

**ADVANCED SUBSIDIARY GCE UNIT  
ACCOUNTING**

Financial Accounting

**WEDNESDAY 6 JUNE 2007**

**F002**

Afternoon  
Time: 1 hour 30 minutes

Each candidate must be given:

- (1) one copy of this question paper, F002;
- (2) one 8 page Answer Book.

Item (2) is sent with the stationery parcel

**Candidates may use calculators in this examination.**



\* C U P / T 3 7 4 0 8 \*

**INSTRUCTIONS TO CANDIDATES**

- Complete the front page of the Answer Book as directed.
- Answer **all** questions.
- You must show the calculations leading to your answers.

**INFORMATION FOR CANDIDATES**

- The maximum mark for this paper is 100.

- **QUALITY OF WRITTEN COMMUNICATION (QWC)**

\* In these two questions/sub-questions you will be assessed on the quality of your written communication. 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 **6** printed pages and **2** blank pages.

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- 1** K. Stuart, a sole trader, has a financial year end which occurs on 31 March. Due to staff sickness the stock-take due on 31 March 2007 did not take place. The stock-take did take place on 10 April 2007 and the value of the business's stock at that date was £162 500. The selling price of all goods is based on cost plus a mark up of 25%.

The following information is also available.

- (i) Goods with a sales value of £180 000 were delivered to customers on 9 April 2007.
- (ii) Purchases at a list price of £150 000 were received from suppliers on 4 April 2007.
- (iii) Goods sold to a customer at a selling price of £7 700 on 20 March 2007 were returned as unsuitable on 7 April 2007.
- (iv) Of purchases made on 8 March 2007, goods to the value of £8 500 were returned to suppliers as unsuitable on 1 April 2007.
- (v) During March 2007, K. Stuart received free samples with a list price of £4 600 from a supplier and these had been included at this price in the 10 April 2007 stock-take.
- (vi) Goods originally purchased at a cost price of £12 600 were damaged in March 2007. These purchases were included in the 10 April 2007 stock-take at cost price. Due to damage their sales value is £7 000.
- (vii) On 6 April 2007 a delivery of cleaning materials used in the factory, cost £2 000, was received. These had not been included in the 10 April 2007 stock-take.
- (viii) On 29 March 2007 the marketing manager took stock with a sales value of £9 600 to a trade exhibition. These items were not included in the 10 April 2007 stock-take.

## REQUIRED

- (a) A detailed statement of the stock valuation as at 31 March 2007. [14]
- (b) Explain your treatment of each of the items (vi) and (vii). [6]
- (c) K. Stuart is not very good at keeping financial records. Evaluate the problems of inadequate record keeping for a sole trader. [10]

Total marks [30]

- 2 Merstham Sailing Club has been in existence for a number of years. The Club's financial year end is 31 March. The following information is available.

	£
<u>Balances as at 1 April 2006:</u>	
Buildings	150 000
Depreciation of buildings	90 000
Equipment	65 000
Depreciation of equipment	33 280
Accumulated fund	97 070
Subscriptions owing	1 950
Subscriptions in advance	2 400
Bar creditors	600
Bar stocks	1 530
Bank	4 870 Dr
<u>Receipts for the year ended 31 March 2007:</u>	
Subscriptions received for: 2005/6	1 350
2006/7	14 400
2007/8	1 800
Proceeds from annual raffle ticket sales	1 200
Proceeds from Christmas dinner dance	2 000
Bar sales	?
<u>Payments for the year ended 31 March 2007:</u>	
Equipment repairs	550
Bar purchases	13 940
Payments to builder	22 000
Raffle prizes	300
Christmas dinner dance	1 150
Insurance	800
Buildings maintenance	630
Heat and light	500

The Bar achieved a profit margin of 20% in the year ended 31 March 2007. All bar sales are paid into the bank. There are no bar expenses.

At 31 March 2007, bar stocks were £1 420 and bar creditors were £950. Also at this date insurance had been prepaid by £50 and £200 was owing for heat and light. No accruals or prepayments (other than subscriptions) were brought forward on 1 April 2006.

No subscriptions remained outstanding for the year ended 31 March 2007. Subscriptions for 2005/6 still outstanding at 31 March 2007 are to be treated as bad debts.

The payments to the builder represent a £20 000 extension to the buildings and £2 000 for redecoration of the existing bar.

The Club uses the straight line method of depreciation for buildings. Buildings are depreciated at a rate of 4% per annum on the balance in the buildings account at the end of the year. Equipment is depreciated at a rate of 20% per annum using the reducing balance method. No equipment was purchased or sold during the year ended 31 March 2007.

**REQUIRED**

- (a) The Bar Trading Account for the year ended 31 March 2007. [7]
- (b) The balance of the Receipts and Payments Account as at 31 March 2007. [3]
- (c) The Subscriptions Account for the year ended 31 March 2007. [9]
- (d)\* The Income and Expenditure Account for the year ended 31 March 2007. [14]
- (e) The value of the Accumulated Fund as at 31 March 2007. [2]

Total marks [35]

- 3** J. Savill's financial year end occurs on 30 April each year. He produced a trial balance as at 30 April 2007 and from this calculated his net profit for the year as £17 000. However, the trial balance showed debits exceeding credits by £4 200 and subsequent investigations revealed the following.
- (i) A cheque for £3 000 received from J. Mander, a debtor, had been correctly recorded in the cash book but posted as a credit to T. Maunder.
  - (ii) Goods purchased on credit for £2 400 from JD Supplies had been correctly recorded in the purchases account but the corresponding double entry had not been made.
  - (iii) A payment of £760 for motor vehicle repairs was entered in error as a debit in the motor vehicles account. No entries have been made to record depreciations in relation to this payment. The correct depreciation has been made for motor vehicles held by the business.
  - (iv) Discounts allowed of £850 had been entered as a credit entry in the discounts received account.
  - (v) A cheque received for £6 300 from R. Grant, a debtor, had been processed for the correct amount in the cash book but entered as £3 600 in R. Grant's account.
  - (vi) Sales for the year ending 30 April 2007 had been undercast by £800.

#### REQUIRED

- (a) Journal entries to correct the above errors (narratives are not required). [14]
- (b) The Suspense Account. [4]
- (c) A statement showing the corrected net profit for the year ended 30 April 2007. [5]
- (d) Using an appropriate example from the above, explain what is meant by an error of principle. [2]
- (e)\* Considering both advantages and disadvantages, evaluate the usefulness of ICT in accounting to a business. [10]

Total marks [35]

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