Centre Number			Candidate Number		
Surname					
Other Names					
Candidate Signature					



General Certificate of Education Advanced Subsidiary Examination January 2010

Accounting

Unit 2 Financial and Management Accounting

Wednesday 20 January 2010 9.00 am to 10.30 am

You will need no other materials.	
You may use a calculator.	

Time allowed

• 1 hour 30 minutes

Instructions

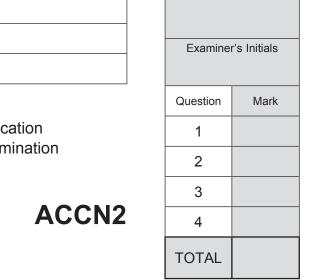
- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in 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.



For Examiner's Use



Answer all	questions	in	the spaces	provided.
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Total for this question: 10 marks

Mushtaq is a sole trader. The following information was extracted from his ledger accounts at 1 December 2008:

£

motor vehicles at cost 38 000 provision for depreciation 18 000

During the year ended 30 November 2009, Mushtaq sold a vehicle for £4800. This vehicle had originally cost £9000 and had been depreciated by £5000.

Mushtaq also purchased a new vehicle costing £14 000.

His policy is to depreciate all vehicles at the rate of $33\frac{1}{3}\%$ per annum using the reducing balance method.

1	(a)	Calculate the profit or loss on the sale of the vehicle.
		(3 marks)



1	(b)	Calculate the total depreciation on vehicles to be included in the profit and loss account for the year ended 30 November 2009.
		(7 marks)

Turn over for the next question



Total for this question: 9 marks

Chip Yun has prepared a cash budget for the next six months. The following is an extract for each month.

	February £	March £	April £	May £	June £	July £
Opening balance	1080	1680	140	(660)	(3480)	(6860)
Net cash flow	600	(1540)	(800)	(2820)	(3380)	2620
Closing balance	1680	140	(660)	(3480)	(6860)	(4240)

2 Evaluate **two** reasons why Chip has prepared this cash budget.



(9 mar)

Turn over for the next question



Total for this question: 31 marks

TeeGreen Ltd owns and operates a number of golf shops. The trainee accountant has prepared a draft profit and loss account for the year ended 31 December 2009. She is unsure of the treatment of the following.

- (1) T Ickem Certified Accountants audit the accounts and give tax advice. The fees for the year ended 31 December 2009 are estimated to be £5000. This has not been included in the draft accounts.
- (2) TeeGreen Ltd has recently received golf clubs on a sale or return basis. The directors have not decided whether these golf clubs will be purchased. The total cost price of the clubs is £10 000. The golf clubs have been included in the year end stock-take and valued at the cost price.
- (3) Part of one shop is rented out to a bicycle repair business. TeeGreen Ltd is owed rent of £2000 at 31 December 2009. This has not been included in the draft final accounts.
- (4) TeeGreen Ltd purchased new fixtures and fittings costing £27 500 during the year. These have been included in fixed assets and have been depreciated at a rate of 10% per annum using the straight-line method. The suppliers charged £750 for delivery of the fixtures and fittings and this has been added to carriage inwards.
- (5) Included in the closing stock were golf bags at a cost price of £2000. They would normally sell for £4000. However, they have been damaged and can only be sold for £1500.



3

REQUIRED

3 (a) Complete the table below. For each item, state a relevant accounting concept and the effect any adjustment would have on the net profit.

The first item has been completed for you.

	Item	Effect on profit	Concept
(1)	Audit and tax fees	(5000)	Accruals
(2)	Golf clubs on sale or return		
(3)	Rent		
(4)	Fixtures and fittings		
(5)	Stock		
			(11 marks)

Workings

Question 3 continues on the next page



Below is the capital and reserves section of the balance sheet of TeeGreen Ltd at 1 January 2009.

Capital and reserves£Ordinary shares of £1 each fully paid $100\ 000$ Profit and loss account $\frac{114\ 860}{214\ 860}$

The company paid an interim dividend of 10p per ordinary share on 15 July 2009.

The Directors proposed a rights issue of ordinary shares on the basis of one new share for every 2 shares held at a price of £1.50 per share. The rights issue took place on 1 November 2009 and was fully subscribed.

The company paid a final ordinary dividend of 20p per share. All ordinary shareholders at 30 November 2009 received the dividend.

The Directors estimate that a provision of £22 000 should be made for corporation tax.

3	(b)	Calculate the retained profit for the year ended 31 December 2009.	
		Net profit	£ 87 940
			(8 marks)



		Workings
3	(c)	Prepare the capital and reserves section of the balance sheet at 31 December 2009.
		(10 marks)
		(for quality of presentation: plus 2 marks) Workings
		workings



Total for this question: 30 marks

The directors of Clim Ping Ltd are concerned that, despite making a net profit of £358 650, the business has a large overdraft. The following information has been extracted from the final accounts at 31 December 2009.

	£
Closing stock	225 040
Trade debtors	365 400
Bank overdraft	277 750
Trade creditors	154 600

4	(a)	(i)	Calculate the net current asset ratio (current ratio). State the formula used.
			Formula
			Calculation
			(4 marks)



4	(a)	(ii)	Calculate the liquid capital ratio (acid test ratio). State the formula used.
			Formula
			Calculation
			(4 marks)

Question 4 continues on the next page



	The accountant has calculated the following ratios for Clim Ping Ltd: debtor collection period 41 days creditor payment period 31 days		
	The	industry average ratios are:	
		net current asset (current) liquid capital (acid test) debtor collection period	1.5:1 1:1 45 days
		creditor payment period	20 days
REQ	UIRI	E D	
4	(b) Evaluate the liquidity position of Clim Ping Ltd.		



	(12 marks)
	(for quality of written communication: plus 2 marks)
4 (c)	Explain to the directors of Clim Ping Ltd how it is possible to make a profit but still
	have an overdraft.



 (8 marks)

END OF QUESTIONS







