

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For

General Certificate of Education
 January 2007
 Advanced Subsidiary Examination



ACCOUNTING **ACC2**
Unit 2 Financial Accounting:
Introduction to Published Accounts of Limited Companies

Thursday 11 January 2007 9.00 am to 10.00 am

You will need no other materials.
 You may use a calculator.

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 to be marked.

Information

- The maximum mark for this paper is 80.
 Four 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.

For Examiner's Use			
Question	Mark	Question	Mark
1		5	
2			
3			
4			
Total (Column 1) →			
Total (Column 2) →			
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Answer **all** questions in the spaces provided.

Total for this question: 22 marks

1

Bill Burgess Limited is a business selling mobile phones. A trial balance at 31 October 2006 has been prepared, but the following balances have not yet been included.

	£
Premises	40 400
Debtors	3 610
Creditors	1 870
Share capital	20 000
Mortgage on premises (repayable 2025)	3 000
Share premium	4 400

REQUIRED

(a) Complete the trial balance below. Enter any difference as 'Balance at bank'.

Trial Balance at 31 October 2006

Account	Debit £	Credit £
Sales		57 120
Purchases	18 340	
Stock at 1 November 2005	5 300	
Motor expenses	8 850	
Wages	12 460	
Motor vehicles	2 000	
Premises		
Debtors		
Creditors		
Share capital		
Mortgage on premises (repayable 2025)		
Share premium		
Balance at bank		
Totals		

(7 marks)



- (b) Complete the table below to show under which balance sheet heading the following items should appear. Place a tick in the appropriate column. The first item has been completed as an example.

	Fixed Assets	Current Assets	Current Liabilities	Long-Term Liabilities	Share Capital and Reserves
<i>Share Capital</i>					✓
Debtors					
Premises					
Mortgage on premises (repayable 2025)					
Share premium					
Bank overdraft					

(5 marks)

After the trial balance was completed, it was discovered that the payment of £4500 for the purchase of a motor vehicle had been debited to the motor expenses account.

REQUIRED

- (c) Identify the name of this type of error.

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(1 mark)

- (d) Explain why the trial balance should still balance.

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(2 marks)

Question 1 continues on the next page

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- (e) Explain how this error would affect the net profit for the year. Give **one** reason for your answer.

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(3 marks)

After discovering the above error, the managing director, Bill Burgess, tells you that he is thinking of computerising the company's accounting records.

REQUIRED

- (f) Write a memorandum to Bill advising him of **one** advantage and **one** disadvantage of computerising the company's accounting records.

To: Bill Burgess
From: A. Student
Date: 11 January 2007
Re: Advantage and disadvantage of computerisation of accounting records

Advantage

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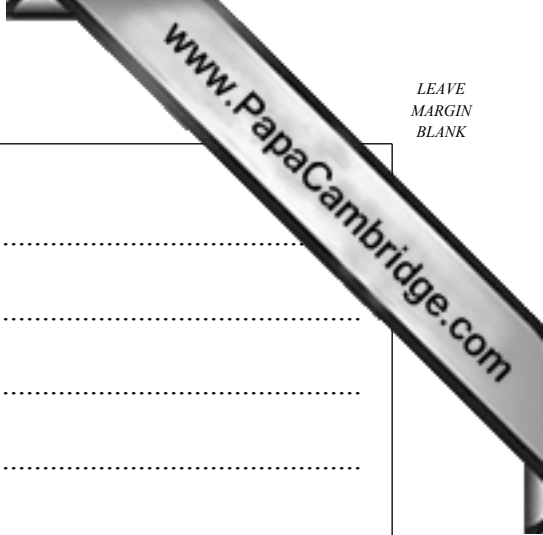
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Disadvantage

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(4 marks)

22

Turn over for the next question

Turn over ►

Total for this question: 12

2

Xiang Fabrics Ltd sells soft furnishings. The following list of balances has been extracted from the company's books of account at 31 December 2006.

	£
Carriage inwards	1 425
Carriage outwards	912
Directors' fees	6 400
Light and heat	1 246
Motor vehicle	2 000
General expenses	4 193
Postage and stationery	462
Purchases	31 840
Rent and rates	3 248
Returns inwards	1 678
Returns outwards	720
Sales	59 210
Shop assistant's wages	5 966
Stock at 1 January 2006	4 750

Additional information

Stock at 31 December 2006	5 800
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Total for this question: 11

3

The accounts clerk of Terry Products Ltd has produced a draft trading and profit and loss account for the year ending 31 October 2006, showing a net profit for the year of £12 520. On investigation, the following errors were discovered.

- (1) Wages account had been overcast by £100.
- (2) A cheque payment of £178 for travel expenses had been posted to the credit of travel expenses.
- (3) A cheque for £65 for the purchase of petrol had been recorded as £56 in the motor expenses account.
- (4) A sales invoice for £312 to Fabrique Ltd had been incorrectly debited to the account of DB Fabrics Ltd.
- (5) Discount received of £120 was entered in the cash book, but had not been posted to the general ledger.
- (6) Closing stock had been entered as £13 345. The closing stock figure should have been £13 435.

REQUIRED

Calculate the corrected net profit of Terry Products Ltd for the year. Show clearly whether the correction of the error increases net profit, decreases net profit or has no effect on the net profit. The first error has been shown as an example.

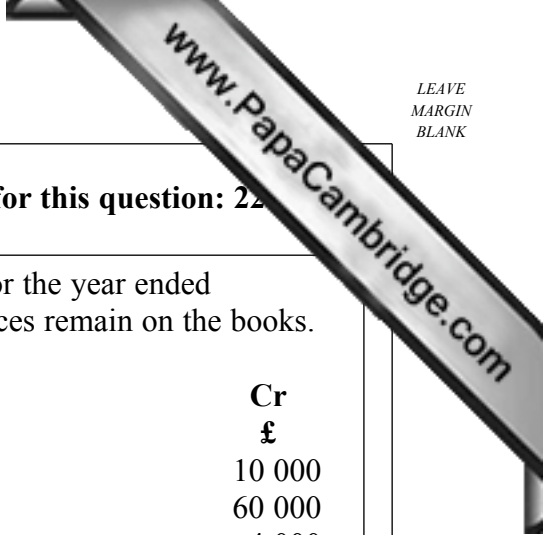
	Detail	Effect	Amount £
	Net profit per original profit and loss account		12 520
<i>1</i>	<i>Wages</i>	<i>Increase</i>	<i>100</i>
2	Travel expenses		
3	Motor expenses		
4	Sales invoice – Fabrique Ltd		
5	Discount received		
6	Closing stock		
	Revised net profit		

(11 marks)

11

Turn over for the next question

Turn over ►



Total for this question: 22

4

The trading and profit and loss account of Poole Catering Ltd for the year ended 31 December 2006 has been completed and the following balances remain on the books.

	Dr	Cr
	£	£
10% preference shares of £1 each fully paid		10 000
5% debentures (repayable 2015)		60 000
Balance at bank		4 000
Trade creditors		12 000
Trade debtors	15 000	
Ordinary shares of 50p each fully paid		75 000
Premises	215 000	
Profit and loss account at 1 January 2006		96 000
Net profit for the year after taxation		11 000
Stock at 31 December 2006	38 000	
	268 000	268 000

The directors recommend the following:

- (1) payment of 4p dividend per share on the ordinary shares;
- (2) payment of the full dividend due on the 10% preference shares.

REQUIRED

- (a) Prepare a profit and loss appropriation account for the year ended 31 December 2006.

**Poole Catering Ltd
Profit and loss appropriation account
for the year ended 31 December 2006**

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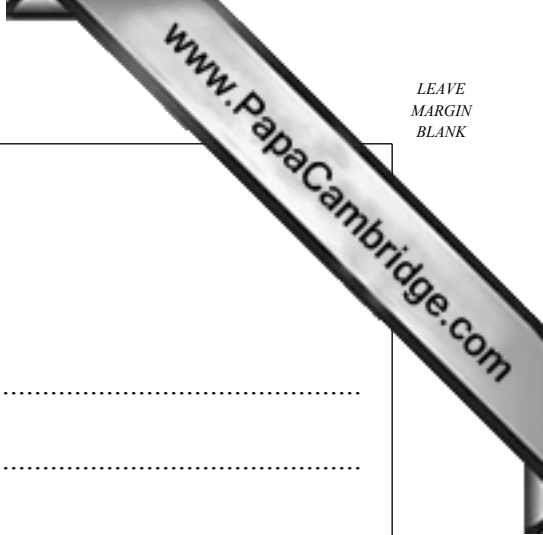
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(6 marks)



(b) Prepare a balance sheet.

**Poole Catering Ltd
Balance Sheet at 31 December 2006**

A series of horizontal dotted lines for writing the balance sheet details, spanning the width of the page below the title.

(13 marks)

Question 4 continues on the next page

Turn over ►



The directors of Poole Catering Ltd have decided to revalue the premises at £300 000.

(c) Explain how this revaluation will affect the balance sheet.

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(3 marks)

22

Total for this question: 9

5

REQUIRED

(a) Explain the main duties of the directors with regard to a company's accounts.

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(3 marks)

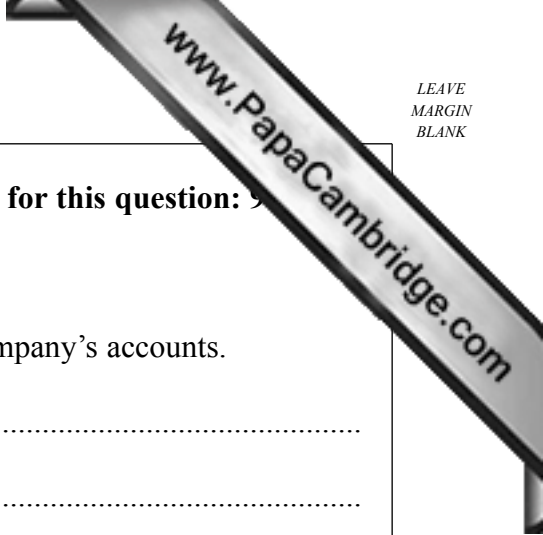
(b) Explain the main duties of the auditors with regard to a company's accounts.

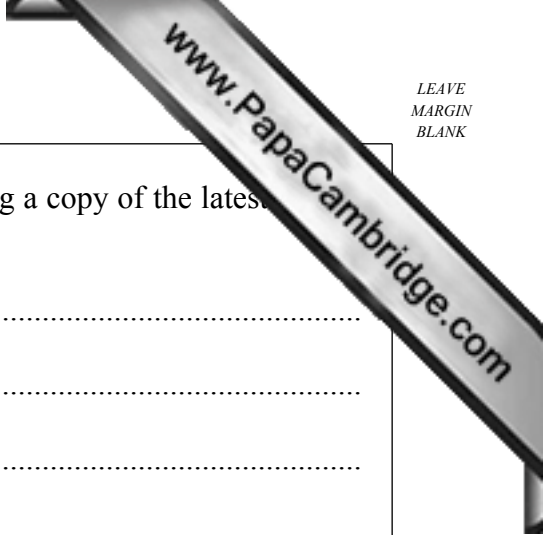
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(3 marks)

Question 5 continues on the next page

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- (c) Explain why debenture holders would be interested in seeing a copy of the latest accounts of a company.

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(3 marks)

9

END OF QUESTIONS

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