

Exam

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NVQ/SVQ Level 3
in Accounting

Diploma Pathway
Advanced Certificate

Maintaining Financial Records and
Preparing Accounts
(FRA)
2003 Standards

Financial Accounting
(FRA)
2003 Standards

Wednesday 5 December 2007 (afternoon)

Time allowed – 3 hours plus 15 minutes' reading time

Please complete the following information in BLOCK CAPITALS:

Student member number Desk number

Venue code Date

Venue name

Important:

This exam paper is in two sections. You should try to complete every task in both sections.

We recommend that you use the 15 minutes' reading time to study the exam paper fully and carefully so that you understand what to do for each task. However, you may begin to write your answers within the reading time, if you wish.

We strongly recommend that you use a pen rather than a pencil.

You may not use programmable calculators or dictionaries in the exam.

Do NOT open this paper until instructed to do so by the Supervisor.

Note:

You may use this page for your workings.

Note:

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This exam paper is in TWO sections.

You have to show competence in BOTH sections. So, try to complete EVERY task in BOTH sections.

Section 1 contains 10 tasks and Section 2 contains 7 tasks.

You should spend about 90 minutes on Section 1, and 90 minutes on Section 2.

You should show your workings in the spaces provided, and on pages 2, 5, 13, 15 and 20–23. You should also include all essential calculations in your answers.

Section 1

You should spend about 90 minutes on this section.

Data

Ammar is the proprietor of a business which repairs and maintains buildings.

He keeps a sales day-book and a purchases day-book but he does not keep a double entry bookkeeping system. All payments and receipts pass through the business bank account. The business is registered for VAT.

You are an accounting technician at Harper and Co., the accounting firm that prepares the final accounts for Ammar. The financial year end is 31 October.

You have the following information:

Note:

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Balances as at:	31 October 2006 £	31 October 2007 £
Vehicle at cost	18,000	18,000
Vehicle accumulated depreciation	4,500	To be calculated
Stock at cost	6,400	7,200
Trade debtors	10,500	12,900
Prepayment	750	To be calculated
Accrual	200	To be calculated
Trade creditors	5,800	6,300
VAT payable	2,200	To be calculated
Capital	26,650	26,650

Bank summary for the year ended 31 October 2007

	Dr £		Cr £
Balance b/f	3,700	Rent	6,250
Receipts from trade debtors	142,800	Payroll expenses	22,000
		Payments to trade creditors	70,000
		General expenses – including VAT	4,700
		VAT – paid to HMRC	11,025
		Drawings	30,000
		Balance c/f	2,525
	146,500		146,500

Day-book summaries for the year ended 31 October 2007

	Net £	VAT £	Total £
Sales	125,000	21,875	146,875
Purchases	60,000	10,500	70,500

Task 1.1

You need to find the figure for discounts allowed.

Prepare the sales ledger control account for the year ended 31 October 2007, showing clearly the figure for discounts allowed. There are no other missing figures.

Sales ledger control account

	£		£

Task 1.2

The prepayment in the list of balances is for rent. The bank summary figure on page 4 includes £1,500 for rent, for the quarter ending 31 December 2007. Ammar is not charged VAT on rent.

Prepare the rent account, showing clearly the rent for the year ended 31 October 2007.

Rent

	£		£

Workings:

Task 1.3

The bank summary on page 4 shows general expenses of £4,700 which includes VAT at 17.5%.

Note:

General expenses are not included in the purchases day-book.

(a) Calculate the general expenses net of VAT.

(b) Calculate the VAT on general expenses that you must include in the VAT account.

Task 1.4

You need to find the closing balance figure for VAT.

Using the information you have been given on page 4, and your answer to task 1.3(b), complete the VAT account.

VAT

	£		£
		Balance b/f	2,200

Task 1.5

The accrual of £200 in the list of balances on page 4 is for payroll expenses. In November 2007, £320 was paid for payroll expenses incurred in October 2007.

Prepare the payroll expenses account, showing clearly the payroll expenses for the year ended 31 October 2007. You will need to refer to the data on page 4.

Payroll expenses

	£		£

Task 1.6

Depreciation is provided at 25% on a reducing balance basis.

(a) Calculate the depreciation charge for the year ended 31 October 2007.

(b) Calculate the updated accumulated depreciation.

Task 1.7

Your supervisor has suggested to Ammar that he makes a provision for doubtful debts of 5% of his outstanding trade debtors.

- (a) Calculate the provision for doubtful debts that you must include in the trial balance.**

- (b) Explain briefly to Ammar why he might need a provision for doubtful debts in his accounts.**

Task 1.8

Complete the trial balance on page 9 as at 31 October 2007. Take into account your answers to the above tasks, and all the other information you have been given.

Task 1.9

One of the functions of a trial balance is to help in the detection of errors. However, not all errors are detected by the trial balance.

Using the table below, indicate whether the trial balance would detect each of the errors.

Note:

You do not need to make any adjustments.

Would the errors below be detected by the trial balance?	Tick for Yes	Tick for No
(a) A bank payment has been entered into the bank account but no other entries have been made.		
(b) A sales invoice for £420 + VAT has been entered as follows: Dr Sales £420 Cr Sales ledger control account £420		
(c) Discounts received of £101 have been credited to discounts received as £110 and debited to the purchases ledger control account as £101.		
(d) Payroll expenses of £890 have been debited to payroll expenses and credited to the bank account. The correct amount should have been £980.		

Task 1.10

Ammar needs to buy a replacement van for his business. He asks how he could fund this.

Name TWO different methods of funding which Ammar could consider.

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Section 2

You should spend about 90 minutes on this section.

Data

Asma, Ben and Chris are the owners of Great Gifts, a partnership business that sells gifts to the public from a retail store.

You are an accounting technician at Harper and Co., the accounting firm that prepares the final accounts for Great Gifts.

- The financial year end is 30 September.
- The partners maintain a double entry accounting system consisting of a main ledger and a purchases ledger. They also keep computerised stock records.
- There are no credit sales.
- Great Gifts is registered for VAT.
- The trial balance as at 30 September 2007 is shown below.

Great Gifts – Trial Balance as at 30 September 2007

	Ledger balances	
	Dr £	Cr £
Administration expenses	24,530	
Advertising expenses	11,250	
Bank	10,125	
Capital account – Asma		30,000
Capital account – Ben		30,000
Capital account – Chris		30,000
Cash	2,200	
Current account – Asma	6,000	
Current account – Ben	23,000	
Current account – Chris	23,000	
Depreciation expense	20,650	
Equipment at cost	25,000	
Equipment accumulated depreciation		9,000
Fixtures and fittings at cost	131,500	
Fixtures and fittings accumulated depreciation		13,150
Opening stock	36,000	
Payroll expenses	52,000	
Purchases	290,820	
Purchases ledger control account		38,250
Rent	56,500	
Sales		550,000
Suspense		500
VAT		11,675
TOTAL	712,575	712,575

Note:

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Data

You have investigated the balance on the suspense account and discovered some errors that need to be corrected. There are also some year end adjustments to be made. You do not need to adjust for VAT.

- (a) Administration expenses of £820 were debited to the purchases account. The credit entry was correct.
- (b)
 - (i) Equipment costing £2,500 was purchased for cash during the year. The correct entry was made to the bank, but no other entries were made.
 - (ii) Depreciation needs to be provided on this new equipment for the year ended 30 September 2007 at 30% using the straight line method. A full year's depreciation is charged in the year of purchase.
- (c) Accrued advertising expenses of £1,500 were debited to the advertising expenses account twice. No other entries were made.
- (d) The figure for closing stock needs to be calculated. You have the following information:
 - Closing stock at cost from the computerised stock system £43,500
 - Obsolete items included in this figure cost £4,200 but were later sold for £1,700.

Task 2.1

Prepare journal entries to account for the information given above. Use the blank journal on page 13. You do not need to give dates and narratives.

Note:

There is space for your workings on pages 13 and 15.

Journal

	Dr £	Cr £
(a)		
(b) (i)		
(ii)		
(c)		
(d)		

Workings:

Task 2.2

Prepare a profit and loss account for the partnership for the year ended 30 September 2007, showing clearly the gross profit and the net profit. Use the trial balance from page 11 and your journal adjustments from page 13.

[illegible]

Note:

You may use this page for your workings.

Note:

Please turn over for the rest of Section 2.

Additional data

Asma retired from the partnership on 31 March 2007. You have the following information about the partnership agreement.

- Partners' annual salaries
Asma £20,500 (£10,250 for 1 October 2006 to 31 March 2007)
Ben £25,000
Chris nil
- Interest on capital accounts
5% per annum on the balance at the beginning of the year.
- Profit share, effective until 31 March 2007
Asma 50%
Ben 25%
Chris 25%
- Profit share, effective from 1 April 2007
Ben 60%
Chris 40%

You can assume that profits accrued evenly during the year.

Task 2.3

Complete the following table to show the interest on capital for each of the partners. Show your workings below.

Interest on capital	1 October 06 – 31 March 07 £	1 April 07 – 30 September 07 £	Total £
Asma			
Ben			
Chris			

Workings:

Task 2.4

Prepare the appropriation account for the partnership for the year ended 30 September 2007. There is extra space for your workings on page 15 if you need it.

Great Gifts

Appropriation account for the year ended 30 September 2007

	1 October 06 – 31 March 07 £	1 April 07 – 30 September 07 £	Total £
Net profit			
Salaries:			
Asma			
Ben			
Interest on capital:			
Asma			
Ben			
Chris			
Profit available for distribution			
Profit share:			
Asma			
Ben			
Chris			
Balance			

Workings:

Note:

Please turn over for the rest of Section 2.

Task 2.5

- Goodwill was valued at £50,000 on 31 March 2007.
- Goodwill is to be eliminated from the accounts.

Prepare the goodwill account for the partnership for the year ended 30 September 2007. Show clearly the individual transfers to and from each partner's capital account. Show your workings on page 15.

Goodwill Account

	£		£

Task 2.6

There is not enough cash available to repay Asma's capital account. Asma agrees to leave the balance due to her as a loan to the new partnership.

- (a) Which one of the following would be the correct journal entry to clear Asma's capital account to a loan account? Tick ONE correct box.

- ☐ Dr Capital – Asma Cr Trade creditors
- ☐ Dr Loan – Asma Cr Capital – Asma
- ☐ Dr Capital – Asma Cr Loan – Asma
- ☐ Dr Bank Cr Capital – Asma

- (b) Some businesses retain goodwill in their accounts. In which category of asset should goodwill be included? Tick ONE correct box.

- ☐ Tangible fixed assets
- ☐ Intangible fixed assets
- ☐ Current assets

Task 2.7

The closing stock valuation figure was taken from the computerised records. These are updated in the stock room when stock is received, and automatically updated at the point of sale when stock is sold. The partners of Great Gifts inform you that there are sometimes differences between the quantity showing on the computer and the physical stock actually on the shelves.

Draft a note to the partners of Great Gifts. In your note:

- List THREE reasons why the computer records and the physical stock might not agree.
- Explain briefly how the profit is affected if these stock records are incorrect.

[illegible]

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NVQ/SVQ qualification codes

Intermediate (2003 standards) – 100/2941/2 /G793 23
Unit number (FRA) – T/101/8103

Diploma Pathway qualification codes

Advanced Certificate (2003 standards) – 100/5924/6
Unit number (FRA) – R/103/6446



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INVESTOR IN PEOPLE

For Assessor's use only

Section 1

Section 2

Task 1.1

Task 2.1

Task 1.2

Task 2.2

Task 1.3

Task 2.3

Task 1.4

Task 2.4

Task 1.5

Task 2.5

Task 1.6

Task 2.6

Task 1.7

Task 2.7

Task 1.8

Task 1.9

Task 1.10

Total

Total

For Assessor's use only

Section 1

Section 2

Task 1.1

Task 2.1

Task 1.2

Task 2.2

Task 1.3

Task 2.3

Task 1.4

Task 2.4

Task 1.5

Task 2.5

Task 1.6

Task 2.6

Task 1.7

Task 2.7

Task 1.8

Task 1.9

Task 1.10

Total

Total