



ADVANCED GCE
ACCOUNTING
Accounting Applications

RESOURCE BOOKLET

To be given to candidates at the start of the examination

F012/RB

Friday 9 January 2009
Afternoon

Duration: 2 hours



INSTRUCTIONS TO CANDIDATES

- The information required to answer questions 1–4 is contained within this Resource Booklet.
- Do not hand this Resource Booklet in at the end of the examination. It is not needed by the Examiner.

INFORMATION FOR CANDIDATES

- This document consists of **8** pages. Any blank pages are indicated.

Answer **all** questions.

- 1 Eastview Ltd is preparing its cash budget for the three months ending 30 June 2009. The following forecasts are available.

	February £	March £	April £	May £	June £	July £
Sales	120 000	120 000	130 000	140 000	150 000	150 000
Purchases	76 000	72 000	74 000	78 000	50 000	60 000
Wages	21 000	20 000	22 000	24 000	18 000	18 000
Rent	3 800	3 800	4 000	4 000	4 000	4 000
General expenses	38 000	40 000	40 000	44 000	36 000	36 000

The following information is also available.

- (i) 40% of sales are on a cash basis. The remainder is received one month after the sale is made.
- (ii) 20% of purchases are on a cash basis. The remainder is paid two months after the purchases are made.
- (iii) 90% of wages are paid in the month they are earned, and 10% are paid during the following month.
- (iv) Rent is paid one month in advance.
- (v) General expenses include depreciation of £3 000 per month. General expenses are paid 75% in the month incurred and 25% in the following month.
- (vi) Eastview Ltd has negotiated a loan of £10 000 which will be paid into its bank account on 20 April 2009. Interest on the loan is included in the general expenses.
- (vii) The company intends to purchase a new motor van on 1 May 2009 for £12 000, paying half in the month of purchase and half in the following month. It also plans to sell a motor van on 15 June 2009 for £4 500 cash.
- (viii) The budgeted bank balance on 1 April 2009 is £12 000.

REQUIRED

- (a) The Cash Budget of Eastview Ltd for each of the three months April, May and June 2009. [24]
- (b)* Evaluate **two** benefits to a business of budgeting. [8]

Total marks [32]

- 2 The Wortham Golf Club prepares accounts annually on 31 December. The Receipts and Payments Account for the year ended 31 December 2008 was as follows.

	£		£
Balance b/d	35 000	Groundkeepers' wages	100 000
Subscriptions received		General expenses	215 000
for the year		Insurance	5 000
2007	4 800	Bar creditors	60 000
2008	410 000	Dinner dance expenses	10 000
2009	3 200	Equipment purchases	40 000
Dinner dance ticket sales	14 000	Bar staff wages	30 000
Bar sales	102 000		
Golf fees from visitors	30 000		
Sale of equipment	18 000		

The following additional information is available.

- (i) The equipment sold during the year was valued in the books at £16 000 on 1 January 2008. The Club's policy is to provide depreciation in the year of purchase but none in the year of sale.
- (ii) The remaining assets and liabilities of the Club at the beginning and end of the year were:

	1 January 2008 £	31 December 2008 £
Clubhouse	1 000 000	950 000
Equipment	670 000	630 000
Insurance prepaid	1 200	1 400
Bar staff wages owing	800	1 100
Subscriptions due and unpaid	6 000	7 000
Subscriptions paid in advance	2 400	3 200
Bar creditors	5 000	3 400
Bar stock	12 000	10 500

- (iii) All subscriptions due for the year 2007 but unpaid on 31 December 2008 were considered to be bad debts.
- (iv) Bar staff wages are the only expenses to be charged to the Bar Trading Account.

REQUIRED

- (a) The Bar Trading Account of the Wortham Golf Club for the year ended 31 December 2008. [7]
- (b) The Subscriptions Account of the Wortham Golf Club for the year ended 31 December 2008. [7]
- (c)* The Income and Expenditure Account of the Wortham Golf Club for the year ended 31 December 2008 **and** the Balance Sheet as at 31 December 2008. [26]

Total marks [40]

- 3** Bill Daintree's business has an accounting year ending 30 November 2008. Owing to staff shortages the monthly stocktaking due on 30 November 2008 did not take place. The stock valuation at the close of business on 20 December 2008 was £125 060. The following transactions should be taken into account in order to calculate the stock valuation as at 30 November 2008 for the final accounts. The selling price of all goods is based on a mark up of 25%.

The following information is also available.

- (i) Goods costing £35 000 were delivered to the business during the period 1-20 December 2008.
- (ii) Goods with a sales value of £25 600 were returned by customers during the period 1-20 December 2008.
- (iii) Included in the stock valuation on 20 December 2008 were goods at a cost of £12 000. However, during November 2008 they had been damaged and only have a scrap value of £3 500.
- (iv) Goods with a cost price of £2 400 were withdrawn from stock on 16 December 2008 for private use by Bill Daintree.
- (v) During the period 1-20 December 2008 goods with a sales value of £64 000 were sent to customers.
- (vi) Included in the stock valuation on 20 December 2008 is a stock of stationery at a cost price of £860. The stationery is for use within the business and not for resale.
- (vii) During November 2008 Bill Daintree received goods at a cost price of £1 200 on a sale or return basis. These have been included in the stock valuation on 20 December 2008. Bill Daintree has not sold any of these goods.
- (viii) During the period 1-20 December 2008 Bill Daintree returned goods costing £4 800 to suppliers.
- (ix) One item of stock at a cost price of £2 300 was being used for display on 30 November 2008. This item was still being used for display on 20 December 2008 and had not been included in the stock valuation at that date.

REQUIRED

- (a) A detailed statement showing the closing stock valuation of Bill Daintree's business as at 30 November 2008. **[12]**
- (b) An explanation of your treatment of:
 - item (iii);
 - item (iv).

In each case state the accounting concept involved.

[6]

Total marks [18]

- 4 Jacques is a sole trader. A trial balance was extracted for the year ended 31 December 2008. The trial balance did not agree. The Profit and Loss Account had, however, been prepared and a net profit of £22 600 had been calculated.

The following errors have now been discovered.

- (i) A new machine purchased for £2 500 had been entered as a debit in the machinery repairs account. Depreciation had been correctly entered in the accounts.
- (ii) The purchases account had been undercast by £6 400.
- (iii) Rent received of £7 900 had been entered on the debit side of the electricity account.
- (iv) A credit sale to Heath Ltd of £900 had been omitted from the books.
- (v) A cheque for £1 600 from Sumner Ltd, a debtor, had been correctly entered in the bank account, but no other entry had been made.
- (vi) A cheque paid for insurance of £1 400 had been correctly entered in the insurance account, but had been entered in the bank account as £400.
- (vii) Purchase returns of £500 had been entered on the credit side of the sales account.
- (viii) A purchase on credit from Wayne Ltd of £2 100 had been entered in the Purchases Journal as £2 000 and had also been posted to the Purchases Ledger and the General Ledger as £2 000.

REQUIRED

- (a) Journal entries to correct the errors (narratives are not required). [18]
- (b) A statement to show the revised net profit. [6]
- (c) Jacques is considering forming a partnership with Jill who operates a similar business. Evaluate the disadvantages to Jacques of forming a partnership. [6]

Total marks [30]

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