General Certificate of Education
January 2007
Advanced Subsidiary Examination

ACCOUNTING   **ACC1**
Unit 1   Financial Accounting:
The Accounting Information System

Thursday 11 January 2007   9.00 am to 10.00 am

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 to be marked.

Information
- The maximum mark for this paper is 80.
  Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

ACC1

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

Total for this question: 26 marks

1

Bill Burgess runs a business selling mobile phones. A trial balance at 31 October 2006 has been prepared, but the following balances have not yet been included.

	£
Premises	10 400
Debtors	3 610
Creditors	1 870
Capital	10 000
Mortgage on premises (repayable 2025)	3 000
Drawings	14 400

REQUIRED

(a) Complete the trial balance below. Enter any difference as 'balance at bank'.

Trial Balance at 31 October 2006

Account	Debit £	Credit £
Sales		57 120
Purchases	18 340	
Stock at 1 November 2005	5 300	
Motor expenses	8 850	
Wages	12 460	
Motor vehicles	2 000	
Premises		
Debtors		
Creditors		
Capital		
Mortgage on premises (repayable 2025)		
Drawings		
Balance at bank		
Totals		

(7 marks)

(b) Complete the table below to show under which balance sheet heading each of the following items should appear. Place a tick in the appropriate column. The first item has been completed as an example.

	Fixed Assets	Current Assets	Current Liabilities	Long-Term Liabilities	Capital
Capital					✓
Debtors					
Premises					
Mortgage on premises (repayable 2025)					
Drawings					
Bank overdraft					

(5 marks)

After the trial balance was completed, it was discovered that the payment of £4500 for the purchase of a motor vehicle had been debited to the motor expenses account.

REQUIRED

(c) Identify the name of this type of error.

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(1 mark)

(d) Explain why the trial balance should still balance.

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(2 marks)

Question 1 continues on the next page

Turn over ▶

(e) Explain how the error would affect the net profit for the year.

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(3 marks)

> After discovering the above error, Bill Burgess tells you that he is thinking of computerising his accounting records.

REQUIRED

(f) Write a memorandum to Bill advising him of **three** advantages and **one** disadvantage of computerising his accounting records.

To: Bill Burgess
From: A. Student
Date: 11 January 2007
Re: Advantages and disadvantage of computerisation of accounting records

Advantage 1 ....

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Advantage 2 ....

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Advantage 3 ....

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Disadvantage ....

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(8 marks)

26

Turn over for the next question

Turn over ▶

Total for this question: 12 marks

2

Razia Alam runs a shop selling soft furnishings. The following list of balances has been extracted from her books of account at 31 December 2006.

	£
Carriage inwards	1 425
Carriage outwards	912
Drawings	6 400
Light and heat	1 246
Motor vehicle	2 000
General expenses	4 193
Postage and stationery	462
Purchases	31 840
Rent and rates	3 248
Returns inwards	1 678
Returns outwards	720
Sales	59 210
Shop assistant's wages	5 966
Stock at 1 January 2006	4 750

Additional information

Stock at 31 December 2006	5 800

REQUIRED

Prepare a trading account for the year ended 31 December 2006.

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(12 marks)

12

Turn over ▶

Total for this question: 11 marks

3

The totals of Mike Cook's trial balance at 31 October 2006 did not agree. The totals were:

      Debit   £84 359   Credit   £84 392

On investigation, the following errors were discovered.

(1)   A cash payment of £112 for repairs had been debited to the repairs account twice.

(2)   A cheque payment of £178 for travel expenses had been credited to the travel expenses account.

(3)   Discount received of £120 was entered in the cash book, but had not been posted to the general ledger.

(4)   The wages account had been overcast by £100.

(5)   A cheque for £65 for petrol had been debited as £56 in the motor expenses account.

REQUIRED

(a) Enter the trial balance difference in the suspense account below. Make any necessary entries to correct the errors.

Suspense Account

Dr   Cr

Details	£	Details	£

(10 marks)

(b) Identify the ledger in which this suspense account should be prepared.

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(1 mark)

11

Turn over for the next question

Turn over ▶

Total for this question: 27 marks

4

The following information has been extracted from the books of Delaney Paints for the month ended 30 November 2006.

	£
Sales ledger balances at 1 November 2006	23 261
Purchase ledger balances at 1 November 2006	14 908
Credit sales	14 720
Credit purchases	11 804
Returns outwards	533
Returns inwards	260
Discounts received	42
Discounts allowed	77
Payments to credit suppliers	9 643
Receipts from credit customers	15 106
Customer's cheque dishonoured	102
Contra (debit balance set off from the sales ledger to the purchase ledger)	55

Note: Delaney Paints maintain control accounts as part of their double entry system.

REQUIRED

(a) Prepare a sales ledger control account and a purchase ledger control account. Balance each account at 30 November 2006 and bring down any balances.

Sales Ledger Control Account

Dr					Cr
Date	**Details**	**£**	**Date**	**Details**	**£**

Purchase Ledger Control Account

Dr					Cr
Date	**Details**	**£**	**Date**	**Details**	**£**

(21 marks)

Question 4 continues on the next page

Turn over ▶

(b) Explain, with reasons, where the closing balances on the sales ledger control account and the purchase ledger control account would appear in the final accounts of Delaney Paints.

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(6 marks)

27

END OF QUESTIONS