

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Advanced Subsidiary GCE**

**ACCOUNTING**

**2501**

Financial Accounting

3808/7808

Wednesday

**7 JUNE 2006**

Afternoon

1 hour

Each candidate must be given:

(1) one copy of this questions paper, 2501;

(2) one 8 page Answer Book.

Item (2) is sent with the stationery parcel.

**Candidates may use calculators in this examination.**

**TIME** 1 hour

**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 80.

**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.**

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**This question paper consists of 4 printed pages.**

- 1 Winston Bai commenced business fitting security doors on 1 December 2005. During the first six months of trading his transactions were:

Purchases of doors

December 2005	10 doors at £250 each
March 2006	15 doors at £230 each
April 2006	20 doors at £235 each

Sales of doors

December 2005	4 doors at £400 each
January 2006	6 doors at £400 each
February 2006	5 doors at £400 each
March 2006	9 doors at £420 each
April 2006	7 doors at £420 each
May 2006	5 doors at £420 each

Expenses for the six month period were £1 500. All transactions were on a cash basis.

**REQUIRED**

- (a) Calculate the net profit for the six month period ending 31 May 2006, using both the LIFO **and** FIFO methods of stock valuation (periodic). [12]
- (b) Discuss how stock should be valued in the final accounts of a business. [6]

Total marks [18]

- 2 The sales ledger control account of Kettlewell Limited for the year ended 28 February 2006 has been prepared from the following information:

	£
Debit balance b/d 1 March 2005	51 000
Totals for the year 1 March 2005 to 28 February 2006:	
Credit sales	620 000
Cheques received from debtors	584 000
Cash received from debtors	6 000
Discount allowed	24 200
Bad debts	4 000
Dishonoured cheques	5 100
Sales returns from debtors	6 500
Contra purchase ledger	8 000

The Sales Ledger Control Account balance failed to agree with the total debtors of £43 600 shown by the schedule of debtors. The following errors were subsequently discovered.

- (i) No contra entry had been made in a debtors account in the sales ledger in respect of purchases by Kettlewell Limited of goods list price £1 000, trade discount 10%. This item had been correctly dealt with in the Sales Ledger Control Account.
- (ii) The discount allowed total shown in the cash book had been undercast by £700.
- (iii) A customer had returned goods to Kettlewell Limited at the selling price of £1 700. The goods had been bought on credit. No entries had been made to record the return of the goods in the accounts of Kettlewell Limited.

#### REQUIRED

- (a) A corrected Sales Ledger Control Account for the year ended 28 February 2006. [14]
- (b) A statement showing the correct total for the schedule of debtors for the year ended 28 February 2006. [5]
- (c) Discuss the advantages that a system of control accounts would bring to a business. [6]

Total marks [25]

- 3 Karen Gwyne owns a small shop. Karen pays the takings into the business bank account. Karen operates a manual system of accounts. The following is a summary of the bank account for the year ended 28 February 2006.

Bank account summary for the year ended 28 February 2006

	£		£
Debtors	60 000	Balance b/d	5 000
Cash sales	25 000	Rent	6 300
Capital	8 000	Rates	4 100
		Wages	20 000
		General expenses	9 700
		Creditors	32 000
		Fixtures	3 500
		Drawings	15 000

The following information is also available:

- (i) Karen allowed her customers discounts of £1 000 during the year ended 28 February 2006.
- (ii) Discounts received from suppliers for the year ended 28 February 2006 were £700.
- (iii) Karen had taken goods at the cost price of £2 000 for her own personal use.
- (iv) Cash of £4 200 was withdrawn from the bank to pay for a family holiday. Karen had recorded this amount as a general expense.
- (v) In addition to the items listed above, Karen's assets and liabilities were as follows:

	1 March 2005		28 February 2006
	£		£
Debtors	26 000		30 000
Stock at cost	18 000		16 000
Rent prepaid	1 000		1 200
General expenses owing	900		1 300
Creditors	18 000		20 000
Fixtures	6 000		8 000

REQUIRED

- (a) The Trading and Profit and Loss Account for the year ended 28 February 2006. [19]
- (b) The Balance Sheet as at 28 February 2006. [12]
- (c) Discuss the benefits to Karen Gwyne of a change from a manual system to a computerised system of book keeping. [6]

Total marks [37]