

General Certificate of Education  
June 2005  
Advanced Level Examination



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

**ACC5**

Friday 24 June 2005 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: 18 marks**

Denise Watson sells one type of agricultural machine, a mini-baler. She provides the following information for April 2005.

Denise had 2 mini-balers in stock at 1 April 2005. They cost £1200 each.

<b>Date</b>	<b>Purchases</b>	<b>Sales</b>
1 April	3 @ £1200	
3 April		4 @ £2900
7 April	4 @ £1350	
17 April		4 @ £3000
21 April	8 @ £1400	
24 April		7 @ £3000
Total purchases for month	£20 200	Total sales for month
		£44 600

Denise has calculated her gross profit to be £24 782, using the weighted average cost method (AVCO) of valuing her stock.

She sells her mini-balers in the order in which she purchases them. For this reason, she believes she should change her method of valuing stock to the first in first out method (FIFO).

### **REQUIRED**

- Calculate the value of stock at 30 April 2005 using the first in first out (FIFO) method of stock valuation. *(3 marks)*
- Prepare a trading account for the month of April 2005 using the FIFO method of valuing stock. *(6 marks)*
- Discuss the advantages and disadvantages of both these methods of valuing stock. Advise Denise whether she should change her method of valuing stock. *(9 marks)*

2

**Total for this question: 10 marks**

The treasurer of the Detford Tennis Club provides the following information for the year ended 30 April 2005, which is the end of the club's first year.

**Receipts and Payments Account for the year ended 30 April 2005**

	£		£
Subscriptions for year ended 30 April 2005	2 176	General expenses	1 867
Subscriptions for year ended 30 April 2006	96	Equipment	610
Money-raising events	563	Building costs for new pavilion	6 540
Donation for building new pavilion	50 000	Balance 30 April 2005	43 818
	52 835		52 835
	52 835		52 835

The donation was given on the understanding that it would be used solely for the construction of a new pavilion.

The committee of the Detford Tennis Club has agreed that the equipment should be written off over 10 years using the straight-line method.

The treasurer has already calculated the accumulated fund balance at 30 April 2005 as £7351.

**REQUIRED**

Prepare a balance sheet at 30 April 2005, taking into account the donor's wishes.

*(10 marks)*

**TURN OVER FOR THE NEXT QUESTION**

3

**Total for this question: 72 marks****Part A (28 marks)**

Tom Stoddart set up an office cleaning business on 1 March 2003. He did not keep a full set of bookkeeping records. He was, however, able to supply the following information which related to the financial year ended 29 February 2004.

A bank overdraft of £42 was shown on the business bank statement at 29 February 2004. At 29 February 2004 there was an unrepresented cheque for £38. Cheques totalling £720 paid into the bank on 29 February did not appear on the bank statement.

**REQUIRED**

- (a) Prepare a bank reconciliation statement at 29 February 2004 to determine Tom's bank balance at that date. *(5 marks)*
- (b) Advise Tom on the benefits of preparing a bank reconciliation statement on a regular basis. *(6 marks)*

Tom's opening capital on 1 March 2003 was £32 000. His assets and liabilities at 29 February 2004 were:

	<b>£</b>
Machinery at valuation	46 000
Two vehicles at valuation	34 000
Loan from Eliza, a friend	20 000
Stock of cleaning materials	380
Amounts outstanding for the purchase of cleaning materials	180
Amounts owed by customers	1 870
Bank balance	?

During the year, Tom:

- took £14 184 cash from the business for his private use;
- took cleaning materials to the value of £96 for use in his home;
- received a gift of £15 000 from his mother, which he paid into the business bank account.

**REQUIRED**

- (c) Calculate Tom's net profit for the year ended 29 February 2004. *(10 marks)*  
(Note: a profit and loss account is **not** required.)
- (d) (i) Calculate Tom's return on capital employed. *(2 marks)*
- (ii) Comment on your result. *(5 marks)*



**Part C (19 marks)**

Both partners agreed that the partnership was not the success that they both hoped that it might have been. They agreed that the partnership be dissolved on 28 February 2005.

At 28 February 2005, the partnership had the following assets and liabilities:

	£
Machinery at valuation	36 000
Three vehicles at valuation	28 000
Stock of cleaning materials	430
Amounts owed to suppliers of cleaning materials	340
Amounts owed by customers	1 250
Bank balance	1 167

Immediately prior to dissolution, the partners' current account balances were transferred to their capital accounts.

The capital account balances then stood at:

Tom	£51 319	Cr
Eliza	£15 188	Cr

The machinery was sold to Pristine Cleaners Ltd for a purchase consideration of £20 000.

The amount was settled by the issue of 12 000 ordinary shares of £1 each in Pristine Cleaners Ltd.

The partners received half of the shares each.

A vehicle with a book value of £12 000 was taken over by Eliza for £9000.

The other two vehicles were sold for £15 000 cash.

Stocks of cleaning materials were sold for £380 cash.

Creditors were paid in full.

Debtors paid £1150 in full settlement.

The cost of dissolution amounted to £2485.

**REQUIRED**

- |   |                   |
|---|-------------------|
| (h) Calculate the profit or loss on dissolution.                    | <i>(10 marks)</i> |
| (i) Prepare partners' capital accounts to show the closing entries. | <i>(9 marks)</i>  |

**END OF QUESTIONS**

**THERE ARE NO QUESTIONS PRINTED ON THIS PAGE**

**THERE ARE NO QUESTIONS PRINTED ON THIS PAGE**