

General Certificate of Education
January 2006
Advanced Level Examination



ACCOUNTING
Unit 5 Further Aspects of Financial Accounting

ACC5

Thursday 19 January 2006 9.00 am to 10.15 am

For this paper you must have:

- an answer book for Accounting

You may use a calculator.

Time allowed: 1 hour 15 minutes

Instructions

- Use blue or black ink or 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 ACC5.
- 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 the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 105.
5 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- Question 3 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.
- 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.

Answer **all** questions.

Total for this question: 20 marks

1

The following details regarding subscriptions received during the year ended 31 December 2005 have been extracted from the cash book of the Volley Tennis Club.

Subscriptions received for the year ended	£
31 December 2004	288
31 December 2005	15 648
31 December 2006	192

Additional information

- (1) At the year ended 31 December 2004, subscriptions amounting to £624 remained unpaid, while subscriptions totalling £240 had been paid for the year ended 31 December 2005.
- (2) Members whose subscriptions for the year ended 2004 remained unpaid at 31 December 2005 had their membership withdrawn and their subscriptions, which totalled £384, are to be written off.
- (3) Nine members' subscriptions, amounting to £432, remained unpaid at the year end 31 December 2005.

REQUIRED

- (a) Prepare a subscriptions account for the year ended 31 December 2005. *(8 marks)*

The treasurer of the Volley Tennis Club is considering the introduction of a life membership scheme. He has suggested a one-off payment of £400, with equal amounts being transferred annually to the income and expenditure account over ten years. He asks your advice.

REQUIRED

- (b) Advise the club treasurer whether or not the club should introduce a life membership scheme. *(12 marks)*

Turn over for the next question

Total for this question: 22 marks

2

Mei, Janet and Michael have been in partnership for a number of years, sharing profits and losses in the ratio 3:2:1 respectively.

The summarised partnership balance sheet at 30 September 2005 is shown below.

	£	£
Fixed assets		60 000
Bank	1 000	
Other current assets	<u>28 000</u>	
	29 000	
Current liabilities	<u>24 000</u>	<u>5 000</u>
		<u>65 000</u>
Capital accounts:		
Mei		40 000
Janet		20 000
Michael		<u>5 000</u>
		<u>65 000</u>

Janet retired from the partnership at close of business on 30 September 2005. Mei and Michael continued in partnership; they shared profits in the ratio 2:1 respectively. The three partners agreed that the following asset valuations applied at 30 September 2005.

	£
Fixed assets	130 000
Goodwill	75 000
Current assets (excluding bank)	27 000

It was further agreed that goodwill would not appear in the books of account. Mei and Michael were unsure how any debt owed to Janet should be settled. In the short term, the amount was transferred to a temporary loan account.

REQUIRED

- (a) Prepare the three partners' capital accounts at 30 September 2005, showing the effects of Janet's retirement. (11 marks)

Mei and Michael are considering three alternative methods of funding the amount owed to Janet.

These are:

- (1) to borrow sufficient funds from a bank in the form of a long-term loan, repayable in equal monthly instalments over ten years at 8% interest per annum;
- (2) to use overdraft facilities (the bank has agreed to this if required);
- (3) to leave the amount due in Janet's loan account, repayable over ten years in equal half-yearly instalments at 7% interest per annum.

REQUIRED

- (b) Advise Mei and Michael how the debt owed to Janet should be settled. *(11 marks)*

Turn over for the next question

Total for this question: 58 marks

3

Cindy Tofe does not keep proper books of account. However, she keeps an accurate record of cash and bank transactions, except for personal drawings, in a cash book. She is able to provide the following information for the year ended 31 December 2005.

Assets and liabilities	at 1 January 2005	at 31 December 2005
	£	£
Equipment	24 000	20 000
Vehicles	60 000	56 000
Stock	2 998	?
Trade debtors	6 546	7 219
Trade creditors	5 982	5 433
Cash at bank	1 726	?
Cash in hand	142	169
Interest-free long-term loan	–	15 000
Rent paid in advance	160	420
Wages owing	831	762

Cindy has drawn a cheque from the bank each week for her own personal use. She is unsure of the exact amount withdrawn over the year, but she believes it to be between £17 000 and £18 000. All other bank transactions have been recorded accurately.

Cindy provides the following summary of her business bank transactions during the year ended 31 December 2005.

	£		£
Cash and cheques banked	186 784	General expenses	1 604
Loan from parent	15 000	Wages	23 110
(interest-free, to be repaid 2011)		Drawings	?
		New vehicle	13 500
		Payments to creditors	142 911
		Rent	4 940
Total receipts	<u>201 784</u>	Total withdrawals except drawings	<u>186 065</u>

At the end of the financial year, the bank statement received from Cindy's bank showed that she was overdrawn by £668. Cindy knows there was an unpresented cheque for £291. She has also noted that takings of £1084, paid into the bank on 31 December 2005, did not appear on the bank statement.

REQUIRED

- (a) Prepare a bank reconciliation statement to determine the bank balance as per Cindy's cash book at 31 December 2005. (4 marks)
- (b) Calculate the amount of Cindy's drawings from her bank account. (5 marks)

Cindy was unable to carry out a stock-take on 31 December 2005 because of illness. The stock-take was completed on 8 January 2006, when the stock was valued at £2986.

The following transactions took place in the period 1 January 2006 to the close of business on 7 January 2006.

	£
Purchases of goods for resale	1036
Purchases returns	140
Sales (marked up by 40%)	2520
Sales returns (marked up by 40%)	504
Sale to Frank Fearless, a fellow trader, at cost plus 10%	858

REQUIRED

- (c) Calculate the value of stock at 31 December 2005. (10 marks)

During the year ended 31 December 2005, vehicle ZT 52 SMH, book value £12 000, was accepted by Foxhall's garage in part exchange for a new vehicle PQ 55 JJH costing £25 000. Cindy paid £13 500 by cheque.

REQUIRED

- (d) Calculate the profit or loss on disposal of vehicle ZT 52 SMH. (5 marks)

Before banking her takings, Cindy paid £11 022 in cash during the year for the following:

	£
Motor expenses	3040
General expenses	5162
Cash purchases	740
Her own private use	2080

REQUIRED

- (e) Prepare a trading and profit and loss account for the year ended 31 December 2005. A balance sheet is **not** required. (34 marks)

END OF QUESTIONS

There are no questions printed on this page