

THIS IS A NEW SPECIFICATION



**ADVANCED GCE**  
**ACCOUNTING**  
Accounting Applications

**RESOURCE BOOKLET**

**To be given to candidates at the start of the examination**

**F012/RB**

**Tuesday 2 June 2009**  
**Morning**

**Duration: 2 hours**



**INSTRUCTIONS TO CANDIDATES**

- The information required to answer questions 1–4 is contained within this Resource Booklet.
- Do not hand this Resource Booklet in at the end of the examination. It is not needed by the Examiner.

**INFORMATION FOR CANDIDATES**

- This document consists of **8** pages. Any blank pages are indicated.



**REQUIRED**

(a)\* The Profit and Loss and Appropriation Account of Hannah and Louise for the year ended 30 April 2009 **and** the Balance Sheet as at 30 April 2009. [28]

(b) The Current Account for Hannah for the year ended 30 April 2009. [7]

(c) State **three** items which may appear in a fluctuating capital account. [3]

**Total marks [38]**

- 2 Bentley and Jennings are two businesses which have been trading in the same market segment for a number of years.

The following information relates to their accounts for the year ended 31 March 2009.

|                     | Bentley<br>£ | Jennings<br>£ |
|---------------------|--------------|---------------|
| Sales               | 120 000      | 150 000       |
| Purchases           | 64 000       | 106 000       |
| Expenses            | 36 000       | 24 000        |
| Debtors             | 8 000        | 6 000         |
| Creditors           | 14 000       | 8 000         |
| Bank                | –            | 2 000         |
| Bank overdraft      | 6 000        | –             |
| Stock 1 April 2008  | 8 000        | 16 000        |
| Stock 31 March 2009 | 12 000       | 14 000        |
| Capital employed    | 480 000      | 200 000       |

There were no other current assets or current liabilities.

### REQUIRED

- (a) Calculate the following ratios for each of the businesses of Bentley **and** Jennings.

- (i) Gross profit as a percentage of sales. [2]
- (ii) Net profit as a percentage of sales. [2]
- (iii) Current ratio. [2]
- (iv) Liquid (acid test) ratio. [2]
- (v) Return on capital employed. [2]
- (vi) Stock turnover. [2]

- (b)\* Assess the relative profitability and liquidity of the businesses of Bentley and Jennings. [10]

**Total marks [22]**

- 3 Fern Gully commenced business several years ago selling pottery. Fern pays all the sales receipts into the business bank account. The following is a summary of the bank account for the year ended 31 March 2009.

Bank account summary for the year ended 31 March 2009

|                      | £      |                 | £      |
|----------------------|--------|-----------------|--------|
| Balance b/d          | 4 650  | Trade creditors | 37 000 |
| Receipt from debtors | 85 000 | Motor expenses  | 4 100  |
| Cash sales           | 24 000 | Rent            | 6 000  |
| Capital              | 36 000 | Rates           | 2 200  |
| Loan                 | 14 000 | Wages           | 43 000 |
|                      |        | Fixtures        | 40 000 |

Additional information.

- (i) Discounts received from suppliers for the year ended 31 March 2009 were £500.
- (ii) Fern allowed her customers discount of £1 400 during the year ended 31 March 2009.
- (iii) Fern had taken goods at a cost price of £2 400 for her own personal use.
- (iv) The loan was received on 1 October 2008 and interest is payable at 10% per annum. The loan is for a five year period.
- (v) Fern has decided to create a provision for doubtful debts of 3% on the outstanding debtors at 31 March 2009.
- (vi) Included in the wages figure in the bank account summary are Fern's drawings of £25 000.

The remaining assets and liabilities of Fern Gully at the beginning and end of the year were:

|                             | 1 April 2008<br>£ |  | 31 March 2009<br>£ |
|-----------------------------|-------------------|--|--------------------|
| Stock at cost               | 8 000             |  | 9 200              |
| Fixtures net book value     | 36 000            |  | 68 000             |
| Delivery van net book value | 10 000            |  | 7 500              |
| Trade debtors               | 7 200             |  | 8 300              |
| Trade creditors             | 3 400             |  | 3 700              |
| Motor expenses owing        | 300               |  | –                  |
| Rent prepaid                | 400               |  | 600                |
| Rates owing                 | 200               |  | –                  |
| Rates prepaid               | –                 |  | 300                |

**REQUIRED**

- (a) The Trading and Profit and Loss Account of Fern Gully for the year ended 31 March 2009. [18]
- (b) The Balance Sheet of Fern Gully as at 31 March 2009. [10]
- (c) Fern is considering purchasing a computerised accounting system to help her record her transactions.

Evaluate the advantages and disadvantages to Fern of doing this. [8]

**Total marks [36]**

- 4 The Sales Ledger Control Account and the Purchases Ledger Control Account of Westview Ltd for the year ended 30 April 2009 have been prepared from the following information.

|                                  |            |
|----------------------------------|------------|
| 1 May 2008 balance b/d:          | £          |
| Sales Ledger Control Account     | 340 000 Dr |
| Purchases Ledger Control Account | 190 000 Cr |

Totals for the year 1 May 2008 to 30 April 2009:

|                                    |           |
|------------------------------------|-----------|
| Credit sales                       | 1 400 600 |
| Credit purchases                   | 750 000   |
| Receipts from debtors              | 1 500 500 |
| Payments to creditors              | 745 000   |
| Discounts received                 | 13 000    |
| Discounts allowed                  | 22 000    |
| Bad debts                          | 8 700     |
| Sales returns from debtors         | 11 000    |
| Purchases returns to creditors     | 6 800     |
| Dishonoured cheques from debtors   | 3 000     |
| Contra between sales and purchases | 32 000    |

The Sales Ledger Control Account balance failed to agree with the total debtors of £175 150 shown by the schedule of debtors.

The Purchases Ledger Control Account balance failed to agree with the total creditors of £147 100 as shown by the schedule of creditors.

The following errors were subsequently discovered.

- (i) No contra entry had been made in the debtor's account in the sales ledger in respect of purchases by Westview Ltd from Northwood Ltd for goods with a list price £2 500 less trade discount 10%. This had been correctly recorded in all other accounts.
- (ii) The discounts received total in the cash book had been undercast by £1 200.
- (iii) The discounts allowed total in the cash book had been overcast by £400.
- (iv) The total of sales in the sales journal had been undercast by £6 500.
- (v) A credit sale of £3 400 to Hill was correctly recorded in the Sales Ledger Control Account but no other entry had been made.
- (vi) A credit purchase of £2 100 from Brook was correctly recorded in Brook's Account but no other entry had been made.
- (vii) A cheque received from a debtor for £7 000, correctly processed through the books, had subsequently been dishonoured. No entries have yet been made to record this dishonoured cheque.
- (viii) Goods costing £3 000 had been returned to a supplier. The transaction has been correctly recorded in the Purchases Ledger Control Account, but no entry has yet been made in the supplier's account.

**REQUIRED**

- (a) A corrected Sales Ledger Control Account of Westview Ltd for the year ended 30 April 2009. [8]
- (b) A statement reconciling the corrected balance on the Sales Ledger Control Account of Westview Ltd with the corrected balance on the Schedule of Debtors. [4]
- (c) A corrected Purchases Ledger Control Account of Westview Ltd for the year ended 30 April 2009. [6]
- (d) A statement reconciling the corrected balance on the Purchases Ledger Control Account of Westview Ltd with the corrected balance on the Schedule of Creditors. [2]
- (e) Explain how control accounts act as a deterrent against fraud. [4]

**Total marks [24]**



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