

Centre Number						Candidate Number				
Surname										
Other Names										
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For Examiner's Use	
Examiner's Initials	
Question	Mark
1	
2	
3	
4	
TOTAL	



General Certificate of Education
Advanced Subsidiary Examination
January 2013

Accounting

ACCN2

Unit 2 Financial and Management Accounting

Thursday 24 January 2013 9.00 am to 10.30 am

For this paper you must have:

- a calculator.

Time allowed

- 1 hour 30 minutes

Instructions

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Do not write outside the box around each page or on blank pages.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- 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
 - using specialist vocabulary where appropriate.

A



J A N 1 3 A C C N 2 0 1

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

1

Total for this question: 20 marks

Munaf believes that his business is using its net current assets (working capital) more efficiently than in the previous year. He has provided the following information about his business for the year ended 31 December 2012.

	£
At 1 January 2012	
Inventory	12 600
For the year ended 31 December 2012	
Purchases	110 232
Revenue	240 754
At 31 December 2012	
Bank overdraft	8 818
Inventory	9 972
Trade payables	11 022
Trade receivables	19 788

1 (a) Calculate the net current asset (current) ratio at 31 December 2012. State the formula used.

Formula

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Calculation

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(4 marks)

Extra space

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1 (b) Calculate the liquid capital (acid test) ratio at 31 December 2012. State the formula used.

Formula

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Calculation

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(3 marks)

Extra space

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1 (c) Calculate the rate of inventory turnover for the year ended 31 December 2012. State the formula used.

Formula

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Calculation

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(4 marks)

Extra space

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Question 1 continues on the next page

Turn over ►



Ratios for the year ended 31 December 2011 were:

Net current asset (current) ratio	2:1
Liquid capital (acid test) ratio	0.8:1
Rate of inventory turnover	8 times (46 days)

1 (d) Assess the extent to which Munaf is using his business's net current assets (working capital) more efficiently in 2012 compared with 2011. Use the ratios that you calculated in **Questions 1 (a), (b) and (c)** and the ratios in the table above to support your answer.

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(9 marks)



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2

Total for this question: 24 marks

Richard owns a business, called *Omnisport*, which supplies sports equipment to a range of independent retailers. The following information has been extracted from the books of account at 30 November 2012.

	£
General expenses	23 000
Interest received	480
Inventory at 1 December 2011	12 780
Inventory at 30 November 2012	9 560
Non-current assets at cost	27 000
Provision for depreciation at 1 December 2011	9 000
Provision for doubtful debts at 1 December 2011	680
Purchases	100 800
Revenue	208 900
Trade receivables	18 800
Wages	67 895

Additional information

- (1) Included in the revenue figure is £8400 for the sale of goods that have been sent to customers on a sale or return basis. The sale of the goods has not yet been confirmed. The gross profit mark-up on these goods is 100%.
- (2) Included in the inventory valuation at 30 November 2012 are goods that initially cost £2600. The goods have been damaged and will need to be repaired at a cost of £630. They can then be sold for £2850.
- (3) Richard has taken goods from the business to give to his family as presents. The cost price of these goods was £588 and the selling price would have been £1176. This transaction has not been recorded in the books of account.
- (4) Interest receivable due, but not yet paid by the bank at 30 November 2012, amounted to £120.
- (5) On 31 October 2012, Richard received a cheque for £378 from *Cole Sports*. The balance on the *Cole Sports* account of £530 had been written-off as a bad debt in the year ended 30 November 2011. No entries have been made to record the receipt of the cheque.
- (6) Depreciation is to be provided on the non-current assets using the reducing-balance method at the rate of $33\frac{1}{3}\%$ per annum.
- (7) The provision for doubtful debts is to be maintained at 5% of trade receivables.



Turn over for the next question

**DO NOT WRITE ON THIS PAGE
ANSWER IN THE SPACES PROVIDED**

Turn over ►



3

Total for this question: 14 marks

Lorraine is a sole trader. She owns one shop, but would like to expand her business by opening another shop. Lorraine’s current capital investment is £60 000 and she estimates that the expansion would need a further capital investment of £50 000. However, she is unable to raise this amount herself.

Lorraine provides the following financial information about the performance of her business.

	£
Average revenue per annum	120 000
Average profit per annum	24 000
Average drawings per annum	18 000

If the expansion takes place, Lorraine forecasts that the first year’s trading figures will be:

	£
Revenue	200 000
Profit	40 000

Carol has been a manager of a number of shops and has approached Lorraine with the proposal to set up a partnership. Carol is able to provide the £50 000 of capital required. Carol’s current salary is £25 000 per annum and she wants to maintain this level of income.

3 Advise Lorraine on whether or not she should enter into a partnership with Carol.

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(14 marks)
(includes 2 marks for quality of written communication)

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14

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4 **Total for this question: 22 marks**

The directors of *Angton Ltd* decided to restructure the balance sheet so that the size and success of the business would be more accurately reflected.

The equity section of the balance sheet at 1 January 2012 is shown below.

Equity	£
Ordinary shares of 20p each	1 250
Share premium	25 000
Retained earnings	851 725
	877 975
	877 975

During the year ended 31 December 2012, the directors approved the following actions.

- (1) February: Payment of a dividend of £1.50 per share. The dividend was paid on all shares in issue on 1 January 2012.
- (2) April: Revaluation of the non-current assets of the business resulted in an increase in the value of the assets of £150 000.
- (3) May: A bonus issue of shares on the basis of 50 new shares for every 1 existing share. The reserves were maintained in their most distributable form.
- (4) September: Payment of a dividend of 30p per share. This dividend was paid on all shares in issue on 31 August 2012.

Additional information

The profit for the year ended 31 December 2012 was £356 840. The directors have made a provision for tax of £71 368.

4 (a) Calculate the dividend paid in February 2012.

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(3 marks)



4 (b) Calculate the value of the bonus issue of shares.

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(2 marks)

4 (c) Calculate the dividend paid in September 2012.

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(5 marks)

Question 4 continues on the next page

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4 (d) Prepare a statement of changes in equity for the year ended 31 December 2012.
Use the table below.

Angton Ltd
Statement of changes in equity for the year ended 31 December 2012

	Ordinary shares £	Share premium £	Revaluation reserve £	Retained earnings £

(12 marks)

Workings

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22

END OF QUESTIONS



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