General Certificate of Education
January 2005
Advanced Level Examination

ASSESSMENT and QUALIFICATIONS ALLIANCE

ACCOUNTING **ACC5**
Unit 5 Further Aspects of Financial Accounting

Wednesday 19 January 2005 Morning Session

In addition to this paper you will require:
an answer book for Accounting.
You may use a calculator.

Time allowed: 1 hour 15 minutes

Instructions
- Use blue or black ink or ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ACC5.
- Answer **all** questions.
- 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 the answer book. Cross through any work you do not want marked.

Information
- The maximum mark for this paper is 105. This includes up to 5 marks for the Quality of Written Communication.
- Mark allocations are shown in brackets.
- Question 4 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.
- 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.

Answer **all** questions.

1 **Total for this question:** ***10 marks***

The treasurer of the Lake Petteril wind-surfing club provides the following receipts and payments account at 31 October 2004, the end of the club's first year.

	£		£
Subscriptions	6 720	Repairs to club house	1 867
Competition fees	4 773	Purchases of 18 sail-boards	2 340
Sales of 12 sail-boards	2 400	Competition prizes	5 675
		Rates	675
		Electricity	348
		Rescue boat	2 260
		Other expenses	453
		Balance 31 October 2004	275
	13 893		13 893

Additional information

(1) The club purchases sail-boards for £130 each and sells them for £200 each.

(2) The annual subscription is £60 per member; 6 members have paid their subscriptions for the year ending 31 October 2005.

REQUIRED

Prepare an income and expenditure account for the year ended 31 October 2004. *(10 marks)*

2 **Total for this question:** *9*

Pat Parker is a butcher. She marks up all goods sold in her shop by 100%. All takings are banked each evening after the shop is closed.

During the year ended 31 December 2004, £93 322 was banked. Pat believes that some cash is missing from the till on 31 December 2004. She is unable to determine the exact amount but provides the following information.

	£
Stock at 1 January 2004	890
Stock at 31 December 2004	950
Purchases	46 753
Debtors at 1 January 2004	2 786
Debtors at 31 December 2004	2 640

REQUIRED

Calculate the amount of cash missing from the till on 31 December 2004. *(9 marks)*

3 **Total for this question:** ***10 marks***

Tracy Paper opened a business selling gifts, cards and wrapping paper. She has just completed her first year of trading. She is unsure whether to value her closing stock using the last in first out method (LIFO), the first in first out method (FIFO) or the weighted average cost method (AVCO).

REQUIRED

Discuss **each** of these methods of stock valuation and advise Tracy on the method she should use. *(10 marks)*

TURN OVER FOR THE NEXT QUESTION

Turn over ▶

4 **Total for this question: 7**

Answer **both** Part A **and** Part B.

Part A *(38 marks)*

Marcel and Norris have been in partnership for many years, manufacturing components for television sets. On 30 June 2004, Marcel and Norris admitted Olive into the partnership.

The following information relates to the year ended 31 December 2004.

		£
Stocks at 1 January 2004 –	raw materials	7 684
	work in progress	11 461
	finished goods	42 120
Stocks at 31 December 2004 –	raw materials	8 492
	work in progress	31 743
	finished goods	48 480
Purchases of raw materials		210 432
Sales		2 500 000
Returns outwards		470
Carriage inwards		1 728
Factory wages		815 018
Manufacturing royalties		12 500
Factory rent and rates		13 262
Other factory overheads		126 340
Factory machinery at cost		400 000
Provision for depreciation of factory machinery at 1 January 2004		315 000
Provision for unrealised profit at 1 January 2004		7 020

Additional information

(1) At 31 December 2004:
factory wages accrued and unpaid amounted to £1862;
factory wages are apportioned $\frac{7}{8}$ direct labour and $\frac{1}{8}$ indirect labour;
factory rates prepaid amounted to £582;
depreciation on factory machinery is to be provided at 20% using the reducing balance method.

(2) Components are transferred from the factory to the trading account at cost plus 20%.

REQUIRED

(a) Prepare a manufacturing account for the year ended 31 December 2004. *(20 marks)*

(b) Prepare a trading account for the year ended 31 December 2004. *(4 marks)*

(c) Calculate the amount of provision for unrealised profit to be charged to the profit and loss account for the year ended 31 December 2004. *(4 marks)*

Norris has never been very happy about transferring the components made in the factory to the account at cost plus 20%. "It is totally unnecessary," he has been heard to remark on many occasio

REQUIRED

(d) Evaluate the case for adding a mark-up to the total production cost of goods. *(10 marks)*

Part B *(33 marks)*

Further additional information

(3) The net profit for the year ended 31 December 2004 was £496 000.

(4) All profits have accrued evenly over the year.

(5) For the period 1 January 2004 to 30 June 2004, Marcel and Norris shared profits and losses in the ratio 2:1 respectively, after crediting Norris with a partnership salary of £25 000 per annum.

(6) On 1 July 2004, Marcel, Norris and Olive revalued the tangible business assets by an additional £70 000 and valued goodwill at £80 000. It was agreed that goodwill should **not** remain in the partnership books of account.

(7) From 1 July 2004, the partners have agreed that profits and losses are to be shared between Marcel, Norris and Olive in the ratio of 2:2:1 respectively, after allowing interest on capital of 4% per annum.

(8) Olive introduced cash, £150 000, as her capital.

(9) Partners' capital account balances at 1 January 2004

Marcel	250 000	
Norris	200 000	
Partners' current account balances at 1 January 2004		
Marcel	21 632	Cr
Norris	33 140	Cr
Drawings for the year ended 31 December 2004		
Marcel	218 000	
Norris	120 000	
Olive	36 000	

REQUIRED

(e) Prepare the partners' capital accounts for the year ended 31 December 2004. *(11 marks)*

(f) Prepare a partnership profit and loss appropriation account for the year ended 31 December 2004. *(11 marks)*

(g) Prepare the partners' current accounts for the year ended 31 December 2004. *(11 marks)*

END OF QUESTIONS

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