Paper Reference(s)

## 7011/01

# London Examinations GCE

## Accounting

**Ordinary Level**

Tuesday 8 January 2008 – Morning

Time: 3 hours

Examiner's use only

Team Leader's use only

| Question Number | Leave Blank |
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| **Materials required for examination** | **Items included with question papers** |
| --- | --- |
| Nil | 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.

Printer's Log. No.

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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) 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

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### Purchases Journal

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**Cash Book**

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**(13)**

**Turn over**

(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.

**Ledger Accounts**

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**(11)**

**(Total 24 marks)**

**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.

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**(3)**

(b) Complete the following ledger accounts:

(i) business rates

**Business Rates Account**

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(ii) insurance

**Insurance Account**

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(iii) provision for depreciation on furniture and equipment

**Provision for Depreciation on Furniture and Equipment Account**

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(iv) provision for bad debts.

**Provision for Bad Debts Account**

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**(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**

(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).

**Profit and Loss Account for year ended 31 December 2007**

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**(7)**

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

**Balance Sheet at 31 December 2007**

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**(8)**

**Q2**

**(Total 24 marks)**

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## 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 |
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**(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?

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**(2)**

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

**Suspense Account**

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**(3)**

**(Total 13 marks)**

**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**

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**(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)**

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**(4)**

(c) Evaluate the usefulness to Julia Campbell's business of preparing a bank reconciliation statement.

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**(5)**

**(Total 13 marks)**

**Q4**

**Turn over**

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**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)**

(iii) stock account, showing the year end transfer.

**Stock Account**

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**(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.

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**(5)**    **Q5**

**(Total 13 marks)**

**Source material for use with question 6 can be found on page 10 of the source booklet.**

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

   (a) the appropriation section of the profit and loss account

   **Profit and Loss Appropriation Account for 8 months ended 31 December 2007**

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**(6)**

(b) the current account of F Fork

**Current Account of F Fork**

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**(5)**

(c) the capital account of F Fork.

**Capital Account of F Fork**

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**(2)** | **Q6**

**(Total 13 marks)**

**TOTAL FOR PAPER: 100 MARKS**

**END**

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