

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 for the month of April 2010 in the following books of original entry:

(i) purchases day book;

Purchases Day Book

		£	£	£
		Goods	VAT	Total

(6)



(ii) sales day book;

Sales Day Book

		£	£	£
		Goods	VAT	Total

(5)

(iii) sales returns day book;

Sales Returns Day Book

		£	£	£
		Goods	VAT	Total

(5)



(b) Prepare the bank account with columns for bank and for discounts allowed. Balance the bank account at the end of the month.

£	Bank											
£	Disc All											
£	Bank											

(10)



(c) Prepare the following ledger accounts **only**, including all relevant information:

(i) Slick Cars account;

Slick Cars Account

		£			£

(2)

(ii) Mobile Dinners Ltd account;

Mobile Dinners Ltd Account

		£			£

(4)



(iii) VAT account.

VAT Account

		£			£

(6)



(d) Complete the table below by stating whether each of these transactions is an example of:

- capital expenditure;
- revenue expenditure; **or**
- neither.

Date	Type of expenditure
1 April	
10 April	
11 April	
14 April	
17 April	
30 April	

(6)

Q1

(Total 48 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) Complete the balance column from 3.5.2010 to 7.5.2010.

Date	Item	Debit	Credit	Balance
		£	£	£
1.5.2010	Balance b/f			480.00 CR
2.5.2010	Cheque	28.00		452.00 CR
3.5.2010	Direct debit: National Electricity plc	52.80		
4.5.2010	Card purchase: Paper Supplies	500.00		
5.5.2010	Bank Giro Credit: London Journals		162.00	
6.5.2010	Counter Credit: Global Publications		689.00	
7.5.2010	Online transfer: savings account	400.00		

(7)

(b) Using the grid below, describe each transaction in the bank statement. State in each case whether Melanie has received or paid money, the amount, and how the transaction was carried out.

1.5.2010	This is the positive balance brought forward from the last period.
2.5.2010	
3.5.2010	
4.5.2010	
5.5.2010	
6.5.2010	
7.5.2010	

(6)



(d) If Melanie decides to set up a double-entry book-keeping system, explain how she would calculate her opening capital.

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(3)

Q3

(Total 26 marks)

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(16)

- (ii) trading account showing the cost of goods sold and the gross profit or loss for the year.

Kommatia Ltd Trading Account for the year ended 31 March 2010

(8)



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(b) Write a brief definition of variable costs.

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(2)

Q4

(Total 26 marks)



Source material for use with question 5 can be found on pages 9 and 10 of the source booklet.

5. (a) Draw up a statement to recalculate the profit and loss account balance after making the adjustments resulting from the additional information.

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(6)



(b) Draw up the balance sheet of Relax Hotels Ltd as at 31 December 2009, incorporating the adjustments resulting from the additional information and including the adjusted profit and loss account balance.

Note: Give full details for all entries and show sub-totals for fixed assets, current assets, current liabilities, net current assets (working capital), authorised capital and shareholders' funds.

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(20)

(Total 26 marks)

Q5

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Source material for use with question 6 can be found on pages 11 and 12 of the source booklet.

6. (a) Identify the changes which have taken place in the assets and liabilities between 2008 and 2009 by filling in the grid below. (Two items have been done for you.)

1.	Equipment	
2.	Stocks of refreshments	Increased by £25.
3.	Subscriptions owing	Increased by £240.
4.	Rent prepaid	
5.	Bank balance	
6.	Surplus / deficit position	
7.	Loan	
8.	Creditors	

(8)

(b) Calculate the following ratios for **each** of the two years for the club:

(i) surplus/deficit as a percentage of the accumulated fund;

2008

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2009

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(4)



(ii) current ratio.

2008

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2009

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(4)



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Paper Reference(s)

7011/01

London Examinations GCE

Accounting

Ordinary Level

Thursday 20 May 2010 – Afternoon

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

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

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SECTION A

SOURCE MATERIAL FOR USE WITH QUESTION 1

1. Michael Honda deals in second-hand cars. On 1 April 2010 he has some stocks and a positive bank balance of £1 955. There are no opening balances on any customer or supplier accounts.

VAT applies where indicated at the rate of 10%.

During the month of April 2010, Michael made the following transactions:

- 1 April: Bought office stationery for £440, including VAT, and paid by cheque.
- 3 April: Bought three cars for stock on credit from Slick Cars for a total of £9 860 plus VAT.
- 5 April: Sold a car for £3 300, including VAT, to a customer who paid by cheque.
- 10 April: Bought a car on credit from Anthony Edward for £2 200 plus VAT.
Michael will use this car in the business.
- 11 April: Bought an insurance policy to cover the car purchased from Anthony Edward and paid £800 by cheque (there is no VAT on this transaction).
- 14 April: Bought CD players to fit in the cars he will sell. The CD players were purchased from Sound Waves on credit for £450 plus VAT.
- 15 April: Sold five cars on credit to Mobile Dinners Ltd. The list price of these cars was £28,000, less 20% trade discount plus VAT. There is a 5% cash discount if the customer pays the account by the end of April.
- 16 April: Mobile Dinners Ltd returned one of the cars sold to them on the 15th because it was faulty. The list price of this car was £3 500.
- 17 April: Withdrew £2 000 out of the business bank account for personal use.
- 28 April: Mobile Dinners Ltd paid their account in full by credit transfer, having deducted the cash discount.
- 30 April: Paid Slick Cars the amount owing. The payment was made by cheque out of the bank account.

Required:

- (a) Record the transactions for the month of April 2010 in the following books of original entry:
- (i) purchases day book; (6)
 - (ii) sales day book; (5)
 - (iii) sales returns day book; (5)
 - (iv) general journal. (4)
- (b) Prepare the bank account with columns for bank and for discounts allowed. Balance the bank account at the end of the month. (10)
- (c) Prepare the following ledger accounts **only**, including all relevant information:
- (i) Slick Cars account; (2)
 - (ii) Mobile Dinners Ltd account; (4)
 - (iii) VAT account. (6)
- (d) Complete the table on page 8 of your answer book, by stating whether each of these transactions is an example of:
- capital expenditure;
 - revenue expenditure; **or**
 - neither. (6)

(Total 48 marks)

Answer space for question 1 is on pages 2 to 8 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 2

2. Kath and Ted are a married couple who are in partnership, running a cleaning service from the office in their house. Here is their trial balance for the year ended 31 March 2010.

	DR	CR
	£	£
Bad debts	1 200	
Bank	2 458	
Capital accounts:		
Kath		10 000
Ted		15 000
Carriage inwards on cleaning materials	248	
Cash	75	
Creditors		3 105
Current accounts:		
Kath	1 950	
Ted		2 307
Debtors	6 740	
Drawings:		
Kath	23 600	
Ted	16 350	
Equipment at cost	36 000	
Insurances	1 074	
Motor expenses	8 350	
Motor van at cost	15 000	
Office expenses	7 736	
Provision for depreciation on equipment at 1 April 2009		6 000
Provision for doubtful debts		125
Purchases of cleaning materials	25 423	
Sales invoices issued		110 539
Stock of cleaning materials at 1 April 2009	<u>872</u>	
	<u>147 076</u>	<u>147 076</u>

Additional information:

At 31 March 2010:

- Stock of cleaning materials was valued at £610.
- £320 was owing to the garage for a service on the motor van.
- Insurance of £74 had been paid for the following year.
- Depreciation is to be charged on the straight line method at the rate of 20% per annum for the motor van and 30% per annum on the equipment.
- The provision for doubtful debts is to be increased to 5% of the debtors.
- The partnership agreement provides that the partners will share profits in the proportion of Kath two-fifths ($\frac{2}{5}$) and Ted three-fifths ($\frac{3}{5}$) after:
 - (i) paying 6% per annum interest on drawings;
 - (ii) receiving 10% per annum interest on capital;
 - (iii) paying a salary of £8 000 to Kath and £10,000 to Ted.

Required:

From the information provided, prepare the:

- (a) profit and loss account of Kath and Ted for the year ended 31 March 2010; (Show the net cost of cleaning materials. Do **not** calculate gross profit.) (16)
- (b) partnership appropriation account for the year ended 31 March 2010; (8)
- (c) balance sheet at 31 March 2010. (Show the net current assets [working capital] and the details of the partners' capital and current accounts in columnar format inside the balance sheet.) (24)

(Total 48 marks)

Answer space for question 2 is on pages 10 to 13 of the question paper.

SECTION B

SOURCE MATERIAL FOR USE WITH QUESTION 3

3. Melanie Ink is a self-employed graphic designer. The following bank statement was received by Melanie from her bank for the first week in May 2010.

Date	Item	Debit	Credit	Balance
		£	£	£
1.5.2010	Balance b/f			480.00 CR
2.5.2010	Cheque	28.00		452.00 CR
3.5.2010	Direct debit: National Electricity plc	52.80		
4.5.2010	Card purchase: Paper Supplies	500.00		
5.5.2010	Bank Giro Credit: London Journals		162.00	
6.5.2010	Counter Credit: Global Publications		689.00	
7.5.2010	Online transfer: savings account	400.00		

Required:

- (a) In your answer book, complete the balance column from 3.5.2010 to 7.5.2010. (7)
- (b) Using the grid on page 14 of your answer book, describe each transaction in the bank statement. State in each case whether Melanie has received or paid money, the amount, and how the transaction was carried out. (6)
- Melanie does not keep her books of account on the double-entry system but relies on her bank statements to give her all the financial information she needs.
- (c) Evaluate the advantages and disadvantages to Melanie of setting up and operating a double-entry system of book-keeping. (10)
- (d) If Melanie decides to set up a double-entry book-keeping system, explain how she would calculate her opening capital. (3)

(Total 26 marks)

Answer space for question 3 is on pages 14 to 16 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 4

4. Kommatia Ltd is a manufacturing company which makes engineering components. The following figures are available from the company's books for the year ended 31 March 2010.

	£000
Carriage on raw materials	75
Carriage on sales	22
Direct factory wages	535
Factory machinery at cost	400
Indirect factory overheads	123
Indirect factory wages	280
Office equipment at cost	250
Purchases of raw materials	674
Purchases returns of raw materials	36
Rent and rates	180
Sales	2 320
Sales returns of finished goods	215
Selling and administration expenses	192
Stocks at 1 April 2009: Raw materials	109
Work in progress	48
Finished goods	81
Warehouse costs	16

Additional information:

At 31 March 2010:

- Stocks were:
 - raw materials £120,000
 - work in progress £22,000
 - finished goods £64,000;
- Direct factory wages of £10,000 were owing;
- Rent and rates are to be apportioned 80% to the factory and 20% to the office;
- The factory machinery is to be depreciated at 15% on cost and the office equipment is to be depreciated at 10% on cost;
- Warehouse costs are to be included in the trading account.

Required:

- (a) Prepare the following accounts for Kommatia Ltd for the year ended 31 March 2010:
- (i) manufacturing account showing the cost of raw materials consumed, prime cost and the manufacturing cost of finished goods; (16)
 - (ii) trading account showing the cost of goods sold and the gross profit or loss for the year. (8)
- (b) Write a brief definition of variable costs. (2)

(Total 26 marks)

Answer space for question 4 is on pages 18 to 20 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 5

5. Relax Hotels Ltd had the following balances on its books on 31 December 2009:

	£
Authorised share capital	
300 000 £1 ordinary shares	300 000
200 000 50p 5% preference shares	100 000
Issued share capital	
200 000 £1 ordinary shares, fully paid	200 000
100 000 50p 5% preference shares, fully paid	50 000
10% bank loan repayable in 2012	170 000
Bank balance (debit balance)	55 000
Cash in hand	6 300
Creditors	81 400
Debtors	68 500
Furniture and fittings at cost	850 000
Profit and loss account (credit balance)	172 000
Provision for depreciation on furniture and fittings	230 000
Share premium account	122 000
Stocks at 31 December 2009	45 600

Additional information:

At 31 December 2009:

- Annual interest on the bank loan has not been paid or accounted for.
- The company owes tax of £33,300.
- The directors have proposed that a full dividend should be paid on the preference shares and that a dividend of 8% should be paid on the ordinary shares. No interim dividends have been paid.

Required:

- (a) Draw up a statement to recalculate the profit and loss account balance after making the adjustments resulting from the additional information. (6)
- (b) Draw up the balance sheet of Relax Hotels Ltd as at 31 December 2009, incorporating the adjustments resulting from the additional information and including the adjusted profit and loss account balance.

Note: Give full details for all entries and show sub-totals for fixed assets, current assets, current liabilities, net current assets (working capital), authorised capital and shareholders' funds.

(20)

(Total 26 marks)

Answer space for question 5 is on pages 21 to 23 of the question paper.

SOURCE MATERIAL FOR USE WITH QUESTION 6

6. The Treasurer of the Belladonna Garden Club has prepared the following figures for the years ended 31 December 2008 and 2009 to show the members at the Annual General Meeting in March 2010.

	Year ended 31 Dec 2008	Year ended 31 Dec 2009
Accumulated fund	2 000	2 000
Bank balance (overdraft)		64
Bank balance (positive)	125	
Creditors	28	86
Equipment	1 300	2 500
Loan from member (interest-free) repayable in 2015		800
Rent prepaid	336	396
Stocks of refreshments	65	90
Subscriptions owing	170	410
Deficit	32	
Surplus		446

Additional information:

- No depreciation was charged on the equipment in either 2008 or 2009.
- The club sells gardening items from its shop, which is run for profit.

Required:

(a) Identify the changes which have taken place in the assets and liabilities between 2008 and 2009 by filling in the grid on page 24 of your answer book. (Two items have been done for you.) (8)

(b) Calculate the following ratios for **each** of the two years for the club:

(i) surplus/deficit as a percentage of the accumulated fund; (4)

(ii) current ratio. (4)

The Treasurer has told the members that the position of the club has improved during the year ended 31 December 2009 compared with the previous year.

(c) Evaluate this statement, referring to the changes which have taken place during the year and to the ratios you have calculated. (10)

(Total 26 marks)

Answer space for question 6 is on pages 24 to 26 of the question paper.