

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
4	
TOTAL	



General Certificate of Education
Advanced Subsidiary Examination
January 2011

Accounting

ACCN2

Unit 2 Financial and Management Accounting

Thursday 20 January 2011 9.00 am to 10.30 am

For this paper you must have:

- 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. Do not write outside the box around each page or on blank pages.
- 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.



J A N 1 1 A C C N 2 0 1

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

1

Total for this question: 12 marks

1 (a) Explain the following **two** accounting concepts.

1 (a) (i) Prudence

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(3 marks)

Extra space

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1 (a) (ii) Consistency

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(3 marks)

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1 (b)

Explain the importance of applying these **two** accounting concepts when preparing the financial statements of a business.

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(6 marks)

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12

Turn over ►



2

Total for this question: 30 marks

Yim Yee is preparing the financial statements for her business for the year ended 31 December 2010. The trading section of the income statement (trading and profit and loss account) showed a gross profit of £49 767.

Yim Yee has extracted the following balances from the business books of account in order to complete the income statement (profit and loss account).

	£
Rent received	5 460
Bad debts	740
Operating expenses	35 476
Wages	18 460
Fixtures and fittings at cost	25 800
Motor van at cost at 1 January 2010	18 000
Provision for depreciation – motor van at 1 January 2010	11 520
Trade receivables (debtors) at 31 December 2010	32 400
Provision for doubtful debts at 1 January 2010	869

Additional information

- (1) Included in Yim Yee's closing inventory (stock) were goods which cost £1000. These have been damaged and will have to be destroyed.
- (2) Yim Yee has taken goods for her own use from the business. The goods cost £857 and would have been sold for £1200.
- (3) Yim Yee rents part of her premises to another business and she is owed £460 in rent at 31 December 2010.
- (4) Included in the total for operating expenses is £389 paid for the year ended 31 December 2011 and a payment of £5000 for the purchase of fixtures.
- (5) Wages for the final week of December 2010 amounting to £355 had not been paid at 31 December 2010.
- (6) Yim Yee sold the motor van on 30 April 2010. She received £4450. She had purchased the van on 1 January 2008. It is her policy to depreciate the motor van using the reducing balance method at the rate of 40% per annum. A full year's depreciation is charged in the year of disposal.
- (7) Fixtures and fittings are depreciated using the straight-line method at the rate of 15% per annum.
- (8) It is Yim Yee's policy to maintain the provision for doubtful debts at 2.5% of trade receivables (debtors).



Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

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3

Total for this question: 13 marks

The equity (capital and reserves) section of the balance sheet of Bharat plc at 30 September 2009 is shown below.

Equity (capital and reserves)	£
Share capital (ordinary shares)	900 000
Share premium	40 000
Retained earnings	1 318 000
	<u>2 258 000</u>

The ordinary shares have a nominal value of 10p each.

On 1 January 2010, a rights issue of shares was completed. The shares were issued on the basis of 1 new share for every 3 existing shares at the issue price of 15p per share. The issue was fully subscribed.

During the year ended 30 September 2010, dividends paid totalled £690 000.

The profit (net profit) for the year ended 30 September 2010 was £926 000.

Prepare a statement of changes in equity for the year ended 30 September 2010.
Use the table provided.

Bharat plc
Statement of changes in equity for the year ended 30 September 2010

	Issued Share Capital £	Share Premium £	Retained Earnings £	Total £
At 1 October 2009	900 000	40 000	1 318 000	2 258 000
Issue of shares				
Profit for the year				
Equity dividends authorised in the year				
At 30 September 2010				

(13 marks)



Workings

A large rectangular box containing 25 horizontal dotted lines for working out a solution.

13

Turn over ▶



4

Total for this question: 25 marks

The directors of Stevo Ltd are concerned about the profitability of the business. The draft income statement (trading and profit and loss account) for the year ended 31 December 2010 is shown below.

Stevo Ltd
Draft income statement (trading and profit and loss account) for the year ended 31 December 2010

	£	£
Revenue (Sales)		150 000
Opening inventory (stock)	13 000	
Purchases	94 000	
Closing inventory (stock)	17 000	
Cost of sales		90 000
Gross profit		60 000
Less expenses		
Wages	27 572	
General expenses	10 723	
Depreciation	6 855	
		45 150
Profit from operations		14 850
Interest charges		7 350
Profit for the year		7 500

4 (a) Calculate the gross profit margin. State the formula used.

Formula

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Calculation

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(3 marks)



4 (b) Calculate the profit in relation to revenue ratio (net profit margin). State the formula used.

Formula

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Calculation

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(3 marks)

4 (c) Calculate the rate of inventory (stock) turnover. State the formula used.

Formula

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Calculation

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(4 marks)

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(13 marks)
(for quality of written communication: plus 2 marks)

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25

END OF QUESTIONS



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