For Examiner's Use

General Certificate of Education
January 2007
Advanced Subsidiary Examination

ACCOUNTING   **ACC3**
**Unit 3   Financial Accounting:
            Determination of Income**

Thursday 11 January 2007   9.00 am to 10.00 am

AQA

ASSESSMENT and
QUALIFICATIONS
ALLIANCE

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 marks for questions are shown in brackets.
- 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.

ACC3

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

Total for this question: 13 marks

1 Samina Hussein is a trader. She provides the following information for the year ended 31 December 2006.

	£
Gross profit	110 707
Wages	62 400
Rent and rates	8 430
General expenses	9 477
Discounts received	388
Discounts allowed	307
Debtors at 31 December 2006	27 000
Equipment at cost at 31 December 2006	12 000
Provision for doubtful debts at 1 January 2006	700
Provision for depreciation on equipment at 1 January 2006	4 800

Additional information not yet recorded in the accounts at 31 December 2006

(1) Rates paid in advance amounted to £120.

(2) Rent owing amounted to £600.

(3) Samina maintains a provision for doubtful debts of $2\frac{1}{2}$% of debtors outstanding at the year end.

(4) Samina provides for depreciation on equipment at 10% per annum using the straight-line method.

(5) During the year ended 31 December 2006, Samina took goods from the business for her own use valued at cost price £2783.

REQUIRED

Prepare a profit and loss account for the year ended 31 December 2006.

Samina Hussein
Profit and loss account for the year ended 31 December 2006

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(13 marks)

13

Total for this question: 21 marks

2 REQUIRED

(a) Using the information on the next page, prepare a profit and loss appropriation account for the year ended 31 December 2006.

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(9 marks)

The directors of Stoulby Ltd provided the following information before the preparation of the final accounts for the year ended 31 December 2006.

	£
Authorised capital – 10 000 000 ordinary shares of 50 pence each	5 000 000
Issued capital – 4 000 000 ordinary shares of 50 pence each	2 000 000
Profit and loss account	410 000
General reserve	300 000
Share premium account	500 000
Ordinary dividend paid on 3 August 2006	63 000

Additional information

(1) Net profit for the year ended 31 December 2006 was £650 000.

(2) The directors wish to transfer £120 000 to the general reserve and propose a final dividend of 2.5 pence per share.

(3) The corporation tax charge for the year is expected to be £155 000.

(b) Prepare the share capital and reserves section of the balance sheet at 31 December 2006.

Share capital and reserves at 31 December 2006

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(7 marks)

Question 2 continues on the next page

Turn over ▶

(c)   Explain the term 'revenue reserve'.

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(2 marks)

(d)   Identify **one** example of a revenue reserve from the information given for Stoulby Ltd.

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(1 mark)

(e)   Explain **one** way in which a revenue reserve may be used.

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(2 marks)

21

Total for this question: 8 marks

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When preparing the final accounts of a business, the concepts and principles of accounting should be applied.

REQUIRED

(a) Explain the concept of prudence.

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(2 marks)

(b) Explain, giving **one** example, how prudence is applied.

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(2 marks)

(c) Explain the concept of consistency.

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(2 marks)

(d) Explain, giving **one** example, how consistency is applied.

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(2 marks)

8

Turn over ▶

Total for this question: 34 marks

4

Catherine Donovan manufactures furniture. Completed furniture is transferred from her manufacturing account to her trading account at cost plus 25%. She provides the following information for the year ended 31 December 2006.

	Dr £	Cr £
Stock at 1 January 2006 – raw materials	9 840	
finished goods	23 500	
Purchases of raw materials	126 430	
Direct wages	274 700	
Factory supervisors' wages	63 150	
Administrative staff wages	124 490	
Rates	6 400	
Indirect expenses – office	198 160	
factory	337 171	
Manufacturing royalties	55 000	
Machinery at cost	400 000	
Office equipment at cost	80 000	
Provision for depreciation – machinery		160 000
office equipment		30 000
Provision for unrealised profit		4 700

Additional information at 31 December 2006

(1) Rates paid in advance amounted to £400.

(2) Rates are apportioned $\frac{3}{4}$ to the factory and $\frac{1}{4}$ to the office.

(3) Depreciation is provided on all fixed assets at 10% using the straight-line method.

(4) Stocks of raw materials were £10 211.

(5) Stocks of finished goods were £25 600.

(6) Stocks of work in progress increased by £580 during the year.

REQUIRED

(a) Prepare a manufacturing account for the year ended 31 December 2006.

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(17 marks)

Question 4 continues on the next page

Turn over ▶

(b) Calculate the change in the provision for unrealised profit for the year ended 31 December 2006.

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(5 marks)

Workings

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Catherine has calculated her gross profit on trading for the year ended 31 December 2006 to be £312 400.

REQUIRED

(c) Calculate the **total** gross profit from manufacturing **and** trading for the year ended 31 December 2006, showing how the provision for unrealised profit is treated.

Profit and loss account extract for the year ended 31 December 2006

£ £

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(4 marks)

(d) Explain to Catherine the reason for making a provision for unrealised profit in her books of account.

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(8 marks)

END OF QUESTIONS

There are no questions printed on this page