

Tuesday 15 May 2012 – Morning

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 Bill Madog, a sole trader who owns a pet shop, prepared the following Trial Balance from his accounts on 31 March 2012.

	Dr	Cr
	£	£
Capital		26 000
Salaries	12 500	
Insurance	3 600	
Bad debts	210	
Discounts allowed	900	
Rent	9 000	
Electricity	3 100	
General expenses	4 300	
Drawings	20 000	
Motor expenses	800	
Debtors	2 250	
Provision for doubtful debts		250
Creditors		1 200
Bank		560
Stock as at 1 April 2011	4 650	
12% loan		8 000
Loan interest	800	
Carriage in	150	
Sales		79 800
Purchases	44 100	
Sales returns	605	
Purchase returns		430
Discounts received		725
Computer equipment	6 500	
Fixtures and fittings	8 000	
Provision for depreciation of fixtures and fittings		6 000
Motor vehicles	12 000	
Provision for depreciation of motor vehicles		10 500
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The following information is also available.

- (i) Closing stock as at 31 March 2012 was £5300.
- (ii) A cheque for £90 received from a debtor on 31 March 2012 has not been recorded in the books.
- (iii) A specific provision for doubtful debts is to be provided for £120, plus a general provision of 5% of the remaining debtors.
- (iv) As at 31 March 2012, rent owing was £3000 and motor expenses of £250 were owing, whilst £750 was prepaid for electricity.
- (v) 25% of the loan is due for repayment on 31 July 2012 and the balance one year later. The loan was taken out in 2008.
- (vi) Included in general expenses was a payment of £150 for two replacement tyres for the motor vehicle.
- (vii) During the year Bill Madog had withdrawn pet food costing £295 for his own pet's use. This has not been recorded in the books.
- (viii) All the computer equipment was purchased new on 1 April 2011. The business estimates that the computer equipment will have a useful life of three years at which time it could be sold for £500.
- (ix) Depreciation is to be provided as follows:

Computer equipment:	Straight line method
Fixtures and fittings:	12.5% per annum using the straight line method
Motor vehicles:	50% per annum using the reducing balance method

A full year's depreciation is provided irrespective of the date of purchase.

REQUIRED

- 1* For Bill Madog, the Trading and Profit and Loss Account for the year ended 31 March 2012 and the Balance Sheet as at 31 March 2012. **[41]**

Total marks [41]

2 Will Jones has provided the following information about his business.

	1 April 2011	31 March 2012
	£	£
General expenses	3 000 prepaid	2 000 accrued
Wages	1 400 accrued	3 026 accrued
Debtors	34 000	26 270
Provision for doubtful debts	1 020	

During the year ended 31 March 2012 the following amounts were paid by cheque.

	£
General expenses	7 000
Wages	14 740

On 31 March 2012 Will Jones discovered that two debtors, included in the debtors balance, had become bankrupt. The details of each debtor are as follows:

J Smith owes £2 020. He is unable to make any payment and the whole of his debt is to be written off as a bad debt.

L Oliver owes £3 250. Will Jones has now received a cheque for £1 950 in part payment of the debt owed. The remaining amount is to be written off as a bad debt.

The provision for doubtful debts is maintained at the same percentage of debtors each year.

REQUIRED

- 2 (a) The following ledger accounts for the year ended 31 March 2012:
- (i) General Expenses [4]
 - (ii) Wages [3]
 - (iii) J Smith [2]
 - (iv) L Oliver [2]
 - (v) Provision for Doubtful Debts [3]
- (b) The Balance Sheet extract for debtors as at 31 March 2012. [2]
- (c) With reference to **two** accounting concepts, analyse the effect of creating a provision for doubtful debts on the final accounts. [4]
- (d)* Evaluate the usefulness of the book keeping system to a business such as Will Jones. [10]
- (e) During the year Will Jones bought new machinery. The total cost included the cost of the machinery, delivery and installation. In addition, during the year, machinery maintenance and service costs were incurred. All of these costs were charged to the Machinery Account. Explain why this treatment is incorrect and evaluate the effects on the final accounts. [9]

Total marks [39]