

Centre No.						Paper Reference						Surname	Initial(s)	
Candidate No.						7	0	1	1	/	0	1	Signature	

Paper Reference(s)

7011/01

**London Examinations
GCE**

**Accounting
Ordinary Level**

Wednesday 16 May 2007 – Afternoon

Time: 3 hours

Examiner's use only

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Team Leader's use only

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Question Number	Leave Blank
1	
2	
3	
4	
5	
6	
Total	

Materials required for examination

Nil

Items included with question papers

Source booklet

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.

Answer BOTH questions in Section A and ALL questions in Section B.

All calculations must be shown.

Write your answers in the spaces provided in this question paper.

Do not return the insert with the question paper.

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).

There are 6 questions in this question paper. The total mark for this paper is 100.

There are 20 pages in this question paper. Any blank pages are indicated.

Calculators may be used.

The source material for use with questions 1 to 6 is in the enclosed source booklet.

Advice to Candidates

Write your answers neatly and in good English.

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SECTION A

Answer BOTH questions in this section

Source material for use with question 1 can be found on pages 2 and 3 of the source booklet.

1. (a) Record the transactions as appropriate in the following books of original entry:

(i) purchases day book;

Purchases Day Book

(ii) sales day book;

Sales Day Book

(iii) returns outward day book;

Returns Outward Day Book



Leave blank

(iv) cash book (columns for bank and discounts only);

Cash Book

(v) general journal.

General Journal

(15)

Note 1: the day books in (i) to (iii) should be set out in three columns (Goods, VAT, and Total). There is no need to total or balance any of these books of original entry at month end.



(b) Prepare the sales ledger accounts including all relevant information.

Sales Ledger

(4)

(c) (i) Prepare the VAT account in the general ledger by posting information from the books of original entry and balancing at month end.

VAT Account



Leave blank

(ii) Explain the meaning of the closing balance in the VAT account.

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(5)

Note 2: prepare **only** the ledger accounts required by (b) and (c).

Q1

(Total 24 marks)

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Source material for use with question 2 can be found on pages 4 and 5 of the source booklet.

From the information provided, prepare for the partnership for the year ended 31 December 2006:

- 2. (a) the profit and loss account;

Taka and Uro Profit and Loss Account for year ended 31 December 2006

(7)



Leave blank

(b) the profit and loss appropriation account;

Appropriation Account

(4)

Question 2 continues on next page



(c) the partners' current accounts;

Current Accounts

(7)



M 2 5 4 1 9 A 0 8 2 0

SECTION B

Answer ALL questions in this section

Source material for use with question 3 can be found on page 6 of the source booklet.

- 3. (a) You are required to **explain** briefly, for items (i) – (v) on page 6 of the source booklet, the effect on working capital, including the amount of increase or decrease. If you think an item did not change the working capital, state 'no effect' and give a brief explanation.

Example item

Paid creditors by cheque £500.

Example answer

Bank would be reduced by £500, decreasing current assets. Creditors would be reduced by £500, decreasing current liabilities. So overall there would be no effect on the working capital.

Note: there is no need to write out the example above on your answer paper.

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(10)



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(b) Inzie Khan is aware that the ideal current ratio for his trade is 2:1. Assess the importance to Inzie of keeping the relationship between current assets and current liabilities at about that level.

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(3)

Q3

(Total 13 marks)

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Source material for use with question 4 can be found on page 7 of the source booklet.

4. (a) Give the formula for the:

(i) current ratio;

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(1)

(ii) rate of stock turnover;

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(1)

(iii) mark up.

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(1)

(b) Calculate the:

(i) net profit for the year ended 31 March 2007;

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(2)



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(ii) gross profit margin for the year ended 31 March 2007.

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(3)

(c) Evaluate Monty's claim (giving reasons backed up with figures) that the financial performance of the business in 2007 was superior to that of 2006. In your answer you are expected to make equal reference to **profitability** and **liquidity**.

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(5)

(Total 13 marks)

Q4

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Source material for use with question 5 can be found on page 8 of the source booklet.

5. (a) For the year ended 31 March 2007, you are required to prepare:

(i) a trading account showing the profit or loss on the shop;

**Pollensa Golf Club
Shop Trading Account for year ended 31 March 2007**

(ii) an income and expenditure account showing the overall surplus or deficit for the period.

Income and Expenditure Account for year ended 31 March 2007

(9)



Leave blank

(b) Identify **one** difference between the final accounts of profit making and non profit making organisations and **assess** the importance of the difference you have identified.

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(4)

Q5

(Total 13 marks)



Source material for use with question 6 can be found on page 9 of the source booklet.

6. You are required to show the balance sheet after correcting all errors and omissions made by the bookkeeper. The corrected balance sheet must show headings for:
- fixed assets
 - current assets
 - current liabilities
 - working capital
 - shareholders' funds.



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M 2 5 4 1 9 A 0 1 9 2 0

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