General Certificate of Education
Advanced Level Examination
June 2012

Accounting ACCN3

Unit 3 Further Aspects of Financial Accounting

Tuesday 12 June 2012 9.00 am to 11.00 am

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.
- 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: 16 ma**

The directors of *Buriton plc* have prepared draft accounts for publication for the year ended 29 February 2012. On this date, the company had an issued share capital of £480 000, consisting of ordinary shares with a nominal value of 25p each.

The following information relates to the draft accounts.

(1) Closing inventory (stock) has been shown at cost price, £83 500. The closing inventory (stock) includes 500 units which are in need of repair before they can be made available for sale. The following information relates to these units.

- The cost price of inventory (stock) was £24.99 per unit.
- Repair costs to convert the inventory (stock) to a saleable condition are 30% of the original cost price.
- Selling price for each inventory (stock) item is calculated at the original cost price plus 20% mark-up.

(2) At the Annual General Meeting, held on 31 March 2012, the directors proposed final dividends based on the following information.

- The directors wished to maintain the total dividends paid at the same amount as for the year ended 28 February 2011.
- The proposed final dividend for the year ended 28 February 2011 was 4p per share.
- A bonus issue of shares was made during the year ended 29 February 2012 on the basis of 1 share for every 5 shares held. There were no other changes to the company's issued share capital during the year ended 29 February 2012.

0 1 Identify the relevant accounting standard to be applied to the information shown in (1) and (2) above. *(2 marks)*

0 2 Calculate the amount to be included in the published accounts for closing inventory (stock) and proposed dividends. *(10 marks)*

0 3 Explain, with reference to the relevant accounting standard, how closing inventory (stock) and proposed dividends should be treated in the published accounts. *(4 marks)*

Task 2 **Total for this task:**

The directors of *Chalfont plc* have provided the following extract from the balance sheet at 31 May 2011.

	Cost £	**Depreciation** £	**NBV** £
Property plant and equipment:			
Plant and machinery	175 000	56 750	118 250

During the year ended 31 May 2012, the following transactions took place.

(1) A machine that originally cost £34 500 was sold on 31 December 2011. This machine had originally been purchased on 1 October 2009.

(2) A new machine was purchased for £49 500 on 1 January 2012.

The following is an extract from the company's statement of accounting policies.

- Plant and machinery is depreciated using the straight-line method at 20% per annum.
- All non-current (fixed) assets are depreciated on a month-by-month basis.

0 4 Prepare the schedule of non-current (fixed) assets for the year ended 31 May 2012. A total column is **not** required. *(16 marks)*

A shareholder of *Chalfont plc* is unsure of the reasons for publishing a schedule of non-current (fixed) assets when the balance sheet already shows the net book value of these assets.

0 5 Explain **one** benefit and **one** limitation of publishing a schedule of non-current (fixed) assets. *(4 marks)*

Turn over for the next task

Task 3 **Total for this task:**

Kevin Greenslade, a retailer, did not keep a full set of accounting records for his business. However, the following information has been obtained for the year ended 30 April 2012.

	At 30 April 2011
	£
Non-current (fixed) assets at net book value	72 600
Trade receivables (debtors)	7 140
Trade payables (creditors)	4 285
Rent prepaid	1 200
Telephone expenses accrued	325
Inventory (stock)	8 570

Dr **Bank Account** **Cr**

	£		£
Balance b/d at 1 May 2011	1 950	Payments to trade payables (creditors)	51 420
Receipts from trade receivables (debtors)	85 700	Rent	14 400
Balance c/d at 30 April 2012	2 340	Telephone expenses	3 900
		General expenses	5 680
		Drawings	14 590
	89 990		89 990

Additional information:

Income Statement for the year ended 30 April 2012

	£	£
Revenue (sales)		87 840
Cost of sales:		
Opening inventory (stock)	8 570	
Purchases	52 490	
Closing inventory (stock)	?	?
Gross profit		?
Less expenses:		
Telephone	3 980	
Rent	14 100	
General expenses	5 680	
Depreciation	?	
Profit (net profit)/Loss (net loss) for year		?

(1) There were no additions or disposals of non-current (fixed) assets during the year.

(2) There were no cash sales or cash purchases during the year.

(3) Depreciation of non-current (fixed) assets was provided at 25% using the reducing balance method.

(4) All sales achieved a 40% gross profit margin.

0 6 Prepare a balance sheet for Kevin Greenslade's business at 30 April 2012.
Prepare detailed calculations of missing figures for assets, liabilities and capital.

(28 marks)
(includes 2 marks for quality of presentation)

Turn over for the next task

Task 4 **Total for this task:**

Kelly and Roche are in partnership. They did not have a partnership agreement.

Roche made a loan to the partnership during the year ended 31 March 2011 and no repayments have been made.

From 1 August 2011, the partners decided to prepare a formal partnership agreement and the terms were as follows.

(1) Interest on the partner's loan account is to be 4% per annum.

(2) Interest on partners' capital accounts is to be 6% per annum.

(3) Interest on partners' total drawings is to be charged at 3% per annum. (For the period 1 August 2011 to 31 March 2012, interest on drawings is: Kelly £592; Roche £472).

(4) Kelly's partnership salary is to be £15 900 per annum.

(5) Profits and losses will be split between Kelly and Roche in the proportion 3:1 respectively.

No account has been taken of the interest on Roche's loan. The draft profit for the year ended 31 March 2012 was £41 400. Profits were accrued evenly before allowing for loan interest.

The following balances were extracted from the books of account for the year ended 31 March 2012.

	Kelly	**Roche**
	£	**£**
Capital accounts	98 500	78 800
Drawings for the year	29 600	23 600
Current accounts at 1 April 2011	11 820	(9 456)
Partner's loan account		12 000

0 7 Prepare the partners' appropriation account for the year ended 31 March 2012, showing clearly the appropriation of profit for the periods:

- 1 April 2011 – 31 July 2011
- 1 August 2011 – 31 March 2012. *(14 marks)*

The partnership is considering introducing Boardman as a partner from 1 April 2012.
The following information relates to the possible change to the partnership.

(1) Boardman would introduce capital of £50 000.

(2) Goodwill would be valued at £30 000 and would not remain in the books of account.

(3) Projected profits for the year ending 31 March 2013 are estimated to increase by 30%.

(4) The partners decided that the terms of the existing partnership agreement would remain unchanged except that the partners would share profits and losses between Kelly, Roche and Boardman in the ratio 5:3:2 respectively.

0 8 Recommend to Kelly and Roche whether or not they should introduce Boardman as a new partner. Make reference to both financial and non-financial considerations to justify your recommendation. *(12 marks)*
(includes 2 marks for quality of written communication)

END OF QUESTIONS

There are no questions printed on this page