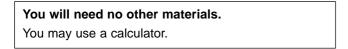
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Candidate	Signat	ure						

General Certificate of Education January 2006 Advanced Subsidiary Examination

ACCOUNTING ACC2
Unit 2 Financial Accounting:

Introduction to Published Accounts of Limited Companies

Wednesday 11 January 2006 9.00 am to 10.00 am



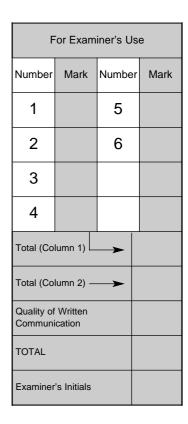
Time allowed: 1 hour

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer all questions.
- Answer the questions in the spaces provided.
- 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 this book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 80. 4 of these marks are for the Quality of Written Communication.
- The marks for questions are shown in brackets.
- You are reminded of the need for good English and clear presentation in your answers. Some questions involve only numerical work; all other questions should be answered in continuous prose. Quality of Written Communication will be assessed in all prose answers.



ALLIANCE

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1 Γ

	Dr	Cr
	£	£
Fixed assets	160 000	
Stock at 1 January 2005	12 000	
Wages and salaries	24 000	
Rent and rates	8 000	
Directors' salaries	10 000	
Debenture interest	4 000	
Ordinary shares of £1 each fully paid		100 000
Purchases and sales	75 000	120 000
Discount		1 000
Carriage outwards	2 000	
Returns	10 000	5 000
Rent received		25 000
Profit and loss account at 1 January 200	05	20 000
General expenses	6 000	
Debtors and creditors	30 000	20 000
Bank overdraft		10 000
10% debentures		40 000
	341 000	341 000

Additional information

- Stock at 31 December 2005 was £15 000. (1)
- (2) The directors propose a final dividend of 10p per share.

REQUIRED

Prepare trading, profit and loss and appropriation accounts for the year ended 31 December 2005. Clearly identify the cost of goods sold, gross profit, operating profit and retained profit for the year.

A balance sheet is **not** required.

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(23 marks)	

www.PapaCambridge.com **Total for this question:**

2

The annual report of a public limited company contains many different sections.

REQUIRED

Iden	tify the section in which you would find each of the following.
(a)	A statement of profit for the year.
(b)	A statement of the sources and uses of liquid funds during the year.
(c)	A statement expressing an opinion on the truth and fairness of the accounting statements.
(d)	An explanation of the accounting methods used, for example, the depreciation of the fixed assets.
(e)	An explanation of the main features of the recent trading year and suggestions for the future progress of the company.
(f)	A statement which includes the amounts owed by the company.

(6 marks)

Total for this question: 13

3

www.PapaCambridge.com There are some types of errors that can be made in the double-entry bookkeeping system, yet the trial balance totals will still agree.

REQUIRED

Complete the table below, showing, for each of the following errors:

- (i) the type of error;
- the accounts to be corrected; (ii)
- (iii) the effect of each correction.

An example has been given.

	Error	Type of error	Accounts to be corrected	Correction £
Example	A sales invoice for £450 to B Good has been completely omitted from the accounts.	Omission	B Good	Plus 450
		Omission	Sales	Plus 450
(a)	Petrol expenses of £25 paid by cash have been entered in the motor vehicles account. They have been correctly entered in the cash account.			
(b)	Payment of £250 by cheque to a creditor, M Small, has been entered in the accounts as £25.			
(c)	A sales invoice for £75 to G Clark has been correctly entered in the sales account, but has been entered in G Chalk's account.			

(15 marks)

15

(5 marks)

www.PapaCambridge.com Total for this question: 1

	4
1	
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A company has an authorised capital of:

2 million ordinary shares of £1 each 500 000 10% preference shares of £1 each.

The company has issued:

1 million ordinary shares at a premium of 25p each 500 000 10% preference shares at par.

All shares are fully paid.

REQUIRED

(a) Complete the following table to show the amount that was entered in each account.

Account	Amount £
Issued ordinary share capital	
Issued preference share capital	
Share premium	
Bank	

(b)	Explain the term 'authorised capital'.	
		(2 marks)

11

	Explain one difference between capital and revenue reserves. Give one example capital reserve and one example of a revenue reserve. Difference:	LEAVE MARGIN BLANK
(c)	Explain one difference between capital and revenue reserves. Give one example capital reserve and one example of a revenue reserve.	
	Difference:	ale.co.
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		1
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	Example of a capital reserve:	
	Example of a revenue reserve:	
	(4 marks)	

Turn over for the next question

Turn over ▶

Total for this question:

5

www.PapaCambridge.com A friend has inherited a sum of money which he wishes to invest in shares in a company. He has been studying the annual reports of several companies. He is unsure whether to invest in ordinary shares or preference shares.

REQUIRED

(a)	Identify two advantages of investing in preference shares.
	Advantage 1
	Advantage 2
(b)	Identify two advantages of investing in ordinary shares.
	Advantage 1
	Advantage 2
	(2 marks)

7

REQUIRED

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Age 1	
Your friend has a cautious attitude to investing.	
Your friend has a cautious attitude to investing. REQUIRED (a) Explain which type of shere you would recommend to your friend for his investment.	Se.com
(c) Explain which type of share you would recommend to your friend for his investment.	
(3 marks)	

Turn over for the next question

Turn over ▶

Total for this question: 14

6

www.papaCambridge.com The trainee accountant of Johnson Brothers Motor Repairs Ltd has prepared the following balance sheet at the end of the first year of trading.

It contains errors.

Balance Sheet for the year ended 31 December 2005

	£	£
Fixed assets		90 000
Current assets		
Stock	8 000	
Trade debtors	13 000	
Cash at bank	7 000	
	28 000	
Current liabilities		
Trade creditors: amounts falling due		
within 1 year	8 000	
		36 000
		54 000
Capital and reserves		
Issued shares		82 000
Net profit for the year		28 000
		54 000

Additional information

- (1) Fixtures and fittings costing £3000 had been recorded as purchases and charged to the trading account for the year.
- One of the directors had taken £1000 cash from the bank account as his salary. (2) This had not been recorded in the accounts.
- (3) The trainee found a cheque for £2500 received from a customer during December, which had been mislaid and not recorded.
- (4) Fixed assets should have been revalued upwards by £20 000, but this had not been recorded.

REQUIRED

Redraft the balance sheet, correcting any errors.

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(14 marks)	

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