

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education  
January 2006  
Advanced Subsidiary Examination



**ACCOUNTING**  
**Unit 3 Financial Accounting:**  
**Determination of Income**

**ACC3**

Wednesday 11 January 2006 9.00 am to 10.00 am

<p><b>You will need no other materials.</b> You may use a calculator.</p>
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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.
- Answer the 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.

**Information**

- The maximum mark for this paper is 80.  
4 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. Some questions involve only numerical work; all other questions should be answered in continuous prose. Quality of Written Communication will be assessed in all prose answers.

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

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

**Total for this question: 8 marks**

**1**

The terms “Shareholders’ funds” and “Creditors: amounts falling due after more than one year” are often seen in balance sheets of limited companies.

**REQUIRED**

(a) Identify **two** characteristics of items appearing under each heading.

Shareholders’ funds

Characteristic 1 .....  
.....  
*(1 mark)*

Characteristic 2 .....  
.....  
*(1 mark)*

Creditors: amounts falling due after more than one year

Characteristic 1 .....  
.....  
*(1 mark)*

Characteristic 2 .....  
.....  
*(1 mark)*

(b) Identify **two** items that would appear under each heading.

Shareholders' funds

Item 1 ..... (1 mark)

Item 2 ..... (1 mark)

Creditors: amounts falling due after more than one year

Item 1 ..... (1 mark)

Item 2 ..... (1 mark)

8
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**Turn over for the next question**

**Turn over ►**

**Total for this question: 5 marks**

2

Adrienne is about to prepare her final accounts for the year ended 31 December 2005. She has been in business as a sole trader for many years. She purchased her premises in 1987 at a cost of £56 000. Her friend Bryn, an estate agent, has said that because of the condition and location of the premises, they would fetch £150 000 if Adrienne sold them.

**REQUIRED**

- (a) Advise Adrienne how she should value her premises on the balance sheet at 31 December 2005.

Adrienne should value her premises at £ .....  
*(1 mark)*

Identify the concept that she should use for her valuation.

The concept to be used is .....  
*(1 mark)*

An overseas student lives in the flat above Adrienne’s business premises. She charges the student rent of £200 per calendar month. On 20 December 2005, when the student flew home to visit his parents, he had not paid his rent for December. He will return on 17 January 2006. On his return, he will pay rent of £400 for December 2005 and January 2006.

Adrienne intends to include the £400 payment for rent in next year’s final accounts, since this is when she will receive the money.

**REQUIRED**

- (b) State how Adrienne should treat the student’s rent payment in her final accounts.

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.....  
*(2 marks)*

Identify the concept that should be applied in this situation.

The concept to be applied is .....  
*(1 mark)*

5

**Turn over for the next question**

**Turn over ►**

**Total for this question: 23 marks**

**3**

Amandeep Pawar owns a manufacturing business. She transfers all goods from the factory to the trading account at cost plus 20%. She has prepared her manufacturing account, and the total cost of production (**before** the addition of factory profit) was £720 000.

Amandeep provides the following information.

(1) Sales for the year ended 31 December 2005 were £1 430 972.

(2) Stocks	at 1 January 2005	at 31 December 2005
	£	£
Raw materials at cost	6 780	7 140
Work in progress at cost	9 630	9 880
Finished goods at cost plus 20%	27 804	31 776

(3) Administrative expenses for the year were £478 221.

**REQUIRED**

(a) Calculate the change in the provision for unrealised profit for the year ended 31 December 2005.

The change is £ .....

*Workings* .....

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(7 marks)

(b) Prepare a trading account for the year ended 31 December 2005.

**Amandeep Pawar**  
**Trading Account for the year ended 31 December 2005**

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*(7 marks)*

(c) Prepare a summarised profit and loss account for the year ended 31 December 2005.

**Summarised Profit and Loss Account for the year ended 31 December 2005**

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*(9 marks)*

**Total for this question: 40 marks**

- 4 The following information has been extracted from the books of Wullie McDuff at 30 September 2005.

	£	£
Gross profit for the year		807 850
Wages	748 432	
Rent and rates	12 460	
General expenses	36 980	
Bad debts written off during year	760	
Bad debts recovered during year		100
Trade debtors	35 000	
Trade creditors		27 000
Premises	120 000	
Vehicles	60 000	
Provision for depreciation		
Premises		21 600
Vehicles		30 000
Provision for doubtful debts		940

**Additional information**

- (1) General expenses remaining unpaid at 30 September 2005 amounted to £918.
- (2) Rent paid for October 2005 amounted to £320.
- (3) Depreciation is to be provided at the following rates:  
     Premises at 2% using the straight-line method;  
     Vehicles at 25% using the reducing balance method.
- (4) The provision for doubtful debts is to be maintained at  $2\frac{1}{2}\%$  of debtors outstanding at the financial year-end.
- (5) During the year, a vehicle that cost £20 000 was sold for £4800 cash. The vehicle had been depreciated by £15 000 over its lifetime. This transaction has been recorded, but the profit or loss on disposal has yet to be calculated.







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