

**ADVANCED SUBSIDIARY GCE**

**F001**

**ACCOUNTING**

Accounting Principles

**MONDAY 2 JUNE 2008**

Afternoon

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 **7** printed pages and **1** blank page.

1\* The following information is available for Tariq for the year ended 31 March 2008.

Trial Balance as at 31 March 2008

	Dr	Cr
	£	£
Purchases	570 000	
Sales		790 000
Sales returns	12 000	
Purchases returns		7 840
Carriage outwards	8 000	
Discounts allowed	2 000	
Discounts received		3 000
Capital		210 000
Drawings	38 000	
Rent	50 200	
Wages	64 000	
General expenses	31 000	
Machinery repairs	31 780	
Bad debts	800	
Commission receivable		1 200
Debtors	66 500	
Creditors		63 000
7% Loan		120 000
Loan interest	7 000	
Machinery	226 000	
Provision for depreciation of machinery		56 000
Office equipment	60 000	
Provision for depreciation of office equipment		18 000
Motor vehicles	148 000	
Provision for depreciation of motor vehicles		84 000
Bank	3 000	
Stock	36 000	
Profit on sale of motor vehicle		1 240
	1 354 280	1 354 280

The following information is also available.

- (i) The closing stock as at 31 March 2008 was valued at £53 200.
- (ii) At 31 March 2008, rent was prepaid by £1 000 and wages owing amounted to £1 200.
- (iii) During the year ended 31 March 2008 Tariq took goods costing £4 600 out of the business for his own personal use.
- (iv) At 31 March 2008, commission receivable of £300 was owing to the business.
- (v) At 31 March 2008, two month's loan interest was outstanding. The loan commenced on 1 March 2005 and is repayable in full during 2010.

- (vi) Tariq bought a machine on 1 October 2007 at a cost of £20 000. This amount had been debited to the Machinery Repairs Account in error. No other machinery was purchased during the year ended 31 March 2008. There were no disposals during the year ended 31 March 2008.
- (vii) John Smith, a debtor owing £500, has recently been declared bankrupt. Tariq has not yet written this off in its accounts.
- (viii) A provision for doubtful debts is to be created at £1 000 for a specific debt, plus 2% of the remainder of debtors.
- (ix) Depreciation is to be provided as follows:
- |                  |  |
|------------------|--|
| Machinery        | 10% per annum on cost using the straight line method. The rate is charged for each proportion of the year the machinery is owned. No allowance is made for any residual value. |
| Office equipment | 15% per annum on cost using the straight line method. There were no additions or disposals during the year.  |
| Motor vehicles   | Depreciation of £36 000 is to be provided for the year ended 31 March 2008.  |

## REQUIRED

The Trading and Profit and Loss Account for the year ended 31 March 2008 **and** the Balance Sheet as at 31 March 2008.

Total marks [43]

2 Wholesome Foods Ltd provided the following information for the year ended 31 May 2008. All receipts and payments are by cheque.

- (i) At 1 June 2007, insurance of £1 500 was paid in advance. The following payments were made during the financial year ended 31 May 2008.

	£
August 2007	6 000
March 2008	6 400

The payment made in March 2008 included a prepayment of £1 600 for the year commencing 1 June 2008.

- (ii) Wholesome Foods Ltd rents out part of its premises to Healthy Lunches. At 1 June 2007, Healthy Lunches owed £550 for one month's outstanding rent.

On the 1 June 2007, Wholesome Foods Ltd increased the annual rent to £7 200 for the year ended 31 May 2008.

During the year Healthy Lunches paid the following amounts to Wholesome Foods Ltd.

	£
June 2007	1 750
September 2007	1 800
December 2007	1 800
March 2008	1 800

On 31 May 2008 Healthy Lunches owed Wholesome Foods Ltd one month's rent.

- (iii) At 1 June 2007, Wholesome Foods Ltd owed £800 for electricity. During the year ended 31 May 2008, the following payments were made.

	£
August 2007	2 600
November 2007	2 800
March 2008	3 400

At 31 May 2008, Wholesome Foods Ltd owed £960 for electricity.

- (iv) On 31 May 2008, Wholesome Foods Ltd reviewed its outstanding debtors which amounted to £36 000. The business does not maintain a provision for doubtful debts. It was decided to write off the following as bad debts.

	£
Peter Plant	600
Sian Leaf	400
Sven Baum	300

**REQUIRED**

**(a)** The following ledger accounts for the year ended 31 May 2008. Include in each case the transfer to the Profit and Loss Account for the financial year and, where appropriate, the balance carried down to the next financial year. Dates are not required.

**(i)** Insurance [4]

**(ii)** Rent Receivable [4]

**(iii)** Electricity [4]

**(iv)** Bad Debts [2]

**(b)** The Profit and Loss Account extract for the above accounts for the year ended 31 May 2008. [4]

**(c)** The Balance Sheet extract as at 31 May 2008 for current assets and current liabilities, showing debtors, insurance prepaid, rent receivable and electricity owing. [4]

**(d)\*** Evaluate the usefulness of a double entry book keeping system to Wholesome Foods Ltd. [8]

Total marks [30]

3\* Northernden Traders provided the following information for the year ended 31 May 2008.

(i) Fixed assets at cost as at 1 June 2007 were:

	£
Office equipment	160 000
Motor vehicles	230 000

(ii) Provision for depreciation as at 1 June 2007 was as follows:

	£
Office equipment	40 000
Motor vehicles	110 000

(iii) On 30 November 2007, office equipment which originally cost £26 000, with a written down value of £10 400, was sold at a loss of £3 000.

(iv) A motor vehicle which cost £24 000 on 1 June 2006 was sold for £14 000 on 31 May 2008.

(v) Depreciation policy:

Office equipment	10% per annum on cost straight line.
Motor vehicles	25% per annum on cost straight line.

Depreciation is applied for each month an asset is owned.

There were no purchases of fixed assets during the year ended 31 May 2008. All fixed assets remaining within the business at that date, had been bought within the last three years.

## REQUIRED

(a) The following ledger accounts for the year ended 31 May 2008. Show, where appropriate, the balance carried down.

(i) Office Equipment. [4]

(ii) Provision for Depreciation of Office Equipment. [3]

(iii) Disposal of Office Equipment. [4]

(iv) Motor Vehicles. [3]

(v) Provision for Depreciation of Motor Vehicles. [3]

(vi) Disposal of Motor Vehicles. [4]

(b) Discuss **two** causes of depreciation. [6]

Total marks [27]



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