

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			



General Certificate of Education  
 June 2004  
 Advanced Subsidiary Examination

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



Thursday 10 June 2004 Afternoon Session

**No additional materials are required.**  
 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 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. This includes up to 4 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- 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.

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

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

1

**Total for this question: 15 marks**

Country Fair plc is financed by the following:

1 500 000 issued ordinary shares of £1 each fully paid;  
£400 000 7% debentures repayable in 2010.

For the year ended 31 March 2004:

the debenture interest has been paid;  
the directors have proposed a dividend of 13p per share.

**REQUIRED**

- (a) Calculate the debenture interest paid (show workings).

Interest paid: £.....

(2 marks)

*Workings:* .....

.....

- (b) Calculate the proposed dividend (show workings).

Proposed dividend: £.....

(2 marks)

*Workings:* .....

.....

- (c) Identify in which section (subheading) of the balance sheet each of following would appear.

Issued shares: .....

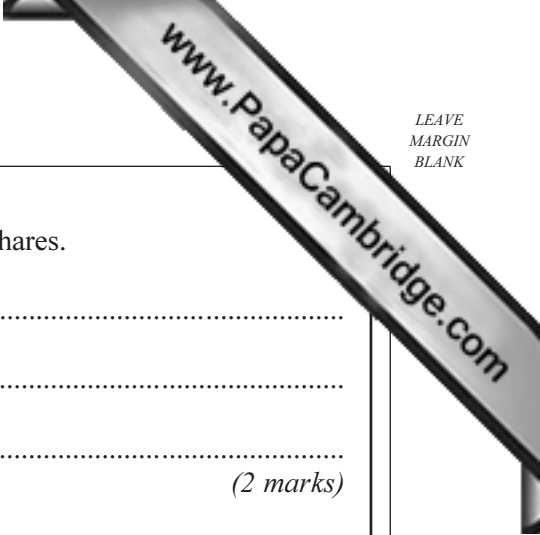
(1 mark)

Debentures: .....

(1 mark)

Proposed dividend: .....

(1 mark)



(d) Explain **two** benefits of owning debentures rather than ordinary shares.

Benefit 1 .....  
.....  
.....  
*(2 marks)*

Benefit 2 .....  
.....  
.....  
*(2 marks)*

(e) Explain **two** benefits the company gains from issuing ordinary shares rather than debentures.

Benefit 1 .....  
.....  
.....  
*(2 marks)*

Benefit 2 .....  
.....  
.....  
*(2 marks)*

15

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ▶

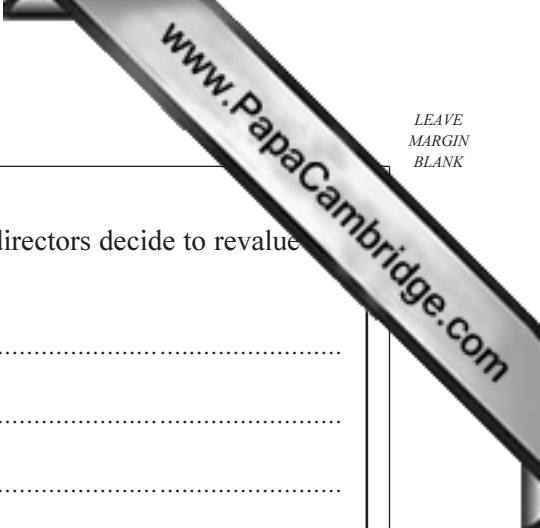
2

Total for this question: 17 marks

On 30 April 2004 the following figures were extracted from the ledgers of Country Crafts Ltd.

	£
Bank loan (repayable 2010)	20 000
Bank overdraft	3 900
Buildings	85 000
Ordinary share capital at 1 May 2003	75 000
Creditors	4 700
Debtors	6 900
Dividends proposed	5 660
Net profit retained for the year	10 690
Plant and machinery	22 500
Profit and loss account balance at 1 May 2003	12 500
Stock at 30 April 2004	7 850
Vehicles	10 200





(b) What changes would need to be made to the balance sheet if the directors decide to revalue buildings at £100 000?

.....

.....

.....

.....

.....

(4 marks)

**TURN OVER FOR THE NEXT QUESTION**

**Turn over ►**

3

Total for this question: 12 marks

On 30 April 2004 China Products plc prepared a trial balance. The trial balance totals did not agree. A suspense account was opened.

The following errors have been discovered.

- (1) The sales account had been overcast by £200.
- (2) A purchase invoice for £500 had been entered in both the supplier's account and the purchases account as £50.
- (3) Rent paid of £650 had been correctly entered in the cash book, but had been entered in the rent account as £400.

**REQUIRED**

- (a) Make appropriate entries in the suspense account. Show the opening balance.

**Suspense Account****Dr****Cr**

Date 2004	Details	£	Date 2004	Details	£

*(3 marks)*

- (b) Give an example of an error of commission. Explain why it will not be revealed by a trial balance.

Example: .....

.....

*(2 marks)*

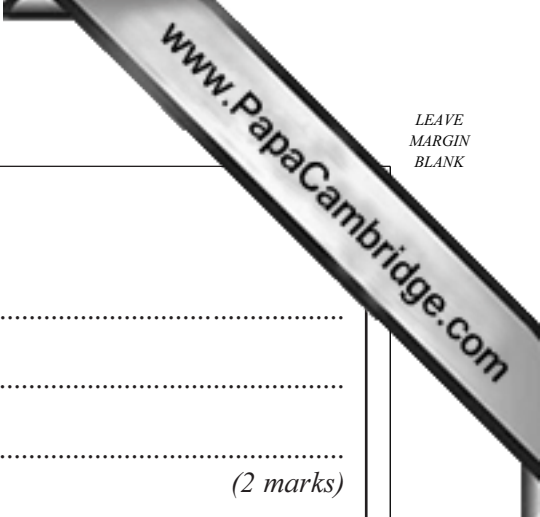
Explanation: .....

.....

.....

*(3 marks)*





(c) Identify **two** reasons for preparing a trial balance.

Reason 1: .....  
.....  
..... (2 marks)

Reason 2: .....  
.....  
..... (2 marks)

12

**TURN OVER FOR THE NEXT QUESTION**

**Turn over** ▶

4

Total for this question: 22 marks

**REQUIRED**

Prepare the trading, profit and loss and appropriation accounts for The Magnificent Garden Centre plc for the year ended 31 March 2004 from the following information. Show clearly the cost of sales, gross profit, net profit and retained profit.

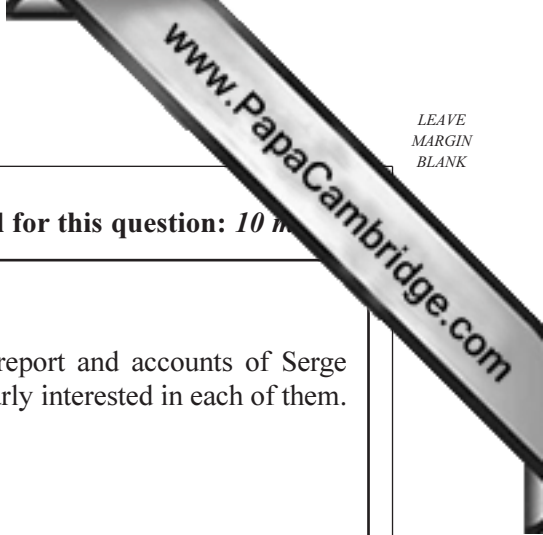
	£
Administration expenses	14 893
Carriage inwards	4 300
Carriage outwards	2 794
Dividends paid	32 500
Interest paid	15 000
Profit and loss account at 1 April 2003	67 450
Purchases	243 600
Returns inwards	5 963
Returns outwards	4 982
Sales	450 687
Selling and distribution expenses	15 450
Stock at 1 April 2003	26 830
Stock at 31 March 2004	22 786

Area with horizontal dotted lines for writing.

(22 marks)

22

Turn over ►



5

Total for this question: 10 marks

**REQUIRED**

Explain the meaning of **each** of the following terms taken from the report and accounts of Serge Ravenhurst plc. Explain why an ordinary shareholder would be particularly interested in each of them.

Earnings per share:

Meaning .....  
.....  
.....  
*(3 marks)*

Shareholder's interest .....  
.....  
.....  
*(2 marks)*

Profit retained:

Meaning .....  
.....  
.....  
*(2 marks)*

Shareholder's interest .....  
.....  
.....  
*(3 marks)*

10

**END OF QUESTIONS**