General Certificate of Education
June 2007
Advanced Level Examination

ACCOUNTING **ACC5**
Unit 5 Further Aspects of Financial Accounting

Friday 15 June 2007 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 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: 22 marks

1 The Lynout Rugby Club runs a bar.

The treasurer provides the following information for the year ended 31 March 2007.

	£
Bar sales	25 728
Amounts owing to suppliers 1 April 2006	368
Amounts owing to suppliers 31 March 2007	412
Bar stocks 1 April 2006	1 432
Bar stocks 31 March 2007	1 239

Additional information

(1) During the year ended 31 March 2007, the club paid £17 309 to the suppliers of goods sold in the bar.

(2) The bar steward's wages for the year amounted to £2000.

(3) The club's treasurer took £250 of wines and spirits at cost price from stock during March, for his daughter's wedding on 10 April 2007. No record has been made of these goods, which have been taken on a sale or return basis.

REQUIRED

(a) Prepare a bar trading account for the year ended 31 March 2007. *(10 marks)*

(b) Calculate the bar net profit to sales margin for the year ended 31 March 2007. *(3 marks)*

The club's committee wishes to increase the bar profit to sales margin in the next financial year. Two suggestions have been made.

(1) Alf, a committee member, has suggested that the club ought to increase bar prices by 10%.

(2) Brenda, another committee member, has suggested that a better option would be to reduce bar prices by 10%. She feels sure this would increase the volume of sales.

REQUIRED

(c) Discuss **each** of the two suggestions, and advise the committee which course of action the club should adopt. *(9 marks)*

Turn over for the next question

Total for this question: 16 marks

2 Tom Greenacre buys and sells one model of caravan. He provides the following information for April 2007.

On 1 April, there was one caravan in stock, which had cost £17 700.

Date	**Purchases**	**Sales**
10 April	2 at £18 000 each	
18 April		2 at £23 000 each
26 April	3 at £18 400 each	
30 April		2 at £23 000 each

REQUIRED

(a) Calculate the value of closing stock at 30 April 2007, using the weighted average cost (AVCO) method of stock valuation. *(10 marks)*

(b) Discuss whether or not a change from the weighted average cost (AVCO) method to the first in first out (FIFO) method would be beneficial to Tom's business. *(6 marks)*

Total for this question: 62 marks

3 Daniel and Freda commenced business in partnership on 1 January 2005. They had no partnership agreement and decided not to keep proper books of account.

Capital introduced by each partner on 1 January 2005 was as follows.

	£
Daniel	20 000
Freda	30 000

The following information is given at 31 December 2005, at the end of the first year of trading.

	£
Premises	40 000
Vehicle	3 750
Office equipment	6 000
Stock	2 400
Debtors	150
Creditors	3 250
Cash at bank	10 950

Daniel had withdrawn £17 000 and Freda had withdrawn £23 000 for personal use during the year.

REQUIRED

(a) Calculate the partnership profit or loss for the year ended 31 December 2005.

A profit and loss account is **not** required. *(8 marks)*

The partners have decided that, from 1 January 2006, they should maintain a double-entry system of keeping their financial records.

REQUIRED

(b) Evaluate the decision that the partners have reached with regard to maintaining their financial records in future. *(12 marks)*

Question 3 continues on the next page

During the early part of 2006, the partners thought that the business was doing so well that the time had come to expand. In order to finance the expansion, Helen was admitted as a partner with effect from 1 July 2006. The partners drew up a written agreement to take effect from 1 July 2006. The agreement provided that:

(1) Helen be credited with a partnership salary of £5000 per annum;
(2) partners be credited with interest on capital at 6% per annum;
(3) residual profits and losses be shared in the ratios Daniel $\frac{1}{2}$; Freda $\frac{1}{3}$; Helen $\frac{1}{6}$;
(4) partners be charged interest on drawings.

The agreement further provided that the partners would maintain separate capital and current accounts.

At 30 June 2006, the partnership balance sheet was as follows.

	£	£
Fixed assets		
Premises		40 000
Vehicle		3 125
Office equipment		5 700
		48 825
Current assets		
Stock	3 200	
Debtors	1 985	
Bank balance	3 170	
	8 355	
Current liabilities		
Creditors	4 180	4 175
		53 000
Capital accounts – Daniel		25 000
– Freda		28 000
		53 000

When Helen was admitted to the partnership, it was agreed that certain assets would be valued at the following amounts.

	£
Fixed assets	100 000
Stock	2 600
Debtors	1 410
Goodwill	60 000

It was further agreed that goodwill would not appear in the business books of account.

Helen agreed to introduce £50 000 cash as capital.

REQUIRED

(c) Prepare the partners' capital accounts as they would appear on 1 July 2006, immediately after Helen was admitted as a partner. *(14 marks)*

The net profit for the year ended 31 December 2006 was £90 000. The profit had accrued evenly throughout the year.

The drawings and interest on drawings for the year for each partner are given below.

	Daniel	**Freda**	**Helen**
	£	**£**	**£**
Drawings	41 000	35 000	12 000
Interest charged on drawings	250	80	160

REQUIRED

(d) Prepare profit and loss appropriation accounts for the year ended 31 December 2006. *(10 marks)*

(e) Prepare partners' current accounts for the year ended 31 December 2006. *(9 marks)*

(f) Evaluate the decision to keep separate capital and current accounts. *(9 marks)*

END OF QUESTIONS

There are no questions printed on this page