Centre Number			Candidate Number		
Surname					
Other Names					
Candidate Signature					



General Certificate of Education Advanced Subsidiary Examination January 2009

Accounting

ACCN2

Unit 2 Financial and Management Accounting

Friday 9 January 2009 1.30 pm to 3.00 pm

You will need no other materials.	
You may use a calculator.	

Time allowed

1 hour 30 minutes

Instructions

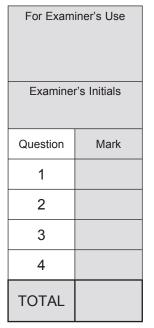
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- All workings must be shown and clearly labelled; otherwise marks for 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
- using specialist vocabulary where appropriate.





Answer all questions in the spaces provided.

Total for this question: 10 marks

1

Tony has the opportunity to buy some equipment in February. He estimates the equipment will cost £2500. He is not sure whether he will have enough cash available. He has provided the following budgeted information.

	January	February		
	£	£		
Sales	4800	3600		
Purchases of material	2800	2400		
General expenses	1894	1688		

Additional information

- (1) Sales are made on the basis of 80% cash and 20% credit. Credit customers will pay one month after the sale.
- (2) All purchases of materials are on credit. Tony will pay his suppliers one month after the purchase of materials.
- (3) General expenses are paid in the month in which they are incurred.
- (4) Tony depreciates all equipment at 10% per annum on cost. He depreciates his existing equipment by £750 per month.
- (5) Tony calculates that the cash balance at 31 January will be £2176.

Workings



	Cash budget for	February	
	S	•	£
Can Tony afford the eq	uipment?		

10



Total for	· this	question:	10	marks
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1
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The Directors of TJ Ltd needed to raise funds to finance the expansion of the business. They decided to make a rights issue of ordinary shares on the basis of 1 new share for every 4 shares held, at a price of £1.20 each. The issue was fully subscribed.

The capital and reserves section of the balance sheet, **before** the issue, is shown below.

Capital and reserves

£

Ordinary shares of £1 each fully paid
Share premium
400 000
Profit and loss account
185 642
625 642

REQUIRED

2	(a)	Prepare the capital and reserves section of the balance sheet immediately after the rights issue.
		Capital and reserves £
		(6 marks)
		Workings



10

2	(b)	Define the term 'capital reserves'. Give one example of a capital reserve.
		Definition
		Example
		(2 marks)
2	(c)	Define the term 'revenue reserves'. Give one example of a revenue reserve.
		Definition
		Example
		(2 marks)

Turn over for the next question



Total for this question: 30 marks

3

The following trial balance has been extracted from the books of account of Mandeep, a sole trader, at 30 November 2008.

	_	_
	£	£
Bank	1 713	
Capital at 1 December 2007		109 439
Discounts	1 286	2 375
Equipment at cost	38 800	
Equipment – provision for depreciation		12 865
Motor vehicles at cost	67 500	
Motor vehicles – provision for depreciation		28 500
Operating expenses	115 782	
Provision for doubtful debts		2 281
Purchases and sales	225 550	525 000
Rent and rates	46 750	
Returns	2 500	
Stock at 1 December 2007	38 500	
Trade debtors and trade creditors	87 500	65 421
Wages	120 000	
	745 881	745 881

Additional information

- (1) Stock at 30 November 2008 was valued at £39 750.
- (2) During the year ended 30 November 2008, Mandeep had taken £2550 of goods for his own use.
- (3) At 30 November 2008, wages due and unpaid amounted to £5780.
- (4) Rent paid for the year ending 30 November 2009 amounted to £4200.
- (5) The provision for doubtful debts is to be 5% of debtors at 30 November 2008.
- (6) Depreciation on motor vehicles is to be provided using the reducing balance method at $33\frac{1}{3}\%$ per annum.
- (7) Depreciation on equipment is to be provided using the straight-line method at 15% per annum.



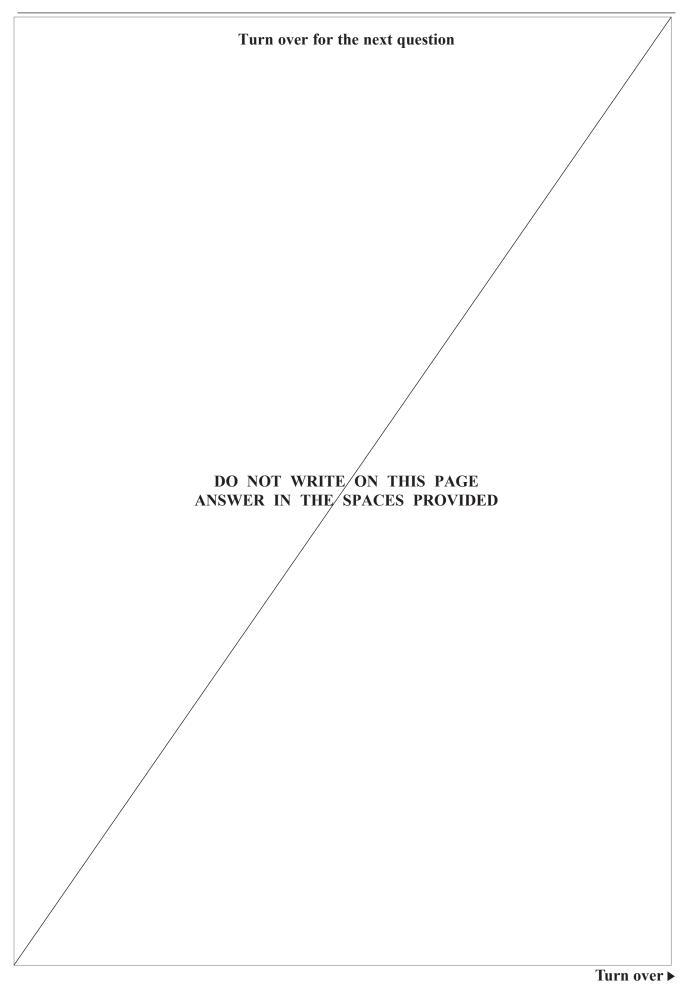
Pre Ple	pare a trading and profit and loss account for the year ended 30 November 2008. ase use the space provided on page 8 for your workings.	
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	(28 mark (for quality of presentation: plus 2 mark
	yor quality of presentation. plus 2 mark
Workings	



30





Total for this question: 30 marks

The Directors of	f Russel Ltd are concerned ab	out the liquidity of the company
Sales and purch	ases for the year ended 31 De	ecember 2008 were:
		£
	cash sales	156 500
	credit sales	145 000
	cash purchases	36 000
	credit purchases	120 000
Current assets a	nd liabilities at 31 December	2008 were:
	stock	14 008
	trade debtors bank overdraft	22 660 11 560

REQUIRED

4	(a)	Calculate the net current asset (current) ratio. State the formula used.
		Formula
		Calculation
		(3 marks)



4	(b)	Calculate the liquid capital (acid test) ratio. State the formula used.
		Formula
		Calculation
		(3 marks)
4	(c)	Calculate the debtor collection period. State the formula used.
		Formula
		Calculation
		(2 m gyla)
		(3 marks)
		Question 4 continues on the next page



4	(d)	Calculate the creditor payment period. State the formula used.
		Formula
		Calculation
		(3 marks)

The Directors of Russel Ltd want to see how their business compares with others in the same sector. To do this, they have obtained the following average ratios for the sector.

Net current asset ratio	0.9:1
Liquid capital ratio	0.5:1
Debtor collection period	45 days
Creditor payment period	60 days

REQUIRED

- 4 (e) Write a report to the Directors of Russel Ltd.
- 4 (e) (i) Explain the ratios you have calculated in your answers to 4(a) to 4(d).
- 4 (e) (ii) Compare the ratios calculated with the sector average ratios.
- 4 (e) (iii) Assess the ratios calculated for Russel Ltd.



	Report
To	
From	
Date	
Subje	ct
(i)	
	(8 mar
(ii)	(o mu



	(4 marks)
(iii)	
	(4 marks) (for quality of written communication: plus 2 marks)

30

END OF QUESTIONS







