



General Certificate of Education  
Advanced Level Examination  
June 2014

## Accounting

## ACCN3

### Unit 3 Further Aspects of Financial Accounting

Monday 2 June 2014 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 **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 the 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: 24 marks**

Bradshaw, Lloyd and Pritchard were in partnership, sharing profits and losses in the ratio 3:2:1 respectively. The partnership balance sheet at 31 May 2014 was as follows.

	£		£
<b>Non-current assets</b>			175 500
<b>Current assets</b>			
Inventory	27 550		
Trade receivables	24 540		
Bank	<u>6 675</u>	58 765	
<b>Current liabilities</b>			
Trade payables		<u>18 200</u>	
<b>Net current assets</b>			<u>40 565</u>
			<u>216 065</u>
<b>Capital accounts</b>			
Bradshaw		105 000	
Lloyd		70 000	
Pritchard		<u>35 000</u>	210 000
<b>Current accounts</b>			
Bradshaw		12 105	
Lloyd		8 060	
Pritchard		<u>(14 100)</u>	<u>6 065</u>
			<u>216 065</u>

The partners have agreed the following to take effect on 1 June 2014 on the retirement of Pritchard.

- (1) Pritchard will take a motor vehicle at the net book value of £2000. Remaining non-current assets are to be valued at £200 000.
- (2) Inventory with a cost price of £9000 is to be written down to a net realisable value of £5600.
- (3) A specific provision for doubtful debts is to be made for £7415 owed by an individual customer. In addition, a general provision for doubtful debts is to be made at 4% of the remaining trade receivables.
- (4) Goodwill is to be valued at £33 000 and will not remain in the books of account.
- (5) Bradshaw and Lloyd will continue in partnership, sharing profits and losses in the ratio 3:2 respectively.
- (6) Pritchard will transfer £10 000 to a loan account to be repaid in full in 2018. No loan interest will be charged on this amount.
- (7) The remaining balance from combining both Pritchard's capital account and current account will be paid from the business bank account.

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Prepare the partners' capital accounts at 1 June 2014 to show the retirement of Pritchard.

**[14 marks]**

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Prepare the partnership balance sheet at 1 June 2014 after the retirement of Pritchard.

**[10 marks]**

**Turn over for the next question**

**Turn over ►**

## Task 2

Total for this task: 27 marks

Toyosi does not keep full books of account. The following information is available for the year ended 31 March 2014.

Dr	Bank Account	Cr	
	£	£	
Balance b/d at 1 April 2013	22 550	Trade payables	90 525
Cash	96 520	Wages and salaries	14 400
Delivery van	1 640	Insurance	6 600
		Fixtures and fittings	3 700
		Balance c/d at 31 March 2014	5 485
	120 710		120 710

**Additional information**

(1)

	At 1 April 2013	At 31 March 2014
	£	£
Cash in hand	500	600
Delivery vans at net book value	16 440	11 624
Fixtures and fittings at net book value	15 170	15 096
Insurance prepaid	390	450
Inventory	?	?
Trade payables	7 700	5 600
Wages and salaries accrued	1 270	1 430

(2) All sales are on a cash basis.

(3) Sales receipts had been banked after the following payments.

	£
Telephone	900
Drawings	18 000
Purchases	8 980

(4) A delivery van with a net book value of £1380 had been sold for £1640.

(5) No fixtures and fittings had been disposed of, and no delivery vans had been purchased, during the year.

(6) All goods are sold to achieve a 25% gross profit margin.

(7) The inventory valuation at 1 April 2013 was unrecorded.

(8) It was not possible to value inventory at 31 March 2014. However, inventory was valued on 4 April 2014 at £9400. Goods had been sold on 2 April 2014 for £3800. Goods had been purchased on 3 April 2014 for £3750.

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Prepare an income statement for Toyosi for the year ended 31 March 2014.  
A balance sheet is **not** required.

**[27 marks]**

**[includes 2 marks for quality of presentation]**

**Turn over for the next question**

**Turn over ►**

## Task 3

Total for this task: 27 marks

The Directors of Pendleton Ltd have provided the following extract from the balance sheet at 31 May 2014.

	£
<b>Non-current liabilities</b>	
5% debenture loan (2030)	<u>80 000</u>
<b>Equity</b>	
Ordinary shares of 25p each	200 000
Share premium account	40 000
Revaluation reserve	25 000
Retained earnings	<u>18 750</u>
	<u><u>283 750</u></u>

The Directors need to raise additional funds to finance a planned expansion of the business.

They are considering **two** options to take effect on 1 June 2014.

**Option 1**

Making a rights issue of ordinary shares on the basis of 2 shares for every 5 shares held at a premium of 20p. It is anticipated that the rights issue will be fully subscribed. The Directors currently make dividend payments at 12p per share and intend to maintain this policy.

**Option 2**

Issuing another debenture loan for the same amount as the total value of the proposed rights issue. The rate of interest will be at 5% per annum.

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Prepare an extract of the statement of cash flows for the year ending 31 May 2015 to show **all** the transactions relating to the rights issue in option 1, in accordance with IAS7. [8 marks]

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Prepare an extract of the statement of cash flows for the year ending 31 May 2015 to show **all** the transactions relating to the debenture loan issue in option 2, in accordance with IAS7. [7 marks]

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Discuss the appropriateness of **both** sources of finance to fund the proposed expansion. Recommend the best option and justify your choice. [12 marks]

**Task 4****Total for this task: 12 marks**

The Directors of Varnish plc are unsure about why the business should comply with International Accounting Standards when financial statements are being prepared.

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Explain the purpose and importance of complying with International Accounting Standards when preparing financial statements.

**[12 marks]****[includes 2 marks for quality of written communication]****END OF QUESTIONS**

**There are no questions printed on this page**