

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Education
 June 2006
 Advanced Subsidiary Examination



ACCOUNTING
Unit 3 Financial Accounting:
Determination of Income

ACC3

Wednesday 7 June 2006 1.30 pm to 2.30 pm

You will need no other materials.
 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.
- 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			
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: 12 marks

1

Pat Way manufactures bricks for the building trade. The following information relates to the year ended 31 March 2006.

	£
Purchases of direct materials	1 800 000
Direct wages	1 500 000
Purchase of new machinery on 17 December 2005	340 000

During July and August 2005, Pat used his own workmen and direct materials to build a new store-room for his business.

The wages amounted to £21 000 and the materials used cost £14 000.

REQUIRED

- (a) Define capital expenditure and revenue expenditure.

Capital expenditure is

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(1 mark)

Revenue expenditure is

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(1 mark)

- (b) Calculate Pat's capital expenditure during the year ended 31 March 2006.

The amount of capital expenditure was £

Workings

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(3 marks)

Total for this question: 17 marks

2

The chief accountant of Srewolf Ltd has been ill. During her absence, one of her assistants has produced the following balance sheet, which failed to balance by £280 000.

Srewolf Ltd
Summarised Balance Sheet at 30 April 2006

	£	£
Fixed assets		1 270 000
Current assets	355 000	
Creditors: amounts falling due in less than one year		
Trade creditors	31 000	324 000
		1 594 000
 Capital and reserves		
Ordinary shares of £1 each		750 000
General reserve		100 000
Profit and loss account at 1 May 2005		77 000
Net profit for this year before appropriations		387 000
Suspense account (difference in balance sheet totals)		280 000
		1 594 000

On her return, the chief accountant discovered the following.

- (1) An issue of 200 000 ordinary shares was made in October 2005 at £1.40 per share. Although the monies received had been correctly entered in the cash book, no other entries had been made in the company's books of account.
- (2) The following items have been proposed by the company directors but have yet to be taken into account:
 - (i) a final dividend of 4p per share on all shares held at the year-end;
 - (ii) a transfer to general reserve of £50 000;
 - (iii) a provision for corporation tax of £110 000.

REQUIRED

- (a) Prepare a profit and loss appropriation account for the year ended 30 April 2006.

Srewolf Ltd
Profit and Loss Appropriation Account for the year ended 30 April 2006

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(8 marks)

Question 2 continues on the next page

Turn over ▶

Turn over for the next question

Turn over ►

Total for this question: 47 marks

3

The following information has been extracted from the ledgers of Ken Tucky at 31 March 2006.

Purchases £280 797	Bad debts £1 368
Sales £587 461	General expenses £33 713
Returns inwards £837	Premises at cost £145 000
Stock 1 April 2005 £39 771	Equipment at cost £11 400
Wages £128 528	Motor vehicles at cost £42 000
Motor expenses £47 870	Provisions for depreciation at 1 April 2005:
Rates £7 810	Premises £46 400
Insurances £7 780	Equipment £6 840
	Motor vehicles £26 880

Additional information at 31 March 2006

- (1) Stock was valued at £40 135.
- (2) A motor van purchased during the year for £18 500 has been included in the motor expenses account.
- (3) Wages remaining unpaid amounted to £1383.
- (4) Insurances paid in advance amounted to £286.
- (5) Ken took goods to the value of £2170 from the business for his own personal use.
- (6) Depreciation is to be charged at the following rates:
 - Premises at 2% per annum using the straight-line method;
 - Equipment at 10% per annum using the straight-line method;
 - Motor vehicles at 40% per annum using the reducing-balance method.

It is Ken's policy to charge a full year's depreciation on all assets held at the end of the financial year.

- (b) Explain your treatment of Additional Information (4) and (5). Make reference to appropriate concepts that you have used.

Additional information (4)

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(6 marks)

Additional information (5)

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(6 marks)

Ken has recently seen an increase in the number of customers' debts that need to be written off as bad.

REQUIRED

(c) Advise Ken why he should create a provision for doubtful debts.

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(5 marks)

47

END OF QUESTIONS

There are no questions printed on this page