

**ADVANCED SUBSIDIARY GCE UNIT
ACCOUNTING**

2501

Financial Accounting

THURSDAY 11 JANUARY 2007

Morning

Each candidate must be given:

- (1) one copy of this question paper, 2501;
- (2) one 8 page Answer Book.

Time: 1 hour

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 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.**

This document consists of 4 printed pages.

- 1 The Purchases Ledger Control Account of Henry Hutton for the year ended 30 November 2006 had been prepared from the following information.

Credit balance b/d 1 December 2005	£ 174 000
Totals for the year 1 December 2005 to 30 November 2006:	
Credit purchases	964 000
Cheques paid to creditors	766 000
Cash paid to creditors	5 600
Credit purchases returned to suppliers	37 000
Discounts received	19 300
Contra sales ledger	84 200

The Purchases Ledger Control Account, which is part of the double entry system, failed to agree with the total creditors of £216 150 as shown by the schedule of creditors.

The following errors were subsequently discovered.

- (i) A purchase of £8 600 had been entered in Jane Blake's account in the Purchases Ledger as £6 800. The correct entry had been made in the Purchases Journal.
- (ii) The discounts received column in the Cash Book had been overcast by £750.
- (iii) A credit purchase of £8 700 from David Patel was correctly recorded in the Purchases Ledger Control Account, but no other posting had been made.
- (iv) Henry Hutton had returned goods costing £4 600 to a supplier. No entries had yet been made in Henry Hutton's accounts to record the return of these goods.

REQUIRED

- (a) A corrected Purchases Ledger Control Account for the year ended 30 November 2006. [12]
- (b) A statement showing the correct total of the Schedule of Creditors for the year ended 30 November 2006. [7]
- (c) Explain **three** advantages to Henry Hutton of operating a system of control accounts. [6]

Total marks [25]

- 2 J. Bells, a retailer of festive decorations, supplied the following information on purchases and sales for the month of December 2006.

Date	Purchases		Sales	
	Quantity units	Cost price per unit £	Quantity units	Selling price per unit £
2 December	2 000	15		
3 December			2 300	30
10 December	1 500	18		
14 December			1 300	32
18 December	2 000	20		
19 December			2 100	34

At 1 December 2006 J. Bells had an opening stock of 500 units valued at £14 each.

REQUIRED

- (a) Calculate the closing stock valuation as at 31 December 2006 using the following methods of stock valuation (perpetual).
- (i) FIFO. [5]
- (ii) LIFO. [9]
- (b) The Trading Account for the month of December 2006 using the FIFO method of stock valuation (perpetual). [6]
- (c) Advise J. Bells how the stock should be valued in the final accounts. [4]

Total marks [24]

- 3 Michelle Musa commenced business several years ago selling furniture. Michelle pays all her business takings into the business bank account. She has prepared the following bank account summary for the year ended 31 December 2006.

	£		£
Balance b/d	5 400	Trade creditors	23 000
Trade debtors	71 000	Rent	5 200
Cash sales	4 600	Insurance	600
		Wages	24 300
		Drawings	20 000

The following information is also available.

	1 January 2006	31 December 2006
	£	£
Stock at cost	5 500	4 800
Office equipment	6 000	4 500
Motor vehicles	10 000	7 500
Insurance prepaid	80	120
Rent owing	450	650
Trade debtors	7 500	8 300
Trade creditors	3 000	3 500

- (i) Discounts received from suppliers amounted to £560 for the year ended 31 December 2006.
- (ii) Michelle Musa allowed her customers discounts of £860 during the year ended 31 December 2006.
- (iii) A specific provision for doubtful debts of £440 is to be created.
- (iv) There were no purchases or disposals of fixed assets during the year.

REQUIRED

- (a) The Trading and Profit and Loss Account for the year ended 31 December 2006. [19]
- (b) The Balance Sheet as at 31 December 2006. [12]

Total marks [31]

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