OCR
Oxford Cambridge and RSA

Thursday 17 May 2018 – Afternoon

AS GCE ACCOUNTING

F012/01/RB Accounting Applications

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 2 hours

7394398101

INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–4 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- The Quality of Written Communication will be assessed in the two questions/sub-questions marked with an asterisk (*).
- In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.
- This document consists of **8** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

- Do not send this Resource Booklet for marking; it should be retained in the centre or recycled. Please contact OCR Copyright should you wish to re-use this document.

1 The Purchases Ledger Control Account and the Sales Ledger Control Account of Emerald Ltd for the year ended 30 April 2018 have been prepared from the following information.

1 May 2017 balances b/d:

	£
Purchases Ledger Control Account	112 500 Cr
Sales Ledger Control Account	216 600 Dr

Totals for the year 1 May 2017 to 30 April 2018:

Credit purchases	426 500
Credit sales	945 500
Payments to creditors	432 500
Receipts from debtors	1 012 700
Purchase returns	4 200
Sales returns	8 700
Discounts allowed	17 600
Discounts received	7 500
Dishonoured cheques from debtors	2 100
Bad debts	5 700
Contras between purchases and sales	20 800

The Purchases Ledger Control Account balance failed to agree with the total creditors of £81 350 as shown by the Schedule of Creditors.

The Sales Ledger Control Account balance failed to agree with the total debtors of £108 000 as shown by the Schedule of Debtors.

The following errors were subsequently discovered:

(i) The total of purchases in the Purchases Returns Journal had been undercast by £2500.

(ii) The discounts received total in the Cash Book had been overcast by £750.

(iii) The discounts allowed total in the Cash Book had been overcast by £400.

(iv) A credit purchase of £2100 from Stone Traders was correctly recorded in the Purchases Journal, but had not been posted to the account of Stone Traders.

(v) Goods costing £1100 had been returned to a supplier. This transaction had been correctly recorded in the Purchases Returns Journal, but no other entry has yet been made.

(vi) A credit purchase of £10 100 from Earth Ltd was correctly recorded in Earth Ltd's account, but was omitted from the total in the Purchases Journal.

(vii) A cheque received from a debtor for £800, correctly processed through the books, had subsequently been dishonoured. This item had been correctly dealt with in the debtors account, but no other entry has yet been made.

(viii) Goods costing £8100 had been returned by a customer. The transaction had been correctly recorded in the Sales Ledger Control Account, but this transaction has not been entered in the debtors account.

(ix) Theo Jordan, a debtor, has been declared bankrupt and his debt of £1400 is to be written off. No entries have yet been made.

REQUIRED

(a) A corrected Purchases Ledger Control Account for the year ended 30 April 2018. **[8]**

(b) A statement reconciling the corrected balance on the Purchases Ledger Control Account with the corrected balance on the Schedule of Creditors. **[2]**

(c) A corrected Sales Ledger Control Account for the year ended 30 April 2018. **[10]**

(d) A statement reconciling the corrected balance on the Sales Ledger Control Account with the corrected balance on the Schedule of Debtors. **[2]**

(e)* Discuss the advantages that a system of control accounts would bring to a business. **[11]**

(f) Explain the purpose of **each** of the following books of prime entry

- Purchases Journal
- Cash Book **[6]**

2 Poppy Bee commenced business several years ago. Poppy has provided her accountant with the following information for the year ended 31 March 2018.

Bank account summary for the year ended 31 March 2018

	£		£
Balance b/d	4200	Wages	36000
Cash sales	3000	General expenses	12600
Receipts from debtors	125000	Motor expenses	15200
Loan	16000	Payments to creditors	72000
Capital	30000	Equipment	40000
		Rent	12000

Additional information:

(i) Poppy allowed her customers discounts of £2500 during the year ended 31 March 2018.

(ii) Discounts received from suppliers for the year ended 31 March 2018 were £1400.

(iii) Included in the wages figure in the bank account summary are Poppy's drawings of £25000.

(iv) Poppy made additional cash sales of £1200, which was not paid into the business bank account. This £1200 was used to pay general expenses. These transactions have not yet been recorded in the accounts.

(v) Poppy took stock at a cost price of £500 for her own personal use. This transaction has not yet been recorded in the accounts.

(vi) Poppy has decided to create a provision for doubtful debts of 2% of the outstanding debtors at 31 March 2018.

(vii) The loan was received on 1 October 2017 and interest is payable at 5% per annum. The loan is for a five year period.

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

	1 April 2017 £	31 March 2018 £
Equipment (net book value)	36000	70000
Motor vehicle (net book value)	18000	15500
Trade debtors	15400	18200
Trade creditors	6800	6100
Stock at cost	14800	20500
Motor expenses owing	–	600
Rent prepaid	1200	800
General expenses prepaid	600	–
General expenses owing	–	100

REQUIRED

(a)* The Trading and Profit and Loss Account for Poppy Bee for the year ended 31 March 2018, **and** the Balance Sheet as at 31 March 2018. **[30]**

(b) Evaluate the problems of inadequate record-keeping for a sole trader such as Poppy Bee. **[9]**

3 Ava and Lukas are partners in a business. The accounting year ended on 30 April 2018. The partnership agreement states the following:

(i) Profits and losses will be shared in the ratio of 3 : 2 respectively.

(ii) A salary of £22 000 per annum is paid to Ava.

(iii) Interest on drawings is charged at 4% on the balances at the end of the year.

(iv) Interest on capital is payable at the rate of 3% per annum.

The following balances have been extracted from the books at 30 April 2018.

		£
Capital Accounts:	Ava	56 000
	Lukas	46 000
Current Accounts:	Ava	3 200 Dr
	Lukas	5 600 Cr
Drawings:	Ava	25 200
	Lukas	30 800
Net Profit		73 600

On 1 November 2017 Ava introduced additional capital of £8000 into the business, and on the same date Lukas withdrew capital of £4000 from the business.

On 1 May 2018 Ava and Lukas agreed to admit Ruth as a partner.

The following information was also agreed with effect from 1 May 2018.

(i) Goodwill was valued at £40 000.

(ii) Goodwill will not remain in the books of the new partnership.

(iii) Ava, Lukas and Ruth would share profits and losses in the ratio of 3 : 3 : 2 respectively.

(iv) Ruth would put £20 000 into the business bank account. She would also bring into the partnership a motor vehicle valued at £8000.

REQUIRED

(a) The Appropriation Account for Ava and Lukas for the year ended 30 April 2018. **[5]**

(b) The Current Accounts for Ava and Lukas as at 30 April 2018. **[6]**

(c) The Capital Accounts for Ava, Lukas and Ruth as at 1 May 2018. **[7]**

(d) Advise the partnership of the significance of a debit balance in a partner's current account. **[4]**

4 Thornton Ltd commenced business on 1 April 2016 and reported the following net profits during its first two years in business.

	£
1 April 2016 to 31 March 2017:	210 800
1 April 2017 to 31 March 2018:	244 600

During this period the following fixed assets were purchased on the dates shown:

<u>Equipment</u>

1 April 2016 to 31 March 2017:

		£
Equipment 1	1 April	130 000
Equipment 2	1 October	20 000

1 April 2017 to 31 March 2018:

Equipment 3	1 December	81 600

<u>Motor Vehicles</u>

1 April 2016 to 31 March 2017:

Motor vehicle 1	1 April	27 200

1 April 2017 to 31 March 2018:

Motor vehicle 2	1 October	26 400

Thornton Ltd has a policy to depreciate equipment at 25% per annum on cost (straight line method) and motor vehicles at 20% per annum on cost (straight line method), with rates being charged for each month of ownership.

Early in 2018, consideration was given to changing to the reducing balance method, with the following rates applying to the balances at the end of each year.

Equipment	20%
Motor vehicles	25%

A full year's depreciation would be charged irrespective of the date of purchase.

REQUIRED

(a) Calculate the **total** depreciation for the following years:

1 April 2016 to 31 March 2017, and 1 April 2017 to 31 March 2018 using the original method (straight line) and rates for:

(i) Equipment **[5]**

(ii) Motor vehicles **[3]**

(b) Calculate the **total** depreciation for the following years:

1 April 2016 to 31 March 2017, and 1 April 2017 to 31 March 2018 using the alternative method (reducing balance) and rates for:

(i) Equipment **[5]**

(ii) Motor vehicles **[3]**

(c) Prepare a statement to show the net profit which would have been reported in **each** of the years ended 31 March 2017 and 31 March 2018, if the reducing balance method had been used. **[4]**