

Centre Number						Candidate Number				
Surname										
Other Names										
Candidate Signature										



General Certificate of Education
Advanced Subsidiary Examination
June 2012

Accounting

ACCN2

Unit 2 Financial and Management Accounting

Tuesday 22 May 2012 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.

Examiner's Initials	
Question	Mark
1	
2	
3	
4	
TOTAL	



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

1

Total for this question: 6 marks

Adrain Ltd installed a computerised sales and inventory (stock) control system six months ago. So far, the directors have been impressed with the accuracy of the system and the extra information available to aid their decision making.

At the year end, the physical stock-take valued the closing inventory (stock) at £126 780. The computer system valued the inventory (stock) at £106 450.

The physical stock-take was checked and is correct.

1 Explain **two** types of error that could have occurred that would cause the computerised inventory (stock) value to be lower than the physical valuation.

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(6 marks)

Extra space
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6



Turn over for the next question

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ANSWER IN THE SPACES PROVIDED**

Turn over ►



2

Total for this question: 5

Chun is concerned that, while his business is profitable, it has a bank overdraft. He has approached the bank for a loan to repay the overdraft and the bank manager has asked him to prepare a cash budget for each of the three months September to November.

Chun is able to provide the following information.

(1) Forecast figures for sales, purchases and overheads.

	July £	August £	September £	October £	November £
Sales	20 000	24 000	18 000	16 000	20 000
Purchases of goods for resale	10 000	11 500	10 750	9 865	11 250
Overheads	5 500	6 125	5 489	4 982	4 126

(2) All sales are on credit.

- 80% of customers will pay in the month after sale.
- The remaining customers are expected to pay two months after sale. However, 2% of these customers are unlikely to pay and so Chun has decided that these amounts due will need to be treated as bad debts.

(3) Purchases of goods for resale will be paid in the month after the purchase.

(4) Overheads will be paid in the month they are incurred.

(5) Chun will take drawings equal to 10% of the sales in that month. However, his drawings will never be less than £1750.

(6) He has asked the bank for a loan of £24 000 to repay the business overdraft.

- The loan will be received on 30 September and will be repaid in 24 equal monthly instalments commencing on 31 October.
- Interest at 6% per annum will also be paid monthly. The interest will be calculated on the amount of the loan outstanding at the beginning of the month.

(7) Chun intends to purchase non-current (fixed) assets costing £6800 in September. He estimates that the depreciation on these will be £100 per month.

(8) He estimates that his bank balance at 1 September will be £23 680 overdrawn.



3

Total for this question: 20

Laura owns a number of shoe shops. She has prepared a draft income statement (trading and profit and loss account) for the year ended 30 April 2012 and a draft balance sheet at that date.

The draft income statement (trading and profit and loss account) showed the profit (net profit) for the year to be £68 745. The draft balance sheet showed net current assets of £5489.

Laura is unsure of the correct treatment of the following.

- (1) Laura received some shoes costing £250 from a new supplier on a sale or return basis. The shoes have not yet been sold and were included in the closing inventory (stock) at the cost price.
- (2) Laura paid for her own health club membership amounting to £375 with a business cheque. This has been charged to sundry expenses.
- (3) Shoes costing £4000 had been included in the closing inventory (stock) valuation. The shoes would normally sell for £6000; however, they are shop soiled and damaged and will need to be repaired before they can be sold. It is expected that the repair costs will be £825 and that they can then be sold for £4500.
- (4) Laura rents out a shop. Rent receivable of £14 000 had been included in the draft income statement (trading and profit and loss account). This included £2000 which was for the year ending 30 April 2013.
- (5) On 4 April 2012, new fixtures and fittings were purchased at a cost of £3000. The fixtures and fittings were bought on 12 months' interest free credit. It is Laura's policy to charge a full year's depreciation in the year of acquisition. Depreciation is provided at $33\frac{1}{3}\%$ using the reducing balance method. No entries have been made to record this transaction.
- (6) Laura has not included any entries for the provision for doubtful debts in the draft financial statements. The provision for doubtful debts at 1 May 2011 was £1250. The provision at 30 April 2012 was £1050.



3 Using the items (2) to (6), shown on the opposite page, complete the table below to show the correct accounting treatment for each of the items to calculate:

- a revised profit (net profit) for the year
- a revised figure for net current assets (working capital).

For each item, identify the correct accounting concept to be applied. The first item has been completed.

Items	Revised profit (net profit) for the year £	Revised net current assets (working capital) £	Accounting concept
Draft	68 745	5 489	
(1)	(250)	(250)	Realisation
(2)			
(3)			
(4)			
(5)			
(6)			
Adjusted			

Workings

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(20 marks)

20

Turn over ▶



4

Total for this question: 2

A trainee accountant at *Shazad Ltd* has prepared the following draft balance sheet from a corrected trial balance. The draft balance sheet contains errors.

Draft balance sheet for the year ended 31 March 2012

	£	£
Non-current (fixed) assets		285 600
Revaluation reserve		<u>(20 000)</u>
		265 600
Current assets		
Inventory (stock)	38 567	
Trade payables (creditors)	20 782	
Share premium	<u>10 000</u>	
	69 349	
Current liabilities		
Trade receivables (debtors)	24 891	
6% debenture 2026–28	<u>150 000</u>	
	174 891	
Net current (long-term) liabilities		<u>(105 542)</u>
		160 058
Non-current liabilities		
Bank overdraft		<u>35 481</u>
Net assets		<u><u>124 577</u></u>
Equity (capital and reserves)		
Ordinary shares of 50p each		100 000
Retained earnings		<u>12 795</u>
		<u><u>112 795</u></u>

Additional information

On 31 March 2012, the directors of the company issued 300 000 ordinary shares of 50p each at an issue price of 65p per share. The issue was fully subscribed; however, it has not been recorded in the books of account.



4 (b) Calculate the gearing ratio after the share issue. State the formula used.

Formula

Calculation

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(3 marks)

The gearing ratio before the share issue was 51.23%.

4 (c) Explain the effect of the share issue on the gearing of *Shazad Ltd*.

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(5 marks)

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END OF QUESTIONS



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