



Please write clearly in block capitals.

Centre number

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Candidate number

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Forename(s)

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Candidate signature

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# AS ACCOUNTING

## Unit 1 Introduction to Financial Accounting

Tuesday 16 May 2017

Afternoon

Time allowed: 1 hour 30 minutes

### Materials

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 80.
- Four of these marks will be awarded for:
  - using good English
  - organising information clearly
  - using specialist vocabulary where appropriate.

For Examiner's Use	
Question	Mark
1	
2	
3	
4	
<b>TOTAL</b>	



JUN17ACCN101

IB/G/Jun17/E8

**ACCN1**

Answer **all** questions in the spaces provided.

1

Total for this question: 16 marks

Gregory Gower has received the following bank statement relating to his business bank account for the first week of May 2017.

The transactions shown have yet to be recorded in Gregory Gower's cash book.

### Bank Statement

Date	Details	Dr £	Cr £	Balance £
1 May	Balance brought forward			200.05 Dr
3 May	Credit transfer - Southgate Ltd		4750.00	4549.95 Cr
3 May	Bank charges	65.00		4484.95 Cr
4 May	Direct debit – Bishopston Stores	2945.00		1539.95 Cr
7 May	Balance carried forward			1539.95 Cr

### Additional information

All payments received from trade receivables and paid to trade payables were **net** of cash discount of 5%.

- 1 (a) Record the above transactions in Gregory Gower's cash book.  
(Note: You do **not** need to balance the cash book).

[5 marks]

Workings \_\_\_\_\_  
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Dr		Cash book				Cr
Details	Discounts £	Bank £	Details	Discounts £	Bank £	
			Balance b/d 1 May		200.05	

- 1 (b) Complete the account of Southgate Ltd in the sales ledger and balance the account at 8 May 2017.

[3 marks]

Dr		Southgate Ltd account				Cr
Date	Details	£	Date	Details	£	
1 May	Balance b/d	16 000				

- 1 (c) Complete the account of Bishopston Stores in the purchases ledger and balance the account at 8 May 2017.

[3 marks]

Dr		Bishopston Stores account				Cr
Date	Details	£	Date	Details	£	
			1 May	Balance b/d	6000	

Turn over ►



1 (d) State **one** purpose of **cash** discounts.

[1 mark]

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Gregory Gower has received a trade discount from another of his suppliers and is unsure how to treat this in the accounts.

1 (e) State **one** purpose of **trade** discounts.

[1 mark]

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1 (f) Explain the difference in the treatment of cash and trade discounts in the year-end financial statements.

[3 marks]

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**Turn over for the next question**

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ANSWER IN THE SPACES PROVIDED**

**Turn over ►**



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2

**Total for this question: 39 marks**

Mandy owns a business called Mandy's Car Servicing. Mandy has started to prepare her business's income statement and has already calculated gross profit for the year ended 30 April 2017.

The following balances have been extracted from the books of account at 30 April 2017.

	£
Bad debts written off	456
Bank loan	25 000
Bank overdraft	3 432
Business rates	4 390
Capital	305 034
Drawings	73 930
Equipment – Cost	218 200
Equipment – Provision for depreciation at 1 May 2016	60 660
General expenses	44 310
Gross profit	367 650
Insurance	15 260
Loan interest	2 340
Property	338 220
Rent received	37 280
Servicing expenses	28 900
Trade payables	28 780
Trade receivables	26 940
Wages and salaries	65 890

#### Additional information

- (1) Mandy's largest credit customer has gone into liquidation owing £11 275 at 30 April 2017. This amount is to be written off.
- (2) Business rates of £2400 had been paid for the six months ending 31 August 2017.
- (3) Mandy's policy is to depreciate equipment over a ten-year period. She estimates the equipment will have a residual value of £16 000 at the end of its economic life.
- (4) Annual property insurance on the business of £7440 had been paid for the year ending 30 June 2017.
- (5) Mandy had included personal insurance of £3234 in the business insurance account.
- (6) Mandy had incorrectly treated general expenses of £5000 as wages and salaries.
- (7) Loan interest of £250 remained due but unpaid at 30 April 2017.
- (8) Mandy introduced £9400 into the business bank account from her personal savings on 30 April 2017. This has not yet been entered in the books of account.
- (9) One quarter of the bank loan account is repayable in the year ending 30 April 2018. The remainder is due for repayment after that date.
- (10) Closing inventories were valued at £9000 at 30 April 2017.





Lined writing area with 25 horizontal lines.





**2 (b)** Prepare a balance sheet for Mandy's Car Servicing at 30 April 2017.

**[17 marks]**

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

**Mandy's Car Servicing  
Balance sheet at 30 April 2017**

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**Turn over ►**



Lined writing area



**2 (c)** Explain to Mandy why it is important to ensure her business’s bad debts are recorded in the business’s financial statements for the year ended on 31 May 2017. Discuss the effect on both the income statement and the balance sheet.

**[8 marks]**

**[includes 2 marks for quality of written communication]**

**Income statement** \_\_\_\_\_

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**Balance sheet** \_\_\_\_\_

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**Turn over ►**



3

**Total for this question: 9 marks**

Freddie owns a chain of fast food shops. He provides the following information at 1 May 2016.

	<b>£</b>
Wages outstanding	19 990
Salaries had been prepaid	22 000
Rent and business rates owing	38 050

During the year ended 30 April 2017 the following amounts were paid from the business bank account:

	<b>£</b>
Wages and salaries	630 600
Rent and business rates	79 300

Freddie provides the following information at 30 April 2017.

	<b>£</b>
Wages and salaries outstanding	12 000
Rent and business rates prepaid	16 600

3 Prepare the expense accounts for Freddie’s fast food shops for the year ended 30 April 2017 showing clearly the amount to be transferred to the income statement.

**[9 marks]**

**Dr** **Wages and salaries account** **Cr**

Date	Details	£	Date	Details	£



**Dr** **Rent and business rates account** **Cr**

<b>Date</b>	<b>Details</b>	<b>£</b>	<b>Date</b>	<b>Details</b>	<b>£</b>

9

**Turn over for the next question**

**Turn over ►**



4

Total for this question: 16 marks

Dai is a local accountant who has agreed to correct the bookkeeping errors made in the financial records of **two** businesses, Peter’s Pasties and Morgan’s Mops.

The bookkeeper of **Peter’s Pasties shop** extracted a trial balance on 31 March 2017 which failed to agree. The difference had been posted to a suspense account.

The following errors were later discovered:

- (1) The sales day book had been understated by £850.
- (2) Credit sales of £490 to Dougie Aston had been credited in error to Doug Austin’s account.
- (3) The discounts allowed total in the cashbook had been understated by £370.
- (4) Discounts received of £675 had been debited in error to the discounts allowed account.
- (5) The owner had withdrawn goods for own use of £7600, but this had not yet been recorded in the accounts.

4 (a) Prepare the entries in the general journal necessary to correct the errors. (Narratives are **not** required.)

[11 marks]

General Journal	Dr £	Cr £



Workings \_\_\_\_\_

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**Question 4 continues on the next page**

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The bookkeeper of **Morgan's Mops** has identified the following errors all relating to the period.

- (1) Wages paid of £356 had been completely omitted from the books.
- (2) The purchase returns day book had been overstated by £5600.
- (3) Cash drawings of £320 had been omitted from the accounts.
- (4) Morgan had used his business bank account to pay for his son's car insurance at a cost of £642. This had been included in the business insurance for the year.
- (5) A commission received of £420 had been debited to the commission paid account.
- (6) A sales invoice of £333 was entered in the purchase returns day book.

- 4 (b)** Complete the following table to show the effect and amount that each correction would have on the draft profit.

The first item has been completed for you.

**[5 marks]**

	Increase £	Decrease £	No effect ✓
<i>Error (1)</i>		356	
<i>Error (2)</i>			
<i>Error (3)</i>			
<i>Error (4)</i>			
<i>Error (5)</i>			
<i>Error (6)</i>			

16

**END OF QUESTIONS**

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