

ADVANCED GCE UNIT

2505

ACCOUNTING

Company Accounts and Interpretation

FRIDAY 19 JANUARY 2007

Afternoon
Time: 1 hour 30 minutes

Each candidate must be given: (1) one copy of this question paper, 2505;
(2) Answer Booklet (8 pages)
Item (2) is sent with the stationery parcel

Candidates may use calculators in this examination.



INSTRUCTIONS TO CANDIDATES

- Complete the front page of the Answer Book as directed.
- Answer **all** questions.
- You must show the calculations leading to your answers.

INFORMATION FOR CANDIDATES

- The maximum mark for this paper is 100.
- **Continuous prose responses are required to questions in this paper. You will be assessed on your form and style of writing, the clarity and coherence of your organisation of information, your use of specialist accounting vocabulary and conventions, the legibility of text and your spelling, grammar and punctuation.**

This document consists of 4 printed pages.

Answer **all** questions.

1 The following balances were extracted from the books of Lusby plc on 31 December 2006.

	Dr £	Cr £
Purchases	300 000	
Sales		1 500 000
Stock 1 January 2006	51 500	
Discounts	4 200	2 300
Sales returns	5 300	
Ordinary shares at £1 each		1 200 000
Administrative expenses	84 000	
Distribution costs	76 000	
Rent receivable		15 000
Profit and Loss	32 000	
Debtors	48 500	
Creditors		32 000
Land and buildings	1 900 000	
Office equipment	420 000	
Delivery vehicles	310 000	
Provision for depreciation – office equipment		172 000
Provision for depreciation – delivery vehicles		115 000
Share premium		600 000
Bank	174 800	
Salaries	230 000	
	<u>3 636 300</u>	<u>3 636 300</u>

Additional information:

- (i) The closing stock was valued at £53 000.
- (ii) Administrative expenses prepaid £10 200.
Distribution costs owing £8 400.
- (iii) Rent receivable of £1 200 is outstanding for the year.
- (iv) Salaries are to be split equally between administrative expenses and distribution costs.
- (v) A provision for doubtful debts of £2 300 is to be created.
- (vi) An independent surveyor has revalued the land and buildings to £2 100 000. No entry has been made in the accounts for this revaluation. Land and buildings are not depreciated.
- (vii) Depreciation is to be provided as follows:
 - delivery vehicles 20% per annum on cost;
 - office equipment 10% per annum on the written down value.
 Depreciation on delivery vehicles is included under distribution costs, while depreciation on office equipment is split equally between administrative expenses and distribution costs.
- (viii) The directors recommend a transfer to a general reserve of £150 000 and an ordinary share dividend of £230 000. Corporation tax for the year is estimated at £148 000.

Accounting

Advanced GCE A2 7808

Advanced Subsidiary GCE AS 3808

Mark Schemes for the Units

January 2007

3808/7808/MS/R/07J

1 (a)

Martin GriffithsTrading and Profit and Loss Account for the year ended 31 December 2006

Sales		680,000	
Sales returns		<u>10,000</u>	
		670,000	(2)
Opening stock	39,000		
Purchases	<u>285,000</u>		
	324,000		
Drawings	<u>3,000</u>	(1)	
	321,000		
Closing stock	<u>41,000</u>		
Cost of sales (1)		<u>280,000</u>	(1)
Gross Profit		390,000	
Discount received		2,000	(1)
Commission receivable		<u>4,300</u>	(2)
		396,300	
Carriage outwards	2,800	(1)	
General expenses	138,012	(1)	
Salaries	144,000	(2)	
Provision for doubtful debts	392	(2)	
Loan interest	4,500	(2)	
Depreciation premises	7,200	(2)	
Depreciation machinery	<u>4,825</u>	(3)	
		<u>301,729</u>	
Net Profit		<u>94,571</u>	[21]