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Centre Number							Candidate Number															
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For Examiner's Use

General Certificate of Education
June 2008
Advanced Subsidiary Examination



ACCOUNTING

ACC2

Unit 2 Financial Accounting: Introduction to Published Accounts of Limited Companies

Monday 2 June 2008 1.30 pm to 2.30 pm

You will need no other materials.
You may use a calculator.

Time allowed: 1 hour

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. Answers written in margins or on blank pages will not be marked.
- 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 this book. Cross through any work you do not want to be marked.
- Page 5 is perforated. Tear it out **at the start of the examination** and use it to answer Question 2.

Information

- The maximum mark for this paper is 80.
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

For Examiner's Use			
Question	Mark	Question	Mark
1		3	
2		4	
Total (Column 1) →			
Total (Column 2) →			
Quality of Written Communication			
TOTAL			
Examiner's Initials			



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

Total for this question: 8 marks

1

An accounts clerk of Addison Hardware Ltd has asked about trial balances.

REQUIRED

- 1** (a) Explain the purpose of a trial balance.

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(2 marks)

The managing director of Addison Hardware Ltd is considering computerising the accounting records of the business.

REQUIRED

- 1** (b) State and explain **three** advantages to the company of computerising the **purchases ledger records** of the business.

Advantage 1

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(2 marks)



Advantage 2

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(2 marks)

Advantage 3

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(2 marks)

Turn over for the next question

8

Turn over ►



2

REQUIRED

-
- This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and extend across the width of the page. There are no margins or other markings on the paper.

Remove this page and use it when answering Question 2

The following information has been extracted from the books of account of Rayhana Patel Ltd at 31 May 2008.

	£
Balance at bank	10 600
Carriage inwards	8 900
Carriage outwards	2 800
Directors' salaries	184 200
Discounts allowed	11 400
Discounts received	18 900
General expenses	88 700
General reserve	20 000
Issued share capital	
ordinary shares of 50p each fully paid	120 000
5% preference shares of £1 each fully paid	80 000
Motor vehicles	120 000
Purchases	515 000
Rent receivable	5 200
Returns inwards	6 200
Returns outwards	8 700
Sales	1 134 000
Staff wages and salaries	182 400
Stock at 1 June 2007	141 000
Stock at 31 May 2008	166 000
Trade creditors	46 200
Trade debtors	39 900
VAT (amount due to HM Revenue and Customs)	11 700

Additional information

- (1) Authorised share capital:
800 000 ordinary shares of 50p each;
200 000 5% preference shares of £1 each.
- (2) The directors propose the following:
 - a full year's dividend on the preference shares
 - a dividend of 3p per ordinary share
 - a transfer to the general reserve of £21 000.



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ANSWER IN THE SPACES PROVIDED**



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Turn over ►



- 2 (c) State **two** differences between a capital reserve and a revenue reserve. Give **one** example of each type of reserve.

Capital reserve

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Example

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(3 marks)

Revenue reserve

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Example

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(3 marks)

Turn over for the next question

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Turn over ►



Total for this question: 17 marks**3**

The bookkeeper of Stuart Ltd prepared the following balance sheet. It contains errors.

Stuart Ltd
Balance Sheet for the year ended 31 May 2008

	£000	£000
Fixed assets		600
Current assets		
Stock	120	
Trade creditors	110	
VAT (amount due from HM Revenue and Customs)	60	
Bank overdraft	<u>310</u>	
	<u>600</u>	
Current liabilities		
Trade debtors	180	
Revaluation reserve	140	
8% debentures (2015)	<u>100</u>	
	<u>420</u>	
Net current assets		180
Long term liabilities		
Premises		<u>(240)</u>
		<u>540</u>
Capital and Reserves		
Issued ordinary shares of £1 each fully paid		170
Issued 8% preference shares of £1 each fully paid		50
Retained profits		<u>320</u>
		<u>540</u>

Additional information

- (1) A cheque for £2000 paid to a creditor in May 2008 had been entered in the accounting records as £6000.
- (2) A cheque for £5000 for the purchase of machinery had been posted to staff wages.
- (3) Machinery costing £8000 had been purchased on credit on 31 May 2008. No entries had been made in the accounting records.



REQUIRED

- 3** (a) Prepare a corrected balance sheet, taking account of the additional information.

[illegible]

(14 marks)

Turn over ►

The additional information on page 10 refers to three accounting errors.

REQUIRED

- 3 (b) State the type of error referred to in each case.

Error 1

Error 2

Error 3

(3 marks)



Total for this question: 20 marks

- 4 A friend has asked for some information about private limited companies.

REQUIRED

- 4 (a) State who owns a private limited company.

.....
(1 mark)

- 4 (b) State who is responsible for the day-to-day management of a private limited company.

.....
(1 mark)

- 4 (c) Explain the term 'limited liability'.

.....

 (3 marks)

- 4 (d) Identify **four** statements contained in the annual report and accounts of a limited company **other** than the profit and loss account and balance sheet.

1
 2
 3
 4
 (4 marks)

Turn over ►

A friend has recently inherited £10 000.

REQUIRED

- 4 (e) Explain **two** differences between ordinary shares and preference shares. Recommend to your friend which of the two types of investment would be most suitable to minimise risk.

Difference 1

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Difference 2

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Recommendation

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(11 marks)

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