version 1.1

General Certificate of Education
Advanced Level Examination

ACCOUNTING **ACCN 3**

Unit 3 Further Aspects of Financial Accounting

Specimen paper for examinations in June 2010 onwards
This question paper uses the new numbering system and new AQA answer book

For this paper you must have:
• an AQA 12-page answer book.
You may use 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 that 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 your ability to:
  - use good English
  - organise information clearly
  - use specialist vocabulary where appropriate.

ACCN3

Answer **all** questions.

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

Mary owns an electrical goods shop. Her goods are marked up by 40%. She was unable to value her stock at the financial year-end on 31 December 2006. However, she was able to take stock on 8 January 2007 and she valued it at £14 569.

In the period 1 January – 8 January 2007 the following transactions took place.

	£
Sales	2429
Purchases	1320
Sales returns	350
Purchases returns	56
Goods for own use (valued at selling price)	84
Goods stolen on 7 January 2007 (valued at selling price)	322

REQUIRED

0 1 Calculate the value of stock at 31 December 2006. *(10 marks)*

Mary had estimated her stock value at 31 December 2006 at £12 000.
She used this figure to calculate her gross profit at £168 530.

REQUIRED

0 2 Calculate the correct gross profit. *(5 marks)*

Task 2 **Total for this task: 22 marks**

REQUIRED

0 3 Using the information on the next page, prepare a trading and profit and loss account for Sandrine for the year ended 31 December 2006.
(A balance sheet is **not** required.) *(22 marks)*

Sandrine does not keep proper books of account. She is able to provide the following information for the year ended 31 December 2006.

Summarised Cash Book

	Cash	**Bank**		**Cash**	**Bank**
	£	**£**		**£**	**£**
Balance b/d 1 January 2006	170		Balance b/d 1 January 2006		3 190
Receipts from trade debtors	163 729		Bank	133 130	
Cash		133 130	Payment to trade creditors	720	61 700
Cash sales	65 324		Bank	24 000	
Cash		24 000	Wages	57 200	
Sale of equipment	1 200		Motor expenses		7 920
			General expenses	7 963	
			Motor vehicle		22 000
			Drawings	7 100	15 400
			Private holiday		2 400
			Loan repayment		30 000
			Loan interest		2 500
Balance c/d		8 020	Balances c/d	310	
	230 423	165 150		230 423	157 130
Balance b/d	310		Balance b/d		8 020

Additional information

(1) Assets and liabilities

	at 1 January 2006	**at 31 December 2006**
	£	**£**
Stock	4 987	5 038
Trade debtors	3 746	2 988
Trade creditors	1 822	2 196
Wages owing	796	-
Loan interest paid in advance	500	-
Equipment at net book value	20 000	13 500
Vehicle at net book value	26 000	?

(2) No equipment was purchased during the year; equipment with a net book value of £5000 was sold during the year.

(3) There were no disposals of vehicles during the year.

(4) Depreciation on equipment for the year is £1500.

(5) Depreciation on vehicles is to be provided using the reducing balance method on year-end balances of 25%.

Task 3 **Total for this task: 25 marks**

Ibrahim, Joan and Kelly are in partnership; they share profits and losses in the ratio 3:2:1 respectively. The partnership balance sheet at 28 February 2007 is shown below.

Balance sheet at 28 February 2007

	£	£	£
Fixed assets at net book value			123 000
Current assets			
Stock		12 560	
Trade debtors		7 890	
		20 450	
Current liabilities			
Trade creditors	6 750		
Bank overdraft	4 590	11 340	9 110
			132 110
Loan – Joan			15 000
			117 110
Capital accounts			
Ibrahim			45 000
Joan			30 000
Kelly			35 000
			110 000
Current accounts			
Ibrahim		3 278	
Joan		(1 532)	
Kelly		5 364	7 110
			117 110

The partners had been in dispute for the past year about the direction the business should take. As a result, Joan retired from the partnership at the close of business on 28 February 2007 taking all monies due to her.

The partners agreed the fixed assets be valued at £120 000 and that goodwill be valued at £75 000. Ibrahim and Kelly are to continue in the partnership sharing profits and losses in the ratio 3:2 respectively. They further agreed that goodwill should not be shown in future balance sheets.

REQUIRED

0 4 Prepare detailed partners' capital accounts at the close of business on 28 February 2007.
(10 marks)
(for quality of presentation: plus 2 marks)

0 5 Calculate the balance of the new partnership bank account on 1 March 2007. *(3 marks)*

Joan intends to set up in business at the start of September 2007. She will need £150 000 start up capital. She is considering a variety of methods of raising finance.

REQUIRED

0 6 Discuss which of the methods of raising finance is the best for Joan to adopt. Justify your choice. *(8 marks)*
(for quality of written communication: plus 2 marks)

Task 4 **Total for this task: 28 marks**

The directors of Halls-Krosby plc have prepared the internal draft profit and loss account for the year ended 31 March 2007. The company auditors have brought the following matters to the directors' attention. The auditors believe that the way the matters have been treated may not conform to existing accounting standards.

(1) The company continues to grow by over 20% per year and the directors believe that goodwill should be included as an intangible fixed asset at a value of £7.5 million.

(2) Some damaged stock has been included in the final accounts at a value of £160 000 because a regular customer has indicated that he will purchase the stock at selling price less 20%. When perfect, this type of stock could be sold for £200 000. The stock originally cost £100 000.

(3) A piece of machinery that had cost £240 000 several years ago has recently had a major overhaul costing £85 000. The machinery has a written down value of £120 000. The engineering company that undertook the overhaul guarantees that the machine is now "as good as new". The directors have included the asset on the company balance sheet at £205 000.

REQUIRED

0 7 Identify the relevant accounting standard to be applied to **each** of items (1), (2) and (3) and explain their treatment in the company's final accounts. *(6 marks)*

Task 4 continues on the next page

The directors have also produced a draft cash flow statement for the year ended 31 March 2007. The following is an extract from that cash flow statement.

Reconciliation of operating profit to net cash inflow from operating activities

	£000	**£000**
Operating profit		573
Depreciation – property, plant and equipment		(206)
Loss on disposal of machinery		(18)
Receipts from sale of machinery		38
Increase in inventory		(230)
Increase in trade receivables		(62)
Decrease in trade payables		(46)
Dividends paid – preference shares	(24)	
ordinary shares	(66)	(90)
Receipt from share premium on issue of ordinary shares		950
Net cash inflow from operating activities		909

REQUIRED

0 8 Prepare a statement correcting the net cash from operating activities. *(4 marks)*

0 9 Explain **three** of the changes made to the original reconciliation statement. *(6 marks)*

1 0 Discuss **three** duties that the directors of a public limited company must consider when they prepare the annual financial statements for publication. In your discussion, explain the relevance of these duties to stakeholders of the company. *(12 marks)*

END OF QUESTIONS