



ADVANCED SUBSIDIARY GCE

ACCOUNTING

Accounting Principles

F011/RB

RESOURCE BOOKLET

SPECIMEN 2009

To be given to candidates at the start of the examination

Duration: 1 hour



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–2 is contained within this Resource Booklet.
- Do not hand this Resource Booklet in at the end of the examination. It is not needed by the Examiner.

INFORMATION FOR CANDIDATES

- This document consists of **8** pages. Any blank pages are indicated.

Answer **both** questions.

- 1* Scarlett, a trader, prepared the following Trial Balance from her accounts on 31 December 2006.

	Dr £	Cr £
Capital		60,000
10% Loan		30,000
Loan interest	2,750	
Drawings	7,000	
Purchases	173,000	
Purchase returns		4,000
Sales		356,000
Sales returns	8,000	
Discounts allowed	900	
Discounts received		1,000
Carriage outwards	1,500	
Commission received		2,500
Provision for doubtful debts		250
Motor expenses	10,000	
Salaries	31,500	
General expenses	28,350	
Insurance	7,000	
Debtors and creditors	15,150	13,300
Bank	8,900	
Stock	20,500	
Premises	105,000	
Provision for depreciation of premises		10,500
Office equipment	25,000	
Provision for depreciation of office equipment		9,000
Motor vehicles	80,000	
Provision for depreciation of motor vehicles		38,000
	524,550	524,550

The following information is also available.

- (i) The closing stock as at 31 December 2006 was valued at £16,500.
- (ii) A debt of £150 was considered irrecoverable. The full amount is to be treated as a bad debt in the accounts for the year ended 31 December 2006.
- (iii) The provision for doubtful debts is to be adjusted to 2% of the remaining debtors.
- (iv) At 31 December 2006 salaries owing amounted to £600, whilst general expenses prepaid amounted to £450.
- (v) Included in the general expenses is an item of office equipment purchased during the year for £3,000. This item has not yet been included in the office equipment account.
- (vi) One month's loan interest is still due.
- (vii) One half of the 10% loan is repayable during the year ended 31 December 2007, and the balance after that date.

(viii) During the year Scarlett had withdrawn goods for her personal use costing £3,000. This had not yet been recorded in the accounts.

(ix) Commission receivable of £250 was owing to Scarlett at 31 December 2006.

(x) Depreciation is to be provided as follows:

Premises 2% per annum on cost using the straight line method. There were no additions or disposals during the year.

Motor vehicles 25% by the reducing balance method. There were no additions or disposals during the year.

Office equipment 10% per annum on cost using the straight line method. A full year's depreciation is provided on all office equipment held on 31 December 2006, regardless of the date of purchase.

REQUIRED

The Trading and Profit and Loss Account for Scarlett for the year ended 31 December 2006 and the Balance Sheet as at 31 December 2006.

Total Marks [46]

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- 2 The following details relate to the fixed assets of Walnut Traders for the year ended 31 January 2007.

- (i) Fixed Assets at cost as at 1 February 2006 were:

	£
Machinery	255,000
Office Equipment	110,000

- (ii) Provision for depreciation as at 1 February 2006:

	£
Machinery	95,000
Office Equipment	38,000

- (iii) On 31 May 2006 machinery which originally cost £90,000 and with a written down value of £24,000 at the date of sale, was sold at a loss of £8,000. The disposal receipt was paid into the Bank Account. No purchases of machinery took place during the year ended 31 January 2007. All machinery held at 31 January 2007 had been purchased since 1999.
- (iv) On 1 August 2006 office equipment costing £36,000, paid by cheque, was purchased. No disposals of office equipment took place during the year ended 31 January 2007. All office equipment held at 31 January 2007 had been purchased since 1999.
- (v) Depreciation policy:

Machinery	10% per annum on cost straight line
Office Equipment	10% per annum on cost straight line

Depreciation is applied from the date an asset is bought until it is sold.

REQUIRED

- (a) The following ledger accounts for Walnut Traders for the year ended 31 January 2007, showing the balance carried down to the next financial year. Dates are not required.
- | | |
|--|-----|
| (i) Machinery | [3] |
| (ii) Provision for Depreciation of Machinery | [5] |
| (iii) Disposal of Machinery | [5] |
| (iv) Office Equipment | [3] |
| (v) Provision for Depreciation of Office Equipment | [4] |
- (b)* Evaluate Walnut Trader's policy of using only the straight line method of depreciation. [8]
- (c) 'Provision for depreciation is made to provide for the replacement of a fixed asset.' Discuss this statement. [6]

Total Marks [34]

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