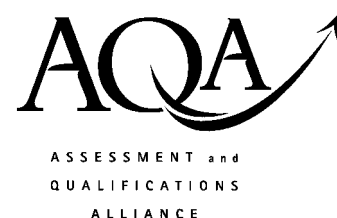


Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

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General Certificate of Secondary Education  
June 2003



**ACCOUNTING**  
**Higher Tier**  
**Paper 2**

**3122/2H**

Tuesday 24 June 2003 1.30 pm to 3.30 pm

**H**

<p><b>No additional materials are required.</b> You may use a calculator.</p>
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Time allowed: 2 hours

**Instructions**

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- Do all rough work in this book. Cross through any work you do not want marked.

**Information**

- The maximum mark for this paper is 126. In addition to the mark allocations indicated within the paper, you will be awarded up to 6 marks for your ability to organise and present information, ideas, descriptions and arguments clearly and logically. Account will be taken of your use of grammar, punctuation and spelling.
- Mark allocations are shown in brackets.

**Advice**

- In all calculations, show clearly how you work out your answer.

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Answer **all** questions.

1

**Total for this question: 32 marks**

David Ford is an electrical wholesaler. Information about some of the business's transactions for February 2003 is given below.

On 8 February 2003 David Ford sent two invoices to customers. The details were as follows.

	£
Invoice number 00121 to Melchester Electrical Supplies	
10 personal stereos model A43 at £40 each	400.00
plus VAT	<u>70.00</u>
	<u>470.00</u>

	£
Invoice number 00122 to Town Traders Ltd	
12 personal stereos model AT79 at £70 each	840.00
6 micro hi-fis model T24 at £90 each	<u>540.00</u>
	1 380.00
Less trade discount 20%	<u>276.00</u>
	1 104.00
plus VAT	<u>193.20</u>
	<u>1 297.20</u>

- (a) Record the information from the two invoices in the sales journal.

**Sales Journal**

Date	Customer	Invoice No	Goods		VAT		Total	
			£	p	£	p	£	p

(7 marks)

**Account of PCD Manufactures Ltd**

PCD Manufactures Ltd is one of David Ford's suppliers. The following information relates to the account of this creditor.

- Feb 1 Balance, amount owed to PCD Manufactures Ltd by David Ford, £600.
- 14 David Ford settled his account with PCD Manufactures Ltd by cheque, £600.
- 23 Invoice sent by PCD Manufactures Ltd to David Ford for goods £1 000 plus VAT £175.
- 27 David Ford received a credit note from PCD Manufactures Ltd for £160 plus VAT £28, for goods returned.

The account was balanced on 28 February 2003.

- (b) Record the above information in the account of PCD Manufactures Ltd.

Note: bring down the balance on the account at 1 March 2003.

**PCD Manufactures Ltd Account**

Date		£	p	Date		£	p

(6 marks)

**QUESTION 1 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

**Cash Book**

David Ford maintains a three-column cash book. The transactions for March 2003 have been recorded.

Debit						Cash Book						Credit	
Date	Details	Folio	Discount £	Cash £	Bank £	Date	Details	Folio	Discount £	Cash £	Bank £		
Mar 1	Balance	b/d		800		Mar 1	Balance	b/d				3 000	
Mar 5	T Wolf		75		1 425	Mar 3	Cleaning			40			
Mar 8	Sales				2 025	Mar 8	A Kalifa		100			1 900	
Mar 17	F Townson		250		4 750	Mar 11	Motor expenses			30			
Mar 18	Cash	C			700	Mar 18	Bank	C		700			
Mar 30	Sales			55		Mar 20	Wages					350	
						Mar 23	B Hughes		40			760	
						Mar 27	Drawings					400	
						Mar 31	Balance	c/d		85		2 490	
			325	855	8 900				140	855	8 900		
April 1	Balance	b/d		85	2 490								

Answer the questions on the following pages.

(c) What does the balance b/d of £3 000 on 1 March represent?

.....  
(1 mark)

(d) (i) Do the columns headed "Discount" refer to cash discount or trade discount?

.....  
(1 mark)

(ii) Give a reason for your choice of answer in (d) (i).

.....  
.....  
(2 marks)

(e) (i) Is the discount on 5 March discount allowed or discount received?

.....  
(1 mark)

(ii) Give a reason for your choice of answer in (e) (i).

.....  
.....  
(2 marks)

(iii) What percentage is the discount in (e) (i)?

.....  
(1 mark)

(f) (i) Is the discount on 8 March discount allowed or discount received?

.....  
(1 mark)

(ii) Give a reason for your choice of answer in (f) (i).

.....  
.....  
(2 marks)

(g) (i) What does the C in the Folio column on 18 March stand for?

.....  
(1 mark)

**QUESTION 1 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

(ii) Explain why there are two entries in the Cash Book on 18 March.

.....  
 .....  
 (1 mark)

(h) What do the drawings on 27 March represent?

.....  
 .....  
 (2 marks)

(i) Name and complete the following accounts to show where the totals of £325 and £140 will be transferred to at the end of March.

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center;">Account</td> </tr> </table>								Account		
	Account									
Date		£	p		Date		£	p		

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%; height: 20px;"></td> <td style="width: 20%; text-align: center;">Account</td> </tr> </table>								Account		
	Account									
Date		£	p		Date		£	p		

(4 marks)

2

**Total for this question: 21 marks**

The following list of balances appeared in the Trial Balance of W Boardman at 31 March 2003.

<b>W Boardman</b>		
<b>Trial Balance as at 31 March 2003</b>		
	<b>£</b>	<b>£</b>
Sales		492 700
Purchases	240 000	
Capital		272 600
Drawings	29 000	
Carriage inwards	1 200	
Carriage outwards	1 500	
Discounts	2 800	2 400
Returns	7 000	8 000
Vehicles at cost	70 000	
Fixtures and fittings at cost	40 000	
Premises	200 000	
Trade debtors	50 000	
Provision for depreciation		
– Vehicles		28 000
– Fixtures and Fittings		16 000
Motor expenses	24 000	
Insurance	12 000	
Stock at 1 April 2002	33 000	
Electricity	16 000	
Salaries	102 000	
Trade creditors		30 000
Bank	23 000	
Cash	2 800	
Sundry expenses	4 400	
Provision for Doubtful debts		2 000
Rent received		7 000
	<b>£ 858 700</b>	<b>£ 858 700</b>
	<b>£ 858 700</b>	<b>£ 858 700</b>

The following additional information is also available.

- Stock at 31 March 2003 was £35 000.
- Provide for depreciation on cost as follows:
  - Vehicles 20% p.a.
  - Fixtures and fittings 20% p.a.
- Electricity of £4 000 and sundry expenses of £450 were both outstanding at 31 March 2003.
- The provision for doubtful debts is to be adjusted to 5% of debtors.
- Insurance of £3 000 was prepaid at 31 March 2003.





3

**Total for this question: 19 marks**

Hansen and Bone are in partnership. A profit and loss appropriation account for the year ended 31 December 2002 has been prepared.

**Profit and Loss Appropriation Account  
of Hansen and Bone for the year ended 31 December 2002**

	£	£	£
Net Trading Profit			39 000
Add Interest on Drawings			
– Hansen		500	
– Bone		500	1 000
		500	40 000
Less Salary			
– Bone		8 000	
Less Interest on Capital			
– Hansen	3 000		
– Bone	4 000	7 000	
	4 000		
Less Share of Profits			
– Hansen	15 000		
– Bone	10 000	25 000	40 000
	10 000	25 000	40 000

On 1 January 2002 Hansen had a credit balance of £3 000 and Bone had a debit balance of £1 500 on their current accounts. Each partner withdrew £2 000 during the year for their own personal use.

- (a) Complete the current accounts of both Hansen and Bone and bring down the balances at 1 January 2003.

**Current Account – Hansen**

		£			£
2002				2002	

**Current Account – Bone**

		£			£
2002			2002		

(13 marks)

(b) At 1 January 2002 Bone had a debit balance on his current account. What does this mean?

.....

.....

.....

.....

(2 marks)

(c) In partnership accounts, why is:

(i) interest allowed on capital;

.....

.....

.....

.....

(2 marks)

(ii) interest charged on drawings?

.....

.....

.....

.....

(2 marks)

Turn over ►

4

**Total for this question: 14 marks**

The trial balance of Firhill Traders Ltd did not balance on 31 December 2002 and a suspense account was opened with a credit balance of £460. The following errors were then discovered.

- A. Sales were undercast by £200.
- B. The purchase of goods by cheque for £360 had been entered in both the Cash Book and Purchases Account as £630.
- C. The total of the wages account was undercast by £90.
- D. Cash received from a debtor £250 was entered in the Cash Book only.
- E. The balance on the rent account was overcast by £100.

(a) Complete the journal entries required to correct these errors. (Narratives are not required.)

		<b>Dr £</b>	<b>Cr £</b>
A.			
B.			
C.			
D.			
E.			

(10 marks)

(b) Write up the suspense account showing the correction of the errors.

**Suspense Account**

<b>2002</b>	<b>£</b>	<b>2002</b>	<b>£</b>
		31 Dec	Difference as per trial balance 460

(4 marks)

5

**Total for this question: 34 marks**

The following information is available for the business of J Boyle, a trader, at 31 March 2003. All sales and purchases are on credit.

	£	
Sales	120 000	
Stock 1 April 2002	10 400	
Stock 31 March 2003	9 600	
Purchases	90 000	
Gross Profit	29 200	
Net Profit	12 000	
Capital employed	96 000	
Bank	2 900	(dr)
Debtors	16 000	
Creditors	22 000	
Cash	100	

The following information at 31 March 2002 is also available.

Current ratio	1.5:1
Acid test ratio	1:1
The percentage of gross profit to sales ratio	25%
The percentage of net profit to sales ratio	10%
Return on capital employed ratio	11%
Rate of stock turnover	10 times
The debtors collection period	40 days
The creditors payment period	75 days

(a) Calculate at 31 March 2003:

(i) the current ratio;

.....

.....

.....

.....

*(3 marks)*

(ii) the acid test ratio.

.....

.....

.....

.....

*(4 marks)*

(b) Make use of your answers to (a) (i) and (ii) to explain briefly and comment on the solvency (liquidity) position of the business.

.....  
.....  
.....  
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*(3 marks)*

(c) Calculate for the year ended 31 March 2003:

(i) the percentage of gross profit to sales;

.....  
.....  
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.....  
.....  
.....

*(3 marks)*

(ii) the percentage of net profit to sales;

.....  
.....  
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.....

*(3 marks)*

**QUESTION 5 CONTINUES ON THE NEXT PAGE**

**Turn over** ►

(iii) the net profit to capital employed ratio.

.....  
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*(3 marks)*

(d) Make use of your answers to (c) (i), (ii) and (iii) to explain briefly and comment on the profitability position of the business.

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*(3 marks)*

(e) Calculate for the year ended 31 March 2003:

(i) the rate of stock turnover;

.....  
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*(3 marks)*

(ii) the debtors collection period;

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.....  
.....  
.....  
.....  
.....

*(3 marks)*

(iii) the creditors payment period.

.....  
.....  
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*(3 marks)*

(f) Make use of your answers to (e) (i), (ii) and (iii) to describe the activity (efficiency) of the business.

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.....  
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*(3 marks)*

**END OF QUESTIONS**