

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 2015

Accounting

ACCN2

Unit 2 Financial and Management Accounting

Friday 15 May 2015 1.30 pm to 3.00 pm

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.
- 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 U N 1 5 A C C N 2 0 1

IB/G/Jun15/E2

ACCN2

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

1

Total for this question: 18 marks

Dipak is a successful sole trader. He intends to expand his business by buying an additional shop.

The shop will cost £400 000. He does not have all the money to pay for the shop and is considering taking out a loan from his bank. The bank will only lend him 80% of the cost of the shop. The loan will be repayable in equal monthly instalments of £2400; this consists of a capital repayment of £1067 and interest of £1333. The first repayment will be made on 31 October 2015. All transactions will be made through Dipak’s business bank account.

Dipak’s accounting year end is 31 December 2015 and he intends to have the purchase and related transactions completed by 30 September 2015.

Dipak’s depreciation policy is to:

- charge a full year’s depreciation on non-current assets in the year of purchase and none in the year of disposal;
- charge depreciation on premises at the rate of 4% per annum using the reducing balance method.

1 (a) Calculate the effect that the purchase of the premises would have on Dipak’s: **[8 marks]**

profit for the year ended 31 December 2015 _____

bank balance during the period 30 September to 31 December 2015 _____



18

Turn over for the next question



Turn over ►

2

Total for this question: 21 marks

Angela is a sole trader, trading as Sportsangel. Her bookkeeper has prepared the draft financial statements for the year ended 30 April 2015. The income statement showed a profit for the year of £78 567 and the balance sheet showed net current assets of £18 762.

The bookkeeper is unsure of the treatment of the following.

- (1) The business bank statement for the month of April shows bank interest charged on Angela's overdraft of £450. This has not been entered in the books of account.
- (2) Tennis rackets had been supplied by the manufacturer on a sale or return basis. The rackets were on the premises at 30 April 2015 so the bookkeeper has included them in the closing inventory at the cost price of £8 000. The selling price of the rackets is £14 000.
- (3) Angela rents out part of her premises. At the year-end she was owed £600 but the bookkeeper has not made any adjustment in the financial statements to account for this.
- (4) The bookkeeper has made a provision for doubtful debts of 5% of trade receivables. However, Angela has been advised that, as trading conditions are improving, the provision should be 2% of trade receivables. The trade receivables at 30 April 2015 totalled £22 600.
- (5) On 30 April 2015, Angela purchased a new motor van. The van cost £24 000. Angela part-exchanged her old van and paid the balance of £16 000 by cheque. The net book value of the van as part-exchanged was £6000. The purchase of the new van had been included in the books of account and depreciation provided. No entries have been made to record the disposal of the old van.
- (6) On 28 April 2015, a cheque for £1800 was received from Cove Ltd in full settlement of a debt of £3000 that had been written off as a bad debt in the year ended 30 April 2014. No entries have been made to record the receipt of the cheque.
- (7) Angela has identified some items of inventory that are obsolete. The items cost £12 600 and would normally sell for £22 000. Angela estimates the net realisable value to be £8880. These items have been included in the closing inventory at cost price.
- (8) On 30 April 2015, Angela had given the bookkeeper a cheque for £10 000 from her personal savings account and asked her to pay it into the business bank account. The bookkeeper had taken the cheque to the bank but not entered it into the books of account.



2

Use items (1) to (8), shown on the opposite page, to complete the following table. You should show the correct accounting treatment for each of the items to calculate:

- a revised profit for the year
- a revised figure for net current assets.

The first item has already been completed.

[21 marks]

Item	Profit for the year £	Net current assets £
Draft	78 567	18 762
1	(450)	(450)
2		
3		
4		
5		
6		
7		
8		
Revised		

Workings _____



Turn over for the next question

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



Turn over ►

3

Total for this question: 23 marks

Extracts from the balance sheet of Ashes Ltd at 31 March 2014 are shown below.

Non-current assets	Cost	Depreciation to date	Net book value
	£	£	£
Premises	535 000	85 000	450 000
Plant and equipment	85 000	45 000	40 000
			<u>490 000</u>

Equity	£
Ordinary shares of 20p each	80 000
Retained earnings	35 640
	<u>115 640</u>

During the year ended 31 March 2015, the directors of Ashes Ltd restructured the balance sheet.

- On 1 April 2014, the directors revalued the premises to £800 000.
- On 30 September 2014, the directors made a bonus issue of shares on the basis of seven new shares for every two existing shares held. The directors maintained the reserves in their most distributable form.
- On 1 October 2014, the directors issued a 5% debenture repayable in 2024–26. The debenture was fully subscribed and raised £200 000.

Additional information

(1) The company's depreciation policy is:

Asset	Rate	Method
Premises	2%	Straight-line
Plant and equipment	25%	Reducing-balance

To charge a full year's depreciation on all non-current assets in the year of purchase and none in the year of disposal.

- (2) There have been no additions or disposals of plant and equipment during the year.
- (3) On 31 March 2015, the directors paid an ordinary share dividend of 6p per share on all shares in issue at that date.
- (4) The operating profit for the year ended 31 March 2015 was £128 650. Depreciation for the year on premises and plant and equipment has been correctly accounted for in the calculation of the operating profit.
- (5) The directors estimate that the tax due on the profits for the year is £25 730.



4

Total for this question: 18 marks

Alistair is concerned about the performance of his business. He has decided to assess the performance using ratio analysis.

He is able to provide the following information extracted from his income statement for the year ended 30 April 2015 in order to calculate ratios relating to profitability.

	£
Cash sales	10 000
Credit sales	185 000
Cash purchases	45 000
Credit purchases	80 000
Cost of sales	130 000
Gross profit	65 000
Operating expenses	55 250
Profit for the year	9 750

4 (a) Tick **one** box below to show the correct gross profit mark-up.

[1 mark]

Gross profit mark-up %	(✓)
5	
$33\frac{1}{3}$	
50	
64	

4 (b) Tick **one** box below to show the correct gross profit margin.

[1 mark]

Gross profit margin %	(✓)
5	
$33\frac{1}{3}$	
50	
64	



4 (c) Tick **one** box below to show the correct profit in relation to revenue ratio.

[1 mark]

Profit in relation to revenue %	(✓)
5	
7.5	
$33\frac{1}{3}$	
50	

Question 4 continues on the next page



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