

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

General Certificate of Education
 June 2007
 Advanced Subsidiary Examination



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

Wednesday 6 June 2007 1.30 pm to 2.30 pm

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.
- Page 3 is perforated. Tear it out **at the start of the examination** and use it to answer Question 1.

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		3	
2		4	
Total (Column 1)		→	
Total (Column 2)		→	
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Remove this page and use it when answering Question 1.

Fashiontrend Limited operates shops selling ladies' fashions. A trading and profit and loss account for the year ended 30 April 2007 has been prepared and shows a net profit of £28 510.

After completion of the trading and profit and loss account, the following balances remain:

	£
8% debentures (repayable 2020)	10 000
8% preference shares of £1 each fully paid	20 000
Balance at bank	6 110
Computer equipment	3 100
Mortgage on premises (repayable 2012)	20 000
Ordinary shares of 50p each fully paid	30 000
Premises	126 700
Profit and loss account at 1 May 2006	9 500
Revaluation reserve	35 000
Stock at 30 April 2007	14 200
Trade creditors	5 210
Trade debtors	7 450
VAT (amount due from HM Revenue and Customs)	660

The authorised share capital of the company is:

- 200 000 ordinary shares of 50p each
- 80 000 8% preference shares of £1 each.

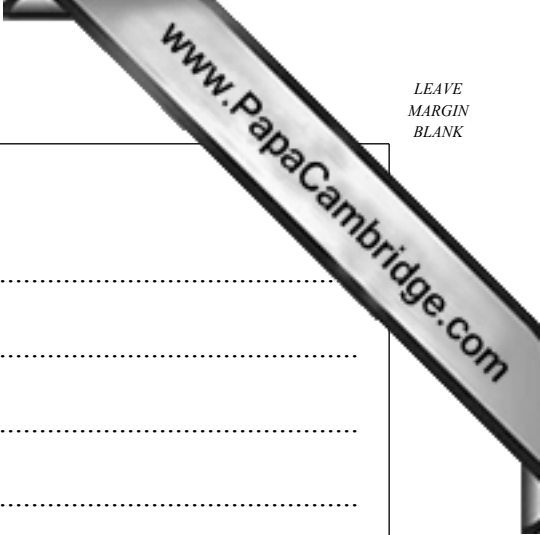
The directors have agreed the following:

- to propose a final dividend of 4p per share on the ordinary shares
- to pay the full amount of the preference dividend due for the year
- to revalue the premises to £140 000.

Turn over ►

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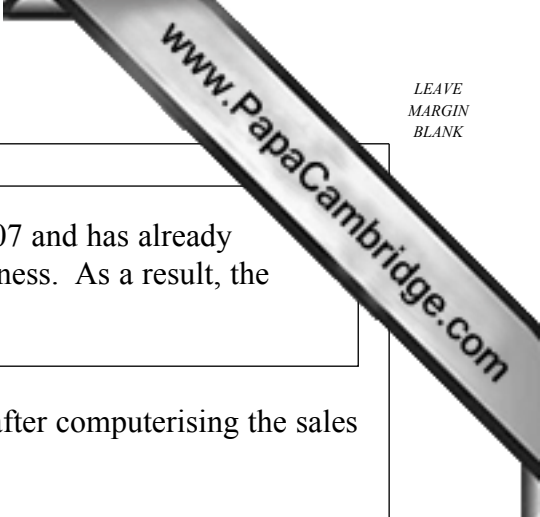


(b) Prepare a balance sheet at 30 April 2007.

A large area of the page is filled with horizontal dotted lines, providing space for the student to prepare the balance sheet.

(23 marks)

Turn over ►



The company purchased the computer equipment in March 2007 and has already computerised the sales ledger and the stock records of the business. As a result, the accounting records are more accurate.

- (c) Explain **two** other benefits that the company would expect after computerising the sales ledger and stock records.

Benefit 1

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(3 marks)

Benefit 2

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(3 marks)

Total for this question: 9

2

The managing director of Fashiontrend Limited has asked you to provide him with information relating to a cash flow statement.

REQUIRED

(a) Identify **four** main headings that appear on a cash flow statement.

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(4 marks)

(b) Explain the usefulness of a cash flow statement to the shareholders of the company.

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(5 marks)

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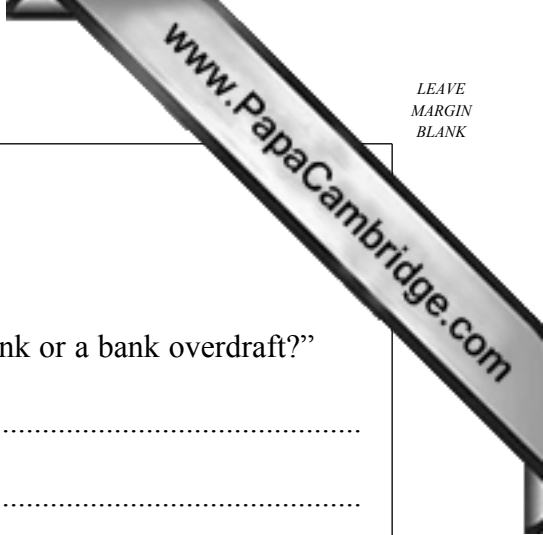
Total for this question: 17

3

Guildpen Ltd sells sports goods. The accounts clerk has extracted the following trial balance from the books at 31 May 2007.

	Dr £	Cr £
Bank balance	16 160	
Capital reserve		18 000
Carriage inwards	410	
Carriage outwards	1 430	
Current asset investments	2 000	
Fixed asset investments	8 000	
Fixed assets	24 000	
Ordinary share capital		10 000
Profit and loss account		26 450
Purchase ledger control account		11 300
Purchases	53 870	
Returns inwards	310	
Returns outwards		880
Sales		105 200
Sales ledger control account	24 980	
Stock	8 800	
Sundry expenses	7 320	
VAT		2 110
Wages	26 660	
	<u>173 940</u>	<u>173 940</u>

On looking through the above list of balances, the managing director asks a series of questions.



REQUIRED

Prepare answers to the following questions.

- (a) “How do I know whether the company has money in the bank or a bank overdraft?”

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(1 mark)

- (b) “Did the company make a profit of £26 450 this year?”

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(2 marks)

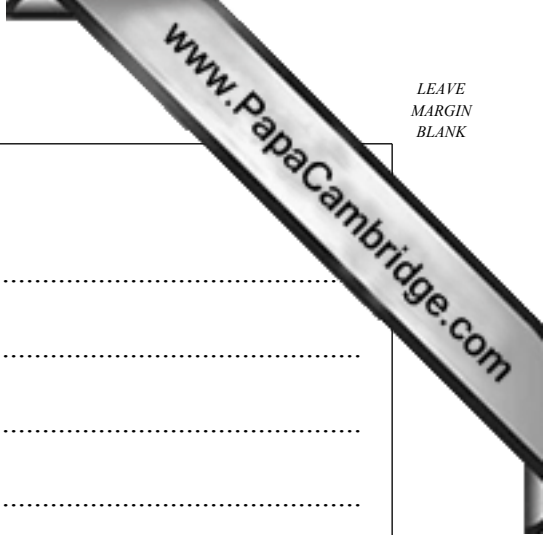
- (c) “I thought you told me that the closing stock figure was £15 000. Why does it only show £8800 on the trial balance?”

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(1 mark)

Question 3 continues on the next page

Turn over ▶



(d) “What is a capital reserve?”

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(3 marks)

(e) “What are returns inwards and returns outwards?”

Returns inwards

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Returns outwards

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(2 marks)

(f) “What is the difference between a current asset investment and a fixed asset investment?”

Current asset investment

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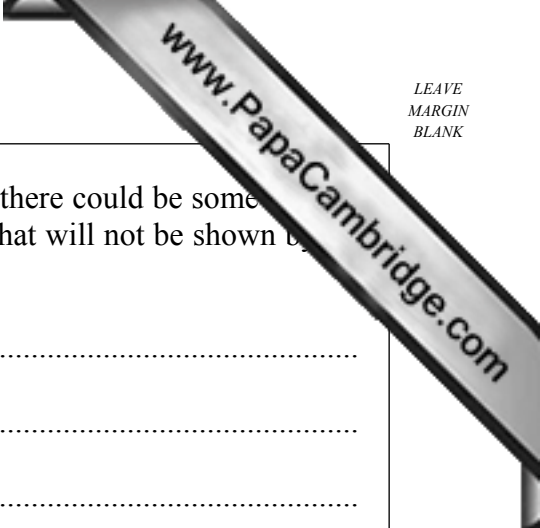
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Fixed asset investment

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(2 marks)



- (g) "I believe that although the totals of the trial balance agree, there could be some errors in the books of account. Explain **three** examples of errors that will not be shown by the trial balance."

Example 1

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Example 2

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Example 3

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(6 marks)

17

Turn over for the next question

Turn over ▶

Total for this question: 14

4

The following information has been extracted from the books of Kingmart plc.

	£ 000s
Carriage inwards	2 775
Carriage outwards	1 460
Purchases	96 446
Returns inwards	2 405
Returns outwards	1 766
Sales	212 485
Stock at 1 April 2006	44 350
Stock at 31 March 2007	47 510

Two errors were identified after the above information was extracted.

- Returns inwards of £300 had been debited to returns outwards.
- Carriage inwards account had been undercast by £100.

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