

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

For

General Certificate of Education
 January 2007
 Advanced Subsidiary Examination



ACCOUNTING
Unit 3 Financial Accounting:
Determination of Income

ACC3

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 marks for questions are shown in brackets.
- 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.

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			

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

Total for this question: 13 marks

1

Samina Hussein is a trader. She provides the following information for the year ended 31 December 2006.

	£
Gross profit	110 707
Wages	62 400
Rent and rates	8 430
General expenses	9 477
Discounts received	388
Discounts allowed	307
Debtors at 31 December 2006	27 000
Equipment at cost at 31 December 2006	12 000
Provision for doubtful debts at 1 January 2006	700
Provision for depreciation on equipment at 1 January 2006	4 800

Additional information not yet recorded in the accounts at 31 December 2006

- (1) Rates paid in advance amounted to £120.
- (2) Rent owing amounted to £600.
- (3) Samina maintains a provision for doubtful debts of $2\frac{1}{2}\%$ of debtors outstanding at the year end.
- (4) Samina provides for depreciation on equipment at 10% per annum using the straight-line method.
- (5) During the year ended 31 December 2006, Samina took goods from the business for her own use valued at cost price £2783.



REQUIRED

Prepare a profit and loss account for the year ended 31 December 2006.

Samina Hussein
Profit and loss account for the year ended 31 December 2006

Dotted lines for writing the Profit and Loss Account.

(13 marks)

13

Turn over ▶

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Total for this question: 21

2 REQUIRED

- (a) Using the information on the next page, prepare a profit and loss appropriation account for the year ended 31 December 2006.

(9 marks)

The directors of Stoulby Ltd provided the following information before the preparation of the final accounts for the year ended 31 December 2006.

	£
Authorised capital – 10 000 000 ordinary shares of 50 pence each	5 000 000
Issued capital – 4 000 000 ordinary shares of 50 pence each	2 000 000
Profit and loss account	410 000
General reserve	300 000
Share premium account	500 000
Ordinary dividend paid on 3 August 2006	63 000

Additional information

- (1) Net profit for the year ended 31 December 2006 was £650 000.
- (2) The directors wish to transfer £120 000 to the general reserve and propose a final dividend of 2.5 pence per share.
- (3) The corporation tax charge for the year is expected to be £155 000.

- (b) Prepare the share capital and reserves section of the balance sheet at 31 December 2006.

Share capital and reserves at 31 December 2006

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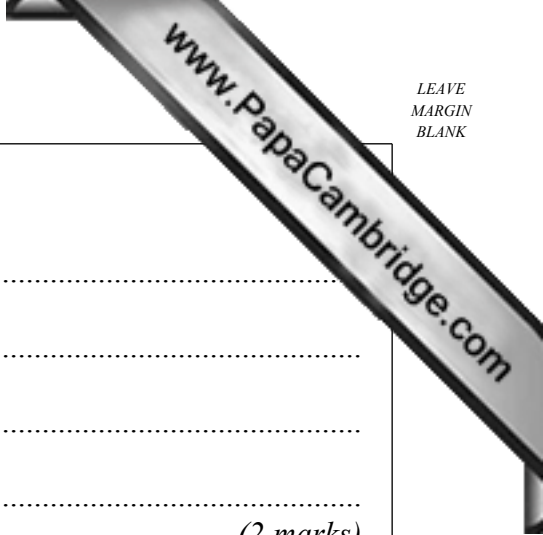
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(7 marks)

Question 2 continues on the next page

Turn over ►



(c) Explain the term 'revenue reserve'.

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(2 marks)

(d) Identify **one** example of a revenue reserve from the information given for Stoulby Ltd.

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(1 mark)

(e) Explain **one** way in which a revenue reserve may be used.

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(2 marks)

Total for this question: 8

3

When preparing the final accounts of a business, the concepts and principles of accounting should be applied.

REQUIRED

(a) Explain the concept of prudence.

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(2 marks)

(b) Explain, giving **one** example, how prudence is applied.

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(2 marks)

(c) Explain the concept of consistency.

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(2 marks)

(d) Explain, giving **one** example, how consistency is applied.

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(2 marks)

8

Turn over ▶

Total for this question: 34

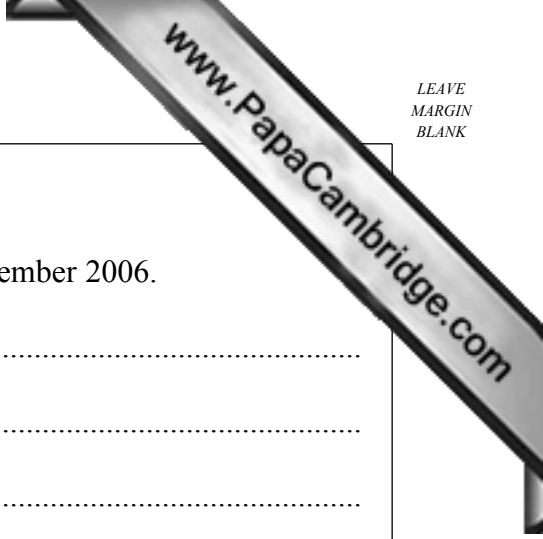
4

Catherine Donovan manufactures furniture. Completed furniture is transferred from her manufacturing account to her trading account at cost plus 25%. She provides the following information for the year ended 31 December 2006.

	Dr £	Cr £
Stock at 1 January 2006 – raw materials	9 840	
finished goods	23 500	
Purchases of raw materials	126 430	
Direct wages	274 700	
Factory supervisors' wages	63 150	
Administrative staff wages	124 490	
Rates	6 400	
Indirect expenses – office	198 160	
factory	337 171	
Manufacturing royalties	55 000	
Machinery at cost	400 000	
Office equipment at cost	80 000	
Provision for depreciation – machinery		160 000
office equipment		30 000
Provision for unrealised profit		4 700

Additional information at 31 December 2006

- (1) Rates paid in advance amounted to £400.
- (2) Rates are apportioned $\frac{3}{4}$ to the factory and $\frac{1}{4}$ to the office.
- (3) Depreciation is provided on all fixed assets at 10% using the straight-line method.
- (4) Stocks of raw materials were £10 211.
- (5) Stocks of finished goods were £25 600.
- (6) Stocks of work in progress increased by £580 during the year.

**REQUIRED**

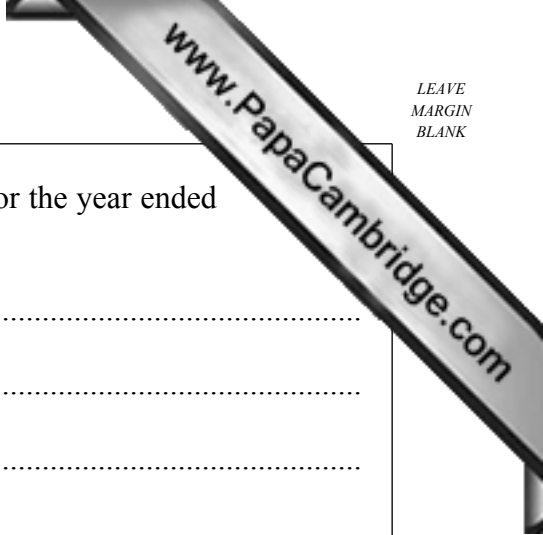
- (a) Prepare a manufacturing account for the year ended 31 December 2006.

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Question 4 continues on the next page

(17 marks)

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- (b) Calculate the change in the provision for unrealised profit for the year ended 31 December 2006.

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(5 marks)

Workings

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Catherine has calculated her gross profit on trading for the year ended 31 December 2006 to be £312 400.

REQUIRED

- (c) Calculate the **total** gross profit from manufacturing **and** trading for the year ended 31 December 2006, showing how the provision for unrealised profit is treated.

Profit and loss account extract for the year ended 31 December 2006

	£	£
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(4 marks)

There are no questions printed on this page

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