



ADVANCED SUBSIDIARY GCE

ACCOUNTING

Accounting Principles

F011/RB

RESOURCE BOOKLET

**Tuesday 17 May 2011
Morning**

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 two 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 On 31 March 2011 the following information was available from the books of Freada Kins, a sole trader:

	Dr £	Cr £
Rent	9 600	
Capital		45 541
Sales		83 500
Purchases	49 000	
Insurance	1 900	
Salaries	11 500	
Electricity	2 200	
Bad debts	465	
Loan interest	1 000	
Discounts allowed	115	
Debtors	7 700	
Creditors		6 230
Motor expenses	1 730	
Provision for doubtful debts		187
Drawings	9 800	
Bank	4 950	
Stock	24 000	
10% Loan		10 000
General expenses	7 200	
Carriage inwards	790	
Commission received		1 500
Purchases returns		2 780
Sales returns	2 540	
Discounts received		127
Equipment	11 000	
Provision for depreciation of equipment		4 125
Motor vehicle	8 500	
	<u>153 990</u>	<u>153 990</u>

The following information is also available:

- (i) The closing stock as at 31 March 2011 was valued at £21 000.
- (ii) At 31 March 2011, general expenses owing amounted to £230. Commission received owing to Freada Kins was £500, while insurance was prepaid by £300 and electricity was prepaid by £200.
- (iii) During the year Freada Kins took stock at a cost price of £1 550 from the business for her personal use. This transaction has not been recorded in the accounts.
- (iv) The motor vehicle was purchased on 1 January 2011 for £8 500, plus £500 for painting the name of the business on the motor vehicle. This additional £500 has been charged to motor expenses.
- (v) The provision for doubtful debts is to be provided for a specific debt of £100, plus 2% of the remaining debtors.
- (vi) The 10% loan is repayable in full in August 2011.

(vii) Depreciation is to be provided as follows:

Equipment: 12.5% per annum on cost using the straight line method.
There were no additions or disposals during the year.

Motor vehicle: 25% per annum by the reducing balance method.
A full year's depreciation is charged on vehicles owned at the year end,
irrespective of the date of purchase.
There were no disposals during the year.

REQUIRED

(a)* For Freada Kins, the Trading and Profit and Loss Account for the year ended 31 March 2011
and the Balance Sheet as at 31 March 2011. [45]

(b) Advise Freada Kins on why the distinction between capital and revenue expenditure is
important when preparing the final accounts. [8]

Total marks [53]

2 The following information is available from the books of Reb White:

	1 April 2010 £	31 March 2011 £
Salaries	2550 accrued	1995 accrued
Commission received	675 accrued	590 accrued
Insurance	530 prepaid	610 prepaid
Rent	950 accrued	1050 prepaid

During the year ended 31 March 2011 the following amounts were paid and received:

	£
Salaries paid	26000
Commission received	2450
Insurance paid	1900
Rent paid	12500

All transactions were through the bank account.

REQUIRED

(a) For Reb White, prepare the following ledger accounts, including in each case the transfer to the Profit and Loss Account for the year ended 31 March 2011 **and** the balance carried down to the next financial year. (Dates are not required).

- (i) Salaries. [3]
- (ii) Commission Received. [2]
- (iii) Insurance. [2]
- (iv) Rent. [3]

(b) Reb White uses a two-column cash book to record his cash and bank transactions. The following relate to the last week of March 2011.

	£	
Opening balances: Cash	208	Debit
Bank	685	Credit
Cash sales	175	
Cheque received from A. Scott	928	
Cheque paid to P. Black	135	
General expenses paid in cash	105	

Prepare and balance off Reb White's two-column cash book for the week ended 31 March 2011. (Dates are not required). [6]

(c)* Discuss **three** reasons why a business makes adjustments for accruals and prepayments in the final accounts. [11]

Total marks [27]

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