

**Tuesday 10 January 2012 – Afternoon**

**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 Fly by Night is run by a sole trader. The following Trial Balance was prepared from the business accounts on 30 September 2011.

	Dr	Cr
	£	£
Capital		195 290
Stock	26 300	
Sales		434 230
Purchases	176 450	
Purchase returns		8 050
Electricity	3 134	
Discounts allowed	2 730	
Discounts received		6 270
Motor expenses	1 890	
Drawings	34 000	
Bank	28 342	
Salaries	110 000	
Insurance	17 500	
Debtors	112 250	
Bad debts	1 850	
Provision for doubtful debts		3 336
Creditors		99 300
General expenses	8 780	
9% Loan (2008–2015)		200 000
Loan interest	15 000	
Land and buildings	420 000	
Provision for depreciation of buildings		36 000
Equipment	23 000	
Provision for depreciation of equipment		11 500
Motor vehicles	28 000	
Provision for depreciation of motor vehicles		15 250
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The following information is also available.

- (i) Only 11 months' salaries are shown in the Trial Balance. An equal amount is paid for salaries for each month of the year.
- (ii) As at 30 September 2011, £3 500 had been prepaid for insurance, whilst £620 was owing for general expenses.
- (iii) £5 500 had been charged to general expenses for the owner's private holiday.
- (iv) As at 30 September 2011, stock was valued at £24 700.
- (v) A debtor, owing £1 050, has been declared bankrupt. This amount is to be written off in full.
- (vi) A provision for doubtful debts is to be maintained at 3% of the remaining debtors.
- (vii) As at 30 September 2011, the business's land was valued at £120 000. Land is not depreciated.
- (viii) Depreciation is to be provided as follows:
 

Buildings:	4% per annum using the straight line method.
Equipment:	25% per annum using the straight line method.
Motor vehicles:	40% per annum using the reducing balance method.
- (ix) There were no additions or disposals of fixed assets during the financial year.

### REQUIRED

- 1 (a)\* For Fly by Night, the Trading and Profit and Loss Account for the year ended 30 September 2011 **and** the Balance Sheet as at 30 September 2011. **[40]**
- (b) Identify the accounting concept involved in each of the footnotes/items (i), (iii) and (v). Explain the correct accounting treatment in each case. **[9]**

2 At 1 October 2010 the following information was extracted from the books of Gurung Ltd.

	Machine references	£
Machinery at cost	M1 & M2	15 000
Total depreciation to date	M1 & M2	10 500

During the financial year ended 30 September 2011 the following transactions took place.

Purchases

Machine reference	Purchase date	Cost £
M3	1 January 2011	8 800
M4	1 July 2011	9 600

Disposals

Machine reference	Purchase date	Disposal date	Original Cost £	Sale proceeds £
M2	1 July 2005	31 March 2011	8 000	4 000

All payments and receipts were made by cheque.

Depreciation is charged at 12.5% per annum, using the straight line method with the rate being applied for each part of the year the machinery is owned. All machinery had been purchased in the last seven years. No allowance is made for any residual value.

**REQUIRED**

- 2 (a) The following accounts for the year ended 30 September 2011:
- (i) Machinery [3]
  - (ii) Provision for Depreciation of Machinery [6]
  - (iii) Machinery Disposals Account [6]
- (b) The Profit and Loss Account extract to show the entries relating to the provision for depreciation of machinery and machinery disposals for the year ended 30 September 2011. [2]
- (c) The Balance Sheet extract for machinery as at 30 September 2011. [3]
- (d)\* Discuss the reasons for accounting for depreciation. [11]

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