THIS IS A LEGACY SPECIFICATION

OCR
RECOGNISING ACHIEVEMENT

ADVANCED SUBSIDIARY GCE
ACCOUNTING
F001
Accounting Principles

Candidates answer on the Answer Booklet

OCR Supplied Materials:
- 8 page Answer Booklet

Other Materials Required:
- Calculators may be used

Friday 9 January 2009
Afternoon

Duration: 1 hour 30 minutes

INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- You must show the calculations leading to your answers.
- Do **not** write in the bar codes.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets **[ ]** at the end of each question or part question.
- The total number of marks for this paper is **100**.
- The quality of your written communication will be taken into account when marking your answers to the questions labelled with an asterisk (*).
- In these two questions/sub-questions, you will be assessed on the quality of your written communication. 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.

A calculator may be used for this paper

1* On 31 December 2008 the following Trial Balance was available from the books of Douglas Port, a sole trader.

	Dr £	Cr £
Sales		420 000
Purchases	191 600	
Sales returns	10 000	
Purchases returns		6 000
Carriage inwards	4 000	
Carriage outwards	6 000	
Debtors	60 000	
Creditors		38 000
Capital		139 200
Drawings	28 000	
Bank	12 000	
Stock	22 000	
Discounts received		3 800
Discounts allowed	7 600	
Salaries	36 000	
Insurance	5 000	
General expenses	17 000	
Electricity	7 000	
Bad debts	1 000	
Provision for doubtful debts		800
6% loan		76 000
Loan interest	3 800	
Premises	250 000	
Provision for depreciation of premises		60 000
Office equipment	68 000	
Provision for depreciation of office equipment		27 200
Motor vehicles	54 000	
Provision for depreciation of motor vehicles		12 000
	783 000	783 000

The following information is also available.

(i) The closing stock as at 31 December 2008 was valued at £24 000.

(ii) At 31 December 2008, insurance prepaid amounted to £400; general expenses owing were £1 000.

(iii) During the year Douglas Port had withdrawn for his personal use goods costing £2 500. This had not been recorded in the accounts.

(iv) A cheque for £3 000 received from a debtor had not been entered in the accounts.

(v) The provision for doubtful debts is to be adjusted to 2% of debtors.

(vi) At 31 December 2008, two months' interest is due on the loan.

(vii) One quarter of the loan is repayable during the year ended 31 December 2009, and the balance after that date.

(viii) A new motor vehicle was purchased for £15 000 on 1 July 2008. This was the only motor vehicle purchased during the year ended 31 December 2008. This amount is included in the balance shown for motor vehicles.

(ix) Depreciation is to be provided as follows:

Premises	2% per annum on cost using the straight line method. There were no additions or disposals during the year.
Office equipment	10% per annum on cost using the straight line method. There were no additions or disposals during the year.
Motor vehicles	20% by the reducing balance method. Depreciation is calculated for each proportion of the year for which motor vehicles are held. There were no disposals of motor vehicles during the year.

REQUIRED

The Trading and Profit and Loss Account for the year ended 31 December 2008 **and** the Balance Sheet as at 31 December 2008.

Total marks [46]

2 Flinders Traders prepared the following aged debtors schedule on 31 December 2008.

Debtor	Amount due £	up to 1 month £	1–2 months £	2–3 months £	4–6 months £	Over 6 months £
S. Cross	2000	1000	500	500		
T. Flagstaff	3300	1300	1000	650	350	
U. McKinnon	5540	2000	2000	1500	40	
V. Caulfield	1200		1200			
W. Malvern	2650	1300	1000	350		
Y. Kilda	800				250	550
A. Glenhuntly	650	200				450
B. Toorak	4200	2000	1000	600	600	
	20340	7800	6700	3600	1240	1000

The provision for doubtful debts as at 1 January 2008 was £1650.

Flinders Traders' policy for dealing with outstanding debtors is to:

(i) write off as bad debts all amounts outstanding for more than six months.

(ii) write off as bad debts all amounts under £300 outstanding between four and six months.

(iii) make a specific provision for all other debts outstanding between four and six months.

(iv) make a general provision on other debts outstanding as follows:
1% on debts outstanding for up to one month;
2% on debts outstanding for between one and two months;
3% on debts outstanding for between two and three months.

Flinders Traders' policy for selling goods on credit and for dealing with outstanding debtors is to:

(i) only obtain credit references for new customers who wish to place initial orders over £1500;

(ii) generally allow one month's credit;

(iii) demand repayment by letter for amounts outstanding after three months;

(iv) stop supplies to customers with amounts outstanding between four and six months;

(v) begin legal action to recover all debts outstanding for over six months, providing it is economic to do so.

REQUIRED

(a) **(i)** The Bad Debts Account for the year ended 31 December 2008, showing the transfer to the final accounts. **[6]**

(ii) The Provision for Doubtful Debts Account for the year ended 31 December 2008, showing the balance carried down. **[6]**

(b) The Balance Sheet extract for Debtors as at 31 December 2008. **[2]**

(c)* Evaluate the policies used by Flinders Traders for selling goods on credit and for dealing with outstanding debtors. **[8]**

Total marks [22]

3 An extract from the Balance Sheet of Sydney Bridge as at 31 December 2007 showed the following.

	Cost £	Depreciation to date £	Net Book Value £
Machinery	940 000	240 000	700 000
Office equipment	120 000	35 000	85 000

During the year ended 31 December 2008 the following transactions took place. All transactions were by cheque.

MACHINERY

Disposals

Disposal date	Purchase date	Original cost £	Disposal proceeds £
31 March 2008	1 January 2006	80 000	24 000

Purchases

Purchase date	Cost £
1 October 2008	60 000

Depreciation for machinery is charged by the straight line method at a rate of 20% per annum, the rate being charged for each proportion of the year the machinery is owned. No allowance is made for any residual value. All machinery held by the business at 31 December 2008 had been purchased within the previous five years.

OFFICE EQUIPMENT

Purchases

Purchase date	Cost £
1 July 2008	40 000

Depreciation for office equipment is charged by the straight line method based on a five year life and estimated residual value of 10% of original cost. Depreciation is charged for each proportion of the year the office equipment is owned. All office equipment held at 31 December 2008 had been purchased within the previous five years.

REQUIRED

(a) The following ledger accounts for the year ended 31 December 2008, showing, where appropriate, the balance carried down to the next financial year. Dates are not required.

(i) Machinery. **[4]**

(ii) Provision for Depreciation of Machinery. **[6]**

(iii) Disposal of Machinery. **[4]**

(iv) Office Equipment. **[4]**

(v) Provision for Depreciation of Office Equipment. **[6]**

(b) Why is it important for a business to provide for depreciation in its accounts? Give reasons for your answer. **[8]**

Total marks [32]