

Surname		Other Names	
Centre Number			Candidate Number
Candidate Signature			

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General Certificate of Education
 June 2006
 Advanced Subsidiary Examination



ASSESSMENT and
 QUALIFICATIONS
 ALLIANCE

ACCOUNTING
Unit 1 Financial Accounting:
The Accounting Information System

ACC1

Wednesday 7 June 2006 1.30 pm to 2.30 pm

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

Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- Answer the questions in the spaces provided.
- 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 marked.

Information

- The maximum mark for this paper is 80.
 4 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. Some questions involve only numerical work; all other questions should be answered in continuous prose. Quality of Written Communication will be assessed in all prose answers.

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

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

Total for this question: 20 marks

1

Usman Khan uses a three-column cash book as part of his double-entry bookkeeping system. The following details relate to January 2006.

January		£
1	Balance in cash account	50
	Overdrawn bank balance	1236
2	Cheque paid to Bilton Office Supplies in settlement of an invoice for £167	164
6	Cheque from R Reed paid into bank	567
11	Paid rent by cheque	450
13	Cheque from B Brown paid into bank. Discount of £4 had been taken by the customer.	366
14	Cash sales	752
27	Paid wages of part-time employee in cash	75
28	Cash sales	642
	A bank statement received on 28 January revealed the following additional items.	
20	Standing order to British Gas	200
21	Interest charged by bank	28
24	Credit transfer from C Denton and Co Ltd	248
	On 31 January, all cash in hand, except a float of £50, was paid into the bank.	

REQUIRED

- (a) Prepare the cash book on page 3 for the month of January 2006 from the information provided above. (16 marks)
- (b) Balance the cash book at the end of the month and bring down the balances at 1 February 2006. (2 marks)
- (c) Post the discounts to the general ledger accounts. (2 marks)

Total for this question: 16 marks

2

A trainee accountant produced a draft profit and loss account which showed a net profit for the year ended 31 March 2006 of £17 690. Her supervisor subsequently discovered the following errors.

- (1) The purchases day book had been undercast by £520.
- (2) The cost of repairs to a delivery van of £450 had been debited to the motor vehicles account.
- (3) A payment of £500 for insurance had been completely omitted from the accounts.
- (4) A cheque for £2300 received from B Harrison, a debtor, had been credited to the account of B Harris.
- (5) Discount received of £1300 had been charged as an expense in the profit and loss account.
- (6) The closing stock had been recorded in the trading account as £3000. The correct figure was £300.

REQUIRED

- (a) Calculate the correct net profit. Show clearly whether **each** adjustment is added, subtracted or has no effect on the profit calculation.

Correction (1) has been completed as an example.

Corrected net profit for the year ended 31 March 2006

		£	
Net profit as given		17 690	
(1) <i>Purchases undercast</i>	<i>subtract</i>	<u>520</u>	
		17 170	
(2)			
(3)			
(4)			
(5)			
(6)			
Corrected net profit		<u> </u>	

(7 marks)

(b) Explain the difference between an error of commission and an error of principle.

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(4 marks)

(c) Evaluate the extent to which the use of computer accounting software can eliminate bookkeeping errors.

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(5 marks)

Total for this question: 9 marks

3

Aston Suppliers offers both trade and cash discounts to customers.

REQUIRED

(a) Explain the following terms.

Trade discount

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Cash discount

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(4 marks)

Total for this question: 9 marks

4

The following information relating to the month of May 2006 has been extracted from the subsidiary books of W G Shrubbs on 31 May 2006.

	£
Sales day book	43 500
Purchases day book	28 900
Returns inwards day book	625
Returns outwards day book	1 340
Discounts allowed	425
Discounts received	780
Payments received from credit customers	35 600
Payments made to credit suppliers	17 680

The general journal also showed that on 15 May 2006, a debit balance of £560 in the sales ledger was set off against a credit balance in the purchases ledger (contra entry).

At 1 May 2006, there was a debit balance on the sales ledger control account of £12 560.

REQUIRED

- (a) Prepare the sales ledger control account for the month of May 2006. Bring down the balance at 1 June 2006.

Sales Ledger Control Account

Dr			Cr		
Date 2006	Details	£	Date 2006	Details	£

(7 marks)

On 31 May 2006, the total of the balances extracted from the sales ledger was £17 640.

REQUIRED

(b) Explain **one** benefit of using control accounts.

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(2 marks)

9

Turn over for the next question

Total for this question: 22 marks

5

The following is the trial balance of P Pann at 31 December 2005.

	Dr £	Cr £
Wages and salaries	29 000	
Purchases and sales	65 000	125 000
Carriage outwards	3 000	
Returns	2 000	4 000
Motor vehicle	38 250	
Trade debtors	25 000	
Discounts	2 000	5 000
Stock at 1 January 2005	22 000	
Trade creditors		8 000
Carriage inwards	2 500	
Bank overdraft		4 500
VAT		2 250
Capital		40 000
	<u>188 750</u>	<u>188 750</u>

Additional information

At 31 December 2005, the closing stock was valued at £12 500.

(b) Explain **two** differences between fixed assets and current assets. Give **one** example of each.

Difference 1
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(2 marks)

Difference 2
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(2 marks)

Example of a fixed asset
(1 mark)

Example of a current asset
(1 mark)

(c) Explain the term long-term liabilities. Give **one** example.

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

Example
(1 mark)

END OF QUESTIONS