



General Certificate of Education
Advanced Level Examination
January 2012

Accounting

ACCN3

Unit 3 Further Aspects of Financial Accounting

Thursday 26 January 2012 1.30 pm to 3.30 pm

For this paper you must have:

- an AQA 12-page answer book
- a calculator.

Time allowed

- 2 hours

Instructions

- Use black ink or black 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 ACCN3.
- 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 your answer 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 90.
Four of these marks will be awarded for:
 - using good English
 - organising information clearly
 - using specialist vocabulary where appropriate.

Answer **all** questions.

Task 1

Total for this task: 32 marks

Henry and Iris were in partnership sharing profits and losses in the ratio 3:1 respectively. The partnership balance sheet at 31 October 2011 was as follows:

**Henry and Iris
Balance sheet at 31 October 2011**

	£	£	£
Non-current (fixed) assets			146 249
Current assets			
Inventory (stock)	22 960		
Trade receivables (debtors)	20 450	43 410	
Current liabilities			
Bank overdraft	14 643		
Trade payables (creditors)	15 168	29 811	13 599
			<u>159 848</u>
Capital accounts			
Henry		114 000	
Iris		38 000	152 000
Current accounts			
Henry		18 816	
Iris		(10 968)	7 848
			<u>159 848</u>

The partners agreed to dissolve the partnership on 31 October 2011 due to a serious dispute.

The following transactions took place as part of the dissolution process.

- (1) As part of his settlement, Henry took a vehicle with a net book value of £25 000.
- (2) As part of her settlement, Iris took a vehicle with a net book value of £16 000.
- (3) All remaining non-current (fixed) assets were sold for £95 872.
- (4) Inventory (stock) was sold for £25 650.
- (5) The amounts due from trade receivables (debtors) were settled in full with the exception of bad debts for £409.
- (6) The amounts due to trade payables (creditors) were paid in full.
- (7) Dissolution costs of £2900 were paid.

- 0 1** Prepare the realisation account to record the dissolution of the partnership. (4 marks)
- 0 2** Prepare the partners' capital accounts to record the dissolution of the partnership. (7 marks)
- 0 3** Prepare the bank account to record the dissolution of the partnership. (4 marks)

Henry intends to set up a new business as a private limited company. The total cost of setting up the new company will be £250 000 which includes the purchase of non-current (fixed) assets of £200 000.

- 0 4** Apart from Henry's own contribution of capital, recommend **two** other sources of finance he could use for the purchase of non-current (fixed) assets. Justify your recommendations. (14 marks)
(includes 2 marks for quality of written communication)

Turn over for the next task

Turn over ►

Task 2**Total for this task:**

Alisid Ltd sells surfboards. At 1 November 2011, there were 60 surfboards in stock which cost a total of £9570.

During November 2011 the following transactions took place.

Date	Purchases	Sales
3 Nov	40 @ £165.50 each	
10 Nov		45 @ £194.28 each
19 Nov	55 @ £173.50 each	
26 Nov		40 @ £201.24 each

Alisid Ltd uses the AVCO method of valuing inventory (stock). Using this method, inventory (stock) at 30 November 2011 was valued at £11 739 and gross profit was calculated as £2798.70.

The directors of *Alisid Ltd* are considering changing the method of inventory (stock) valuation to the FIFO method.

- 0 5** Calculate the value of inventory (stock) at 30 November 2011 using the FIFO method. (4 marks)
- 0 6** Calculate the gross profit for the month ended 30 November 2011 using the FIFO method. (3 marks)
- 0 7** Explain the guidance provided by a relevant International Accounting Standard (IAS) to help the directors of *Alisid Ltd* who are considering whether to change the method of valuing stock from AVCO to FIFO. (4 marks)

Task 3

Total for this task:

The following information is available for *Hinault plc*.

	Year ended 31 October 2011	Year ended 31 October 2010
	£	£
5% debenture loan	60 000	40 000
Inventories (stock)	14 600	17 200
Non-current (fixed) assets NBV	75 900	92 400
Tax liability	31 500	29 200
Trade payables (creditors)	12 560	9 040
Trade receivables (debtors)	15 700	11 300

Additional information for the year ended 31 October 2011.

- (1) A non-current (fixed) asset with a net book value of £3600 was sold for £2800 during the year.
- (2) A £20 000 debenture loan was issued on 1 May 2011.
- (3) All debenture loan interest was paid during the year.
- (4) Profit for the year was £105 000.
- (5) Tax on profit for the year was £32 960.
- (6) There were no purchases of non-current (fixed) assets during the year.

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Prepare an extract from the statement of cash flows for *Hinault plc* for the year ended 31 October 2011 showing net cash (used in)/from operating activities. The extract should be prepared in accordance with IAS7. (19 marks)
(includes 1 mark for quality of presentation)

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Explain **two** limitations of published financial statements for potential shareholders in *Hinault plc*. (6 marks)

Turn over for the next task

Turn over ►

Task 4**Total for this task:**

Alberto does not keep full accounts. However, the following information has been obtained for the year ended 31 December 2011.

Bank account

Dr			Cr
	£		£
Balance b/d at 1 Jan 2011	2 950	Payments to trade payables (creditors)	38 990
Cash banked	13 095	Wages	24 895
Receipts from trade receivables (debtors)	47 220	Payment for non-current (fixed) assets	8 500
Proceeds from sale of non-current (fixed) assets	5 890		
Balance c/d at 31 Dec 2011	3 230		
	<u>72 385</u>		<u>72 385</u>

Assets and liabilities

	At 1 Jan 2011	At 31 Dec 2011
	£	£
Inventory (stock)	9 450	?
Non-current (fixed) assets at net book value	23 630	18 540
Trade receivables (debtors)	5 490	6 250
Trade payables (creditors)	?	24 650
Wages accrued	2 075	2 180

Additional information

- (1) Cash sales are banked. However, Alberto suspects that a dishonest employee may have stolen some cash from the business.
- (2) Average inventory (stock) turnover was 5 times during the year ended 31 December 2011.
- (3) All goods are sold with a 20% gross profit margin.
- (4) The non-current (fixed) asset which was sold for £5890 had a net book value of £6480.
- (5) Cost of sales were calculated as £52 300.
- (6) All purchases were on a credit basis. No goods were stolen or taken for personal use.

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Prepare an income statement (trading and profit and loss account) for the year ended 31 December 2011. A balance sheet is **not** required. (22 marks)
(includes 1 mark for quality of presentation)

END OF QUESTIONS

There are no questions printed on this page

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