



Thursday 22 May 2014 – Afternoon

AS GCE ACCOUNTING

F012/01/RB Accounting Applications

RESOURCE BOOKLET

To be given to candidates at the start of the examination

Duration: 2 hours



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–4 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 **8** pages. Any blank pages are indicated.

INSTRUCTION TO EXAMS OFFICER/INVIGILATOR

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- 1 Matilda Kinnon is a sole trader. A trial balance was extracted for the year ended 31 March 2014. The trial balance did not agree. The Trading and Profit and Loss Account had, however, been prepared and a net profit of £38 200 had been calculated.

The following errors have now been discovered.

- (i) The Sales Account had been overcast by £12 600.
- (ii) A credit purchase of £3 200 from Gillies Ltd had been omitted from the books.
- (iii) A cheque for £9 100 from Gumtree Ltd, a debtor, had been correctly entered in the Cash Book, but no other entry had been made.
- (iv) Discounts allowed of £1 200 had been entered on the credit side of the Discounts Received Account.
- (v) A cheque for £4 900, paid to a creditor, Midge Ltd, had been entered in the accounts as £900.
- (vi) Machinery for use in the business, purchased for £56 000, had been entered in the Purchases Account.
- (vii) No depreciation had been provided on the machinery purchased in item (vi). The policy on depreciation is 20% on cost using the straight line method. The rate is applied for a full year, regardless of the date of purchase.
- (viii) Stock to the value of £2 500 had been withdrawn from the business by Matilda Kinnon. It had been correctly recorded in the drawings account but the appropriate double entry had not been made.

REQUIRED

- (a) Journal entries to correct each of the errors which have been discovered.
(Narratives are **not** required.) [18]
- (b) A statement to show the revised net profit for Matilda Kinnon. [9]
- (c) Identify and explain the type of error in each of:
 - (i) Item (ii)
 - (ii) Item (v)
 - (iii) Item (vi). [9]

- 2 The Mount Isa Tennis Club prepares accounts annually on 31 March. The Receipts and Payments Account for the year ended 31 March 2014 was as follows.

	£		£
Subscriptions received:		Balance b/d	2 300
For the year ended 31 March 2013	1 000	Maintenance	10 500
For the year ended 31 March 2014	12 000	Insurance	5 300
For the year ended 31 March 2015	600	Competition prizes	2 400
Competition receipts	7 600	Dinner dance catering	2 000
Dinner dance ticket sales	4 500	Dinner dance entertainment	1 100
Donations	1 500	Electricity	800
Bar sales	66 000	Equipment	1 800
		Bar staff wages	28 000
		Bar creditors	44 200

The following additional information is available.

- (i) The remaining assets and liabilities of the club at the beginning and end of the year were:

	1 April 2013	31 March 2014
	£	£
Clubhouse	60 000	60 000
Equipment	12 000	11 000
Insurance prepaid	500	600
Electricity owing	300	250
Stock of competition prizes	400	200
Subscriptions due and unpaid	1 200	900
Subscriptions paid in advance	800	600
Bar creditors	4 000	3 800
Bar stock	12 000	13 200

- (ii) All subscriptions due for the year ended 31 March 2013 but unpaid on 31 March 2014 are to be considered as bad debts.
- (iii) Bar staff wages are the only expense to be charged to the Bar Trading Account.

REQUIRED

- (a) The Bar Trading Account for the year ended 31 March 2014. [6]
- (b)* The Income and Expenditure Account for the year ended 31 March 2014 **and** the Balance Sheet as at 31 March 2014. [26]

- 3 Barney and Carey are two businesses which have been trading in the same market segment for a number of years. The following information is available from their final accounts for the year ended 31 March 2014.

	Barney £	Carey £
Sales	380 000	300 000
Purchases	260 000	160 000
Expenses	60 000	90 000
Debtors	15 000	20 000
Creditors	20 000	40 000
Bank	5 000	—
Bank overdraft	—	15 000
Stock 1 April 2013	40 000	20 000
Stock 31 March 2014	30 000	26 000
Capital employed	500 000	1 200 000

There were no other current assets or current liabilities.

REQUIRED

- (a) Calculate the following ratios for each of the businesses Barney and Carey. (Where appropriate, please give your answer correct to two decimal places.)

- Gross profit as a percentage of sales
- Net profit as a percentage of sales
- Stock turnover
- Return on capital employed
- Current ratio
- Liquid (acid test) ratio

[12]

- (b)* Evaluate the comparative business performance of Barney and Carey using the information provided and the ratios calculated in part (a). [14]

- 4 Airlie Bay is planning to start trading on 1 July 2014 with £5000 of his own savings and a bank loan of £6000. Both of these amounts will be paid into the business bank account on 1 July 2014. The following forecasts are available.

Purchases and sales in **units** are budgeted as follows.

	<u>July</u>	<u>August</u>	<u>September</u>
Sales	1 800	1 940	1 040
Purchases	2 400	2 000	1 300

The following information is also available.

- (i) The selling price is £26 per unit.
- (ii) Each unit is purchased at a cost price of £14 per unit.
- (iii) 50% of the sales are on a cash basis. The remainder is received one month after the sales are made.
- (iv) 40% of the purchases are on a cash basis. The remainder is paid one month after the purchases are made.
- (v) General expenses (excluding depreciation) are expected to be £2800 in July 2014. General expenses will rise by 10% from 1 August 2014. General expenses are payable in the month in which they are incurred.
- (vi) Wages will be £5400 per month in July and August 2014 and £5700 in September 2014. 80% of the wages are paid in the month in which they are earned, the remainder are paid during the following month.
- (vii) Equipment is to be purchased for £20000 on 1 July 2014. Payment is to be made in four equal monthly instalments starting in August 2014.
- (viii) The bank loan is repayable in 2019, and interest at an annual rate of 5% is payable at the end of each quarter. The first payment is due to be made on 30 September 2014.

REQUIRED

- (a) The Cash Budget for **each** of the three months July, August and September 2014. [20]
- (b) Discuss **two** benefits to a business of preparing budgets. [6]

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