

Thursday 24 January 2013 – Morning

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 Grace Richards has prepared her draft final accounts. Her Balance Sheet is shown below.

Balance Sheet as at 31 December 2012

	£	£
<i>Fixed Assets (net)</i>		260 000
<i>Current Assets</i>		
Stock	36 300	
Debtors	<u>28 000</u>	
	64 300	
<i>Current Liabilities</i>		
Creditors	20 100	
Bank	3 300	
Suspense	<u>1 900</u>	
	25 300	
<i>Working Capital</i>		<u>39 000</u>
		<u>299 000</u>
<i>Financed by</i>		
Capital		280 000
Net Profit		<u>40 600</u>
		320 600
Drawings		<u>21 600</u>
		<u>299 000</u>

Further examination revealed:

- (i) A cheque paid for insurance of £8 800 had been correctly entered in the Bank Account, but had been entered in the Insurance Account as £8 000.
- (ii) A new machine purchased for £5 000 had been recorded as machinery repairs. Depreciation had been correctly entered in the accounts.
- (iii) Commission received of £350 had been entered on the debit side of the General Expenses Account.
- (iv) A cheque for £2 000 from Mark Smalley, a debtor, had been correctly entered in the Bank Account, but no other entry has yet been made.
- (v) Vijay Patel, a debtor, has recently been declared bankrupt. His debt of £400 is to be written off. No entries have yet been made to record this transaction.
- (vi) Grace Richards had taken stock costing £500 from the business for her own use. This has not yet been recorded in the books.

REQUIRED

- (a) Journal entries, for Grace Richards, to correct each of the errors which have been discovered (narratives are not required). [14]
- (b) A Suspense Account showing the opening balance and the correcting entries. [5]
- (c) A statement to show the revised net profit for Grace Richards. [7]
- (d) Identify and explain **three** types of error which would **not** affect the balancing of a trial balance. [9]

Total marks [35]

- 2 Penlands Ltd is preparing its cash budget for the three months ending 30 June 2013. The following forecasts are available:

	February £	March £	April £	May £	June £	July £
Sales	42 000	42 000	48 000	48 000	50 000	50 000
Purchases	18 000	21 000	22 000	24 000	24 000	25 000
Rent	2 400	2 400	2 400	2 600	2 600	2 600
General expenses	8 500	8 500	9 000	9 500	9 500	10 000
Wages	14 000	14 000	15 000	18 000	18 800	18 800

The following information is also available:

- (i) 20% of sales are on a cash basis. The remainder is received half in the month following sale, and half one month later.
- (ii) 50% of purchases are on a cash basis. The remainder is paid two months after the purchases are made.
- (iii) Rent is paid one month in advance.
- (iv) General expenses include depreciation of £2000 per month. General expenses are paid 70% in the month incurred and 30% in the following month.
- (v) 80% of wages are paid in the month they are earned, and 20% are paid during the following month.
- (vi) Penlands Ltd has negotiated a loan of £16 000 which will be paid into its bank account on 1 May 2013.
- (vii) Interest on the loan is to be charged at 12% per annum on a monthly basis. The first payment is due on 1 June 2013.
- (viii) The company intends to purchase a new motor van on 1 May 2013 for £18 000, paying half in the month of purchase and half in the following month. It also plans to sell a motor van on 15 April 2013 for £2 500 cash.
- (ix) The budgeted bank balance on 1 April 2013 is £6 200.

REQUIRED

- (a) For Penlands Ltd, the Cash Budget for **each** of the three months April, May and June 2013. [27]
- (b) Explain the purposes of budgeting. [9]

Total marks [36]

- 3 Michael Colton is the owner of a business supplying goods to other traders. He has just received the financial accounts for his business for the year ended 31 December 2012 from his accountant. These are reproduced below.

Trading and Profit and Loss Account for the year ended 31 December 2012

	£
Sales	500 000
Cost of sales	<u>400 000</u>
Gross Profit	100 000
Expenses	<u>60 000</u>
Net Profit	<u><u>40 000</u></u>

Balance Sheet as at 31 December 2012

	£	£
<i>Fixed Assets (net)</i>		150 000
<i>Current Assets</i>		
Stock	64 000	
Debtors	17 000	
Cash	<u>100</u>	
	81 100	
<i>Current Liabilities</i>		
Creditors	8 000	
Bank	<u>4 200</u>	
	12 200	
<i>Working Capital</i>		<u>68 900</u>
		<u><u>218 900</u></u>
<i>Financed by</i>		
Capital		208 900
Net Profit		<u>40 000</u>
		248 900
Drawings		<u>30 000</u>
		<u><u>218 900</u></u>

Note: Stock on 1 January 2012 was valued at £60 000.

Michael Colton has also obtained comparative information about a competitor for the year ended 31 December 2012.

Net profit as a percentage of sales	10%
Return on capital employed	12.50%
Current ratio	3.2:1
Liquid (acid test) ratio	0.2:1
Stock turnover	4 times

REQUIRED

(a) For Michael Colton, calculate each of the following ratios for the year ended 31 December 2012 (where appropriate, calculations should be to two decimal places):

- net profit as a percentage of sales
- return on capital employed (using the closing balance sheet value for capital employed)
- current ratio
- liquid (acid test) ratio
- stock turnover. [5]

(b)* Based on the ratios calculated in **part (a)** and all other information provided, evaluate the performance (profitability and liquidity) of Michael Colton's business. [14]

Total marks [19]

- 4 The Ruskin Social Club prepares accounts annually on 31 December. The Receipts and Payments Account for the year ended 31 December 2012 was as follows:

	£		£
Balance b/d	8 000	Caretaker's wages	20 000
Subscriptions received		Heating and lighting	5 000
for the year:		Insurance	1 000
2011	800	Bar creditors	32 000
2012	14 600	Dinner dance expenses	1 100
2013	1 200	Equipment purchases	1 500
Dinner dance ticket sales	2 000	Bar staff wages	18 000
Bar takings	66 000	Savings account	600
Donations	3 000	Balance c/d	17 100
Sale of equipment	700		
	<u>96 300</u>		<u>96 300</u>

The following additional information is available:

- (i) The equipment sold during the year was valued in the books at £800 on 1 January 2012. The Club's policy is to provide a full year's depreciation in the year of purchase but none in the year of sale.
- (ii) The savings account (short term) pays a fixed rate of interest of 5% per annum. An additional amount of £600 was paid into the account on 1 July 2012. There were no withdrawals made during the year. Interest due on 31 December 2012 has not been received.
- (iii) The remaining assets and liabilities of the Club at the beginning and end of the year were:

	1 January 2012	31 December 2012
	£	£
Clubhouse	250 000	250 000
Equipment	27 000	26 300
Savings account (short term)	2 000	2 600
Insurance prepaid	120	100
Bar staff wages owing	200	180
Subscriptions due and unpaid	1 000	400
Subscriptions paid in advance	900	1 200
Bar creditors	3 400	1 800
Bar stock	8 400	9 600

- (iv) All subscriptions due for the year 2011, but unpaid on 31 December 2012 are considered to be bad debts.
- (v) 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 December 2012. [5]
- (b)* The Income and Expenditure Account for the year ended 31 December 2012 and the Balance Sheet as at 31 December 2012. [25]

Total Marks [30]

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