

Surname						Other Names					
Centre Number						Candidate Number					
Candidate Signature											

For Examiner's Use

General Certificate of Education
January 2008
Advanced Subsidiary Examination



ACCOUNTING

ACC2

Unit 2 Financial Accounting: Introduction to Published Accounts of Limited Companies

Thursday 10 January 2008 9.00 am to 10.00 am

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 to be marked.
- Page 11 is perforated. Tear it out **at the start of the examination** and use it when answering Question 4.

Information

- The maximum mark for this paper is 80.
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

For Examiner's Use			
Question	Mark	Question	Mark
1		3	
2		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: 18 marks

1

The following information relates to Rafik Khan Limited at 31 December 2007.

Authorised share capital

2 000 000 ordinary shares of 25p each

500 000 8% preference shares of £1 each

Issued share capital

800 000 ordinary shares of 25p each, fully paid

300 000 8% preference shares of £1 each, fully paid

In addition to the share capital, the following balances were extracted from the books of Rafik Khan Limited at 31 December 2007:

	£000
10% Debentures (repayable 31 January 2009)	40
Bank loan (repayable 2012)	15
Trade creditors	23
Revaluation reserve	10
Share premium	25
Retained profits before appropriations	73

The directors propose the following:

- (a) payment of the full dividend due on the 8% preference shares;
- (b) payment of 3% dividend on the ordinary shares.

REQUIRED

- (a) Calculate the amount of the proposed preference share dividend.

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(2 marks)

- (b) Calculate the amount of the proposed ordinary share dividend.

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- (c) Prepare a balance sheet extract at 31 December 2007 to show **only** the share capital and reserves section.

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(9 marks)

- (d) Explain the usefulness of the published accounts to the debenture holders of Rafik Khan Limited.

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(5 marks)

Total for this question: 12 marks

2

REQUIRED

- (a) Distinguish between fixed asset investments and current asset investments.

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(2 marks)

- (b) Distinguish between tangible fixed assets and intangible fixed assets. Give **one** example of each type of fixed asset.

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(4 marks)

- (c) State **two** items that would appear as a source of finance in a cash flow statement.

Item 1

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Item 2

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(2 marks)

- (d) Identify **two** advantages and **two** disadvantages to a shareholder of owning preference shares rather than ordinary shares.

Advantage 1

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(1 mark)

Advantage 2

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(1 mark)

Disadvantage 1

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(1 mark)

Disadvantage 2

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(1 mark)

Total for this question: 18 marks**3**

The bookkeeper of Gartside Bedding Ltd has prepared the following trial balance at 31 December 2007. The trial balance contains errors and the difference has been entered in a suspense account.

Trial Balance at 31 December 2007

	Dr	Cr
	£	£
Bank overdraft	4 620	
Carriage inwards		2 690
Carriage outwards	8 950	
Directors' fees	14 400	
Discounts allowed		3 730
Discounts received	2 420	
Issued ordinary share capital		50 000
Mortgage on premises		74 200
Premises		165 000
Property repairs		12 040
Purchases	73 550	
Rent received		7 200
Retained profits at 1 January 2007		20 300
Returns inwards		1 690
Returns outwards		1 410
Sales	202 400	
Stock at 1 January 2007	43 120	
Suspense account	15 640	
Trade creditors		14 990
Trade debtors	18 710	
VAT (due from HM Revenue and Customs)	1 550	
Wages and salaries		32 110
	385 360	385 360

REQUIRED

- (a) Prepare a corrected trial balance.

Trial Balance at 31 December 2007

	Dr	Cr
	£	£
Bank overdraft		
Carriage inwards		
Carriage outwards		
Directors' fees		
Discounts allowed		
Discounts received		
Issued ordinary share capital		
Mortgage on premises		
Premises		
Property repairs		
Purchases		
Rent received		
Retained profits at 1 January 2007		
Returns inwards		
Returns outwards		
Sales		
Stock at 1 January 2007		
Suspense account		
Trade creditors		
Trade debtors		
VAT (due from HM Revenue and Customs)		
Wages and salaries		

(10 marks)

Gartside Bedding Ltd has traded for many years and has employed the same accounting staff since the business began. Brian Gartside, the managing director, is now considering the introduction of a computerised accounting system for the business.

REQUIRED

- (b) Explain **two** possible positive **and two** possible negative reactions of the staff to the proposed introduction of a computerised accounting system.

Positive reactions

- 1
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-
- 2
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(4 marks)

Negative reactions

- 1
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- 2
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-
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(4 marks)

4

REQUIRED

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- This image shows a full page of white paper with horizontal dashed lines, typical of primary-ruled notebook paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Tear along the perforations to remove this page and use it when answering **Question 4**.

Seddon Ltd sells sports equipment. The following list of balances has been extracted from the books at 31 December 2007 and from information supplied by the directors of the company.

	£
8% debentures (repayable 2016)	200 000
Bank loan (repayable October 2008)	6 000
Bank overdraft	78 440
Discounts received	4 930
Dividends paid	10 000
Fixtures and fittings	724 000
General expenses	6 220
Gross profit for the year	193 200
Issued ordinary share capital	300 000
Issued preference share capital	100 000
Light and heat	8 150
Motor expenses	18 600
Rent and rates	12 400
Retained profits at 1 January 2007	344 640
Share premium	22 000
Stock at 31 December 2007	426 500
Trade creditors	56 920
Trade debtors	43 100
VAT (due from HM Revenue and Customs)	5 260
Wages and salaries	51 900

There are no questions printed on this page