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Oxford Cambridge and RSA

Tuesday 15 May 2018 – Morning

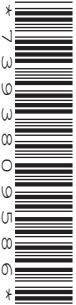
AS GCE ACCOUNTING

F011/01/RB Accounting Principles

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 1 hour



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–2 is contained within this Resource Booklet.

INFORMATION FOR CANDIDATES

- Your 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 **4** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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- 1 On 31 March 2018, the following information was available from the books of Peter Barrington, a sole trader.

	Dr £	Cr £
Capital		217 213
Drawings	11 000	
Purchases	251 000	
Sales		635 000
Carriage outwards	1 500	
Sales returns	6 000	
Discount received		1 057
Insurance	9 600	
General expenses	92 000	
Loan interest	3 080	
8% loan		42 000
Rent received		6 500
Premises	300 000	
Equipment	53 000	
Provision for depreciation of equipment		23 000
Bad debts	540	
Provision for doubtful debts		950
Salaries	143 000	
Debtors	58 000	
Creditors		67 000
Bank	29 000	
Stock	35 000	
	992 720	992 720

The following information is available:

- (i) The closing stock as at 31 March 2018 was valued at £36 000.
- (ii) The balance shown for salaries covers the 11 months to 28 February 2018. Salaries for March 2018 are due and unpaid. There have been no salary increases for the previous 12 months and an equal amount is paid each month.
- (iii) Peter Barrington rents out accommodation above the premises. The amount shown in the Trial Balance includes a prepayment of £500 for the financial year commencing 1 April 2018.
- (iv) General expenses include a prepayment of £1600.
- (v) The insurance included £300 covering a private insurance for Peter Barrington.
- (vi) Carriage outwards of £200 had been included in sales returns.
- (vii) At 31 March 2018, one month's interest is due on the loan. The loan is repayable in full during the year ended 31 March 2019.

- (viii) A debt of £150 was considered irrecoverable and is to be written off in full as a bad debt. The provision for doubtful debts is to be adjusted to 2% of remaining debtors.
- (ix) Depreciation is to be provided on equipment at 20% per annum by the reducing balance method. Equipment costing £8000 was purchased on 1 July 2017 and this is included in the balance shown for equipment. Depreciation is calculated for each proportion of a year for which equipment is held. There were no disposals of equipment during the year.

Premises are not depreciated.

REQUIRED

- (a)* The Trading and Profit and Loss Account for the year ended 31 March 2018 **and** the Balance Sheet as at 31 March 2018. **[40]**
- (b) Distinguish between provision for doubtful debts and bad debts. **[3]**
- (c) Discuss **three** factors which should be considered when making the provision for doubtful debts. **[9]**

2 At 1 April 2017 Rangel Ltd had entries for the following in its ledger:

Rates	£800 prepaid
Sales Commission Received	£700 owing to the business
Provision for Doubtful Debts	£950 credit balance

The following information related to the financial year ended 31 March 2018. All receipts and payments are by cheque.

(i) Rates are paid as follows:

10 May 2017	£3100
11 December 2017	£3200
14 March 2018	£3230

The payment on 14 March 2018 included a prepayment of £900 for the year commencing 1 April 2018.

(ii) During the financial year ended 31 March 2018 the following sales commission amounts were received.

17 May 2017	£1300 (this included the £700 owing to the business on 1 April 2017)
13 November 2017	£1800
26 February 2018	£2100

At 31 March 2018 £850 sales commission was owing to the business.

(iii) The trade debtors balance at 31 March 2018 was £35 400. The provision for doubtful debts is to be provided as £300 for a specific debt owed by Bowden Ltd, plus 2% on the remainder of debtors.

REQUIRED

(a) The following ledger accounts for the year ended 31 March 2018. Include in **each** case the balance carried down to the next financial year. Dates are not required.

(i) Rates [4]

(ii) Sales Commission Received [4]

(iii) Provision for Doubtful Debts [4]

(b) The Balance Sheet extract as at 31 March 2018 to show rates, sales commission received and debtors (net). [5]

(c)* Discuss **three** reasons why a business makes adjustments for expenses owing at the end of a period. [11]

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