THIS IS A NEW SPECIFICATION

RECOGNISING ACHIEVEMENT

ADVANCED SUBSIDIARY GCE

ACCOUNTING

Accounting Applications

F012/RB

RESOURCE BOOKLET

Wednesday 20 January 2010
Morning

To be given to candidates at the start of the examination

Duration: 2 hours

OCE/12831

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.

Turn over

1 Jack Macey is a sole trader. A Trial Balance was extracted for the year ended 31 December 2009. The Trial Balance did not agree. The Profit and Loss Account had, however, been prepared and a net profit of £145 300 had been calculated.

The following errors have now been discovered.

(i) The Sales Account had been overcast by £18 200.

(ii) A credit purchase of £2 500 from B. Dales Ltd had been omitted from the books.

(iii) Discounts received of £9 600 had been entered on the debit side of the Discounts Allowed Account.

(iv) A cheque received from a debtor of £7 800 had been correctly entered in the debtors account, but had been entered in the Bank Account as £7 000.

(v) A credit note of £1 200 received from A & F Ltd for returned goods had been posted as a credit to the account of A & F Ltd. The correct entry had been made in the Purchase Returns Account.

(vi) Office equipment for use in the business, purchased for £14 500, had been entered in the Purchases Account. No depreciation had been provided on this office equipment. The policy on depreciation is 15% on cost, straight line method. This rate is applied for a full year regardless of the date of purchase.

(vii) J Coutour, a trade debtor, paid a cheque for £9 400 to clear his account. His account had been credited for this amount but no entry had been made in the Cash Book.

(viii) A sale of £3 500 on credit to Tiffan Ltd had been entered in the Sales Journal as £3 000 and had also been posted to the Sales Ledger and the General Ledger as £3 000.

REQUIRED

(a) Journal entries, for Jack Macey, to correct each of the errors which have been discovered (narratives are not required). **[20]**

(b) A statement to show the revised net profit for Jack Macey. **[8]**

(c) Explain **two** advantages of using ICT in accounting. **[4]**

Total marks [32]

2 Adway Ltd commenced business on 1 January 2008 and reported the following net profits during its first two years in business.

	£
2008	86 000
2009	94 000

During this period the following fixed assets were purchased on the dates shown:

Motor Vehicles		
2008		£
MV1	1 January	26 000
MV2	1 July	18 000
2009		
MV3	1 April	24 000
Equipment		
2008		
EQ1	1 January	30 000
2009		
EQ2	1 January	44 000

Adway Ltd has a policy to depreciate motor vehicles at 20% per annum on cost (straight line method) and equipment at 15% per annum on cost (straight line method), rates being charged for each month of ownership.

Early in 2010, consideration was given to changing to the reducing balance method, with the following rates applying to the balance at the end of each year.

Motor Vehicles	25%
Equipment	20%

A full year's depreciation is charged irrespective of the date of purchase.

REQUIRED

(a) Calculate the total depreciation for Adway Ltd in the years 2008 and 2009 using the straight line method for:

(i) Motor Vehicles **[5]**

(ii) Equipment **[3]**

(b) Calculate the total depreciation for Adway Ltd in each of the years 2008 and 2009, using the reducing balance method for:

(i) Motor Vehicles **[5]**

(ii) Equipment **[3]**

(c) Prepare a statement to show the net profit which would have been reported by Adway Ltd in each of the years 2008 and 2009, if the reducing balance method had been in use. **[6]**

Total marks [22]

3* Robin Bird is a sole trader. He provided his accountant with the following information for the year ended 31 December 2009. He pays all the sales receipts into the business bank account. The following is a summary of the bank account for the year ended 31 December 2009.

Bank account summary for the year ended 31 December 2009

	£		£
Cash sales	18 510	Balance b/d	5 620
Receipts from debtors	203 200	General expenses	22 000
Rent received	16 800	Wages	32 560
		Payments to creditors	122 460
		Motor vehicles	19 200
		Equipment	17 400
		Drawings	27 560

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

	1 January 2009 £	31 December 2009 £
Trade debtors	22 400	28 600
Trade creditors	17 500	19 470
Stock at cost	22 300	17 400
General expenses prepaid	1 100	900
Rent received prepaid	800	–
Rent received owing	–	1 300
Wages owing	2 400	500
Premises	100 000	100 000
Equipment	28 400	27 600
Motor vehicles	65 000	68 200

The following information is also available.

(i) Discounts allowed to customers for the year ended 31 December 2009 were £4 000.

(ii) Robin received discounts from his suppliers of £3 100 during the year ended 31 December 2009.

(iii) Robin has decided to create a provision for doubtful debts of 2% on the debtors at 31 December 2009.

(iv) General expenses in the bank account summary includes an amount of £660 which relates to the payment of Robin's private house insurance.

(v) Robin has taken goods at a cost price of £3 700 for his personal use.

REQUIRED

The Trading and Profit and Loss Account for Robin Bird for the year ended 31 December 2009, **and** the Balance Sheet as at that date.

Total marks [34]

4 Jamie and Simon are partners in a business. Their accounting year ended on 31 December 2009. The partnership agreement states that they will share profits and losses in the ratio of 3:5 respectively. A salary of £24 450 per annum is paid to Jamie. Interest on drawings is charged at 5% on balances at the end of the year. Interest on capital is payable at the rate of 4% per annum.

The following balances have been extracted from the books at 31 December 2009.

		£	
Capital Accounts:	Jamie	160 000	
	Simon	240 000	
Current Accounts:	Jamie	8 400	Dr
	Simon	3 200	Dr
Drawings:	Jamie	26 000	
	Simon	35 000	
Net Profit		120 000	

On 1 July 2009, Jamie introduced an additional £20 000 into the business in the form of a cheque. This was paid into his capital account.

On 1 January 2010, Jamie and Simon agree to admit Louise as a partner. At that date goodwill was valued at £40 000. The following was also agreed, with effect from 1 January 2010.

(i) Goodwill would not remain in the books of the new partnership.

(ii) Jamie, Simon and Louise would share profits and losses in the ratio 3:5:2 respectively.

(iii) Louise would put £70 000 into the business bank account. She would also bring into the partnership stock valued at £30 000 and equipment valued at £20 000.

REQUIRED

(a) The Appropriation Account for Jamie and Simon for the year ended 31 December 2009. **[7]**

(b) The Current Accounts for Jamie and Simon as at 31 December 2009. **[7]**

(c) The Capital Accounts for Jamie, Simon and Louise as at 1 January 2010. **[8]**

(d*) Explain **two** advantages and **two** disadvantages to Jamie and Simon in taking on an additional partner. **[10]**

Total marks [32]

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