

ADVANCED SUBSIDIARY GCE

ACCOUNTING

Accounting Applications

F012/RB

RESOURCE BOOKLET

Tuesday 24 May 2011
Afternoon

To be given to candidates at the start of the examination

Duration: 2 hours



MODIFIED LANGUAGE

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** Lorraine Colmar has an accounting year ended 30 April 2011. The stock-take did not take place until after the close of business on 15 May 2011 due to staff sickness. The value of the business' stock at 15 May 2011 was £234 500. The selling price of the goods is based on cost plus a mark up of 20%.

The following information is also available:

- (i) Goods purchased at a list price of £84 000 were received from suppliers on 1 May 2011.
- (ii) Sales invoices for goods sent to customers during the period 1–15 May 2011 amounted to £61 110. This figure included carriage of 5% on selling price.
- (iii) During the period 1–15 May 2011 returns from customers at selling price amounted to £4 860.
- (iv) During the period 1–15 May 2011 returns to suppliers amounted to £3 470.
- (v) Goods at a cost price of £8 000 were included in the stock valuation. However the goods had been damaged during April 2011 and they have a saleable value of £400.
- (vi) On 10 May 2011 Lorraine Colmar received a batch of free samples. The free samples had been included in the stock valuation at the supplier's list price of £600.
- (vii) On 2 April 2011 Lorraine Colmar sent goods with a selling price of £18 000 to a customer, Gales Ltd, on a sale or return basis. During April 2011, Gales Ltd sold two thirds of this consignment. This credit sale has not yet been recorded in Lorraine Colmar's accounts for the year ended 30 April 2011. Gales Ltd still has the unsold stock.
- (viii) Lorraine Colmar took goods at a cost price of £2 570 from stock on 8 May 2011. These goods were for her personal use.

REQUIRED

- (a) For Lorraine Colmar, a detailed statement of the stock valuation as at 30 April 2011. [12]
- (b) For Lorraine Colmar, explain the correct treatment of each of items (v) and (viii). Explain the effects each of items (v) and (viii) would have on the final accounts for the year ended 30 April 2011. [8]

Total marks [20]

- 2 A trial balance was extracted from the accounts of Ludwig Maximilian for the year ended 30 April 2011. The trial balance did not agree with credits exceeding debits by £6 500.

The following errors have now been found:

- (i) Sales for the year ended 30 April 2011 had been overcast by £2 400.
- (ii) A credit note for £3 600 for goods returned to Richard Swan, a supplier, had not been posted to the supplier's account.
- (iii) Discounts received of £1 800 had been posted to the debit side of the discounts allowed account.
- (iv) A credit purchase from Marie Wagner of £830 had not been entered in the books.
- (v) A new motor vehicle purchased for £16 000 had been recorded as a motor expense. Depreciation of the motor vehicle has been correctly entered in the accounts.
- (vi) A cheque received for £5 200 from Otto Lake, a debtor, had been processed for the correct amount in the cash book. However the cheque had been entered as £2 500 on the credit side in Otto Lake's account.
- (vii) A cheque paid for insurance of £3 400 had been posted as a credit in the bank account and as a credit in the insurance account.
- (viii) A cheque for £2 000 paid for general expenses had been entered as a debit in the bank account and as a credit in the general expenses account.

REQUIRED

- (a) For Ludwig Maximilian, the journal entries to correct each of the errors numbered (i)–(viii) (narratives are not required). [18]
- (b) For Ludwig Maximilian, the Suspense Account. [7]
- (c) Explain what is meant by **each** of the following:
 - an error of principle
 - an error of omission
 - an error of reversal[6]

Use an example from errors (i)–(viii).

Total marks [31]

- 3 The following Trial Balance was extracted from the books of Slayley Rugby Club on 31 March 2011:

	Dr £	Cr £
Bar stock at 1 April 2010	8 000	
Bank	22 800	
Savings account	66 000	
Interest on savings account		3 960
Accumulated fund as at 1 April 2010		101 040
Bar sales		259 000
Electricity	28 600	
Staff salaries	154 000	
Bar purchases	130 600	
Rent	92 800	
General expenses	16 700	
Subscriptions		303 000
Bad debts for subscriptions	500	
Sale of tickets for dinner dance		13 820
Dinner dance expenses	10 820	
Fixtures and fittings	88 000	
Provision for depreciation of fixtures and fittings		42 000
Equipment	160 000	
Provision for depreciation of equipment		56 000
	<u>778 820</u>	<u>778 820</u>

The following information is also available:

- (i) Bar stock was valued at £7 700 on 31 March 2011.
- (ii) Subscriptions owing at 31 March 2011 amounted to £6 400. The subscriptions paid in advance for the following year were £1 500.
- (iii) On 31 March 2011, electricity owing amounted to £600. Rent prepaid amounted to £800.
- (iv) Fixtures and fittings at a cost price of £2 000 were purchased on 1 October 2010. These were the only fixtures and fittings purchased during the year. The costs are included in the balance for fixtures and fittings. There were no disposals during the year.
- (v) Savings account interest owing to Slayley Rugby Club on 31 March 2011 amounted to £660.
- (vi) On 31 March 2011, dinner dance expenses owing amounted to £320.
- (vii) 50% of the salaries were for bar staff. The remainder of the salaries were for general club administration.
- (viii) Depreciation is to be provided as follows:
 - Fixtures and fittings: 10% per annum on cost using the straight line method. The rate being charged for each proportion of the year the asset is held.
 - Equipment: 15% per annum by the reducing balance method. There were no additions or disposals during the year.

REQUIRED

- (a) For Slayley Rugby Club, the Bar Trading Account for the year ended 31 March 2011. [4]
- (b)* For Slayley Rugby Club, the Income and Expenditure Account for the year ended 31 March 2011, **and** the Balance Sheet as at 31 March 2011. [28]
- (c) Explain **two** differences between an Income and Expenditure Account and a Receipts and Payments Account. [4]

Total marks [36]

- 4 Landau Ltd is preparing its Cash Budget for the three months ending 30 September 2011. The following forecasts are available:

	May	June	July	August	September
	£	£	£	£	£
Sales	30 000	36 000	38 000	40 000	42 000
Purchases	18 000	20 000	24 000	18 000	22 000
Wages	10 000	6 000	7 000	5 000	8 000
General expenses	2 800	2 000	3 000	4 000	4 500

The following information is also available:

- (i) 40% of sales are on a cash basis. The remainder of sales are on credit and are paid half in the month following sale and half the month after sale.
- (ii) 30% of purchases are on a cash basis. The remainder of purchases are on credit and are paid one month after the goods are purchased.
- (iii) 80% of the wages are paid in the month they are earned. 20% of the wages are paid the following month.
- (iv) General expenses are paid one month in arrears.
- (v) Rent of £1 000 per month is payable quarterly in advance. The next payment is due on 1 July 2011.
- (vi) The budgeted bank balance on 1 July 2011 is £4 000 overdrawn.

REQUIRED

- (a) For Landau Ltd, the Cash Budget for **each** of the three months ending 31 July, 31 August and 30 September 2011. [22]
- (b)* Discuss **three** benefits to a business of preparing budgets. [11]

Total marks [33]

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