



General Certificate of Education  
Advanced Level Examination  
June 2011

## Accounting

## ACCN3

### Unit 3 Further Aspects of Financial Accounting

Thursday 16 June 2011 9.00 am to 11.00 am

**For this paper you must have:**

- an AQA 12-page answer book
- 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 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.

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

Leony and Paul are in partnership, sharing profits and losses in the ratio 3:2 respectively. The partnership balance sheet at 31 March 2011 was as follows.

**Leony and Paul  
Balance sheet at 31 March 2011**

	£	£	£
<b>Non-current (fixed) assets</b>			180 000
<b>Current assets</b>			
Inventory (stock)	19 120		
Trade receivables (debtors)	<u>12 640</u>	31 760	
<b>Current liabilities</b>			
Bank overdraft	16 270		
Trade payables (creditors)	<u>18 950</u>	<u>35 220</u>	
Net current liabilities			<u>(3 460)</u>
			<u>176 540</u>
<b>Capital accounts</b>			
Leony		95 000	
Paul		<u>75 000</u>	170 000
<b>Current accounts</b>			
Leony		15 680	
Paul		<u>(9 140)</u>	<u>6 540</u>
			<u>176 540</u>

The partners agreed that the following should take effect on 1 April 2011.

- (1) Marco is to be introduced as a new partner with a capital investment of £40 000 paid into the bank.
- (2) The profit sharing ratio for Leony, Paul and Marco is to be 4:3:2 respectively.
- (3) Non-current (fixed) assets are to be re-valued at £160 000.
- (4) Goodwill is to be valued at £54 000 and this will not be maintained in the books of account.
- (5) Paul should have a credit balance of £5000 on his current account. Sufficient funds are to be transferred from his capital account on 1 April 2011 in order to achieve this.
- (6) Leony will transfer £25 000 from her capital account to a loan account.

**0 | 1**

Prepare the partnership capital accounts for Leony, Paul and Marco at 1 April 2011 after items (1) to (6) have been implemented. (12 marks)

**0 | 2**

State the value of balance at bank and of non-current (long term) liabilities at 1 April 2011, after items (1) to (6) have been implemented. (3 marks)

**Task 2****Total for this task: 15 marks**

The directors of RayJen Ltd were unable to determine the value of closing inventory (stock) at 30 April 2011. However, a stocktake was carried out after the year end on 7 May 2011 when inventory (stock) was valued at £25 400.

The following transactions took place between 1 May and 7 May 2011.

- (1) Goods with a total cost price of £2478 were returned to a supplier on 3 May 2011.
- (2) Goods with a total selling price of £1608 were returned by a customer on 5 May 2011. These goods were originally sold at a mark-up of 20%.
- (3) No other goods were either purchased or sold during the period.

It was also discovered on 2 May 2011 that some inventory (stock) with a cost price of £9889 was damaged and can be sold for only £9537.

**0 | 3**

Calculate the value of closing inventory (stock) for RayJen Ltd at 30 April 2011.

*(6 marks)***0 | 4**

Identify the relevant IAS which deals with the preparation of a statement of cash flows and explain how inventory (stock) is treated.

*(3 marks)*

The directors of RayJen Ltd are planning on purchasing a significant quantity of inventory (stock). However, the company is currently experiencing cash flow problems and the directors have been advised to consider financing the purchase of inventory (stock) by negotiating a debenture loan.

**0 | 5**

Advise the directors of RayJen Ltd whether a debenture loan would be appropriate to finance the inventory (stock) purchase. Justify your answer. *(4 marks)*  
*(for quality of written communication: plus 2 marks)*

**Turn over for the next task****Turn over ►**

**Task 3****Total for this task: 26 marks**

Lance does not keep full books of account. He has, however, been able to provide the following information for the year ended 30 April 2011.

(1) Bank account:

<b>Dr</b>	<b>£</b>		<b>Cr</b>
			<b>£</b>
Receipts from trade receivables (debtors)	27 450	Balance b/d at 1 May 2010	3 185
Transfer from cash	23 890	Payments to trade payables (creditors)	39 670
Proceeds from sale of vehicle	1 800	Wages	6 250
Balance c/d at 30 April 2011	3 265	Rent and rates	7 300
	<u>56 405</u>		<u>56 405</u>

(2) Assets and liabilities:

	<b>At 1 May 2010</b>	<b>At 30 April 2011</b>
	<b>£</b>	<b>£</b>
Cash in hand	340	690
Equipment at net book value	3 720	2 975
Inventory (stock)	4 740	5 270
Rates paid in advance	–	470
Rent accrued	535	–
Trade payables (creditors)	1 980	1 295
Trade receivables (debtors)	2 640	3 120
Vehicles at net book value	20 550	14 530

(3) Cash sales for the year were £35 750. The following cash payments were made.

	<b>£</b>
General expenses	520
Purchases	2100
Drawings	6700

Lance suspects that a dishonest employee may have stolen some cash from the business.

- (4) The vehicle sold for £1800 had a net book value of £2420. No vehicles were purchased during the year.
- (5) No equipment was purchased or disposed of during the year.
- (6) All goods are sold with a 60% mark-up on cost price.
- (7) No record has been kept of the amount of goods taken by the owner for personal use.

<b>0</b>	<b>6</b>
----------	----------

Prepare an income statement (trading and profit and loss account) for the year ended 30 April 2011. (A balance sheet is **not** required.) (26 marks)

**Task 4****Total for this task: 34 marks**

The directors of Austen Ltd have provided the following extract from the balance sheet at 30 April 2010.

	<b>Cost</b>	<b>Depreciation</b>	<b>NBV</b>
	£	£	£
Property plant and equipment:			
Land and buildings	150 000	45 000	105 000
Plant and machinery	90 000	39 375	50 625
Fixtures and fittings	40 000	10 800	29 200
	<u>280 000</u>	<u>95 175</u>	<u>184 825</u>

During the year ended 30 April 2011, the following transactions took place.

- (1) Land and buildings were to be re-valued at £280 000 on 1 May 2010.
- (2) Plant and machinery were purchased at a cost of £35 000.
- (3) Fixtures and fittings purchased on 1 May 2007 for £15 000 were sold during the year for £10 200.
- (4) Fixtures and fittings were purchased at a cost of £24 000.

The following is an extract from the company's statement of accounting policies.

- (1) Land and buildings are depreciated using the straight-line method at 2% per annum.
- (2) Plant and machinery are depreciated using the reducing balance method at 20% per annum.
- (3) Fixtures and fittings are depreciated at 10% per annum on cost.
- (4) All non-current (fixed) assets are depreciated for a whole year in the year of purchase but are not depreciated during the year of disposal.

- 0 7** Explain the role of directors in the preparation of the financial statements for a limited company. (4 marks)
- 0 8** Discuss the usefulness of published accounts to employees. (4 marks)
- 0 9** Discuss the usefulness of published accounts to trade payables (creditors). (4 marks)
- 1 0** Prepare a schedule of non-current (fixed) assets at 30 April 2011 (a total column is **not** required). (20 marks)  
(for quality of presentation: plus 2 marks)

**END OF QUESTIONS**

**There are no questions printed on this page**

**There are no questions printed on this page**

**There are no questions printed on this page**