

General Certificate of Education
June 2004
Advanced Level Examination



ACCOUNTING
**Unit 5: Further Aspects of
Financial Accounting**

ACC5

Friday 25 June 2004 Afternoon Session

In addition to this paper you will require:

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. This includes up to 5 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- Question 3 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.
- 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.

Answer **all** questions.

1

Total for this question: 9 marks

The following extract has been taken from the receipts and payments account of the Ropley Rugby Club for the year ended 31 December 2003.

Receipts	£
Annual subscriptions	9160
Life membership subscriptions	3000

Additional information

- (1) At 1 January 2003 annual subscriptions received in advance amounted to £120.
- (2) At 31 December 2003 subscriptions received in advance for the year ending 31 December 2004 amounted to £200. Subscriptions accrued and unpaid amounted to £40.
- (3) At 1 January 2003 the balance on the life membership fund was £18 600.
- (4) It is club policy to transfer 10% of the total in the life membership fund, at the financial year-end, to the club's income and expenditure account.

REQUIRED

Calculate the amounts to be shown in the club's income and expenditure account for:

- (a) annual subscriptions; *(5 marks)*
- (b) life membership subscriptions. *(4 marks)*

2

Total for this question: 14 marks

Gordon McGuire does not keep a full set of accounting records for his business. On Saturday 29 May 2004, two days before his financial year-end, an amount of cash was stolen from the business.

Gordon provides you with the following information.

	£
Cash balance at 1 June 2003	229
Cash balance at 31 May 2004	160
Cash sales for the year	219 941
Cash paid into bank during the year	165 640
Expenses paid by cash	49 600

REQUIRED

- (a) Prepare a summarised cash account showing clearly the amount of cash stolen on 29 May 2004. *(6 marks)*
- (b) Advise Gordon on **two** measures he could use to prevent such a loss occurring in the future. *(4 marks)*
- (c) Advise Gordon on **two** ways to maintain accurate records of cash transactions. *(4 marks)*

TURN OVER FOR THE NEXT QUESTION

3

Total for this question: 77 marks**Part A (20 marks)**

Mary Cox and Bernard Box have been in partnership for a number of years.

The following trial balance was extracted from their business books of account at 31 March 2004 **after** a trading and profit and loss account had been prepared.

	£	£
Net profit for the year (profits have accrued evenly throughout the year)		75 860
Fixed assets at net book value	80 000	
Net current assets other than bank balance	6 387	
Bank balance	1 400	
Capital accounts – balances at 1 April 2003		
Mary		50 000
Bernard		30 000
Current accounts – balances at 1 April 2003		
Mary		1 100
Bernard		900
Drawings – for the year		
Mary	40 000	
Bernard	30 000	
Suspense account	73	
	157 860	157 860

Additional information

After preparing the trial balance the following errors were discovered.

- (1) The purchase of a computer for £1500, on 1 April 2003, has been debited to the office expenses account. (The computer has an estimated useful life of 3 years and will have no scrap value.)
- (2) The total of discount allowed £230 has been credited to the discount received account.
- (3) Receipt of £198 from A. Shocker, a customer, has been correctly entered in the cash book but has been debited to A. Shocker's account as £189.
- (4) A credit sale to Jack Smith of £73 has been debited to the account of Zack Smith.

REQUIRED

- (a) Prepare journal entries to correct the errors (1) – (4) above. (11 marks)
(Narratives are **not** required.)
- (b) Prepare a suspense account showing the corrections made. (4 marks)
- (c) Prepare a detailed calculation showing any adjustments to the net profit. (5 marks)

Part B (39 marks)**Additional information**

Mary and Bernard's partnership agreement provided that:

Bernard should be credited with a partnership salary of £800 per annum;
 partners should be credited with interest on capital at 4% per annum;
 residual profits and losses should be shared in the ratio 3:2.

The partners agreed that from 1 October 2003:

profits and losses would be shared equally;
 partners would be charged interest on drawings.

Interest on drawings from 1 October 2003 until 31 March 2004 was

Mary	£86
Bernard	£20.

On 30 September 2003 the tangible assets of the business were revalued.

The resulting surplus on revaluation was £27 000.
 Goodwill was valued at £60 000.

It was agreed by the partners that a goodwill account should not remain in the books of the business.

REQUIRED

- (d) Prepare capital accounts showing any changes that may have occurred due to the change in profit sharing ratios. *(10 marks)*
- (e) Prepare appropriation accounts for the year ended 31 March 2004. *(13 marks)*
- (f) Prepare current accounts as at 31 March 2004. *(16 marks)*

Part C (18 marks)

Mary and Bernard are the sole importers of "bijogs", a very sweet chocolate bar manufactured in Asia. It retails at £1.35 per bar. The partnership purchases the chocolate bars directly from the manufacturer at a cost of 65 pence each.

Recently, Hans Upp, a retailer in Germany, has expressed an interest in placing one large order for 10 000 "bijogs". Hans will pay £8500, but would expect Mary and Bernard to pay freight charges that would amount to £560.

The partners are unsure whether or not they should accept the German order.

REQUIRED

- (g) Advise Mary and Bernard whether or not they should accept the German order. (Your advice should be supported by financial and non-financial factors.) *(10 marks)*

QUESTION 3 CONTINUES ON THE NEXT PAGE

Additional information

A tabloid newspaper has recently reported that “bijogs” is suspected of causing severe stomach irritation.

REQUIRED

(h) Advise the partners on the actions they could take.

(8 marks)

END OF QUESTIONS

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