



**Wednesday 14 May 2014 – Afternoon**

**AS GCE ACCOUNTING**

**F011/01/RB**          Accounting Principles

**RESOURCE BOOKLET**

**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**

- Your 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.
- This document consists of **4** pages. Any blank pages are indicated.

**INSTRUCTION TO EXAMS OFFICER/INVIGILATOR**

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- 1 On 31 March 2014 the following information was available from the books of Ella Watts, a sole trader.

	Dr	Cr
	£	£
Capital		55 000
Sales		510 000
Purchases	219 790	
Electricity	21 000	
Motor expenses	8 450	
Commission received		8 710
Discounts received		4 150
Debtors	56 800	
Bad debts	3 460	
Provision for doubtful debts		1 720
Creditors		39 780
Salaries	88 000	
Insurance	8 890	
Rent	63 000	
Carriage inwards	2 100	
General expenses	9 320	
Bank	17 030	
5% Loan		36 000
Loan interest	1 350	
Drawings	28 300	
Stock	42 160	
Sales returns	6 670	
Purchase returns		5 960
Motor vehicles	80 700	
Provision for depreciation of motor vehicles		15 500
Computers	33 000	
Provision for depreciation of computers		13 200
	<u>690 020</u>	<u>690 020</u>

The following information is also available.

- (i) The closing stock as at 31 March 2014 was valued at £34 520.
- (ii) Ella Watts had withdrawn stock at a cost price of £6440 from the business for her personal use. This transaction has not been recorded in the accounts.
- (iii) Computers to the value of £2230 have been purchased during the year. These were included in general expenses.
- (iv) During the financial year Ella Watts has purchased a new family car for £18 700. This was recorded in motor vehicles in the business' accounts, though it will not be used for business purposes.
- (v) Ella Watts is becoming concerned about a long standing debt for £2300 and has decided to create a specific provision for this debt, in addition to a general provision of 3% of remaining debtors.
- (vi) The amount paid for salaries each month has remained unchanged throughout the year but remains unpaid for the month of March 2014.
- (vii) Rent is paid quarterly in arrears but the payment due for the quarter ended 31 March 2014 remains unpaid.
- (viii) At 31 March 2014 general expenses of £820 were owing; whilst insurance was prepaid £1920.
- (ix) The loan for £36 000 was taken out on 1 September 2010. 50% of this loan is repayable by 31 August 2014 and the remaining balance 12 months later.
- (x) Depreciation is to be provided as follows:  

Motor vehicles:	25% per annum using the reducing balance method
Computers:	40% per annum using the reducing balance method

A full year's depreciation is charged on all fixed assets on the books at the financial year end.

### REQUIRED

- (a)\* The Trading and Profit and Loss Account for the year ended 31 March 2014 **and** the Balance Sheet as at 31 March 2014. **[43]**
- (b) Evaluate the appropriateness of Ella Watts' depreciation method for computers. **[6]**

2 Kalahari Ltd started in business on 1 April 2012. The following information is available.

- |              |   |
|--------------|---|
| 1 April 2012 | Purchased machine M1 costing £24 000.   |
| 1 July 2013  | Sold machine M1 for £20 000.<br>Purchased machine M2 costing £38 000 net of trade discount. |

Machinery is depreciated at the rate of 20% per annum using the straight line method, assuming a residual value of 10% of the cost price of the machine. Depreciation is calculated on the basis of one month's depreciation for each month of ownership.

All payments and receipts are made through the bank account.

### REQUIRED

- (a)\* Distinguish between a cash discount and a trade discount and explain how they are treated in the accounts. [10]
- (b) The following ledger accounts for **each** of the years ended 31 March 2013 and 31 March 2014, including, where appropriate, the transfer to the Profit and Loss Account for **each** year and the balance carried down to the start of the next financial year. (Dates are **not** required.)
- |  |     |
|--|-----|
| (i) Machinery                                    | [4] |
| (ii) Provision for the Depreciation of Machinery | [6] |
| (iii) Machinery Disposals Account.               | [4] |
- (c) The Profit and Loss Account extract to show the entries relating to the provision for depreciation of machinery and machinery disposals for the year ended 31 March 2014. [2]
- (d) The Balance Sheet extract for machinery as at 31 March 2014. [1]
- (e) Discuss the application of the accruals and consistency concepts in relation to accounting for depreciation. [4]



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