

Surname						Other Names					
Centre Number						Candidate Number					
Candidate Signature											

For Examiner's Use

General Certificate of Education
January 2008
Advanced Subsidiary Examination



ACCOUNTING

ACC3

Unit 3 Financial Accounting: Determination of Income

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.

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.

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Question	Mark	Question	Mark
1		3	
2			
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

Saawan Bassi valued his stock on 30 November 2007. For his calculation he used an average price of the items in stock. His calculation was as follows.

Stock valuation: 168 items at an average price of £10 each = £1680.

Using this figure for closing stock, Saawan has calculated his gross profit as £67 500.

His calculation was based on the following information.

	Units in stock	Cost price of each unit £	Usual selling price of each unit £
Akles	50	12	18
Brids	30	16	20
Chyds	18	3	4
Derps	70	9	16

Additional information

Four Derps had been damaged and can now only be sold for £14 each after repairs are undertaken. The total cost of repairing the damaged Derps will be £24.

REQUIRED

- (a) Calculate the correct value of stock held at 30 November 2007.

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(12 marks)

- (b) Calculate the revised gross profit.

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(5 marks)

- (c) Identify **one** concept used when valuing stock.

A concept used when valuing stock is

(1 mark)

Turn over for the next question

Total for this question: 25 marks**2**

The directors of Scramble plc provided the following information at 31 December 2007.

	£
Authorised share capital	
6% preference shares of £1 each	500 000
Ordinary shares of 25 pence each	5 000 000
Issued share capital	
6% preference shares of £1 each fully paid	400 000
Ordinary shares of 25 pence each fully paid	1 000 000
Creditors: amounts falling due in more than one year	
8% debentures (2023)	250 000

The current market price of ordinary shares in Scramble plc is £1 each.

The net profit for the year was £947 000.

The directors have not yet completed the final accounts for the year ended 31 December 2007.

In August 2007 the following interim dividends had been paid:

preference shares	£12 000
ordinary shares	£32 000

The directors wish to provide for:

taxation for the year	£274 500
transfer to general reserve	£100 000

a final preference share dividend and a final dividend on ordinary shares of 2 pence per share.

(a) Prepare a profit and loss appropriation account for the year ended 31 December 2007.

[illegible]

Question 2 continues on the next page

REQUIRED

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Total for this question: 33 marks**3**

Donna Reayt owns and runs a manufacturing business. Goods are transferred from the manufacturing account to the trading account at cost plus 30%. Donna provides the following information for the year ended 31 December 2007.

	£
Stocks of raw materials at:	
1 January 2007 (at cost)	14 700
31 December 2007 (at cost)	15 900
Stocks of work in progress (see additional information (6) below)	
Stocks of finished goods at:	
1 January 2007 (at cost plus 30%)	22 100
31 December 2007 (at cost plus 30%)	24 700
Sales	1 200 000
Purchases of raw materials	317 600
Carriage inwards	1 450
Carriage outwards	2 375
Wages	361 665
Manufacturing royalties	22 000
Factory rent, rates and insurances	16 200
General factory overheads	33 045
Manufacturing machinery at cost	300 000
Provision for depreciation of manufacturing machinery at 1 January 2007	180 000
Provision for unrealised profit at 1 January 2007	5 100

Additional information at 31 December 2007

- (1) Manufacturing royalties paid in advance amounted to £500.
- (2) Wages are apportioned $\frac{2}{3}$ to direct labour and $\frac{1}{3}$ to indirect labour.
- (3) Insurances paid in advance amounted to £900.
- (4) Rates owed amounted to £850.
- (5) Depreciation is to be charged at 10% per annum on a straight-line basis.
- (6) Work in progress has decreased by £900 over the year.

(a) Prepare a manufacturing account for the year ended 31 December 2007.

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Donna has prepared a trading account using the information given. She has calculated her gross profit on trading to be £214600.

REQUIRED

- (b) Calculate the amount to be entered in the profit and loss account for the provision for unrealised profit for the year ended 31 December 2007.

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(5 marks)

However, one of her managers says that he cannot see the point of marking up the goods to be transferred and he suggests that she discontinues the practice.

(c) Advise Donna on whether or not she should continue to transfer goods from her factory at cost plus 30%.

[illegible]

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