

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										

For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
4	
TOTAL	



General Certificate of Education  
Advanced Subsidiary Examination  
June 2013

# Accounting

# ACCN2

## Unit 2 Financial and Management Accounting

Wednesday 22 May 2013 1.30 pm to 3.00 pm

<p><b>For this paper you must have:</b></p> <ul style="list-style-type: none"> <li>a calculator.</li> </ul>
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### 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.
- 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.

A



J U N 1 3 A C C N 2 0 1

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

**1**

**Total for this question: 14 marks**

Latifa is a sole trader. She is concerned that the profitability of her business is declining. She has provided the following information relating to the year ended 31 March 2013.

	£
Inventory at 1 April 2012	8 680
Inventory at 31 March 2013	7 840
Operating expenses	39 396
Purchases	61 068
Revenue	112 560

**1 (a)** Calculate the following.

**1 (a) (i)** Gross profit .....

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Calculation .....

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*(1 mark)*

**1 (a) (ii)** Profit for the year .....

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Calculation .....

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*(1 mark)*



**1 (b)** Calculate the gross profit margin. State the formula used.

Formula .....  
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Calculation .....  
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(2 marks)

**1 (c)** Calculate the profit in relation to revenue ratio. State the formula used.

Formula .....  
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Calculation .....  
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(2 marks)

**Question 1 continues on the next page**

**Turn over ►**



1 (d) Explain **two** actions that Latifa could take to improve the gross profit margin.

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(4 marks)

*Extra space* .....

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1 (e) Explain **two** actions that Latifa could take to improve the profit in relation to turnover ratio.

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(4 marks)

*Extra space* .....

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**Turn over for the next question**

**DO NOT WRITE ON THIS PAGE  
ANSWER IN THE SPACES PROVIDED**

**Turn over ►**



0 5



The assistant accountant is also not sure of the treatment of a non-current asset.

No entries have been made in the draft financial statements, for the year ended 30 April 2013, for the purchase of computer controlled machinery. This machinery was purchased on 31 December 2012 from Korea and will be used in *Leon Ltd's* factory in Derby. The machinery cost £78 000.

*Leon Ltd* also paid the following:

- £5000 to have the machinery transported to Derby
- £7540 to have the machinery installed
- £7800 for an annual maintenance contract.

The company's policy is to provide a full year's depreciation in the year of purchase. All machinery is depreciated at the rate of 25% per annum using the reducing-balance method.

**2 (b)** Calculate the net book value of the machinery to be included in the balance sheet at 30 April 2013.

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(5 marks)

**Question 2 continues on the next page**

**Turn over ►**



The draft financial statements showed a profit for the year of £786 700, before any adjustment was made for the valuation of the inventory and the purchase of the machinery.

**2 (c)** Calculate the revised profit for the year ended 30 April 2013.

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(5 marks)

<b>16</b>



**Turn over for the next question**

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ANSWER IN THE SPACES PROVIDED**

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3

**Total for this question: 23 marks**

Fergie and Kenny are expanding their business and are considering introducing a budgetary control system. Their accountants have advised them that there are a number of benefits of using budgetary control systems, but also some limitations.

Fergie and Kenny have decided that they will have sole responsibility for setting the sales targets, but will no longer sell the products themselves.

Six new sales staff will be employed; they will be based around the UK.

In order to communicate with the sales staff and as part of the budgetary control system, Fergie and Kenny intend to purchase a laptop computer for each of the sales staff. The laptops will cost £4350 in total and it is estimated that they will have a useful life of 3 years with no residual value.

To operate the new budgetary control system, Fergie and Kenny intend to employ an additional member of staff on a salary of £35 000 per annum.

**3 (a)** Calculate the effect that the introduction of the budgetary control system will have on the following.

Profit for the year .....  
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*(4 marks)*

Bank balance .....  
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*(4 marks)*







**Turn over for the next question**

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ANSWER IN THE SPACES PROVIDED**

**Turn over ►**



4

Total for this question: 27 marks

The directors of *Shameobi Ltd* have prepared the draft income statement for the year ended 30 April 2013.

**Draft income statement for the year ended 30 April 2013**

	£	£
Revenue		1 276 800
Cost of sales		<u>689 460</u>
Gross profit		587 340
Rent receivable		<u>13 200</u>
		600 540
Operating expenses	168 580	
Directors' remuneration	166 500	
Depreciation	<u>48 500</u>	
		<u>383 580</u>
Operating profit		<u><u>216 960</u></u>

Since the preparation of the income statement, the directors have been provided with the following additional information.

- (1) On 30 April 2013, the sales department sent goods to a regular customer on a sale or return basis. These goods have been included in revenue for the year at their selling price of £8400. The goods originally cost £4100. The goods were returned on 15 May 2013 unsold.
- (2) The rent receivable relates to the rental of a warehouse; the annual rental income is £12 000.
- (3) Included in the operating expenses of £168 580 was the provision for doubtful debts at 30 April 2012 of £5400. The trade receivables at 30 April 2013 were £122 400 and it is the company's policy to maintain a provision for doubtful debts of 5%.
- (4) Included in the directors' remuneration is the provision for tax for the year ended 30 April 2013. The provision was estimated to be £38 000.
- (5) A motor vehicle was sold during the year. The disposal had been correctly recorded in the books of account. However, the profit or loss on disposal has not been included in the draft income statement. The motor vehicle was purchased on 1 April 2011 for £18 000 and was sold on 30 November 2012 for £5000. The depreciation on the vehicle at 30 November 2012 was £10 000.
- (6) On 31 October 2012, the directors issued £1 200 000 of 6% debentures repayable 2023–2025. The interest on the debentures is paid yearly on 31 October.





