



**ADVANCED GCE**  
**ACCOUNTING**  
Accounting Applications

**RESOURCE BOOKLET**

**To be given to candidates at the start of the examination**

**F012/RB**

**Tuesday 2 June 2009**  
**Morning**

**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 Hannah and Louise are business partners trading in the service sector. The partnership agreement states that they share profits and losses in the ratio 3:2. Interest on capital is payable at the rate of 5% per annum; whilst interest on drawings is charged at the rate of 6% on the balance at the end of the year. A salary of £20 000 is paid to Hannah and a salary of £15 000 is paid to Louise.

The following Trial Balance has been extracted from the books at 30 April 2009.

	Dr £	Cr £
Sales commission received		100 000
Rent	20 000	
Electricity	6 700	
Wages	6 000	
General expenses	18 000	
Capital accounts: Hannah 1 May 2008		40 000
Louise 1 May 2008		30 000
Current accounts: Hannah 1 May 2008	2 300	
Louise 1 May 2008		4 000
Equipment	34 000	
Provision for depreciation equipment		12 000
Debtors	40 000	
Creditors		36 000
Bank	55 000	
Drawings: Hannah	18 000	
Louise	22 000	
	222 000	222 000

The following information is also available at 30 April 2009.

- (i) At 30 April 2009, general expenses were prepaid by £1 000; rent was prepaid by £1 800; electricity of £400 was owing.
- (ii) A provision for doubtful debts of 2% debtors is to be created.
- (iii) Bank interest of £800 is owing to the partnership at 30 April 2009.
- (iv) Depreciation is provided on equipment at 15% per annum using the straight line method.

**REQUIRED**

(a)\* The Profit and Loss and Appropriation Account of Hannah and Louise for the year ended 30 April 2009 **and** the Balance Sheet as at 30 April 2009. [28]

(b) The Current Account for Hannah for the year ended 30 April 2009. [7]

(c) State **three** items which may appear in a fluctuating capital account. [3]

**Total marks [38]**

- 2 Bentley and Jennings are two businesses which have been trading in the same market segment for a number of years.

The following information relates to their accounts for the year ended 31 March 2009.

	Bentley £	Jennings £
Sales	120 000	150 000
Purchases	64 000	106 000
Expenses	36 000	24 000
Debtors	8 000	6 000
Creditors	14 000	8 000
Bank	–	2 000
Bank overdraft	6 000	–
Stock 1 April 2008	8 000	16 000
Stock 31 March 2009	12 000	14 000
Capital employed	480 000	200 000

There were no other current assets or current liabilities.

### REQUIRED

- (a) Calculate the following ratios for each of the businesses of Bentley **and** Jennings.

- (i) Gross profit as a percentage of sales. [2]
- (ii) Net profit as a percentage of sales. [2]
- (iii) Current ratio. [2]
- (iv) Liquid (acid test) ratio. [2]
- (v) Return on capital employed. [2]
- (vi) Stock turnover. [2]

- (b)\* Assess the relative profitability and liquidity of the businesses of Bentley and Jennings. [10]

**Total marks [22]**

- 3 Fern Gully commenced business several years ago selling pottery. Fern pays all the sales receipts into the business bank account. The following is a summary of the bank account for the year ended 31 March 2009.

Bank account summary for the year ended 31 March 2009

	£		£
Balance b/d	4 650	Trade creditors	37 000
Receipt from debtors	85 000	Motor expenses	4 100
Cash sales	24 000	Rent	6 000
Capital	36 000	Rates	2 200
Loan	14 000	Wages	43 000
		Fixtures	40 000

Additional information.

- (i) Discounts received from suppliers for the year ended 31 March 2009 were £500.
- (ii) Fern allowed her customers discount of £1 400 during the year ended 31 March 2009.
- (iii) Fern had taken goods at a cost price of £2 400 for her own personal use.
- (iv) The loan was received on 1 October 2008 and interest is payable at 10% per annum. The loan is for a five year period.
- (v) Fern has decided to create a provision for doubtful debts of 3% on the outstanding debtors at 31 March 2009.
- (vi) Included in the wages figure in the bank account summary are Fern's drawings of £25 000.

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

	1 April 2008 £		31 March 2009 £
Stock at cost	8 000		9 200
Fixtures net book value	36 000		68 000
Delivery van net book value	10 000		7 500
Trade debtors	7 200		8 300
Trade creditors	3 400		3 700
Motor expenses owing	300		–
Rent prepaid	400		600
Rates owing	200		–
Rates prepaid	–		300

**REQUIRED**

- (a) The Trading and Profit and Loss Account of Fern Gully for the year ended 31 March 2009. [18]
- (b) The Balance Sheet of Fern Gully as at 31 March 2009. [10]
- (c) Fern is considering purchasing a computerised accounting system to help her record her transactions.

Evaluate the advantages and disadvantages to Fern of doing this.

[8]

**Total marks [36]**

- 4 The Sales Ledger Control Account and the Purchases Ledger Control Account of Westview Ltd for the year ended 30 April 2009 have been prepared from the following information.

1 May 2008 balance b/d:	£
Sales Ledger Control Account	340 000 Dr
Purchases Ledger Control Account	190 000 Cr

Totals for the year 1 May 2008 to 30 April 2009:

Credit sales	1 400 600
Credit purchases	750 000
Receipts from debtors	1 500 500
Payments to creditors	745 000
Discounts received	13 000
Discounts allowed	22 000
Bad debts	8 700
Sales returns from debtors	11 000
Purchases returns to creditors	6 800
Dishonoured cheques from debtors	3 000
Contra between sales and purchases	32 000

The Sales Ledger Control Account balance failed to agree with the total debtors of £175 150 shown by the schedule of debtors.

The Purchases Ledger Control Account balance failed to agree with the total creditors of £147 100 as shown by the schedule of creditors.

The following errors were subsequently discovered.

- (i) No contra entry had been made in the debtor's account in the sales ledger in respect of purchases by Westview Ltd from Northwood Ltd for goods with a list price £2 500 less trade discount 10%. This had been correctly recorded in all other accounts.
- (ii) The discounts received total in the cash book had been undercast by £1 200.
- (iii) The discounts allowed total in the cash book had been overcast by £400.
- (iv) The total of sales in the sales journal had been undercast by £6 500.
- (v) A credit sale of £3 400 to Hill was correctly recorded in the Sales Ledger Control Account but no other entry had been made.
- (vi) A credit purchase of £2 100 from Brook was correctly recorded in Brook's Account but no other entry had been made.
- (vii) A cheque received from a debtor for £7 000, correctly processed through the books, had subsequently been dishonoured. No entries have yet been made to record this dishonoured cheque.
- (viii) Goods costing £3 000 had been returned to a supplier. The transaction has been correctly recorded in the Purchases Ledger Control Account, but no entry has yet been made in the supplier's account.

**REQUIRED**

- (a) A corrected Sales Ledger Control Account of Westview Ltd for the year ended 30 April 2009. [8]
- (b) A statement reconciling the corrected balance on the Sales Ledger Control Account of Westview Ltd with the corrected balance on the Schedule of Debtors. [4]
- (c) A corrected Purchases Ledger Control Account of Westview Ltd for the year ended 30 April 2009. [6]
- (d) A statement reconciling the corrected balance on the Purchases Ledger Control Account of Westview Ltd with the corrected balance on the Schedule of Creditors. [2]
- (e) Explain how control accounts act as a deterrent against fraud. [4]

**Total marks [24]**

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