

**ADVANCED SUBSIDIARY GCE  
ACCOUNTING**

**F002**

Financial Accounting

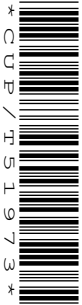
**THURSDAY 10 JANUARY 2008**

Morning

Time: 1 hour 30 minutes

**Additional materials (enclosed):** Answer Booklet (8 page)

**Additional materials (required):**  
Calculators may be used



**INSTRUCTIONS TO CANDIDATES**

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Answer **all** the questions.
- You must show the calculations leading to your answers.

**INFORMATION FOR CANDIDATES**

- The number of marks for each question is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of your written communication will be taken into account when marking your answers to questions labelled with an asterisk (\*).
- 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 **6** printed pages and **2** blank pages.

- 1 Tim Steven has prepared his draft final accounts. His Balance Sheet is shown below.

Balance Sheet as at 31 December 2007

	£	£
<i>Fixed Assets (Net)</i>		310 000
<i>Current Assets</i>		
Stock	20 000	
Debtors	17 000	
Cash	<u>3 000</u>	
	40 000	
<i>Current Liabilities</i>		
Creditors	23 000	
Bank	6 500	
Suspense	<u>6 000</u>	
	35 500	
<i>Working Capital</i>		<u>4 500</u>
		<u>314 500</u>
<i>Financed by</i>		
Capital		317 500
Net Profit		<u>27 000</u>
		344 500
Drawings		<u>30 000</u>
		<u>314 500</u>

Further examination revealed:

- (i) The wages total for the year of £45 000 had been entered as £54 000 in the Wages Account.
- (ii) Stock to the value of £3 500 had been withdrawn from the business. It had been correctly recorded in the Drawings Account but the appropriate double entry had not been made.
- (iii) The Sales Account had been undercast by £4 500.
- (iv) A cheque for £3 800 received from J Smythe, a debtor, had been correctly processed in the Cash Book but credited in error to the account of J Smith.
- (v) Goods to the value of £6 300 had been returned by a customer. This had been correctly entered in the customer's account but incorrectly credited to the Purchases Returns Account.
- (vi) A cheque for £1 600 from S Jones, a debtor, had been debited as cash received in the Cash Book. No entry for this transaction had been recorded in the account of S Jones.

**REQUIRED**

- (a) Journal entries to correct each of the errors (narratives are not required). [16]
- (b) The Suspense Account showing the opening balance and correcting entries. [7]
- (c) A statement to show the calculation of the revised net profit for the year ended 31 December 2007. [6]
- (d) A corrected Balance Sheet as at 31 December 2007. [8]
- (e) Identify and explain **three** types of error which would **not** affect the balancing of a trial balance. [9]

Total marks [46]

- 2 Hayley and Siobhan have been in partnership as management consultants since 1 January 2003 and share profit and losses in the ratio 2:3. Hayley receives a salary of £10 000 per annum. Interest on capital is paid at a rate of 8% per annum on the balance of each partner's capital account at the financial year end. Interest on drawings is charged at a rate of 5% per annum on the total amount of drawings each partner has made during the year. During the financial year ended 31 December 2007, Hayley introduced £8 000 new capital into the partnership and Siobhan introduced £10 000. Both these amounts were paid into the partnership's bank account.

At 1 January 2007 the Capital and Current Account balances were:

		£
Capital Accounts:	Hayley	70 000
	Siobhan	110 000
Current Accounts:	Hayley	10 300 Cr
	Siobhan	3 320 Dr

At this date the net book value of the partnership's equipment was £32 500.

The following balances have been extracted from the books at 31 December 2007.

		£
Drawings:	Hayley	53 300
	Siobhan	54 600
Consultancy fees received		307 500
Consultancy expenses		194 790
Rent and rates		18 790
Staff salaries		22 300

The following additional information is also available at 31 December 2007:

- (i) Equipment is depreciated at 25% per annum using the reducing balance method. No equipment was purchased or disposed of during the year ended 31 December 2007.
- (ii) Rent and rates include a prepayment of £3 150.
- (iii) Consultancy fees of £51 260 are owing to the partnership.
- (iv) Staff salaries of £2 100 are owed to employees.

## REQUIRED

- (a)\* The partnership's Profit and Loss and Appropriation Account for the year ended 31 December 2007. [14]
- (b) The partners' Current Accounts for the year ended 31 December 2007. [7]
- (c) There were no consultancy fees owed to the partnership at 1 January 2007 but consultancy fees were owed at the end of the year.
  - (i) State how this would be treated in the final accounts. [4]
  - (ii) Explain how this would affect the cash flow of the partnership. [2]

Total marks [27]

- 3 Samantha Wilson is a sole trader who owns a boutique. She marks up the cost of all garments by 50%. The following details relate to her business for the year ended 31 December 2007.

	£
Sales	1 350 000
Drawings	23 000
Business expenses paid	77 500
Depreciation for the year	20 000

In addition the following information is available:

	£
Stock as at 1 January 2007	135 000
Stock as at 31 December 2007	147 000
Pre-paid business expenses: as at 1 January 2007	4 840
as at 31 December 2007	6 370
Accrued business expenses: as at 1 January 2007	5 250
as at 31 December 2007	7 160

### REQUIRED

- (a) The Trading and Profit and Loss Account for Samantha Wilson for the year ended 31 December 2007. You are required to show purchases within the Account. [10]
- (b) Calculate the rate of stock turnover for the business. [3]
- (c)\* Samantha is considering asking Tasmina to become a partner in the business. Evaluate the advantages and disadvantages to Samantha of changing the business from a sole trader to a partnership. [14]

Total marks [27]





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