



General Certificate of Education
Advanced Level Examination
January 2010

Accounting

ACCN3

Unit 3 Further Aspects of Financial Accounting

Wednesday 27 January 2010 9.00 am to 11.00 am

For this paper you must have:

- a 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:
 - using good English
 - organising information clearly
 - using specialist vocabulary where appropriate.

Answer **all** questions.

Total for this question: 14 marks

1

Harpreet sells one model of digital radio.

At 1 November, Harpreet had 210 radios in stock; they cost her £15.00 each.

She provides the following information for the month of November.

Date	Purchases	Sales
8 November	300 @ £15.00 each	
12 November		270 @ £30.00 each
23 November	360 @ £18.00 each	
26 November		510 @ £32.00 each

REQUIRED

- (a) Calculate the value of radios held as stock at 30 November, using the AVCO (weighted average cost) method. *(9 marks)*

Harpreet has prepared a trading account for November using the FIFO method of stock valuation. She calculated the value of stock as £1620 and her gross profit as £11 910.

REQUIRED

- (b) Calculate the gross profit, using the AVCO (weighted average cost) method of stock valuation. *(5 marks)*

Total for this question: 15 marks

2

The directors of SDERT plc wish to purchase fixed assets costing £900 000.

The directors are considering three options to fund the purchase.

Option 1

To purchase the fixed assets on credit terms. The credit agreement will require four annual payments of £250 000 each.

Option 2

To issue £800 000 7% debentures at a premium of $12\frac{1}{2}\%$. The debentures will be redeemed in 2035.

Option 3

To issue 2 000 000 new ordinary shares of 25p each as a rights issue at 45p each. For the past few years, the company's shareholders have earned a return of 6% on their investment. The directors will continue to pay dividends sufficient to maintain this return in the future.

REQUIRED

Evaluate **each** option and advise the directors which one they should choose. *(13 marks)*
(for quality of written communication: plus 2 marks)

Turn over for the next question

Turn over ►

Total for this question: 25 marks

3

Herman Claas has not kept full accounting records. He started trading on 1 December 2008 with a vehicle valued at £14 000 and savings of £6000 which he paid into the business bank account.

A summary of all transactions through the business bank account for the year ended 30 November 2009 is shown.

	£		£
Savings banked	6 000	Drawings	3 500
Cash banked	31 550	Paid to creditors	32 471
Received from debtors	8 722	Equipment	18 600
Loan	24 000	Loan repayments	2 750
		General expenses	12 672
		Balance c/d	279
	70 272		70 272

Before banking the money received from cash sales, Herman paid the following.

	£
Drawings	11 000
Purchases	9 131
General expenses	31 536

On 30 June 2009, Herman received a loan for £24 000 repayable over 4 years. The repayment terms are £550 per calendar month, including £50 interest. All loan repayments were made on time.

Additional information at 30 November 2009

- (1) Stock was valued at £5430.
- (2) Trade debtors were £1768.
- (3) Trade creditors were £2796.
- (4) Discounts allowed were £177.
- (5) Discounts received were £308.
- (6) In October 2009, Herman wrote off £135 as a bad debt.
- (7) General expenses paid in advance amounted to £37.
- (8) Goods used by Herman for his own private use amounted to £1670.
- (9) Cash in hand amounted to £208.
- (10) Depreciation is to be provided at 10% per annum on all fixed assets held at the financial year end.

REQUIRED

Prepare a trading and profit and loss account for the year ended 30 November 2009.

(A balance sheet is **not** required.)

(25 marks)

Turn over for the next questions

Turn over ►

Total for this question: 36 marks

4

The summarised balance sheets for Slater-Hoyle plc at 31 December 2009 and 31 December 2008 are shown below.

	2009	2008
	£000	£000
Non-current assets (Note 1)	1361	896
Inventories	245	210
Trade and other receivables	162	187
Cash and cash equivalents	(14)	27
Trade and other payables	(143)	(152)
Income tax liabilities	(56)	(43)
	1555	1125
Equity		
Shares of 50p each (Note 2)	1000	800
Reserves	132	212
Retained earnings	423	113
	1555	1125

Note 1**Property, plant and equipment**

	Freehold property	Plant and equipment
	£000	£000
Cost at start of period	960	500
Additions	400	140
Disposals	–	(80)
Cost at end of period	1360	560
Accumulated depreciation at start of period	384	180
Charge for period	24	35
Disposals	–	?
Accumulated depreciation at end of period	408	?

During the year ended 31 December 2009, plant and equipment which had originally cost £80 000 was sold for a profit of £5000.

Note 2

During the year, 200 000 ordinary shares were issued for cash at a premium of 10p per share. There was also a bonus issue of shares.

Note 3

Dividends amounting to £49 000 were paid during the year ended 31 December 2009.

REQUIRED

- (a) Prepare a cash flow statement for the year ended 31 December 2009 in accordance with IAS7. *(18 marks)*
(for quality of presentation: plus 2 marks)
- (b) Assess to what extent a cash flow statement would be of benefit to potential shareholders in deciding whether or not to invest in Slater-Hoyle plc. *(16 marks)*

END OF QUESTIONS

There are no questions printed on this page