

General Certificate of Education
January 2007
Advanced Level Examination



ACCOUNTING
Unit 5 Further Aspects of Financial Accounting

ACC5

Friday 19 January 2007 1.30 pm to 2.45 pm

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 to be marked.

Information

- The maximum mark for this paper is 105.
Five 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.
- Question 3 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.

Answer **all** questions.

Total for this question: 18 marks

1

Ali, Bambi and Charlie have been in partnership for many years. They share profits and losses in the ratio 3:2:1 respectively. After a number of years of poor results, they agree to dissolve the partnership on 31 December 2006.

The partnership balance sheet at 31 December 2006 is shown below.

Ali, Bambi and Charlie		
Balance sheet at 31 December 2006		
		£
All assets (other than bank)		82 020
Bank balance		700
Liabilities		<u>(23 420)</u>
		<u>59 300</u>
Capital accounts		
– Ali	40 000	
Bambi	10 000	
Charlie	<u>10 000</u>	60 000
Current accounts		
– Ali	1 700	
Bambi	(4 700)	
Charlie	<u>2 300</u>	<u>(700)</u>
		<u>59 300</u>

Daphne agreed to purchase the business for £40 000 cash.

All assets and liabilities, other than the bank balance, were taken over by Daphne.

The dissolution took place and was completed on 1 January 2007.

Bambi was unable to meet any liability to the partnership out of his personal funds.

REQUIRED

- (a) Calculate the profit or loss on dissolution. (5 marks)
- (b) Prepare detailed capital accounts to close the partnership books of account. (13 marks)

Total for this question: 24 marks

2

The treasurer of the Padds Cricket Club supplies the following information extracted from the club's receipts and payments account for the year ended 30 September 2006, relating to monies received for subscriptions.

	£
Annual subscriptions	14 220
Life membership subscriptions	4 050

Additional information

(1)	At 1 October 2005	At 30 September 2006
	£	£
Annual subscriptions outstanding	300	480
Annual subscriptions received in advance	420	120

- (2) Half of the annual subscriptions outstanding at 30 September 2006 are to be written off and membership cancelled.
- (3) The balance of the life membership fund at 1 October 2005 stood at £8550.
- (4) The club treasurer transfers $\frac{1}{8}$ of the balance of the fund at each year end to the club's income and expenditure account.

REQUIRED

- (a) Prepare an annual subscriptions account. *(8 marks)*
- (b) Prepare a life membership fund account. *(4 marks)*
- (c) Evaluate the effect of the life membership fund on the club's liquidity. *(12 marks)*

Turn over for the next question

Total for this question: 58 marks

3

Martin and Nasser are in partnership. Their partnership agreement provides that:

- Nasser be credited with a partnership salary of £3000 per annum
- partners be credited with interest on capital of 6% per annum
- interest on drawings be charged
- residual profits and losses be shared in the ratio of 3:2 respectively.

The partners have never kept a full set of accounting records. However, they are able to provide the following information.

Cash book summary

	£		£
Balance 1 January 2006	2 178	Wages	63 156
Cash sales	332 467	Purchase of machine	8 800
Cash received from debtors	44 049	General expenses	56 676
Rent received	7 000	Payments to creditors	195 911
Balance 31 December 2006	989	Drawings – Martin	35 660
		Nasser	26 480
	<u>386 683</u>		<u>386 683</u>
		Balance 1 January 2007	989

Additional information

		At 1 January 2006	At 31 December 2006
		£	£
Fixed capital accounts	– Martin	100 000 Cr	100 000 Cr
	– Nasser	70 000 Cr	70 000 Cr
Current accounts	– Martin	3 210 Cr	?
	– Nasser	1 304 Cr	?
Machinery at valuation		147 000	145 000
Vehicle at valuation		16 000	8 000
Stock		14 003	13 471
Debtors		317	183
Creditors		4 872	5 163
Wages accrued		612	938
Rent receivable owing		500	–
Rent receivable paid in advance		–	500

During the year, an old machine that cost £10 000 was traded for £3200 in part exchange for a new machine costing £12 000. The old machine had been depreciated by £6000 over its lifetime.

Interest on drawings for the year amounted to – Martin	£230
Nasser	£100

REQUIRED

Prepare the following:

- (a) a total debtors' account for the year ended 31 December 2006; *(4 marks)*
- (b) a total creditors' account for the year ended 31 December 2006; *(4 marks)*
- (c) a trading and profit and loss account for the year ended 31 December 2006; *(25 marks)*
- (d) a profit and loss appropriation account for the year ended 31 December 2006; *(7 marks)*
- (e) partners' current accounts at 31 December 2006. *(8 marks)*

Many partnerships maintain separate capital and current accounts.

REQUIRED

- (f) Evaluate the extent to which a partnership is likely to benefit from this practice. *(10 marks)*

END OF QUESTIONS

There are no questions printed on this page

There are no questions printed on this page

There are no questions printed on this page