General Certificate of Education
Advanced Level Examination
June 2013

Accounting ACCN3

Unit 3 Further Aspects of Financial Accounting

Monday 3 June 2013 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

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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: 22 marks**

Jack, Henry and Len are in partnership, sharing profits and losses in the ratio 4:3:2 respectively. The partnership balance sheet at 30 April 2013 was as follows.

Jack, Henry and Len
Balance sheet at 30 April 2013

	£	£	£
Non-current assets			216 000
Current assets			
Inventory	22 944		
Trade receivables	15 168		
Cash and cash equivalents	3 274	41 386	
Current liabilities			
Trade payables		11 376	
Net current assets			30 010
			246 010
Capital accounts			
Jack		102 000	
Henry		84 000	
Len		36 000	222 000
Current accounts			
Jack		18 816	
Henry		10 968	
Len		(5 774)	24 010
			246 010

On 1 May 2013, Len will retire from the partnership. Jack and Henry will continue in partnership, sharing profits and losses in the ratio 3:1 respectively. The partners have also agreed that the following will take effect on that date.

(1) Non-current assets will be revalued at £235 000.

(2) Inventory will be valued at the net realisable value of £17 444.

(3) Goodwill will be valued at £27 000 and will not be maintained in the books of account.

(4) The combined balances on Len's capital account and current account will be transferred to a loan account because the partnership has insufficient liquid funds to repay the amount due to Len.

0 1 Prepare the partnership capital accounts for Jack, Henry and Len at 1 May 2013 after items (1) to (4) have been implemented. *(9 marks)*

Jack and Henry are intending to expand the business in the foreseeable future.

0 2 Assess **two** sources of finance that could be used to fund the proposed expansion. Recommend and justify the most appropriate finance method. *(13 marks)*
(includes 2 marks for quality of written communication)

Turn over for the next task

Task 2 **Total for this task: 15 marks**

The directors of *Giles plc* are unsure about the correct accounting treatment of the following situations in the financial statements for the year ended 31 May 2013.

(1) *Giles plc* is being sued for a breach of contract and the compensation for damages has been estimated at £65 000. It is not known when the case will be concluded. However, it is probable that legal proceedings will result in a loss for *Giles plc*.

(2) Damaged finished goods for resale have been included in the inventory valuation at an original cost of £60 000. These goods will be sold with a profit margin of 20%. However, before sale, the inventory will need to be modified at an additional cost of £22 750.

(3) IT equipment, with a carrying amount of £42 500, is now inadequate due to changes in technology. This equipment has an estimated fair value of £30 000 and an estimated value in use of £34 750.

0 3 Identify the relevant international accounting standard to be applied to **each** of the situations (1) to (3). *(3 marks)*

0 4 Explain, with reference to the relevant international accounting standard, how **each** of the situations (1) to (3) should be treated in the financial statements. *(12 marks)*

Turn over for the next task

Turn over ▶

Task 3 **Total for this task: 31 marks**

Eve Huffer, a retailer, did not keep a full set of accounting records for her business. She has provided the following information in order to complete her financial statements.

	At 31 March 2012
	£
Insurance prepaid	920
Inventory	11 990
Non-current assets at net book value	95 800
Trade payables	6 750
Trade receivables	19 670
Wages accrued	2 800

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

	£		£
Receipts from sale of non-current assets	13 800	Balance b/d at 1 April 2012	2 438
Receipts from trade receivables	158 600	Insurance	3 700
		Wages	35 000
		General expenses	7 640
		Rent	12 500
		Drawings	17 500
		Payments to trade payables	86 300
		Balance c/d at 31 March 2013	7 322
	172 400		172 400
Balance b/d at 1 April 2013	7 322		

Eve Huffer has partially completed her income statement for the year ended 31 March 2013, as shown below.

	£	£
Revenue		153 400
Cost of sales		
Opening inventory	11 990	
Purchases	?	
Goods for own use	(3 000)	
Closing inventory	(6 365)	?
Gross profit		?
Less expenses:		
Insurance	3 520	
Wages	34 720	
General expenses	7 640	
Loss on sale of non-current assets	600	
Depreciation	?	
Rent	10 000	?
Profit (or loss) for the year		?

Additional information

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

(2) All sales are calculated at cost plus 60% mark-up.

(3) Depreciation on non-current assets was provided at 20% using the reducing balance method. A full year's depreciation is provided in the year of purchase and no depreciation is provided in the year of disposal.

(4) The rent paid is for the 15 months ended 30 June 2013.

0 5 Prepare a balance sheet for Eve Huffer's business at 31 March 2013. *(31 marks)*

Turn over for the next task

Task 4 **Total for this task: 22 marks**

The directors of *Pearl plc* have provided the following extract from the balance sheet at 30 April 2012.

	Cost	Depreciation	NBV
	£	£	£
Property plant and equipment			
Land and buildings	187 500	56 250	131 250
Motor vehicles	112 500	49 200	63 300
Fixtures and fittings	50 000	13 500	36 500
	350 000	118 950	231 050

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

Non-current assets	Policy
Land and buildings	Straight-line method at 4% per annum
Motor vehicles	Reducing balance method at 25% per annum
Fixtures and fittings	Straight-line method at 15% per annum

A full year's depreciation is charged in the year of purchase, but none is charged in the year of disposal.

During the year ended 30 April 2013, the following transactions took place.

(1) Land and buildings were revalued at £260 000 on 1 May 2012.

(2) A motor vehicle was purchased during the year at a cost of £24 950.

(3) A motor vehicle with a net book value of £18 450 was sold during the year for £15 500. It was originally purchased on 1 May 2010.

(4) Fixtures and fittings were purchased during the year at a cost of £5 200.

0 6 Prepare a schedule of non-current assets at 30 April 2013 (a total column is **not** required).

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

END OF QUESTIONS