Please write clearly in block capitals.

Centre number | | | | | | Candidate number | | | | |

Surname ____________________

Forename(s) ____________________

Candidate signature ____________________

A-level
ACCOUNTING

Unit 3 Further Aspects of Financial Accounting

Friday 10 June 2016 Afternoon Time allowed: 2 hours

Materials
For this paper you must have:
- a calculator

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 90.
- You will be marked on your ability to:
  – use good English
  – organise information clearly
  – use specialist vocabulary where appropriate.

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1 **Total for this question 20 marks**

Sifan Girnary values inventory using the AVCO method.

Opening inventory on 1 April 2016 was 400 units at an average cost price of £75.

The following transactions took place during the month of April 2016

Date	Purchases	Sales
12 April	250 units at £67.20 each	
18 April		300 units
21 April	200 units at £83 each	
24 April		240 units

1 (a) Calculate the value of inventory at 30 April 2016 using the AVCO method.

[7 marks]

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1 (b) Calculate the value of inventory at 30 April 2016 using the FIFO method.

[2 marks]

Sifan Girnary is considering changing the inventory valuation method from AVCO to FIFO.

1 (c) Discuss whether or not Sifan Girnary should change the inventory valuation method from AVCO to FIFO.

[10 marks]

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Some inventory at 31 May 2016 had a cost price of £15 600.
On 2 June 2016 goods with a selling price of £780 were returned by a customer.
On 4 June 2016 goods with a selling price of £7 500 were sold to a customer.
All goods are sold to achieve a 20% gross profit margin.

1 (d) Tick **one** box only to show the valuation of inventory on 5 June 2016.

[1 mark]

	✔
£8 880	
£10 000	
£10 224	
£22 320	

20

Turn over for the next question

2 **Total for this question 22 marks**

Hassan does not keep full books of account. The following information is available for the year ended 31 March 2016.

	1 April 2015 £	31 March 2016 £
Inventory	16 500	?
Trade payables	8 100	10 125
Trade receivables	16 875	18 750
Cash in hand	150	175
Rent in advance	1 425	1 780
Wages in arrears	4 005	5 000
Non-current assets net book value	59 500	51 250

(1) Inventory turnover was 7.5 times per annum.
(2) Profit in relation to revenue is 5%.
(3) All goods are sold to achieve a 25% gross profit margin.
(4) Receipts from trade receivables were £182 060 by cheque and £45 515 by cash. Hassan banked £18 000 of cash after paying amounts to trade payables and to himself for drawings.
(5) All sales and purchases are on a credit basis.
(6) There were no purchases or disposals of non-current assets during the year.
(7) A customer's cheque for £5 125 was returned unpaid to Hassan by the bank due to insufficient funds in the account.
(8) Payments to trade payables for the year were £173 550 by cheque and £11 590 by cash.
(9) A supplier charged Hassan £340 interest for not settling his account within the agreed credit terms.
(10) Julie Sharp is both a customer and supplier to Hassan. A contra needs to be processed to clear the balance of £675 owing to Julie.
(11) Rent paid during the year by cheque was £5 900. Wages paid during the year by cheque were £15 665.
(12) Hassan took drawings in cash of £1 250 per month.
(13) All other business expenses were paid by cheque. The total amount will be shown as general expenses but Hassan has not provided a figure for this.

Hassan suspects that a dishonest employee may have stolen both cash and inventory from the business. Any losses of cash or inventory are not covered by insurance.

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2 Prepare the income statement for Hassan for the year ended 31 March 2016.

[22 marks]
[includes 2 marks for quality of presentation]

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22

3 **Total for this question 19 marks**

Mears, Pugh and Stafford were in partnership sharing profits and losses in the ratio 5:3:2 respectively.

The partners had agreed that the partnership would be dissolved on 1 April 2016.

The partnership balance sheet at 31 March 2016 was as follows

Mears, Pugh and Stafford
Balance sheet at 31 March 2016

	£	£
Non-current assets		185 000
Current assets		
Inventory	31 600	
Trade receivables	14 850	46 450
		231 450
Capital accounts		
Mears	25 000	
Pugh	84 000	
Stafford	56 000	165 000
Current accounts		
Mears	(19 500)	
Pugh	31 704	
Stafford	36 136	48 340
Current liabilities		
Bank overdraft	9 210	
Trade payables	8 900	18 110
		231 450

Additional information

(1) A vehicle could have been sold for £18 800. However, because this would have generated a loss of £3 200, it was decided instead that Pugh would take the vehicle at the net book value as part of his settlement.
(2) All other non-current assets were found to be impaired. They could only be disposed of for the recoverable amount. The fair value of these assets was £150 000 and the value in use was £125 000.
(3) Inventory would usually be sold at a mark-up of 25% on cost price. However, because the inventory was damaged, it was actually sold for £14 220 less than this amount.
(4) A bankrupt customer owed £2 350. All other trade receivables paid in full after being given a 5% settlement discount.
(5) The partnership is owed a refund of £100 from a supplier and this has not been accounted for. All other trade payables were settled in full after receiving a 2% discount.
(6) The costs of dissolving the partnership of £1 951 were paid by cheque.

Mears was bankrupt and so was unable to repay any amounts owing to the partnership from her own personal finance.

3 (a) Prepare the realisation account for the partnership at 1 April 2016.

[7 marks]

Dr **Realisation account** **Cr**

Details	**£**	**Details**	**£**

3 (b) Prepare the partnership capital accounts for Mears, Pugh and Stafford at 1 April 2016.

[9 marks]

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3 (c) Prepare the partnership bank account at 1 April 2016 to show all transactions relating to the dissolution of the partnership.

[3 marks]

Dr **Bank account** **Cr**

Details	£	Details	£

19

Turn over for the next question

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4 **Total for this question 29 marks**

The Directors of Van Moorsel Ltd have provided the following extract from the balance sheet at 28 February 2015:

	28 February 2015
	£
Non-current assets	
Cost	265 000
Depreciation	94 600
Net book value	170 400
Current liabilities	
Corporation tax	16 250
Non-current liabilities	
8% Debenture loans	120 000
Equity	
Ordinary share capital	150 000

Additional information

(1) A non-current asset was sold on 31 May 2015. It had originally been purchased on 31 December 2013 for £22 500.
(2) Ordinary shares have a nominal value of 25p each.
(3) A bonus issue of shares was made on 31 March 2015 on the basis of 2 for every 5 shares held at that date.
(4) A rights issue of shares was made on 31 May 2015 on the basis of 1 for every 3 shares held at that date. The shares were sold at a premium of 15p per share. The issue was fully subscribed.
(5) On 31 August 2015, an interim dividend of 5p per share was paid on all shares in issue at that date.
(6) A non-current asset was purchased on 1 June 2015. No other purchases of non-current assets took place during the financial year.
(7) A debenture loan was repaid on 30 November 2015. No other repayment of debenture loans took place during the financial year.
(8) Taxation on profits for the year ended 29 February 2016 was estimated to be £22 880. The tax liability at 29 February 2016 was £19 340.
(9) The company's depreciation policy is as follows: all non-current assets are depreciated using the straight-line method at a rate of 20% per annum. Depreciation is charged on a time-apportioned basis.

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4 (a) Complete the shaded sections of the Statement of Cash flows for Van Moorsel Ltd for the year ended 29 February 2016 on **page 17**. Clearly show all workings.

[14 marks]

Workings

Depreciation for the year:

Profit or loss on non-current asset disposal:

Interest paid:

Turn over ►

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Income tax paid:

Proceeds from the issue of share capital:

Dividends paid:

Do not write outside the box

Van Moorsel Ltd
Statement of cash flows for the year ended 29 February 2016

	£	£
Profit from operations		114 390
Depreciation for the year		
Increase in inventories		(9 400)
Increase in trade receivables		(12 600)
Decrease in trade payables		(7 800)
Profit or loss on non-current asset disposal		
Cash from operations		
Interest paid		
Income tax paid		
Net cash from operating activities		
Cash flow from investing activities:		
Purchases of non-current assets	(75 000)	
Proceeds from the disposal of non-current assets	16 500	
Net cash used in or from investing activities		
Cash flow from financing activities:		
Proceeds from the issue of share capital		
Repayment of long term borrowing	(100 000)	
Dividends paid		
Net cash used in or from financing activities		
Net increase or decrease in cash		
Cash at the beginning of the year		(4 200)
Cash at the end of the year		

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4 (b) Assess the performance of Van Moorsel Limited based on the statement of cash flows for the business for the year ended 29 February 2016. Identify the key changes in the liquidity of the company and discuss the implications of these changes for the company.

[15 marks]
[Includes 2 marks for quality of written communication]

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29

END OF QUESTIONS

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