

General Certificate of Education January 2008 Advanced Level Examination

## ACCOUNTING Unit 5 Further Aspects of Financial Accounting

ACC5

Friday 18 January 2008 1.30 pm to 2.45 pm

For this paper you must have:an 8-page answer book.

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 to be marked.

## Information

- The maximum mark for this paper is 105. Five 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.
- Question 3 is the synoptic question which assesses your understanding of the relationship between the different aspects of Accounting.

Answer all questions.				
		S. Total for this question: 18 mar		
	-	ne provides the following information ock; they had been valued at their cost		
Date	Purchases	Sales		
7 March	3 at £27 000			
15 March	1 at £28 000			
22 March		5 at £52 000		
26 March		1 at £52 500		
30 March	2 at £30 000			
31 March		2 at £53 000		
	al purchases the month = $\pounds 169\ 000$	Total sales for the month = $\pounds418500$		
	•	VCO (weighted average cost) method of it for the month at $\pounds 202\ 125$ .		

# REQUIRED

- (a) Prepare a trading account for the month ended 31 March 2007 using the FIFO method of valuing stock. (6 marks)
- (b) Advise Amanda whether or not she should change her current method of valuing stock. Give reasons for your advice. (12 marks)

	<b>Total</b> 1	for this question:			
	3 Total for this question: Total for this question: ader owns and runs a gift shop. She does not keep a full set of accounting records. ever, she is able to provide the following information for the year ended becember 2007.				
	£				
Cash sales	58 547				
Cash received from debtors	9 342				
Purchases for cash	2 341				
Cash paid to creditors	22 704				
Discounts allowed during the year	454				
Discounts received during the year	112				
Additional information					
(1)	at 1 January 2007	at 31 December 2007			
	£	£			
Stock	1859	1939			
Debtors	843	1300			
Creditors	7490	6106			

- (2) One of the debtors outstanding at 1 January 2007 was unable to settle a debt of £149 and this amount was written off in July 2007.
- (3) Tajinder is considering making a provision for doubtful debts at 3% of debtors outstanding at the end of the year.
- (4) During the year Tajinder took goods costing £761 from the business for her own use.

## REQUIRED

- (a) Prepare a trading account for the year ended 31 December 2007. (17 marks)
- (b) Advise Tajinder whether or not she should make a provision for doubtful debts. Give reasons for your advice. (6 marks)

Total for this question:

www.PapaCambridge.com Dough, Ray and Mee were in partnership sharing profits and losses in the ratio 3:2:1 respectively. Business profits have been falling consistently over the past few years and the partners have decided to dissolve the partnership with effect from 31 December 2007.

The balance sheet of the partnership at 31 December 2007 was as follows.

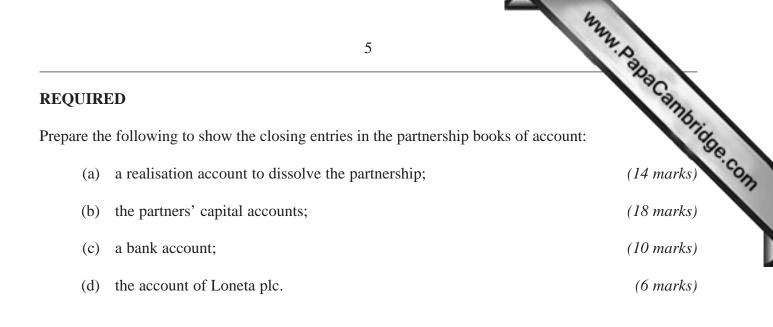
	£	£
Fixed assets		
Premises at cost		100 000
Machinery at cost		40 000
Vehicles at cost		20 000
		160 000
Current assets		
Stock	7 000	
Trade debtors	11 000	
Bank	5 000	
	23 000	
Current liabilities		
Trade creditors	2 000	21 000
		<u>181 000</u>
Capital accounts		
Dough		120 000
Ray		60 000
Mee		1 000
		<u>181 000</u>

#### Additional information at 31 December 2007

- (1)The debtors settled their outstanding debts for  $\pounds 10\ 000$ .
- (2)Trade creditors were settled. They allowed £500 cash discount.
- (3)Premises were sold to Loneta plc at an agreed purchase consideration of £140 000, consisting of 50 000 ordinary shares of £1 each, £18 000 7% debentures and £14 000 cash. The shares were divided in the profit sharing ratio and the debentures were shared equally between the partners.
- (4) The machinery, which was extremely old, was sold for £1100 cash.
- (5) One vehicle was taken over by Dough at an agreed value of £3000. A second vehicle was taken over by Ray at an agreed value of £2000. The third vehicle was sold for £4000 cash.
- (6)Ray took over the stock at an agreed value of £6000.
- Dissolution expenses amounted to £5400. (7)
- (8) All cash transactions were processed through the business bank account.

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3



Ray will open a new business in Spring 2008.

He has prepared a business plan which reveals that the new business will require start up capital of £100 000.

He is unsure whether to:

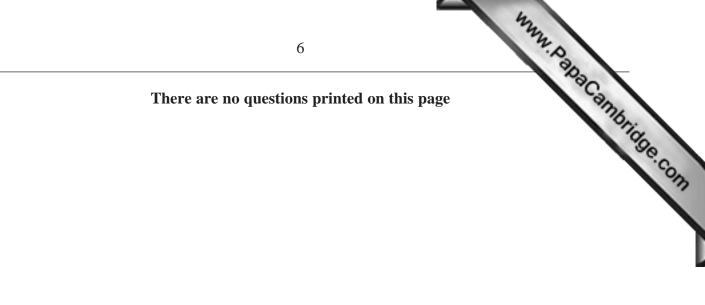
- (i) use his own private resources;
- (ii) borrow the necessary capital;
- (iii) enter into another partnership.

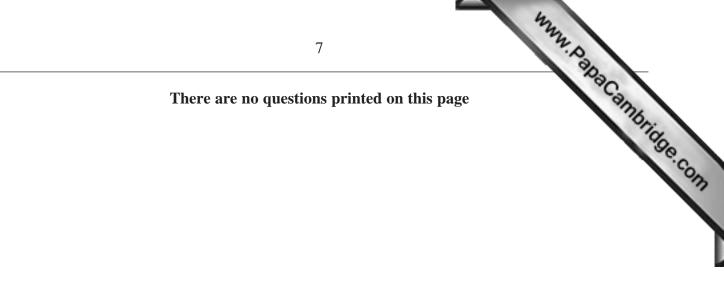
He has asked your advice on how to raise the capital.

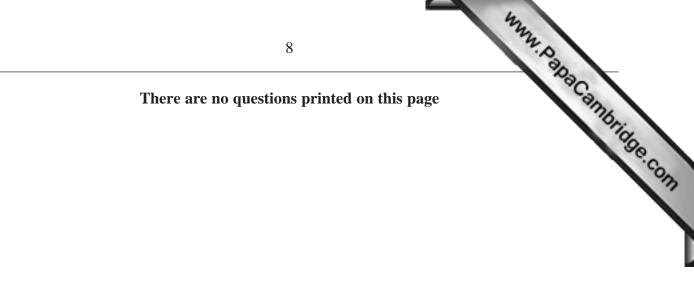
## REQUIRED

(e) Advise Ray on how he can raise the start up capital for his new business venture. Give reasons for your advice. (11 marks)

END OF QUESTIONS







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