

Surname					Other Names				
Centre Number					Candidate Number				
Candidate Signature									

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General Certificate of Education
 June 2005
 Advanced Subsidiary Examination



ACCOUNTING
Unit 3 Financial Accounting:
Determination of Income

ACC3

Wednesday 8 June 2005 Afternoon Session

No additional materials are required.
 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 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. This includes up to 4 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- You will be assessed on your ability to use an appropriate form and style of writing, to organise relevant information clearly and coherently, and to use specialist vocabulary, where appropriate. The degree of legibility of your handwriting and the level of accuracy of your spelling, punctuation and grammar will also be taken into account.

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

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

1

Total for this question: 25 marks

The following balances have been extracted from the books of Rachel Sorcim at 31 March 2005.

	£	£
Capital		86 048
Sales		81 643
Purchases	38 642	
Office wages	21 347	
Rent, rates and insurances	4 990	
General expenses	16 281	
Bad debts	137	
Provision for doubtful debts 1 April 2004		100
Bad debts recovered		88
Premises at cost	70 000	
Equipment at cost	28 000	
Provisions for depreciation 1 April 2004:		
Premises		16 800
Equipment		16 530
Debtors and creditors	1 360	981
Stock at 1 April 2004	1 487	
Drawings	16 500	

Additional information at 31 March 2005 not yet included by Rachel

- (1) Closing stock £1638.
- (2) Wages accrued £412.
- (3) Insurance paid in advance £146.
- (4) During the year, Rachel took goods to the value of £1200 from the business for her private use.
- (5) Rachel maintains a provision for doubtful debts of 5% of debtors outstanding at the year end.
- (6) Rachel provides for depreciation of fixed assets as follows:
 premises at 2% per annum on cost using the straight-line method;
 equipment 20% per annum using the reducing-balance method.

(b) Prepare an extract from the balance sheet as at 31 March 2005 showing the capital section only.

£

Capital.....

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(5 marks)

25

2

Total for this question: 6 marks

Dimitri sells electrical goods. At his financial year end, he is unsure how to value an electric kettle that he has in stock.

The kettle cost £18. It will sell for £31.

Before it can be sold, the kettle requires a repair which will cost £15.

REQUIRED

- (a) Calculate the value of the kettle to be included as part of Dimitri's closing stock.

The kettle should be valued at £ (3 marks)

Workings
.....
.....

- (b) Complete the following sentences.

Stock should be valued at

or whichever is lower.

This is an example of using the concept. (3 marks)

6

TURN OVER FOR THE NEXT QUESTION

3

Total for this question: 13 marks

Brendan Murphy runs a manufacturing business. Finished goods are transferred from the manufacturing account to the trading account at cost plus 40%.

The following extracts are taken from the two most recent balance sheets.

Balance sheet	at 31 March 2004		at 31 March 2005	
	£	£	£	£
Stocks – Raw materials		12 468		10 980
Work in progress		8 647		9 946
Finished goods	29 876		31 906	
Less provision for unrealised profit	8 536		?	
		21 340		?

REQUIRED

- (a) Complete the balance sheet extract, having calculated the following.
- (i) The provision for unrealised profit to be included in the balance sheet extract at 31 March 2005.
 - (ii) The cost of the closing stock of finished goods at 31 March 2005.

Balance sheet extract at 31 March 2005

	£	£
Stocks – Finished goods	31 906	
Less provision for unrealised profit	_____	
Cost price of finished goods		_____
		(6 marks)

Workings

- (i)
-
-
- (ii)
-
-

- (b) Calculate the provision for unrealised profit to be shown in the profit and loss account for the year ended 31 March 2005.

The profit and loss account entry is

£

(3 marks)

Workings

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- (c) Outline **two** reasons why Brendan transfers goods to the trading account at cost plus a profit.

Reason 1

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(2 marks)

Reason 2

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(2 marks)

TURN OVER FOR THE NEXT QUESTION

4

Total for this question: 32 marks

The following balance sheet for C Breeze Ltd has been prepared by a very inexperienced student of accounting.

C Breeze Ltd
Balance Sheet for the year ended 31 December 2004

	£000	£000
Fixed assets		1784
Revaluation reserve		200
Profit and loss account		306
Share premium account		450
		2740
Less current assets: Trade creditors		156
		2584
Financed by		
Share capital: Ordinary shares		350
Proposed dividend on ordinary shares		18
6% Debentures (2014)		300
		668
Current liabilities		
Stock at 31 December 2004	461	
Trade debtors	271	
Depreciation of fixed assets	861	
Corporation tax due	72	
Cash at bank	184	
Prepayments	13	
	1862	2530
Add cost of sales:		
Stock 1 January 2004	515	
Less Stock 31 December 2004	461	
	54	2584

REQUIRED

(a) Prepare a corrected balance sheet from the information given.

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(16 marks)

(b) Give an example of a capital reserve and a revenue reserve. Explain **two** differences between capital reserves and revenue reserves.

An example of a capital reserve is

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(1 mark)

An example of a revenue reserve is

.....

(1 mark)

Difference 1

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Difference 2

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(4 marks)

- (c) The directors of C Breeze Ltd wish to raise additional capital. Draft a brief report discussing whether they should issue more ordinary shares or more 6% debentures.

To:

From:

Date:

Subject:

(Report headings: 1 mark)

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(9 marks)

THERE ARE NO QUESTIONS PRINTED ON THIS PAGE