

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education  
January 2005  
Advanced Subsidiary Examination



**ACCOUNTING** **ACC2**  
**Unit 2 Financial Accounting:**  
**Introduction to Published Accounts of Limited Companies**

Friday 14 January 2005 Afternoon Session

**No additional materials are required.**  
You may use a calculator.

Time allowed: 1 hour

**Instructions**

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- 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 marked.
- **At the very start of the examination**, tear along the perforations on page 11 in order to detach the information you will need for **Question 2**.

**Information**

- The maximum mark for this paper is 80. This includes up to 4 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
6			
Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

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

**1**

**Total for this question: 4 marks**

It is important for the accuracy of accounts that assets are correctly identified as either fixed or current.

**REQUIRED**

(a) Give **one** example of a fixed asset.

.....  
(1 mark)

(b) Give **one** example of a current asset.

.....  
(1 mark)

(c) Identify **two** characteristics of a fixed asset.

.....  
.....  
.....  
.....  
(2 marks)

4

2

**Total for this question: 38 marks**

**Tear page 11 out of this question paper.** Given on page 11 is a list of balances extracted from the books of Helen Jones Ltd, as at 31 October 2004, the end of the first year of trading.

**REQUIRED**

- (a) (i) Complete the entries for these balances in the trial balance for Helen Jones Ltd as at 31 October 2004.
- (ii) Calculate and enter the share capital.
- (iii) Show the final totals of the trial balance.

<b>Helen Jones Ltd Trial Balance as at 31 October 2004</b>		
	<b>Debit</b>	<b>Credit</b>
	£	£
Buildings		
Carriage inwards		
Cash at the bank		
Creditors		
Debtors		
Motor vehicles		
Purchases		
Rates		
Rent receivable		
Returns inwards		
Returns outwards		
Salaries		
Sales		
Stock at 1 November 2003		
VAT – amount due to HM Customs and Excise		
Share capital		
Totals		

*(17 marks)***Turn over ►**







4

**Total for this question: 6 marks**

The balance sheet of Parkway Engineering plc includes the following.

Fixed Assets		
	£	£
<b>Investments</b>	<b>1 400 000</b>	
Other fixed assets	<u>7 000 000</u>	8 400 000
Current Assets		
Stocks	50 000	
Debtors	140 000	
<b>Investments</b>	<b>56 000</b>	
Bank	<u>20 000</u>	266 000

**REQUIRED**

Explain the difference between the **two** types of investments shown above.

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(6 marks)

6

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ►

5

**Total for this question: 14 marks**

Parkway Engineering plc has made a profit after tax of £378 000 for the year ended 31 October 2004; there were retained profits of £256 000 at 1 November 2003.

The Board of Directors has recommended the following:

- to pay the full dividend on 50 000 6% £1 preference shares for the year;
- to pay a 15p dividend per share on 2 million ordinary shares.

**REQUIRED**

- (a) Calculate the total amount to be paid in dividends to the preference shareholders.

*Dividends* .....

*Workings* .....

.....

.....

*(3 marks)*

- (b) Calculate the total amount to be paid in dividends to the ordinary shareholders.

*Dividends* .....

*Workings* .....

.....

.....

*(3 marks)*

- (c) Calculate the amount of retained profit to be shown in the balance sheet as at 31 October 2004.

*Retained profit* .....

*Workings* .....

.....

.....

*(4 marks)*



(d) At the annual general meeting of the company, an ordinary shareholder complained that too much profit had been retained instead of being paid out in dividends. Explain how ordinary shareholders can benefit from retained profits.

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*(4 marks)*

14

**TURN OVER FOR THE NEXT QUESTION**

**Turn over ►**

6

Total for this question: 8 marks

**REQUIRED**

- (a) Identify **two** components, other than the profit and loss account, balance sheet and cash flow statement, which are found in the published accounts of a company.

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(2 marks)

- (b) Explain the term “earnings per share”.

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(2 marks)

- (c) Distinguish between capital and revenue reserves.

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(4 marks)

**END OF QUESTIONS**

8

*Tear along the perforations to remove this page*

**INFORMATION FOR USE WITH QUESTION 2 ON PAGES 3 – 5**

The following list of balances has been extracted from the books of Helen Jones Ltd as at 31 October 2004, the end of the first year of trading.

	<b>£</b>
Buildings	55 000
Carriage inwards	245
Cash at the bank	5 891
Creditors	2 670
Debtors	1 540
Motor vehicles	10 000
Purchases	22 000
Rates	4 000
Rent receivable	2 843
Returns inwards	790
Returns outwards	460
Salaries	13 500
Sales	46 500
Stock at 1 November 2003	2 745
VAT – amount due to HM Customs and Excise	238

**THERE ARE NO QUESTIONS PRINTED ON THIS PAGE**