

Surname		Other Names	
Centre Number		Candidate Number	
Candidate Signature			

Leave blank

General Certificate of Secondary Education
June 2003



ACCOUNTING
Foundation Tier
Paper 1

3122/1F

Wednesday 18 June 2003 9.00 am to 10.15 am

F

<p>No additional materials are required. You may use a calculator.</p>

For Examiner's Use			
Number	Mark	Number	Mark
1			
2			
3			
4			
5			
6			
7			
8			
Total (Column 1)	→		
Total (Column 2)	→		
Quality of Written Communication			
TOTAL			
Examiner's Initials			

Time allowed: 1 hour 15 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- Do all rough work in the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 84. This includes up to 4 marks for Quality of Written Communication.
- Mark allocations are shown in brackets.

Advice

- In all calculations, show clearly how you work out your answer.

Answer **all** questions in the spaces provided.

1

Total for this question: 6 marks

The following information was taken from the accounting records of J Bells Ltd.

Sales Journal (Day Book)

Date 2003	Customer	Goods £	VAT £	Net £
14 May	A Dancer and Co Ltd	2 600	455	3 055

At 1 May 2003, A Dancer and Co Ltd owed J Bells Ltd £4 650 as shown in the account below.

On 18 May 2003, A Dancer and Co Ltd sent a cheque for £4 570 to J Bells Ltd claiming £80 discount.

Using the ledger account below, write up the account for A Dancer and Co Ltd as it would appear in the books of J Bells Ltd, bringing down the balance on 1 June 2003.

A Dancer and Co Ltd Account

Date	Details	£	Date	Details	£
1 May 2003	Balance b/d	4 650			

(6 marks)

2

Total for this question: 8 marks

The treasurer of a sports club is preparing financial statements to be sent to members. Indicate, by placing a tick (✓) in the appropriate column, where each item should appear.

Item (a) has been completed as an example.

	Item	Bar Trading Account	Income and Expenditure Account	Balance Sheet
(a)	<i>Bank balance</i>			✓
(b)	Subscriptions for the year			
(c)	Bar sales			
(d)	Opening bar stock			
(e)	Equipment			
(f)	Accumulated fund			
(g)	Bar staff wages			
(h)	Rent paid for the year			
(i)	Subscriptions received in advance for next year			

(8 marks)

8

TURN OVER FOR THE NEXT QUESTION**Turn over** ►

3

Total for this question: 11 marks

In the following manufacturing account insert the correct figures, words or phrases in the boxes.

Omar Mubarak Ltd			
Manufacturing account	(a) <input style="width: 200px; height: 15px;" type="text"/>	31 December 2002	
	£	£	£
Opening stock		20 000	
Purchases of raw materials		250 000	
Carriage	(b) <input style="width: 150px; height: 15px;" type="text"/>	10 000	
		280 000	
Less Closing stock		(c) <input style="width: 100px; height: 15px;" type="text"/>	
Cost of	(d) <input style="width: 200px; height: 15px;" type="text"/>		250 000
Direct labour			200 000
(e) <input style="width: 300px; height: 15px;" type="text"/>			(f) <input style="width: 100px; height: 15px;" type="text"/>
(g) <input style="width: 300px; height: 15px;" type="text"/>			
Supervisors' salaries	50 000		
Depreciation of machinery	80 000		
Factory light and heat	50 000		
Rent and rates	40 000		
			(h) <input style="width: 100px; height: 15px;" type="text"/>
			(i) <input style="width: 100px; height: 15px;" type="text"/>
Add Work in progress at 1 January 2002			(j) <input style="width: 100px; height: 15px;" type="text"/>
Less Work in progress at 31 December 2002			(25 000)
(k) <input style="width: 300px; height: 15px;" type="text"/>			665 000

(11 marks)

4

Total for this question: 7 marks

Select the word or phrase which **best** fits each of the spaces in the following passage. Write your chosen word or phrase in the space provided. Select from the list given, using a word or phrase **once** only.

vehicles	drawings	wages	Balance Sheet
fixed assets	capital	working	understated
goods	revenue	overstated	current assets

Capital expenditure describes the purchase or improvement of _____ . Examples could include the purchase of machinery for use in the business. It also includes any installation and testing costs incurred in preparing the asset for use. Revenue expenditure describes the purchase of _____ for resale and expenditure on the various running costs of the business. Examples could include _____ and rent and rates.

It is important to classify expenditure correctly, as _____ expenditure will be recorded as a fixed asset in the _____ whilst _____ expenditure is charged to the trading and profit and loss accounts when calculating the profit for the year. If capital expenditure is incorrectly charged to the profit and loss account, the net profit of the business will be _____ .

(7 marks)

7

TURN OVER FOR THE NEXT QUESTION**Turn over** ►

5

Total for this question: 16 marks

The following information is available about a retail business owned by Gregory Old.

Trading and Profit and Loss Account for the year ended 31 March 2003

	£	£
Sales		60 000
Opening stock	10 000	
Purchases	<u>40 000</u>	
	50 000	
Closing stock	<u>20 000</u>	<u>30 000</u>
Gross Profit		30 000
Expenses	10 000	
Depreciation	<u>5 000</u>	<u>15 000</u>
Net Profit		<u><u>15 000</u></u>

Gregory has invested £75 000 capital in the business.

Gregory is keen to know how well his business is performing and has obtained the following accounting ratios for a similar business owned by Danny Young.

Percentage of Gross Profit to sales	40%
Percentage of Net Profit to sales	20%
Return on Capital Employed	25%

(a) State how the following ratios are calculated.

(i) Percentage of Gross Profit to sales

.....
.....

(2 marks)

(ii) Percentage of Net Profit to sales

.....
.....

(2 marks)

(iii) Return on Capital Employed

.....
.....

(2 marks)

(b) Calculate the following ratios for the business owned by Gregory Old.

(i) Percentage of Gross Profit to sales

.....
.....

(2 marks)

(ii) Percentage of Net Profit to sales

.....
.....

(2 marks)

(iii) Return on Capital Employed

.....
.....

(2 marks)

(c) Explain **one** reason why you think that Gregory’s business is the better one.

.....
.....
.....

(2 marks)

(d) Explain **one** reason why you think that Danny’s business is the better one.

.....
.....
.....

(2 marks)

16

TURN OVER FOR THE NEXT QUESTION

Turn over ►

6

Total for this question: 11 marks

Bill and Ben have been operating a small business as a partnership for several years. Given below is their appropriation account for the year ended 31 March 2003.

		£		£
Net Profit for the year				36 500
Less: Interest on capital:	Bill	5 000		
	Ben	6 500		
Salary:	Bill	<u>15 000</u>		<u>26 500</u>
				10 000
Balance of profits shared:	Bill	5 000		
	Ben	<u>5 000</u>		<u>10 000</u>

At 1 April 2002, Bill had a credit balance on his current account of £2 000.

During the year ended 31 March 2003, Bill took £30 000 from the partnership bank account for his own use.

- (a) Using the account below, construct Bill’s current account for the year ended 31 March 2003, bringing down the balance at 1 April 2003.

Dr		Current Account: Bill				Cr
Date	Details	£	Date	Details	£	

(7 marks)

- (b) Explain the meaning of the balance brought down on 1 April 2003.

.....

(2 marks)

- (c) Suggest **two** reasons why Bill receives a salary and Ben does not.

1.

2.

(2 marks)

7

Total for this question: 11 marks

A trial balance has been prepared but the following items have not been included.

	£
Purchases	235 000
Machinery	120 000
Bank overdraft	53 000
Creditors	24 000
Returns inwards	2 000
Carriage outwards	3 000
Drawings	25 000

- (a) From the list above complete and total the following trial balance by inserting the appropriate amounts in the correct column.

Trial Balance as at 31 March 2003

	Dr £	Cr £
Total of trial balance entries made so far	325 000	633 000
(i) Purchases		
(ii) Machinery		
(iii) Bank overdraft		
(iv) Creditors		
(v) Returns inwards		
(vi) Carriage outwards		
(vii) Drawings		

(9 marks)

- (b) Explain **one** type of error which could have been made even if the trial balance totals still agree.

.....

.....

.....

(2 marks)

8

Total for this question: 10 marks

Answer the following questions in the spaces provided.

(a) How is working capital calculated?

.....
(1 mark)

(b) Which account is used when the totals of a trial balance disagree?

.....
(1 mark)

(c) Which accounting ratio measures how quickly a firm sells its goods?

.....
(1 mark)

(d) Under which heading on a Balance Sheet would you find a mortgage repayable by 2010?

.....
(1 mark)

(e) Which book is used to record small items of expenditure?

.....
(1 mark)

(f) Which account is used to calculate the profit or loss when a fixed asset is sold?

.....
(1 mark)

(g) Which account shows how the profits of a company are distributed?

.....
(1 mark)

(h) Which ledger in the double entry system contains the accounts of creditors?

.....
(1 mark)

(i) Which method charges depreciation by equal instalments?

.....
(1 mark)

(j) Which book of original entry is used to record the purchase of a fixed asset on credit?

.....
(1 mark)

END OF QUESTIONS

10