OXFORD CAMBRIDGE AND RSA EXAMINATIONS

AS GCE

# F012/01/RB

# ACCOUNTING

# Accounting Applications

RESOURCE BOOKLET

TO BE GIVEN TO CANDIDATES AT THE START OF THE EXAMINATION

FRIDAY 15 MAY 2015: Afternoon

DURATION: 2 hours
plus your additional time allowance

MODIFIED ENLARGED

**READ INSTRUCTIONS OVERLEAF**

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## INSTRUCTIONS TO CANDIDATES

The information required to answer questions 1–4 is contained within this Resource Booklet.

## INFORMATION FOR CANDIDATES

The 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.

Any blank pages are indicated.

## INSTRUCTION TO EXAMS OFFICER / INVIGILATOR

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**1** **Karumba and Latara are partners in a business, the accounting year ended on 31 December 2014. The partnership agreement states that they will share profits and losses in the ratio of 2:3 respectively. A salary of £18 000 per annum is paid to Karumba. Interest on drawings is charged at 3% on the balances at the end of the year. Interest on capital is payable at the rate of 5% per annum.**

**The following balances have been extracted from the books at 31 December 2014.**

| | | £ | |
|---|---|---|---|
| **Capital Accounts:** | **Karumba** | **120 000** | |
| | **Latara** | **190 000** | |
| **Current Accounts:** | **Karumba** | **8 200** | **Cr** |
| | **Latara** | **6 400** | **Cr** |
| **Drawings:** | **Karumba** | **36 000** | |
| | **Latara** | **40 000** | |
| **Net Profit** | | **152 000** | |

**On 1 July 2014 Karumba had introduced capital of £12 000 into the business, and on the same date Latara had withdrawn capital of £4000 from the business.**

**On 1 January 2015 Karumba and Latara agreed to admit Norman as a partner.**

**The following information was also agreed with effect from 1 January 2015.**

**(i)** **Goodwill was valued at £60 000.**

**(ii)** **Goodwill will not remain in the books of the new partnership.**

**(iii)** **Karumba, Latara and Norman would share profits and losses in the ratio of 3:5:2 respectively.**

**(iv)** **Norman would put £80 000 into the business bank account. He would also bring into the partnership a motor vehicle valued at £15 000.**

**REQUIRED**

**(a)** **The Appropriation Account for Karumba and Latara for the year ended 31 December 2014. [8]**

**(b)** **The Current Accounts for Karumba and Latara as at 31 December 2014. [7]**

**(c)** **The Capital Accounts for Karumba, Latara and Norman as at 1 January 2015. [8]**

**(d)** **Discuss THREE advantages to Karumba and Latara of admitting Norman as a partner. [9]**

2 Mark Grunske is a sole trader. He provided his accountant with the following information for the year ended 31 December 2014.

**Bank account summary for the year ended 31 December 2014**

| | £ | | £ |
|---|---|---|---|
| Balance b/d | 6400 | Wages | 48000 |
| Cash sales | 2300 | General expenses | 18000 |
| Receipts from debtors | 118200 | Equipment | 36000 |
| Loan | 30000 | Payments to creditors | 52000 |
| | | Drawings | 24600 |

The loan was received on 1 July 2014 and interest is payable at 8% per annum. The loan is for a five year period.

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

| | 1 January 2014 | 31 December 2014 |
|---|---|---|
| | £ | £ |
| Stock at cost | 12300 | 13600 |
| Trade debtors | 16500 | 14300 |
| Trade creditors | 8100 | 9400 |
| General expenses owing | 900 | 200 |
| Wages prepaid | 1400 | 1600 |
| Equipment | 60000 | 85000 |

Additional information.

(i) Mark allowed his customers discounts of £800 during the year ended 31 December 2014.

(ii) Discounts received from suppliers for the year ended 31 December 2014 were £1400.

(iii) Mark has taken goods at a cost price of £2600 for his own use.

(iv) Mark made additional cash sales of £600, which were not paid into the business bank account. This £600 cash was used to pay general expenses. These transactions have not yet been recorded in the accounts.

REQUIRED

(a)* The Trading and Profit and Loss Account for the year ended 31 December 2014 AND the Balance Sheet as at 31 December 2014. [30]

(b)* Evaluate the problems which could arise for a sole trader as a result of inadequate record keeping. [14]

3 **The Sales Ledger Control Account and the Purchases Ledger Control Account of Longreach Ltd for the year ended 31 December 2014 have been prepared from the following information.**

| | £ | |
|---|---|---|
| **1 January 2014 balances b/d** | | |
| **Sales Ledger Control Account** | **430 800** | **Dr** |
| **Purchases Ledger Control Account** | **324 600** | **Cr** |

**Totals for the year 1 January 2014 to 31 December 2014:**

| | |
|---|---|
| **Credit sales** | **1 640 300** |
| **Credit purchases** | **924 800** |
| **Cheques received from debtors** | **1 700 900** |
| **Cash received from debtors** | **1 600** |
| **Cheques paid to creditors** | **900 000** |
| **Discounts allowed** | **11 000** |
| **Discounts received** | **15 300** |
| **Bad debts** | **16 400** |
| **Sales returns** | **22 700** |
| **Purchase returns** | **16 600** |
| **Dishonoured cheques from debtors** | **5 300** |
| **Contras between sales and purchases ledgers** | **18 400** |

**The Sales Ledger Control Account failed to agree with the total debtors of £296 900 as shown by the Schedule of Debtors.**

**The Purchases Ledger Control Account failed to agree with the total creditors of £307 600 as shown by the Schedule of Creditors.**

**The following errors were subsequently discovered.**

(i) **The discounts received total in the Cash Book had been overcast by £1000.**

(ii) **A credit sale to Potts Ltd of £5900 had been correctly recorded in the Sales Ledger Control Account, but no other entry had been made.**

(iii) **The discounts allowed total in the Cash Book had been undercast by £600.**

(iv) **The total of the sales in the Sales Journal had been overcast by £2000.**

(v) **A credit purchase of £6400 from Rocks Ltd had been correctly recorded in Rocks Ltd's account but no other entry had been made.**

(vi) **A cheque received from Yunga for £950 had been correctly processed through the books. The cheque had subsequently been dishonoured. No entries have been made to record this dishonoured cheque.**

(vii) **A purchase return of £1300 to Burra had been correctly recorded in Burra's account but had been omitted from the total in the Purchases Returns Journal.**

(viii) **A cheque paid to Murray Ltd for £2400 had been correctly recorded in the Cash Book, but has not yet been entered in Murray Ltd's account in the Purchases Ledger.**

**REQUIRED**

**(a) A corrected Sales Ledger Control Account for the year ended 31 December 2014. [12]**

**(b) A statement reconciling the corrected balance on the Sales Ledger Control Account with the corrected balance on the Schedule of Debtors. [3]**

**(c) A corrected Purchases Ledger Control Account for the year ended 31 December 2014. [9]**

**(d) A statement reconciling the corrected balance on the Purchases Ledger Control Account with the corrected balance on the Schedule of Creditors. [2]**

4 Maria Boon has an accounting year ended 30 November 2014. Owing to staff illness the monthly stocktaking due on 30 November 2014 did not take place. The stock valuation at the close of business on 14 December 2014 was £86 400. The following transactions should be taken into account in order to calculate the stock valuation as at 30 November 2014. The selling price of goods is based on a mark up of 20%.

The following information is available.

(i) Sales invoices for goods dispatched to customers during the period 1–14 December 2014 amounted to £30 240. This figure included carriage of 5% on the selling price.

(ii) Goods purchased at a list price of £36 800 were received from suppliers during the period 1–14 December 2014.

(iii) Goods with a sales value of £12 000 were returned by customers during the period 1–14 December 2014.

(iv) Goods with a cost price of £1400 were withdrawn from stock on 10 December 2014 for private use by Maria Boon.

(v) Included in the stock valuation on 14 December 2014 is a stock of cleaning materials at a cost price of £360. This cleaning material is for use within the business and not for resale.

(vi) On 1 November 2014 Maria Boon sent goods with a selling price of £3000 to a customer on a sale or return basis. During November 2014 the customer sold three quarters of this consignment. The credit sale has not yet been recorded in Maria Boon's accounts for the year ended 30 November 2014. The customer still has the unused stock.

(vii) During the period 1–14 December 2014 Maria Boon received a batch of free samples. These had been included in the stock valuation at the supplier's list price of £250.

(viii) During the period 1–14 December 2014 returns to suppliers were valued at £1250.

REQUIRED

(a) A detailed statement of the stock valuation as at 30 November 2014. [12]

(b) An explanation of the correct accounting treatment of:

Item (iv)

Item (v). [6]