

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS
AS GCE**

F012/01/RB

ACCOUNTING

Accounting Applications

RESOURCE BOOKLET

FRIDAY 20 MAY 2016: Afternoon

DURATION: 2 hours

plus your additional time allowance

MODIFIED ENLARGED

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

READ INSTRUCTIONS OVERLEAF

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.

Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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- 1 Isla Fraser is a sole trader. She has an accounting year ending 31 March 2016. At present she maintains her accounting records manually. Due to staff shortages the monthly stocktaking, due on 31 March 2016, did not take place. The stock valuation at the close of business on 16 April 2016 was £158 420. The following transactions should be taken into account to calculate the stock valuation as at 31 March 2016 for the final accounts. All goods have a mark-up on cost price of 20%.**
- (i) Goods costing £24 000 were delivered to the business during the period 1–16 April 2016.**
 - (ii) Goods with a sales value of £15 000 were returned by customers during the period 1–16 April 2016.**
 - (iii) During the period 1–16 April 2016, goods with a sales value of £12 000 were sent to customers.**
 - (iv) Included in the stock valuation on 16 April 2016 were goods valued at cost price with a NORMAL selling price of £7440. However, during March 2016 these goods had been damaged; they have a scrap value of £1500.**
 - (v) Included in the stock valuation on 16 April 2016 was a stock of stationery for use in the office at a cost price of £360.**
 - (vi) During March 2016 Isla Fraser received goods at a selling price of £816 on a sale or return basis. These goods have been included in the stock valuation on 16 April 2016. Isla Fraser has not sold any of these goods.**

- (vii) Goods with a cost price of £4800 were withdrawn from stock on 8 April 2016 for use at a display. These goods had been purchased in February 2016. This stock has not been included in the stock valuation on 16 April 2016.**
- (viii) During the period 1–16 April 2016 Isla Fraser returned goods costing £10 300 to her suppliers.**
- (ix) Goods with a total selling price of £4200 were withdrawn from stock on 10 April 2016 for private use by Isla Fraser.**

REQUIRED

- (a) A detailed statement showing the closing stock valuation as at 31 March 2016. [12]**
- (b) An explanation of the correct treatment of:**
 - item (iv)**
 - item (v). [6]**

- 2 Charlie Towers is a sole trader. He provided his accountant with the following information for the year ended 30 April 2016. Charlie pays all his receipts into the business bank account. The summary of the bank account for the year ended 30 April 2016 is on page 8.**

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Bank account summary for the year ended 30 April 2016

	£		£
Balance b/d	9 500	Payments to creditors	94 000
Receipts from debtors	176 000	General expenses	24 400
Cash sales	12 600	Wages	32 800
Loan	18 000	Motor vehicle	16 000
Commission received	1 600	Drawings	42 000
		Motor expenses	3 100

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

	1 May 2015	30 April 2016
	£	£
Trade debtors	11 600	14 200
Trade creditors	8 400	9 300
Stock at cost	12 400	10 300
Equipment	8 200	7 380
Motor vehicles	36 000	43 200
Wages owing	150	240
Motor expenses prepaid	600	–
Motor expenses owing	–	420
Commission receivable owing	520	360

The following information is also available:

- (i) Discounts allowed to customers for the year ended 30 April 2016 were £2000.**
- (ii) Charlie received discounts from his suppliers of £1700 during the year ended 30 April 2016.**
- (iii) Charlie had taken goods at a cost price of £5300 for his own use.**
- (iv) The loan was received on 1 November 2015 and interest is payable at 6% per annum. The loan is for a three-year period.**
- (v) General expenses in the bank account summary includes an amount of £520, which relates to the payment of Charlie's private house insurance.**
- (vi) A debtor who owes Charlie £500 has recently been declared bankrupt. Charlie has decided to write this off as a bad debt, but no entries have yet been made in his accounts.**

REQUIRED

- (a)* The Trading and Profit and Loss Account for Charlie Towers for the year ended 30 April 2016, AND the Balance Sheet as at that date. [36]**
- (b) Charlie is considering changing the business from a sole trader to a private limited company. Explain TWO advantages and TWO disadvantages to Charlie of changing to a private limited company.**

[8]

- 3 Atherton Ltd and Morton Ltd are two businesses that have been trading in the same market segment for a number of years. The following information is available from their final accounts for the year ended 31 March 2016.**

	<u>Atherton Ltd</u>	<u>Morton Ltd</u>
	£	£
Sales	600 000	750 000
Purchases	230 000	460 000
Expenses	110 000	70 000
Expenses owing	10 000	5 000
Debtors	40 000	30 000
Creditors	56 000	32 000
Bank	—	10 000
Bank overdraft	30 000	—
Stock 1 April 2015	40 000	54 000
Stock 31 March 2016	30 000	64 000
Capital employed	2 400 000	1 000 000

There were no other current assets or current liabilities.

REQUIRED

(a) The Trading and Profit and Loss Account for the year ended 31 March 2016, for EACH business. [6]

(b) Calculate the following ratios for EACH of the businesses Atherton Ltd and Morton Ltd (where appropriate round to TWO decimal places):

Gross profit as a percentage of sales

Net profit as a percentage of sales

Stock turnover

Return on capital employed

Current ratio

Liquid (acid test) ratio. [12]

(c)* Evaluate the comparative business performance of Atherton Ltd and Morton Ltd using the information provided and the ratios calculated in part (b). [14]

4 Zara and Clarke are in partnership. Their partnership agreement states the following:

- (i) Profits and losses are to be shared in the ratio Zara 3/5 and Clarke 2/5.**
- (ii) Zara is allowed an annual salary of £20 000 and Clarke is allowed an annual salary of £42 000.**
- (iii) Interest on drawings is charged at 3% per annum on a monthly basis.**
- (iv) Interest on capital is allowed at 4% per annum.**

The capital and current account balances on 1 April 2015 were as follows:

	£
CAPITAL ACCOUNTS	
Zara	640 000
Clarke	600 000

CURRENT ACCOUNTS

Zara	6 000 credit
Clarke	29 000 credit

The net profit before appropriation for the year ended 31 March 2016 was calculated at £226 000.

During the year ended 31 March 2016 the following drawings took place:

	Zara	Clarke
	£	£
1 April 2015	10 000	8 000
1 July 2015	12 000	6 000
1 October 2015	8 000	4 000
1 January 2016	14 000	12 000

On 1 April 2016 Zara and Clarke admitted James as a partner. At that date the fixed assets were revalued from £450 000 to £650 000. Stock was revalued from £30 000 to £20 000. Goodwill was valued at £68 000. James paid £280 000 capital into the business bank account. The new profit sharing agreement stated that the profit would be shared as follows:

Zara	2/5
Clarke	2/5
James	1/5.

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

REQUIRED

- (a) The Appropriation Account for Zara and Clarke for the year ended 31 March 2016. [8]**
- (b) The Current Accounts for Zara and Clarke for the year ended 31 March 2016. [7]**
- (c) The Capital Accounts for Zara, Clarke and James as at 1 April 2016. [11]**

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