

General Certificate of Education  
June 2008  
Advanced Level Examination



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

**ACC5**

Friday 6 June 2008 9.00 am to 10.15 am

**For this paper you must have:**

- an 8-page answer book.

You may use a calculator.

Time allowed: 1 hour 15 minutes

**Instructions**

- Use black ink or black 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: 24 marks**

**1**

The Breezwind Sailing Club operates a clubhouse bar for its members. The bar sells all drinks at a uniform mark-up of 10% on cost.

The treasurer provides the following information for the year ended 31 December 2007:

	<b>At 1 January 2007</b>	<b>At 31 December 2007</b>
	<b>£</b>	<b>£</b>
Bar stocks	856	1020
Creditor for bar stocks	428	612

Cash paid to the supplier of bar stocks during the year amounted to £31 180.

A part-time bar steward is paid £2600 per annum.

### REQUIRED

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

The club has 110 members. Each member pays an annual subscription of £50 per annum. The club has been operating at a small annual deficit of about £850 for each of the past four years.

To improve the financial position of the club the treasurer has suggested two alternative options.

**Option 1:** To increase annual subscriptions from £50 to £80 per member. She has estimated that membership would fall from 110 members to 90 as a result.

**Option 2:** Increase the mark-up on all bar sales from the present 10% to 25%. She has estimated that this would result in bar sales falling by 50%.

### REQUIRED

- (b) Draft a memorandum to the club committee advising them which of the two options outlined by the treasurer should be implemented. Justify your answer. (14 marks)  
(including 2 marks for memorandum format)

**Total for this question: 18 marks**

**2**

Shirley Knott runs a vehicle repair business. She sublets part of her premises.

She has never kept a full set of accounting records. However, she is able to provide the following information for the year ended 31 December 2007.

	<b>At 1 January 2007</b>	<b>At 31 December 2007</b>
	<b>£</b>	<b>£</b>
Rent payable owing	300	150
Business rates paid in advance	162	180
Commission receivable owing	200	–
Commission received in advance	–	150
Rent received in advance	80	–
Rent receivable owed by tenant	–	160
Vehicles at cost	60 000	60 000
Depreciation of vehicles	38 400	?

Her summarised cash book showed the following details.

**Cash receipts**

	<b>£</b>
Receipts for work done	45 670
Commission received	3 050
Rent received	720

**Cash payments**

	<b>£</b>
Rent and rates	3 138
Other expenses	23 450

**Additional information**

- (1) Depreciation is charged on vehicles at 40% per annum using the reducing balance method.

**REQUIRED**

Prepare a profit and loss account for the year ended 31 December 2007.

*(18 marks)*

**Total for this question: 58 marks**

**3**

Amandeep and Dorothy have been in partnership for several years. Their partnership agreement provides that partners be credited with interest on capital at 6% per annum and that residual profits or losses be shared: Amandeep  $\frac{2}{3}$  and Dorothy  $\frac{1}{3}$ . It further provides that partners be charged interest on their drawings.

The partners have provided the following information for the six months ended 31 October 2007.

	£
Net profit for the period	34 675
Capital account balances at 1 May 2007	
– Amandeep	40 000
– Dorothy	25 000
Current account balances at 1 May 2007	
– Amandeep	2 460 €
– Dorothy	130 €
Vehicle at written down value	5 000
Other fixed assets at written down value	27 000
Stock	4 840
Trade debtors	8 170
Trade creditors	4 390
Balance at bank	2 420
Drawings	
– Amandeep	23 000
– Dorothy	10 640
Interest on drawings	
– Amandeep	420
– Dorothy	230

Dorothy retired from the partnership at the close of business on 31 October 2007. At the start of business on 1 November, Bart and Chetan were admitted as partners.

The partners agreed the following terms.

- (1) Fixed assets excluding the vehicle would be valued at £80 000.
- (2) Damaged stock valued at £1300 would be written off.
- (3) Debts totalling £500 would be written off as bad.
- (4) Goodwill was valued at £45 000, and that goodwill would not be shown in the partnership balance sheet.
- (5) Dorothy would keep the vehicle at a valuation of £4800.
- (6) Any monies due to or owed by Dorothy would be settled through the partnership bank account on 31 October 2007.

**REQUIRED**

- (a) Prepare a profit and loss appropriation account for the six months ended 31 October 2007. (6 marks)
- (b) Prepare current accounts for Amandeep and Dorothy for the six months ended 31 October 2007. (9 marks)

The partnership agreement drawn up by Amandeep, Bart and Chetan provides for the following.

- (1) Bart and Chetan each be credited with a partnership salary of £8000 per annum.
- (2) Residual profits be shared in the ratio 3: 1: 1 respectively.
- (3) Separate capital accounts and current accounts be maintained. Fixed capital accounts should total £120 000 and reflect profit sharing ratios, and partners should inject or withdraw capital to achieve this.

The net profit earned by the partnership for the six months ended 30 April 2008 was £37 850.

Partners' drawings for the six months ended 30 April 2008 were:

	£
Amandeep	19 750
Bart	8 430
Chetan	10 000

**REQUIRED**

- (c) Prepare detailed capital accounts recording the retirement of Dorothy **and** the admission of Bart and Chetan to the partnership. (16 marks)
- (d) Prepare a profit and loss appropriation account for the six months ended 30 April 2008. (5 marks)
- (e) Calculate the balances on the partners' current accounts at 30 April 2008. (8 marks)
- (f) Evaluate the usefulness of maintaining separate capital accounts and current accounts for Amandeep, Bart and Chetan. (14 marks)

**END OF QUESTIONS**

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