OCR
RECOGNISING ACHIEVEMENT

Wednesday 22 May 2013 – Afternoon

AS GCE ACCOUNTING

F012/01/RB Accounting Applications

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 2 hours

MODIFIED LANGUAGE

INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–4 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- Your Quality of Written Communication will be assessed in the two questions/sub-questions marked with an asterisk (*).
- 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 **8** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

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1 John Prenton started his business several years ago. John pays all the sales receipts into the business bank account. The following is a summary of the bank account for the year ended 31 March 2013.

Bank account summary for the year ended 31 March 2013

	£		£
Cash sales	33 000	Balance b/d	3 300
Receipts from debtors	125 000	Motor expenses	5 200
Loan	22 000	Wages	66 000
Capital	30 000	Fixtures	70 000
		General expenses	2 600
		Rent	9 000
		Payments to creditors	64 000

Additional information:

(i) John allowed his customers discounts of £2100 during the year ended 31 March 2013.

(ii) Discounts received from suppliers for the year ended 31 March 2013 were £750.

(iii) John's drawings of £35 000 are included in the wages figure in the bank account summary.

(iv) The loan was received on 1 January 2013 and interest is payable at 8% per annum. The loan is for a five year period.

(v) John has decided to create a provision for doubtful debts of 2% of the outstanding debtors at 31 March 2013.

(vi) John took stock at a cost price of £1600 for his own personal use. This transaction has not yet been recorded in the accounts.

The remaining assets and liabilities at the beginning and end of the year were:

	1 April 2012	31 March 2013
	£	£
Fixtures (net book value)	46 000	100 000
Delivery van (net book value)	16 000	12 500
Trade debtors	14 200	16 300
Trade creditors	7 400	6 700
Stock at cost	15 000	17 200
Motor expenses owing	–	300
Rent prepaid	600	400
General expenses owing	–	200
General expenses prepaid	300	–

REQUIRED

(a)* The Trading and Profit and Loss Account for the year ended 31 March 2013 **and** the Balance Sheet as at 31 March 2013. **[30]**

(b)* Evaluate the problems of inadequate record-keeping for a sole trader such as John Prenton. **[8]**

(c) John is considering buying a computerised accounting system to help him record all the business transactions.

Evaluate **two** advantages and **two** disadvantages to John of buying such a system. **[8]**

Total marks [46]

2 The Sales Ledger Control Account and the Purchases Ledger Control Account of Greenhill Ltd for the year ended 30 April 2013 have been prepared from the following information.

1 May 2012 balances b/d:

	£
Sales Ledger Control Account	160 000 Dr
Purchases Ledger Control Account	90 000 Cr

Totals for the year 1 May 2012 to 30 April 2013:

Credit sales	700 400
Credit purchases	370 000
Receipts from debtors	750 200
Payments to creditors	346 000
Discounts received	6 000
Discounts allowed	13 000
Bad debts	4 200
Sales returns	6 500
Purchase returns	3 400
Dishonoured cheques from debtors	1 500
Contras between sales and purchases	16 000

The Sales Ledger Control Account balance failed to agree with the total debtors of £81 300 as shown by the Schedule of Debtors.

The Purchases Ledger Control Account balance failed to agree with the total creditors of £96 500 as shown by the Schedule of Creditors.

The following errors were discovered:

(i) The discounts allowed total in the Cash Book had been overcast by £300.

(ii) The discounts received total in the Cash Book had been overcast by £600.

(iii) A credit purchase of £1700 from Marsh Traders was correctly recorded in the Purchases Journal, but had not been posted to the account of Marsh Traders.

(iv) A credit purchase of £8100 from Water Ltd was correctly recorded in Water Ltd's account, but was left out from the total in the Purchases Journal.

(v) Goods costing £900 had been returned to a supplier. This transaction had been correctly recorded in the Purchase Returns Journal, but no other entry has yet been made.

(vi) The total of sales in the Sales Journal had been undercast by £2000.

(vii) A cheque received from a debtor for £1000, correctly processed through the books, had subsequently been dishonoured. This item had been correctly dealt with in the debtors account, but no other entry has yet been made.

(viii) Goods costing £6000 had been returned by a customer. The transaction had been correctly recorded in the Sales Ledger Control Account, but this has not been entered in the debtors account.

(ix) Rebecca Ellis, a debtor, has been declared bankrupt and her debt of £1000 is to be written off. No entries have yet been made.

REQUIRED

(a) A corrected Sales Ledger Control Account for the year ended 30 April 2013. **[8]**

(b) A statement reconciling the corrected balance on the Sales Ledger Control Account with the corrected balance on the Schedule of Debtors. **[3]**

(c) A corrected Purchases Ledger Control Account for the year ended 30 April 2013. **[6]**

(d) A statement reconciling the corrected balance on the Purchases Ledger Control Account with the corrected balance on the Schedule of Creditors. **[3]**

(e) Explain how control accounts act as a deterrent against fraud. **[4]**

(f) Explain the purpose of each of the following books of prime entry:

- sales journal
- cash book. **[6]**

Total marks [30]

3 An extract from Summerview Ltd's Balance Sheet as at 31 March 2012 showed the following:

	Cost	Depreciation to date
	£	£
Office equipment	140 000	36 000

During the financial year ended 31 March 2013 the following transactions took place:

On 1 April 2012, Summerview Ltd purchased office equipment at a cost price of £5000, on credit from Winterwold Ltd.

On 30 June 2012, Summerview Ltd sold office equipment for £4000, a cheque being received. The office equipment had been purchased on 1 April 2010 for £8400.

Office equipment is depreciated at 10% per annum using the straight line method. The rate is charged for each proportion of the year the office equipment is owned. No allowance is made for any residual value. All office equipment had been purchased within the previous seven years.

On 31 March 2012, Summerview Ltd also provided the following information from its books:

	£
Debtors	108 000

Autumn Rayne, a debtor, included in the debtors balance above, has been recently declared bankrupt. She is unable to pay her account of £1600. This amount is to be treated as a bad debt.

Summerview Ltd has also decided to create a provision for doubtful debts of 2% of the remaining debtors.

REQUIRED

(a) Journal entries to record the following (narratives and dates are not required):

(i) the purchase of office equipment **[2]**

(ii) the disposal of office equipment **[8]**

(iii) the provision for depreciation for office equipment for the year ended 31 March 2013. **[4]**

(b) Journal entries to record the following (narratives and dates are not required):

(i) the debt owed by Autumn Rayne, being treated as a bad debt **[2]**

(ii) the creation of the provision for doubtful debts. **[2]**

Total marks [18]

4 Edwin and Vanessa are in partnership. Their partnership agreement states the following:

(i) profits and losses are to be shared equally

(ii) interest on capital is allowed at 5% per annum

(iii) Edwin is allowed an annual salary of £20 000 and Vanessa is allowed an annual salary of £16 000

(iv) interest on drawings is charged at 3% per annum on a monthly basis.

The capital and current account balances on 1 April 2012 were as follows:

		£
Capital Accounts	Edwin	360 000
	Vanessa	400 000
Current Accounts	Edwin	4 000 debit
	Vanessa	12 000 debit

The net profit before appropriation for the year ended 31 March 2013 was calculated as £298 000.

During the year ended 31 March 2013 the following drawings took place:

	Edwin	Vanessa
	£	£
1 April 2012	16 000	8 000
1 October 2012	12 000	24 000

On 1 April 2013 Edwin and Vanessa admitted Mario as a partner. At that date the fixed assets were revalued from £450 000 to £590 000. Goodwill was valued at £48 000. Mario paid £240 000 capital into the business bank account, and brought stock valued at £30 000 into the business. The new profit sharing agreement stated that profits and losses would be shared as follows:

Edwin	1/3
Vanessa	1/3
Mario	1/3

All partners agreed that goodwill would not remain in the books of the new partnership.

REQUIRED

(a) The Appropriation Account for Edwin and Vanessa for the year ended 31 March 2013. **[8]**

(b) The Current Accounts for Edwin and Vanessa for the year ended 31 March 2013. **[7]**

(c) The Capital Accounts for Edwin, Vanessa and Mario as at 1 April 2013. **[7]**

(d) Advise the partnership of the significance of a debit balance on a partner's current account. **[4]**

Total marks [26]