

THIS IS A NEW SPECIFICATION



ADVANCED SUBSIDIARY GCE

ACCOUNTING

Accounting Applications

RESOURCE BOOKLET

F012/RB

Friday 21 May 2010

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.
- 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.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

- Do not send this Resource Booklet for marking; it should be retained in the centre or destroyed.

- 1** Daisy Ltd uses control accounts to check the accuracy of its double entry book keeping system. The following information is available for the financial year ended 31 March 2010.

1 April 2009

	£	
Purchases Ledger Control Account balance b/d	240 000	Cr
Purchases Ledger Control Account balance b/d	3 200	Dr

Totals for the year 1 April 2009 to 31 March 2010

Credit purchases	1 467 500
Purchases returns	38 300
Cheques paid to creditors	1 204 000
Cash paid to creditors	3 100
Cash purchases	12 000
Discounts received	18 600

There was no credit balance carried down in the Purchases Ledger Control Account on 31 March 2010.

At the financial year end 31 March 2010, Daisy Ltd's Schedule of Creditors had a balance of £397 910, which differed from the Purchases Ledger Control Account balance at that date.

The following errors were subsequently discovered.

- (i) The total of the Purchases Journal had been overcast by £7 200.
- (ii) A purchase return of £1 840 to Rose Ltd was correctly recorded in Rose Ltd's account but this amount had been omitted from the total in the Purchases Returns Journal.
- (iii) A credit purchase of £9 350 from J Violet had been correctly recorded in the Purchases Journal but no entry had been made in J Violet's account.
- (iv) S. Laurel is both a customer and a supplier to Daisy Ltd. S Laurel supplied goods to the value of £24 200, and purchased goods to the value of £32 820. A contra entry had been agreed and entered in the Purchases Ledger, but no corresponding entry had been made in the control account.
- (v) Daisy Ltd purchased goods on credit at a cost price of £5 600 from Nalin Ltd. No entries had been made in the accounts to record this transaction.
- (vi) The discounts received total had been undercast by £1 600.
- (vii) A cheque for £2 800 sent to a supplier for goods received had been returned to Daisy Ltd as it had not been signed. As at 31 March 2010 a replacement cheque had not been issued and the return of the original cheque had not been recorded in Daisy Ltd's books.
- (viii) A purchase return of £900 to P Daniel had been entered as a credit on his account. The correct entry had been made in the control account.

REQUIRED

- (a) For Daisy Ltd, a Purchases Ledger Control Account for the year ended 31 March 2010. [15]
- (b) For Daisy Ltd, a statement reconciling the correct balance on the Purchases Ledger Control Account with the correct balance on the Schedule of Creditors. [5]
- (c) Describe **two** situations which could explain why Daisy Ltd had a debit balance on its Purchases Ledger Control Account on 1 April 2009. [4]

Total marks [24]

- 2 The Skipper Sailing Club prepares its accounts annually on 31 March. The summary of the Receipts and Payments Account for the year ended 31 March 2010 was prepared by the Treasurer as follows.

	£		£
Balance b/d	3 000	Competition prizes	3 100
Subscriptions received	84 400	Annual dinner dance – hire of band	2 400
Competition receipts	12 200	Annual dinner dance – catering	5 200
Annual dinner dance ticket sales	14 000	Insurance	9 800
Donations	1 500	Clubhouse maintenance	10 300
Sale of equipment	24 000	Equipment	46 000
		General expenses	30 200
		Electricity	1 600
		Transfer to 9 month deposit account	20 000

The following additional information is available.

- (i) The remaining assets and liabilities of the club at the beginning and end of the year were.

	1 April 2009	31 March 2010
	£	£
Clubhouse	150 000	150 000
Equipment	160 000	140 000
General expenses owing	800	400
Subscriptions due and unpaid	2 600	3 100
Subscriptions paid in advance	6 300	4 500
Stock of competition prizes	800	300
Deposit account (9 month term)	–	20 000

- (ii) During the year equipment with a book value of £26 000 was sold for £24 000.
- (iii) Of the subscriptions due on 1 April 2009, £280 remains unpaid. This is to be treated as a bad debt.
- (iv) On 1 October 2009, £20 000 was transferred from the Receipts and Payments Account to a deposit account. This transfer is shown in the summarised Receipts and Payments Account above. Interest of 5% per annum is earned on the deposit account. This interest has not yet been recorded as received

REQUIRED

- (a) For the Skipper Sailing Club, the Subscriptions Account for the year ended 31 March 2010. [7]
- (b)* For the Skipper Sailing Club, the Income and Expenditure Account for the year ended 31 March 2010 and the Balance Sheet as at 31 March 2010. [31]
- (c) Explain how the capital structure of a non-profit making organisation differs from that of a sole trader. [6]

Total marks [44]

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PLEASE TURN OVER FOR QUESTION 3

- 3 The following information is available for Adonis, a general trading business, for each of the years 2008 and 2009.

Trading and Profit and Loss Account for the year ended

	<u>31 December 2008</u>		<u>31 December 2009</u>	
	£'000's	£'000's	£'000's	£'000's
Sales		460		790
Opening stock	12		18	
Purchases	240		330	
	<u>252</u>		<u>348</u>	
Closing stock	18		30	
Cost of sales		234		318
Gross Profit		<u>226</u>		<u>472</u>
General expenses	100		200	
Advertising expenses	30		80	
Depreciation	<u>20</u>		<u>50</u>	
		150		330
Net Profit		<u><u>76</u></u>		<u><u>142</u></u>

Balance Sheet as at

	<u>31 December 2008</u>		<u>31 December 2009</u>	
	£'000's	£'000's	£'000's	£'000's
<u>Fixed Assets</u>				
Premises		200		200
Equipment		<u>220</u>		<u>340</u>
		420		540
<u>Current Assets</u>				
Stock	18		30	
Debtors	40		70	
Bank	<u>8</u>		<u>—</u>	
	66		100	
<u>Current Liabilities</u>				
Creditors	20		70	
Bank overdraft	<u>—</u>		<u>12</u>	
	20		82	
Working capital		46		18
		<u><u>466</u></u>		<u><u>558</u></u>
<u>Financed by</u>				
Capital		420		466
Net Profit		<u>76</u>		<u>142</u>
		496		608
Drawings		<u>30</u>		<u>50</u>
		<u><u>466</u></u>		<u><u>558</u></u>

REQUIRED

(a) For Adonis, calculate the following ratios (**where appropriate to two decimal places**) for **each** of the two years:

- (i) gross profit as a percentage of sales [2]
- (ii) net profit as a percentage of sales [2]
- (iii) stock turnover [2]
- (iv) current ratio [2]
- (v) liquid (acid test) ratio [2]
- (vi) return on capital employed (based on the capital at the end of year) [2]

(b*) In 2009, the owner of Adonis set out to improve the profitability and liquidity of the business. Using the ratios calculated in **(a)** **and** the other information provided in the accounts, evaluate how successful Adonis has been in achieving this objective. [12]

Total marks [24]

- 4 Peacock Ltd is preparing its Cash Budget for the three months ending 30 September 2010. The following forecasts are available.

Purchases and sales in **units** are budgeted as follows.

	June	July	August	September
Purchases	23 600	24 000	24 600	25 200
Sales	22 000	23 600	24 000	24 600

The following information is also available.

- (i) Each unit is purchased at a cost price of £18 per unit.
- (ii) The selling price is £40 per unit.
- (iii) 30% of sales are on a cash basis. The remainder is received one month after the sale is made.
- (iv) 20% of purchases are on a cash basis. The remainder is paid one month after the purchases are made.
- (v) Wages are £240 000 for June 2010 and £240 000 for July 2010. Wages will rise by 5% from 1 August 2010. Only 85% of the wages are paid in the month they are earned. The remainder are paid during the following month.
- (vi) General expenses (excluding depreciation) are £88 000 per month payable in the month they are incurred.
- (vii) The company intends to purchase equipment on 1 August 2010 for £600 000, paying 25% in the month of purchase and 75% in the following month.
- (viii) The budgeted bank balance on 1 July 2010 is £168 000.

REQUIRED

- (a) For Peacock Ltd, the Cash Budget for **each** of the three months July, August and September 2010. [22]
- (b) Explain the role and purpose of budgeting. [6]

Total marks [28]



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