



General Certificate of Education
Advanced Level Examination
June 2011

Accounting

ACCN3

Unit 3 Further Aspects of Financial Accounting

Thursday 16 June 2011 9.00 am to 11.00 am

For this paper you must have:

- an AQA 12-page answer book
- a calculator.

Time allowed

- 2 hours

Instructions

- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The **Examining Body** for this paper is AQA. The **Paper Reference** is ACCN3.
- Answer **all** questions.
- 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 your answer 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 90.
Four of these marks will be awarded for:
 - using good English
 - organising information clearly
 - using specialist vocabulary where appropriate.

Answer **all** questions.

Task 1**Total for this task: 15 marks**

Leony and Paul are in partnership, sharing profits and losses in the ratio 3:2 respectively. The partnership balance sheet at 31 March 2011 was as follows.

**Leony and Paul
Balance sheet at 31 March 2011**

	£	£	£
Non-current (fixed) assets			180 000
Current assets			
Inventory (stock)	19 120		
Trade receivables (debtors)	12 640	31 760	
Current liabilities			
Bank overdraft	16 270		
Trade payables (creditors)	18 950	35 220	
Net current liabilities			(3 460)
			176 540
Capital accounts			
Leony		95 000	
Paul		75 000	170 000
Current accounts			
Leony		15 680	
Paul		(9 140)	6 540
			176 540

The partners agreed that the following should take effect on 1 April 2011.

- (1) Marco is to be introduced as a new partner with a capital investment of £40 000 paid into the bank.
- (2) The profit sharing ratio for Leony, Paul and Marco is to be 4:3:2 respectively.
- (3) Non-current (fixed) assets are to be re-valued at £160 000.
- (4) Goodwill is to be valued at £54 000 and this will not be maintained in the books of account.
- (5) Paul should have a credit balance of £5000 on his current account. Sufficient funds are to be transferred from his capital account on 1 April 2011 in order to achieve this.
- (6) Leony will transfer £25 000 from her capital account to a loan account.

0 | 1

Prepare the partnership capital accounts for Leony, Paul and Marco at 1 April 2011 after items (1) to (6) have been implemented. (12 marks)

0 | 2

State the value of balance at bank and of non-current (long term) liabilities at 1 April 2011, after items (1) to (6) have been implemented. (3 marks)

Task 2**Total for this task: 15 marks**

The directors of RayJen Ltd were unable to determine the value of closing inventory (stock) at 30 April 2011. However, a stocktake was carried out after the year end on 7 May 2011 when inventory (stock) was valued at £25 400.

The following transactions took place between 1 May and 7 May 2011.

- (1) Goods with a total cost price of £2478 were returned to a supplier on 3 May 2011.
- (2) Goods with a total selling price of £1608 were returned by a customer on 5 May 2011. These goods were originally sold at a mark-up of 20%.
- (3) No other goods were either purchased or sold during the period.

It was also discovered on 2 May 2011 that some inventory (stock) with a cost price of £9889 was damaged and can be sold for only £9537.

0 | 3

Calculate the value of closing inventory (stock) for RayJen Ltd at 30 April 2011.

*(6 marks)***0 | 4**

Identify the relevant IAS which deals with the preparation of a statement of cash flows and explain how inventory (stock) is treated.

(3 marks)

The directors of RayJen Ltd are planning on purchasing a significant quantity of inventory (stock). However, the company is currently experiencing cash flow problems and the directors have been advised to consider financing the purchase of inventory (stock) by negotiating a debenture loan.

0 | 5

Advise the directors of RayJen Ltd whether a debenture loan would be appropriate to finance the inventory (stock) purchase. Justify your answer. *(4 marks)*
(for quality of written communication: plus 2 marks)

Turn over for the next task**Turn over ►**

Task 3

Total for this task: 26 marks

Lance does not keep full books of account. He has, however, been able to provide the following information for the year ended 30 April 2011.

(1) Bank account:

Dr	£		Cr
			£
Receipts from trade receivables (debtors)	27 450	Balance b/d at 1 May 2010	3 185
Transfer from cash	23 890	Payments to trade payables (creditors)	39 670
Proceeds from sale of vehicle	1 800	Wages	6 250
Balance c/d at 30 April 2011	3 265	Rent and rates	7 300
	<u>56 405</u>		<u>56 405</u>

(2) Assets and liabilities:

	At 1 May 2010	At 30 April 2011
	£	£
Cash in hand	340	690
Equipment at net book value	3 720	2 975
Inventory (stock)	4 740	5 270
Rates paid in advance	–	470
Rent accrued	535	–
Trade payables (creditors)	1 980	1 295
Trade receivables (debtors)	2 640	3 120
Vehicles at net book value	20 550	14 530

(3) Cash sales for the year were £35 750. The following cash payments were made.

	£
General expenses	520
Purchases	2100
Drawings	6700

Lance suspects that a dishonest employee may have stolen some cash from the business.

- (4) The vehicle sold for £1800 had a net book value of £2420. No vehicles were purchased during the year.
- (5) No equipment was purchased or disposed of during the year.
- (6) All goods are sold with a 60% mark-up on cost price.
- (7) No record has been kept of the amount of goods taken by the owner for personal use.

0	6
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Prepare an income statement (trading and profit and loss account) for the year ended 30 April 2011. (A balance sheet is **not** required.) (26 marks)

Task 4**Total for this task: 34 marks**

The directors of Austen Ltd have provided the following extract from the balance sheet at 30 April 2010.

	Cost	Depreciation	NBV
	£	£	£
Property plant and equipment:			
Land and buildings	150 000	45 000	105 000
Plant and machinery	90 000	39 375	50 625
Fixtures and fittings	40 000	10 800	29 200
	<u>280 000</u>	<u>95 175</u>	<u>184 825</u>

During the year ended 30 April 2011, the following transactions took place.

- (1) Land and buildings were to be re-valued at £280 000 on 1 May 2010.
- (2) Plant and machinery were purchased at a cost of £35 000.
- (3) Fixtures and fittings purchased on 1 May 2007 for £15 000 were sold during the year for £10 200.
- (4) Fixtures and fittings were purchased at a cost of £24 000.

The following is an extract from the company's statement of accounting policies.

- (1) Land and buildings are depreciated using the straight-line method at 2% per annum.
- (2) Plant and machinery are depreciated using the reducing balance method at 20% per annum.
- (3) Fixtures and fittings are depreciated at 10% per annum on cost.
- (4) All non-current (fixed) assets are depreciated for a whole year in the year of purchase but are not depreciated during the year of disposal.

- | | | | |
|----------|----------|--|---|
| 0 | 7 | Explain the role of directors in the preparation of the financial statements for a limited company. | <i>(4 marks)</i> |
| 0 | 8 | Discuss the usefulness of published accounts to employees. | <i>(4 marks)</i> |
| 0 | 9 | Discuss the usefulness of published accounts to trade payables (creditors). | <i>(4 marks)</i> |
| 1 | 0 | Prepare a schedule of non-current (fixed) assets at 30 April 2011 (a total column is not required). | <i>(20 marks)</i>
<i>(for quality of presentation: plus 2 marks)</i> |

END OF QUESTIONS

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