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|---------------------|--|--|--|--|------------------|--|--|--|--|
| Surname | | | | | Other Names | | | | |
| Centre Number | | | | | Candidate Number | | | | |
| Candidate Signature | | | | | | | | | |

General Certificate of Education
 January 2008
 Advanced Subsidiary Examination



ACCOUNTING **ACC3**
Unit 3 Financial Accounting: Determination of Income

Thursday 10 January 2008 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 | | 3 | |
| 2 | | | |
| 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: 18 marks

1

Saawan Bassi valued his stock on 30 November 2007. For his calculation he used an average price of the items in stock. His calculation was as follows.

Stock valuation: 168 items at an average price of £10 each = £1680.

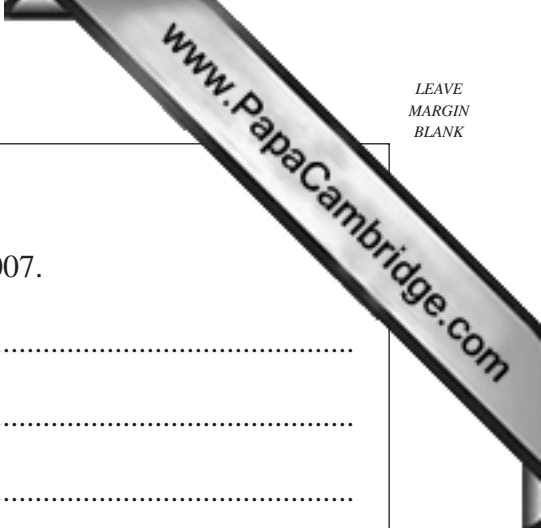
Using this figure for closing stock, Saawan has calculated his gross profit as £67 500.

His calculation was based on the following information.

| | Units in stock | Cost price of each unit £ | Usual selling price of each unit £ |
|-------|----------------|---------------------------------|--|
| Akles | 50 | 12 | 18 |
| Brids | 30 | 16 | 20 |
| Chyds | 18 | 3 | 4 |
| Derps | 70 | 9 | 16 |

Additional information

Four Derps had been damaged and can now only be sold for £14 each after repairs are undertaken. The total cost of repairing the damaged Derps will be £24.



REQUIRED

(a) Calculate the correct value of stock held at 30 November 2007.

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(12 marks)

(b) Calculate the revised gross profit.

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(5 marks)

(c) Identify **one** concept used when valuing stock.

A concept used when valuing stock is

(1 mark)

18

Turn over for the next question

Turn over ▶

Total for this question: 25

2

The directors of Scramble plc provided the following information at 31 December 2007.

| | £ |
|--|-----------|
| Authorised share capital | |
| 6% preference shares of £1 each | 500 000 |
| Ordinary shares of 25 pence each | 5 000 000 |
| Issued share capital | |
| 6% preference shares of £1 each fully paid | 400 000 |
| Ordinary shares of 25 pence each fully paid | 1 000 000 |
| Creditors: amounts falling due in more than one year | |
| 8% debentures (2023) | 250 000 |

The current market price of ordinary shares in Scramble plc is £1 each.

The net profit for the year was £947 000.

The directors have not yet completed the final accounts for the year ended 31 December 2007.

In August 2007 the following interim dividends had been paid:

| | |
|-------------------|---------|
| preference shares | £12 000 |
| ordinary shares | £32 000 |

The directors wish to provide for:

| | |
|-----------------------------|----------|
| taxation for the year | £274 500 |
| transfer to general reserve | £100 000 |

 a final preference share dividend and a final dividend on ordinary shares of 2 pence per share.

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Turn over ►

Total for this question: 35

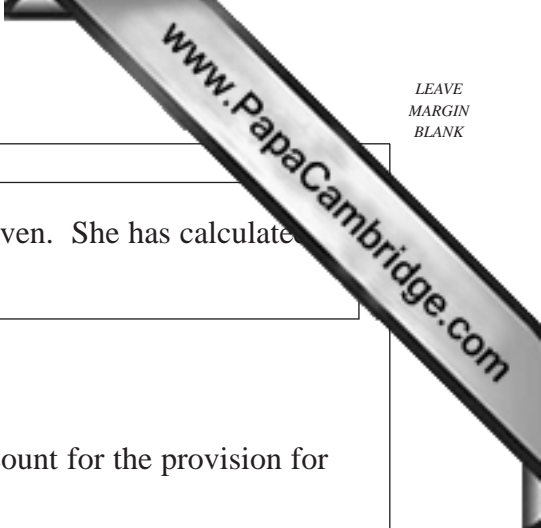
3

Donna Reayt owns and runs a manufacturing business. Goods are transferred from the manufacturing account to the trading account at cost plus 30%. Donna provides the following information for the year ended 31 December 2007.

| | £ |
|---|-----------|
| Stocks of raw materials at: | |
| 1 January 2007 (at cost) | 14 700 |
| 31 December 2007 (at cost) | 15 900 |
| Stocks of work in progress (see additional information (6) below) | |
| Stocks of finished goods at: | |
| 1 January 2007 (at cost plus 30%) | 22 100 |
| 31 December 2007 (at cost plus 30%) | 24 700 |
| Sales | 1 200 000 |
| Purchases of raw materials | 317 600 |
| Carriage inwards | 1 450 |
| Carriage outwards | 2 375 |
| Wages | 361 665 |
| Manufacturing royalties | 22 000 |
| Factory rent, rates and insurances | 16 200 |
| General factory overheads | 33 045 |
| Manufacturing machinery at cost | 300 000 |
| Provision for depreciation of manufacturing machinery at 1 January 2007 | 180 000 |
| Provision for unrealised profit at 1 January 2007 | 5 100 |

Additional information at 31 December 2007

- (1) Manufacturing royalties paid in advance amounted to £500.
- (2) Wages are apportioned $\frac{2}{3}$ to direct labour and $\frac{1}{3}$ to indirect labour.
- (3) Insurances paid in advance amounted to £900.
- (4) Rates owed amounted to £850.
- (5) Depreciation is to be charged at 10% per annum on a straight-line basis.
- (6) Work in progress has decreased by £900 over the year.



Donna has prepared a trading account using the information given. She has calculated her gross profit on trading to be £214 600.

REQUIRED

- (b) Calculate the amount to be entered in the profit and loss account for the provision for unrealised profit for the year ended 31 December 2007.

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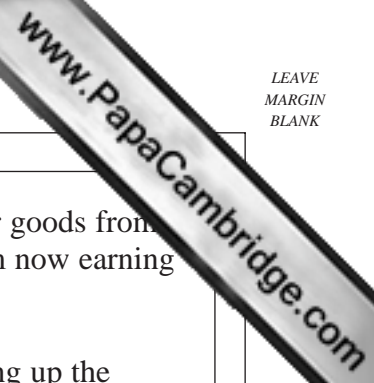
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(5 marks)



Donna has said that gross profit has improved since she started to transfer goods from her manufacturing account to the trading account at cost plus 30%. “I am now earning two lots of gross profit”, she tells you.

However, one of her managers says that he cannot see the point of marking up the goods to be transferred and he suggests that she discontinues the practice.

REQUIRED

- (c) Advise Donna on whether or not she should continue to transfer goods from her factory at cost plus 30%.

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(6 marks)

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