



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

**F012/RB**

**RESOURCE BOOKLET**

**Thursday 20 January 2011**  
**Morning**

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

**Duration: 2 hours**



**INSTRUCTIONS TO CANDIDATES**

- The information required to answer questions 1–4 is contained within this resource booklet.

**INFORMATION FOR CANDIDATES**

- The quality of your written communication will be taken into account when marking your answers to the two questions/sub-questions labelled 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 destroyed.

- 1\* Juliet Domus owns a business selling arts and crafts. She has been able to provide the following information:

	1 January 2010	31 December 2010
	£	£
Trade debtors	14 500	12 300
Stock at cost	57 000	64 800
Trade creditors	10 000	8 200
Rent prepaid	2 000	3 200
Wages owing	1 300	1 450
Fixtures and fittings	22 000	24 700
Bank	7 820 dr	?
Loan	nil	50 000

Information regarding trading for the period 1 January 2010 to 31 December 2010 was also provided as follows:

<u>Receipts</u>	£
Receipts from debtors	142 000
Cash sales	26 600
Loan	50 000

<u>Payments</u>	£
Payments to creditors	88 300
General expenses	28 200
Rent	22 600
Wages	44 100
Drawings	31 200
Fixtures and fittings	6 900

- (i) All transactions pass through the bank account.
- (ii) Juliet took goods from stock to the value of £1 700 for her own use. This transaction has not been recorded in the accounts.
- (iii) Discounts received from suppliers amounted to £2840. She allowed her customers discounts of £3 120.
- (iv) Stock valued at a cost price of £7500 on 31 December 2010, included in the above figure, had been damaged and now has a market value of £3000.
- (v) The loan was taken out on 1 July 2010 and is due for repayment in July 2015. Interest is due at the rate of 6% per annum.

## REQUIRED

For Juliet Domus, the Trading and Profit and Loss Account for the year ended 31 December 2010 **and** the Balance Sheet as at 31 December 2010.

**Total marks [33]**

2 Dutton and Hurst are in partnership. Their partnership agreement states the following:

- (i) Profits and losses are to be shared equally.
- (ii) Interest on capital is allowed at 6% per annum.
- (iii) Dutton is allowed an annual salary of £30 000 and Hurst is allowed an annual salary of £24 000.
- (iv) Interest on drawings is charged at 4% per annum on a monthly basis.

The capital and current account balances on 1 January 2010 were as follows:

		£
Capital Accounts	Dutton	240 000
	Hurst	300 000
Current Accounts	Dutton	16 000 dr
	Hurst	9 000 cr

The net profit before appropriation for the year ended 31 December 2010 was calculated at £236 000.

During the year ended 31 December 2010 the following drawings took place:

	Dutton	Hurst
	£	£
1 January 2010	14 000	12 000
1 July 2010	18 000	16 000

On 1 January 2011 Dutton and Hurst admitted Whalley as a partner. At that date the fixed assets were revalued from £300 000 to £450 000. Goodwill was valued at £66 000. Whalley paid £180 000 capital into the business bank account. The new profit sharing agreement stated that the profit would be shared as follows:

Dutton	2/5
Hurst	2/5
Whalley	1/5

All partners agreed that goodwill would not remain in the books of the new partnership.

### REQUIRED

- (a) The Appropriation Account for Dutton and Hurst for the year ended 31 December 2010. [8]
- (b) The Current Accounts for Dutton and Hurst for the year ended 31 December 2010. [7]
- (c) The Capital Accounts for Dutton, Hurst and Whalley as at 1 January 2011. [6]
- (d)\* Discuss **three** possible reasons why Dutton and Hurst admitted Whalley as a partner into the business. [11]

**Total marks [32]**

- 3 An extract from Badger Ltd's Balance Sheet as at 31 December 2009 showed the following:

	Cost	Depreciation To Date
	£	£
Motor vehicles	240 000	96 000
Machinery	60 000	18 000

During the financial year ended 31 December 2010 the following transactions took place:

On 1 January 2010 Badger Ltd purchased a motor vehicle at a cost price of £16 000, paying by cheque.

Motor vehicles are depreciated at 20% per annum using the straight line method, the rate being charged for each proportion of the year the motor vehicles are owned. No allowance is made for any residual value. All motor vehicles held by the company at 31 December 2010 had been purchased within the previous four years.

On 31 March 2010 Badger Ltd sold a machine for £6 000, a cheque being received. The machine had been purchased on 1 January 2007 at a cost price of £8 000.

On 1 July 2010 Badger Ltd purchased a machine at a cost price of £14 000, on credit from C W Fox Ltd.

Machinery is depreciated at 10% per annum using the straight line method, the rate being charged for each proportion of the year the machinery is owned. No allowance is made for any residual value. All machinery had been purchased within the previous seven years.

### REQUIRED

- (a) Journal entries to record the following (narratives and dates are not required):
- (i) The purchase of the motor vehicle [2]
  - (ii) The provision for depreciation for motor vehicles for the year ended 31 December 2010. [4]
- (b) Journal entries to record the following (narratives and dates are not required):
- (i) The purchase of the machinery [2]
  - (ii) The disposal of the machinery [8]
  - (iii) The provision for depreciation for machinery for the year ended 31 December 2010. [4]
- (c) Explain **two** purposes of the journal. [6]
- (d) Badger Ltd is considering purchasing an accounting computer package. Explain **two** advantages of using ICT in accounting. [4]

**Total Marks [30]**

- 4 The Sales Ledger Control Account of Litz Ltd for the year ended 31 December 2010 has been prepared from the following information:

	£
Debit balance b/d 1 January 2010	137 760
Credit balance b/d 1 January 2010	3 200
Totals for the year 1 January 2010 to 31 December 2010	
Credit sales	1 209 600
Cheques received from debtors	1 058 400
Cash received from debtors	8 400
Sales returns from debtors	14 000
Discounts allowed	2 520
Dishonoured cheques	7 000
Contra purchases ledger	12 320
Bad debts	7 800

The Sales Ledger Control Account balance, which is part of the double entry system, failed to agree with the total debtors of £246 120 as shown by the Schedule of Debtors.

The following errors were subsequently discovered:

- (i) A customer had returned goods to Litz Ltd at the selling price of £2 900. The goods had been bought on credit. No entries had been made to record the return of the goods in the accounts of Litz Ltd.
- (ii) The discounts allowed column in the cash book had been overcast by £1 000.
- (iii) No contra entry had been made in the debtors account in the sales ledger in respect of purchases by Litz Ltd of goods at a list price of £2 400. Litz Ltd received a trade discount of 10% on these goods. This transaction had been correctly dealt with in the Sales Ledger Control Account.
- (iv) A credit sale of £4 760 to Constance Ltd was correctly recorded in the Sales Ledger Control Account, but no other entry had been made.
- (v) A cheque received from a debtor for £9 800, correctly processed through the books, had subsequently been dishonoured. No entries have yet been made to record this dishonoured cheque.
- (vi) Zeppel Ltd, a debtor, has recently been declared bankrupt and the debt of £5 200 is to be written off, but no entries have yet been made.

### REQUIRED

- (a) A corrected Sales Ledger Control Account for the year ended 31 December 2010. [11]
- (b) A statement showing the correct total of the Schedule of Debtors for the year ended 31 December 2010. [5]
- (c) Discuss **three** advantages to Litz Ltd of using control accounts. [9]

**Total marks [25]**

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