to Sales Percentage
		Rate of Stock Turnover
		E' 14 4 6 1
		Fixed Assets to Sales
		Current Ratio
		Liquid (Acid Test) Ratio
		(8)



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	(2)
(c)	In each of (i) and (ii) below, identify two differences between the businesses of Jameel and Kalid from the point of view of:
	(i) a customer visiting both retailers' premises;
	(ii) a creditor of both retailers.
	(4)
(d)	Evaluate the usefulness of accounting ratios in assessing the success of a business.
(4)	Divariance the aperaments of accounting ratios in appearing the paceess of a business.



If you answer question 6, put a cross in this box ().

Source material for use with question 6 can be found on pages 12 and 13 of the source booklet.

6.	(a)	Explain each of the following terms, using an example:
		(i) fixed cost;
		(ii) semi-fixed cost.
		(4)
	(b)	Calculate for the year, the daily cost to:
	(b)	Calculate for the year, the daily cost to: (i) hire the mini digger on its own;
	(b)	(i) hire the mini digger on its own;
	(b)	
	(b)	(i) hire the mini digger on its own;
	(b)	(i) hire the mini digger on its own;
	(b)	(i) hire the mini digger on its own;
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	(b)	(i) hire the mini digger on its own;
	(b)	(i) hire the mini digger on its own;



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		(6)
(c)	(i)	Comment on the two rates currently being charged by Greg.
	(ii)	Explain two ways in which Greg could change his pricing policy to improve income from his mini digger hire service.
	••••	
		(4)
(d)	Eva	aluate whether Greg should employ an accountant to assist his business.
(u)		made whether Greg should employ an accountant to assist his cashiess.

If you answer question 7, put a cross in this box ().

Source material for use with question 7 can be found on pages 14 and 15 of the source booklet.

7.	(a)	Prepare the following ledger accounts for the year ended 31 March 2007. Each account should include the transfer to the profit and loss account for the year, and the balances to be carried down.
		(i) Provision for doubtful debts account.
		(ii) Rent receivable account.
		(iii) Telephone account.
		Provision for Doubtful Debts Account
		Rent Receivable Account
		Telephone Account
		(10)



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		plain why:
	(i)	a business might maintain a provision for doubtful debts account;
	(ii)	the accounting concepts of accruals and materiality may be in conflict when preparing the final accounts of a business.
		(4)
(c)	Eva	(4) aluate the usefulness of accounting standards in the preparation of the final counts of a business.
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