



ADVANCED SUBSIDIARY GCE

ACCOUNTING

Accounting Principles

F011/RB

RESOURCE BOOKLET

Monday 17 January 2011

Afternoon

To be given to candidates at the start of the examination

Duration: 1 hour



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–2 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* Alfred Basset, a sole trader, prepared the following Trial Balance from his accounts on 30 September 2010:

	Dr £	Cr £
Insurance	2 500	
Salaries	28 000	
Electricity	3 200	
Capital		55 060
Motor expenses	1 800	
Bad debts	630	
Carriage outwards	1 280	
Discounts allowed	220	
General expenses	22 400	
Drawings	17 500	
Debtors	8 200	
Creditors		13 600
Bank		4 950
Stock	37 000	
10% Loan		18 000
Loan interest	1 350	
Carriage inwards	1 100	
Commission payable	2 600	
Purchases	82 000	
Sales		138 000
Purchases returns		4 300
Sales returns	5 250	
Discounts received		310
Provision for doubtful debts		390
Fixture and fittings	17 000	
Provision for depreciation of fixtures and fittings		5 100
Motor vehicles	12 000	
Provision for depreciation of motor vehicles		4 320
	<u>244 030</u>	<u>244 030</u>

The following information is also available:

- (i) The closing stock as at 30 September 2010 was valued at £56 000.
- (ii) At 30 September 2010, electricity owed was £325, commission payable owed was £800; while insurance was prepaid by £625.
- (iii) During the year, Alfred Basset paid £3 200 from the business bank account for a private holiday. This transaction was included in general expenses.
- (iv) Included in purchases, in error, are fixtures and fittings to the value of £3 000 bought on 1 July 2010.
- (v) The provision for doubtful debts is to be provided for a specific debt of £300, plus 3% of the remaining debtors.
- (vi) The 10% loan was taken out in 2008 and is repayable in full in June 2013.

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(vii) Depreciation is to be provided as follows:

Fixtures and fittings: 10% per annum on cost using the straight line method.
Depreciation is calculated on a monthly basis.

Motor vehicles: 20% per annum by the reducing balance method.
There were no additions or disposals during the year.

REQUIRED

For Alfred Basset, the Trading and Profit and Loss Account for the year ended 30 September 2010
and the Balance Sheet as at 30 September 2010. **[45]**

- 2 Jade Shepherd prepared the following aged debtors schedule for her business on 30 September 2010:

Debtor	Amount due £	Up to 30 days £	31–60 days £	61–90 days £	91–180 days £	Over 180 days £
Sam West	850			150		700
Brock Tan	225	175		50		
Alf Springer	550					550
Ian Bull	800	220	355	150	75	
Angus Scott	195					195
Lilly Parsons	437		86	351		
Lucy Lockett	115					115
Ruby Golden	528	105	209	49	165	
	<u>3700</u>	<u>500</u>	<u>650</u>	<u>750</u>	<u>240</u>	<u>1560</u>

The provision for doubtful debts as at 1 October 2009 was £435.

Jade Shepherd has recently discovered that Sam West has ceased trading. Jade has decided to write off as a bad debt the total owed by Sam West.

Jade Shepherd's policy for dealing with outstanding debts is to:

- (i) write off as bad debts all amounts outstanding for over 180 days;
- (ii) make specific provisions for all debts outstanding between 91 and 180 days;
- (iii) make general provisions as follows:

- 1% of debts outstanding for up to 30 days
- 2% of debts outstanding for 31 to 60 days
- 3% of debts outstanding for 61 to 90 days

REQUIRED

- (a) Prepare and balance off the following ledger accounts for Jade Shepherd for the year ended 30 September 2010. (Dates are not required).
- (i) Sam West. [2]
 - (ii) Ruby Golden. [1]
 - (iii) Bad Debts. [4]
 - (iv) Provision for Doubtful Debts. [3]
- (b) The Profit and Loss Account extract for Bad Debts and Provision for Doubtful Debts for the year ended 30 September 2010. [3]
- (c) The Balance Sheet extract for Debtors as at 30 September 2010. [2]
- (d) Define **two** accounting concepts which should be applied when accounting for doubtful debts. Explain how each of these concepts should be applied when preparing final accounts. [8]
- (e)* Jade Shepherd is considering changing her existing policy in relation to outstanding debts. She plans to continue her existing policy for writing off bad debts; however, she now plans to apply a single 5% provision to all remaining debts.
- Recommend and justify which would be the most suitable policy. You should use figures to support your recommendation. [10]
- (f) Identify **two** ways in which Jade Shepherd could reduce bad debts. [2]

Total marks [35]

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