

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) Prepare the general journal, purchases journal (showing columns for goods, VAT and total), and cash book (showing columns for bank and discount received). Total the purchases journal and the discount received column in the cash book.

General Journal

Purchases Journal



Leave
blank

A large rectangular area with horizontal ruling lines, intended for writing an answer.

(11)

(Total 24 marks)

Q1



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

2. (a) Show your calculation of the correct gross profit for year ended 31 December 2007.

.....

.....

.....

.....

.....

.....

(3)

(b) Complete the following ledger accounts:

(i) business rates

Business Rates Account

(ii) insurance

Insurance Account



(iii) provision for depreciation on furniture and equipment

Provision for Depreciation on Furniture and Equipment Account

(iv) provision for bad debts.

Provision for Bad Debts Account

(6)

Start each account with the relevant information from the trial balance as an opening balance b/d, and include any adjustments required by the **additional information** given on page 5 of the source booklet.

Question 2 continues on next page



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 asked to show the effect of each error on
- the agreement of the trial balance and
 - the net profit for the year ended 31 December 2007.

Complete the table below for each of the items (ii) to (vi) on page 6 of the source booklet. The answer to (i) has been done to show the layout.

Item	Trial balance	Net profit
(i)	No effect	Lower than it should be by £460

(8)



(b) If a suspense account had been opened to make the trial balance agree, what would have been the suspense account balance and on which side?

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

(2)

(c) Prepare the suspense account, showing the opening balance and the items required to clear this balance.

Suspense Account

(3)

(Total 13 marks)

Q3

--	--



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

4. (a) Prepare a bank reconciliation statement at 31 December 2007 showing the calculation of the correct balance.

Bank Reconciliation Statement at 31 December 2007

(4)

- (b) Show the bank column entries in the cash book, working back to the original balance on 31 December 2007.

Cash Book (bank columns only)

(4)



Source material for use with question 5 can be found on pages 8 and 9 of the source booklet.

5. (a) For the year ended 31 December 2007, Joan Terry asks you to prepare the following:

(i) total debtors account and the calculation of her total sales

Total Debtors Account

(4)

(ii) rent account, showing the year end transfer

Rent Account

(2)



BLANK PAGE



Paper Reference(s)

7011/01

London Examinations GCE

Accounting

Ordinary Level

Tuesday 8 January 2008 – Morning

**Source booklet for use with Questions
1 to 6.**

**Do not return the insert with the
question paper.**

Printer's Log. No.

M29049RXA



Turn over

SECTION A

SOURCE MATERIAL FOR USE WITH QUESTION 1

1. Alenka Butkovicova retails general goods and the following information relates to her accounting records.
- (i) The accounting year begins on 1 November.
 - (ii) Sales are on a cash basis and banked at month end.
 - (iii) 10% VAT is applied wherever indicated.
 - (iv) The accounting system includes the use of a general journal, purchases journal, cash book (with columns for discount received and bank) and a petty cash book.

On 1 November 2007 account balances were as follows:

	Debit	Credit
	£	£
Capital		28 010
Creditors: Zak Ltd		3 450
Hag Ltd		90
Bank	3 500	
Petty cash	50	
Fittings and equipment	16 000	
Stock	12 000	

A junior accounts clerk has prepared the petty cash book for November 2007 correctly (shown on page 3).

The following documents record details of transactions for November 2007.

Invoices received

- November 6 Leek & Co, goods at list price £6 000 less 25% trade discount plus VAT
13 Zak Ltd, goods at list price £10 000 less 20% trade discount plus VAT (the invoice stated that a 2% cash discount was available for payment within 2 weeks)
20 Modern Fittings Ltd, for new shop fittings cost £2 500 plus VAT

Cheque counterfoils

- November 1 Petty cash (to restore float) £180
4 Insurance £800
9 Zak Ltd, in full settlement of amount due less 2% cash discount
26 Zak Ltd, in full settlement of invoice received on 13 November, taking advantage of cash discount

Paying-in slip counterfoils

- November 30 Cash sales £33 000 inclusive of VAT

Completed petty cash book

Debit	Date	Details	Total	Cleaning	Postage	Ledger Account	VAT
£	£	£	£	£	£	£	£
50	Nov 1	Balance					
180	Nov 1	Bank					
	Nov 6	Stamps	25		25		
	Nov 13	Hag Ltd	90			90	
	Nov 18	Wages	80	80			
	Nov 21	Stamps	12		12		
	Nov 25	Materials	22	20			2
			229	100	37	–	2
	Nov 30	Balance	1				
230			230				

You are required to do the following for the month of November 2007.

- (a) Prepare the general journal, purchases journal (showing columns for goods, VAT and total), and cash book (showing columns for bank and discount received). Total the purchases journal and the discount received column in the cash book. (13)
- (b) Using the account balances on 1 November 2007, open the ledger accounts and post the entries from the subsidiary books, including their totals at the end of the month.

Note: There is no need to balance any of the ledger accounts at the end of the month.

(11)

(Total 24 marks)

Answer space for question 1 is on pages 2 to 5 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 2

2. Wills Tommo is the owner of a business selling birthday cakes to individuals and businesses. His most recent financial year ended on 31 December 2007. On this date the following list of balances was extracted from the business books. The list was extracted after the preparation of the trading account for the year ended 31 December 2007.

Trial balance at 31 December 2007

	Debit	Credit
	£	£
Gross profit for the year		65 000
Drawings	22 000	
Capital at 1 January 2007		49 520
Bad debt	120	
Balance at bank	15 500	
Provision for doubtful debts		600
Trade creditors		2 200
Trade debtors	6 300	
Rent	18 200	
Business rates	3 000	
Shop assistants' wages	23 000	
Stock at 31 December 2007	10 000	
Carriage outwards	600	
Insurance	2 400	
Shop furniture and equipment at cost	18 000	
Provision for depreciation on shop furniture and equipment at 1 January 2007		1 800
	119 120	119 120

Since completion of the trading account it has been noticed that carriage £25, currently included in the carriage outwards account, was actually carriage inwards. In addition there is an item of stock drawings, £58, which has not been recorded in the accounts.

- (a) Show your calculation of the correct gross profit for year ended 31 December 2007.

(3)

Additional information

- Business rates £500 was due and unpaid on 31 December 2007
- The insurance account includes £1 000 which covers the business until 30 June 2008
- Shop furniture and equipment should be depreciated by 15% per annum using the reducing balance method
- The provision for doubtful debts should be adjusted to 5% of trade debtors at 31 December 2007

(b) Complete the following ledger accounts:

(i) business rates

(ii) insurance

(iii) provision for depreciation on furniture and equipment

(iv) provision for bad debts.

(6)

Start each account with the relevant information from the trial balance as an opening balance b/d, and include any adjustments required by the *additional information* given above.

(c) Prepare the profit and loss account for the year ended 31 December 2007.

Start with your corrected gross profit and include relevant information from ledger accounts prepared in part (b).

(7)

(d) Prepare the balance sheet as at 31 December 2007.

(8)

(Total 24 marks)

Answer space for question 2 is on pages 6 to 9 of the question paper.

SECTION B

SOURCE MATERIAL FOR USE WITH QUESTION 3

3. In the year ended 31 December 2007, the bookkeeper of Sanchez Palmer, wholesaler, made the following errors.
- (i) An invoice for £460 in respect of goods sold to B Balearic, a supplier, was lost and no entries made in the books.
 - (ii) The bookkeeper intended to record a bad debt recovered, £500. He debited £500 to the cash account and credited £50 to the bad debts recovered account.
 - (iii) On 1 July 2007, an insurance premium of £1 200 for the following 12 months was paid; no adjustment was made for the amount paid in advance at 31 December 2007.
 - (iv) The total of the returns inward book was over-cast by £200.
 - (v) The total of the discount allowed column in the cash book, £150, was posted to the credit side of the discount received account.
 - (vi) A cheque for £195 received from T Tramuntana on 24 April 2007, in full settlement of her account, was entered correctly. No cash discount was involved. The cheque was dishonoured on 12 May 2007, but no entry for this was made in the books.
- (a) You are asked to show the effect of each error on
- the agreement of the trial balance and
 - the net profit for the year ended 31 December 2007.

Complete the table in your answer book for each of the items (ii) to (vi) above. The answer to (i) has been done to show the layout.

Item	Trial balance	Net profit
(i)	No effect	Lower than it should be by £460

(8)

- (b) If a suspense account had been opened to make the trial balance agree, what would have been the suspense account balance and on which side?

(2)

- (c) Prepare the suspense account, showing the opening balance and the items required to clear this balance.

(3)

(Total 13 marks)

Answer space for question 3 is on pages 10 and 11 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 4

4. At the close of business on 31 December 2007 Julia Campbell's bank statement showed a balance of £2 460.40, which did not agree with her cash book due to the following.
- (i) Cheques issued but not presented: Beale £330.20; Khan £475; Acharya £76.
 - (ii) Amounts paid in on 28 December not credited by the bank £370.30.
 - (iii) Traders' credit transfers not entered in the cash book: Juggasaw £51.50; Jenko £320.
 - (iv) A standing order for £101.20 subscription to a trade association had been paid by the bank but not entered in the cash book.
 - (v) A charge of £80.44 had been made by the bank for operating the account, but had not been entered in the cash book.

You are required to do the following.

- (a) Prepare a bank reconciliation statement at 31 December 2007 showing the calculation of the correct balance. (4)
- (b) Show the bank column entries in the cash book, working back to the original balance on 31 December 2007. (4)
- (c) Evaluate the usefulness to Julia Campbell's business of preparing a bank reconciliation statement. (5)

(Total 13 marks)

Answer space for question 4 is on pages 12 and 13 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 5

5. Joan Terry is the owner of a retail business selling doors and windows. She has never found the time to keep proper accounts.

The following information is available for the year ended 31 December 2007.

	1 January 2007	31 December 2007
	£	£
Stock in trade	10 200	15 000
Trade creditors	10 600	11 700
Trade debtors	740	680
Cash at bank and in hand	4 220	20 730
Rent prepaid	800	820
Shop assistant's wages due	180	360

The summarised cash book for the year ended 31 December 2007 is shown below.

	£		£
Balance 1 January 2007	4 220	Fixtures	2 000
Cash takings	98 800	Creditors	32 530
Debtors	7 340	Rent	6 900
		Business rates	2 300
		Shop assistant's wages	18 500
		General expenses	7 120
		Interest on bank loan	280
		Drawings	20 000
		Balance 31 December 2007	20 730
	110 360		110 360

Note: Joan paid for cleaning the shop windows £200 taken direct from cash takings.

- (a) For the year ended 31 December 2007, Joan Terry asks you to prepare the following:
- (i) total debtors account and the calculation of her total sales (4)
 - (ii) rent account, showing the year end transfer (2)
 - (iii) stock account, showing the year end transfer. (2)
- (b) Using an example taken from Joan Terry's business, evaluate the importance of the accruals concept to the preparation of her profit and loss account and balance sheet. (5)

(Total 13 marks)

Answer space for question 5 is on pages 14 and 15 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 6

6. The information given below relates to the partnership of K Knife and F Fork from the date of its formation, 1 May 2007, to 31 December 2007. In future the partners will take January to December as their normal accounting year and so on this occasion they are preparing accounts covering less than a full year.

Profit sharing arrangements and other information are given below.

- Profits and losses to be shared equally.
- F Fork to have a salary of £36 000 per year.
- Interest on capital to be 6% per year.
- Any amount above £5 000 (at the end of the accounting period) owing to a partner on current account to be transferred to that partner's capital account.
- Profit (before allowing salary and interest) £90 000.
- Capital contributed on 1 May 2005: K Knife £46 000; F Fork £14 000.
- Drawings: K Knife £30 000; F Fork, the whole of his salary for May-December and a further £2 000.
- Interest on drawings K Knife £300; F Fork £260.

You are asked to prepare for the eight months ended 31 December 2007:

- (a) the appropriation section of the profit and loss account (6)
- (b) the current account of F Fork (5)
- (c) the capital account of F Fork. (2)

(Total 13 marks)

Answer space for question 6 is on pages 16 and 17 of the question paper.

BLANK PAGE