



General Certificate of Education
Advanced Level Examination
January 2013

Accounting

ACCN3

Unit 3 Further Aspects of Financial Accounting

Tuesday 22 January 2013 1.30 pm to 3.30 pm

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.
- 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: 14 marks

Contador Ltd had its financial year-end on 31 October 2012. It was impossible to carry out a stocktake on this date. However, a stocktake was carried out after the year-end on 12 November 2012 when inventory was valued at £31 300.

The following transactions took place between 1 and 12 November 2012.

Date	Transaction
2 November	Goods with a cost price of £3100 were returned to a supplier.
4 November	Goods with a cost price of £39 500 were purchased from a supplier.
7 November	Goods with a selling price of £121 440 were sold to a customer.
11 November	Goods with a selling price of £1860 were returned by a customer.

No other transactions took place during the period.

Selling prices for goods are based on cost price plus a uniform mark-up of 20%.

0 | 1 Calculate the value of closing inventory at 31 October 2012. (7 marks)

Inventory is currently valued using the FIFO method. Using this method, the gross profit for the business was calculated as £9240 for the period from 1 to 12 November 2012. The closing inventory using the AVCO method would be £31 100 at 12 November 2012. The directors of *Contador Ltd* are unsure about whether to change from the FIFO method to the AVCO method.

0 | 2 Calculate the gross profit for the period from 1 to 12 November 2012 using the AVCO method. (3 marks)

0 | 3 Explain **two** reasons why the directors should **not** change from the FIFO method to the AVCO method. (4 marks)

Task 2

Total for this task: 20 marks

Evans, Schleck and Voeckler are in partnership, sharing profits and losses in the ratio 4:3:2 respectively. The partnership balance sheet at 31 December 2012 was as follows.

	£	£	£
Non-current assets			225 000
Current assets			
Inventory	23 750		
Trade receivables	<u>15 950</u>	39 700	
Current liabilities			
Bank overdraft	19 325		
Trade payables	<u>24 700</u>	<u>44 025</u>	
Net current liabilities			<u>(4 325)</u>
			<u>220 675</u>
Capital accounts			
Evans		105 000	
Schleck		70 000	
Voeckler		<u>25 000</u>	200 000
Current accounts			
Evans		23 600	
Schleck		15 425	
Voeckler		<u>(18 350)</u>	<u>20 675</u>
			<u>220 675</u>

The partners have agreed the following to take effect on 1 January 2013.

- (1) The partnership is to be dissolved.
- (2) The total net assets of the partnership (excluding the bank overdraft) are to be disposed of at an agreed price of £188 250.

Voeckler is bankrupt and unable to repay any potential liability due to the partnership from personal funds.

0 4

Prepare the partnership capital accounts for Evans, Schleck and Voeckler at 1 January 2013 to record the dissolution.

(12 marks)

Evans and Schleck have agreed to start a new business as a private limited company. The business will require start-up funds of £250 000. Evans and Schleck will invest a total of £100 000. They are considering raising the additional capital required through the issuing of shares. They believe that profits will be low during the first year of trading.

0 5

Assess the suitability of a share issue to raise the start-up capital required by Evans and Schleck.

(8 marks)

Turn over ►

Task 3

Total for this task: 22 marks

Merckx and Indurain Ltd is a retail business.

The summarised balance sheet at 30 September 2012 was as follows.

Balance sheet for *Merckx and Indurain Ltd*

	At 30 September 2012		At 30 September 2011	
	£	£	£	£
Non-current assets				
Property, plant and equipment		262 900		247 800
Current assets				
Inventory	32 580		29 560	
Trade receivables	48 870		44 340	
Cash and cash equivalents	1 375	82 825	1 550	75 450
Current liabilities				
Bank overdraft	29 800		17 150	
Trade payables	15 700		13 200	
Taxation	0	45 500	6 500	36 850
Net current assets		<u>37 325</u>		<u>38 600</u>
Total assets less current liabilities		300 225		286 400
Non-current liabilities				
6% debentures		85 000		60 000
		<u>215 225</u>		<u>226 400</u>
Equity				
Ordinary share capital	144 000		120 000	
Share premium account	66 000		60 000	
Revaluation reserve	42 500		25 000	
Retained earnings	<u>(37 275)</u>		<u>21 400</u>	
		<u>215 225</u>		<u>226 400</u>

Additional information

- (1) Ordinary shares have a nominal par value of £1.50 per share.
- (2) Ordinary share dividends were paid at a rate of 7.5p per share based on share capital at 30 September 2011.
- (3) An additional 6% debenture loan was taken out on 1 July 2012.
- (4) A non-current asset with a net book value of £14 500 was sold during the year.

A statement of cash flows for the year ended 30 September 2012 has been started as follows.

Statement of cash flows for *Merckx and Indurain Ltd*

Year ended 30 September 2012

	£
Loss from operations	(48 700)
Depreciation	26 150
Increase in inventories	(3 020)
Increase in trade receivables	(4 530)
Increase in trade payables	2 500
Profit on disposal	(3 625)
Cash used in operating activities	(31 225)

0 | 6

Complete the statement of cash flows for the year ended 30 September 2012 in accordance with the requirements of IAS7. Start with the cash used in operating activities. (18 marks)
(includes 2 marks for quality of presentation)

0 | 7

Explain **two** reasons why the statement of cash flows would be useful to a debenture holder of *Merckx and Indurain Ltd*. (4 marks)

Turn over for the next question

Turn over ►

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

Alberto does not keep full books of account. He has, however, been able to provide the following information for the year ended 30 November 2012.

(1) Assets and liabilities

	Opening balances at 30 November 2011	Closing balances at 30 November 2012
	£	£
Bank overdraft	4 245	4 140
Cash in hand	440	895
Fixtures at net book value	4 835	3 870
Insurance in advance	610	760
Inventory	6 160	2 540
Telephone bill accrued	695	870
Trade payables	2 575	1 685
Trade receivables	3 430	4 060
Vehicles at net book value	26 715	18 900

(2) Alberto has not maintained a cash book. He has, however, kept records of the following.

	£
Cash drawings	15 000
Payments to trade payables	37 685
Receipts from trade receivables	51 570

(3) There were no cash purchases or cash sales during the year.

(4) All goods were sold with a 25% gross profit margin on the selling price.

(5) No record was kept of the amount of goods taken by Alberto for personal use.

(6) No additional capital was invested into the business during the year.

0 8

Prepare an extract from the income statement for the year ended 30 November 2012 as far as the gross profit. Clearly show the figures for both purchases and goods for own use. (11 marks)

0 9

Prepare statements of affairs to calculate the profit for the year ended 30 November 2012. (7 marks)

Alberto is unable to complete the income statement due to a lack of accounting records. He has been advised to keep full books of account in the future.

1	0
---	---

Recommend to Alberto whether or not he should introduce a double entry bookkeeping system of accounting records. Justify your decision. *(16 marks)*
(includes 2 marks for quality of written communication)

END OF QUESTIONS

There are no questions printed on this page