

**ADVANCED SUBSIDIARY GCE UNIT  
ACCOUNTING**

Accounting Principles

**THURSDAY 11 JANUARY 2007**

**F001**

Morning

Each candidate must be given:

- (1) one copy of this question paper, F001;
- (2) one 8 page Answer Book.

Item (2) is sent with the stationery parcel.

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

Time: 1 hour 30 minutes



**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.

**QUALITY OF WRITTEN COMMUNICATION (QWC)**

- \* In these two questions/sub-questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.

This document consists of **7** printed pages and **1** blank page.

- 1\* Laurence Lamb, a trader, prepared the following Trial Balance from his accounts on 31 December 2006.

	Dr £	Cr £
Purchases and Sales	346 000	712 000
Purchase returns		8 000
Sales returns	16 000	
Discounts	2 000	1 500
Capital		132 000
Drawings	14 000	
General expenses	48 700	
Insurance	14 000	
Salaries	63 000	
Electricity	8 000	
10% Loan		50 000
Loan interest	4 500	
Carriage outwards	2 800	
Commission received		3 500
Provision for doubtful debts		3 000
Motor expenses	20 000	
Premises	210 000	
Provision for depreciation of premises		21 000
Motor vehicles	160 000	
Provision for depreciation of motor vehicles		76 000
Office equipment	50 000	
Provision for depreciation of office equipment		18 000
Debtors	19 500	
Creditors		12 300
Bank	17 800	
Stock	41 000	
	1 037 300	1 037 300

The following information is also available.

- (i) The closing stock as at 31 December 2006 was valued at £33 000.
- (ii) Included in the general expenses is an item of office equipment purchased during the year for £6 000. This item has not yet been included in the office equipment account.
- (iii) One fifth of the motor expenses relate to the running of a motor vehicle privately owned by Laurence Lamb's wife. No adjustment has yet been made.
- (iv) At 31 December 2006, loan interest owing amounted to £500, electricity owing was £1 200, whilst insurance was prepaid by £1 500.
- (v) During the year Laurence Lamb had withdrawn for his personal use £1 000 per month. This had been included in the salaries. No adjustment has yet been made.
- (vi) Commission receivable of £300 was owing to Laurence Lamb at 31 December 2006.
- (vii) The provision for doubtful debts is to be provided as £2 000 for a specific debt, plus 2% of the remainder of debtors.
- (viii) One quarter of the 10% loan is repayable during the year ended 31 December 2007, and the balance after that date.
- (ix) 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 the year ended 31 December 2006 **and** the Balance Sheet as at 31 December 2006.

Total marks [45]

- 2 An extract from Kenneth Bull Ltd's Balance Sheet as at 31 December 2005 showed the following:

	Cost	Depreciation To Date	Net Book Value
	£	£	£
Motor vehicles	560 000	250 000	310 000
Office equipment	140 000	45 000	95 000

During the financial year ended 31 December 2006 the following transactions took place. All transactions were by cheque.

### Motor Vehicles

<b>DISPOSALS</b>				
Motor Vehicle Reference	Purchase Date	Disposal Date	Original Cost £	Sale Proceeds £
MV6	1 January 2003	30 September 2006	19 200	2 800

<b>PURCHASES</b>		
Motor Vehicle Reference	Purchase Date	Cost £
MV15	1 July 2006	26 400

Motor vehicles are depreciated at 25% per annum using the straight line method, the rate being charged for each proportion of the year the motor vehicles are owned. No allowance is made for any residual value. All motor vehicles held by the company at 31 December 2006 had been purchased within the previous four years.

### Office Equipment

<b>DISPOSALS</b>				
Office Equipment Reference	Purchase Date	Disposal Date	Original Cost £	Sale Proceeds £
OE16	1 July 2000	31 March 2006	12 000	3 200

Office equipment is depreciated at 10% per annum using the straight line method, the rate being charged for each proportion of the year the office equipment is owned. No allowance is made for any residual value. One item of office equipment which originally cost £5 000 was purchased on 1 January 1995. All other office equipment had been purchased within the previous seven years. No items of office equipment have been purchased during the year ended 31 December 2006.

**REQUIRED**

- (a) The following ledger accounts for the year ended 31 December 2006, where appropriate showing the balance carried down to the next financial year. Dates are not required.
- (i) Motor Vehicles [4]
  - (ii) Provision for Depreciation of Motor Vehicles [5]
  - (iii) Disposal of Motor Vehicles [4]
  - (iv) Office Equipment [2]
  - (v) Provision for Depreciation of Office Equipment [4]
  - (vi) Disposal of Office Equipment [4]
- (b) Evaluate Kenneth Bull Ltd's policy of using only the straight line method of depreciation. [6]
- (c) 'Depreciation is to provide funds for the replacement of a fixed asset.'  
Discuss this statement. [6]

Total marks [35]

3 The following information is available for Singh Ltd.

	1 January 2006	31 December 2006
	£	£
Commission received	1 040 owing	2 050 owing
Electricity	900 owing	600 owing
Rent	2 400 prepaid	3 000 prepaid

During the year ended 31 December 2006, the following transactions took place. All transactions were carried out through the bank account.

	£
Commission received	3 940
Electricity paid	7 600
Rent paid	29 200

### REQUIRED

(a) The following ledger accounts for the year ended 31 December 2006, including in each case the transfer to the Profit and Loss Account. Dates are not required.

(i) Commission Received [4]

(ii) Electricity [4]

(iii) Rent [4]

(b)\* Discuss the reasons for accounting for accruals and prepayments in the final accounts. [8]

Total marks [20]



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