

Mark Scheme (Results) January 2010

GCE

GCE Accounting (6001/01)

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Publications Code UA022570

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Section A

Question Number	Answer	Mark																																																																																																																																																												
1(a)	<p>(i)</p> <p style="text-align: center;">Manufacturing Account for the year ended 31 December 2009</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Opening stock of raw materials</td> <td></td> <td style="text-align: right;">4 700</td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;"><u>72 500</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">77 200</td> <td></td> <td></td> </tr> <tr> <td>Closing stock of raw materials</td> <td></td> <td style="text-align: right;"><u>3 750</u></td> <td></td> </tr> <tr> <td>Cost of raw Materials Consumed</td> <td style="text-align: right;">73 450</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Production wages 109 200 + 3 850</td> <td style="text-align: right;"><u>113 050</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>PRIME COST ✓</td> <td></td> <td style="text-align: right;">186 500 ✓</td> <td></td> </tr> <tr> <td>Factory overheads:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary- Production manager</td> <td style="text-align: right;">25 000</td> <td></td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">14 400</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Sundry factory expenses</td> <td style="text-align: right;">31 700</td> <td></td> <td></td> </tr> <tr> <td>Depreciation- Plant and machinery</td> <td style="text-align: right;"><u>13 600</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>84 700</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">271 200</td> <td></td> </tr> <tr> <td>Work in progress:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>1 Jan 2009</td> <td style="text-align: right;">9 200</td> <td></td> <td></td> </tr> <tr> <td>31 December 2009</td> <td style="text-align: right;"><u>(14 000)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(4 800)</u> ✓</td> <td></td> </tr> <tr> <td>COST OF PRODUCTION ✓</td> <td></td> <td style="text-align: right;"><u>266 400</u> ✓</td> <td></td> </tr> </tbody> </table> <p>(ii)</p> <p style="text-align: center;">Trading and Profit and Loss Account</p> <table style="width: 100%; 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1(c)	<p style="text-align: center;">Cost of producing one calculator</p> <p style="text-align: center;">$\frac{266\,400}{111\,000} = \text{£}2.40$ ✓✓OF</p>	(2)

Question Number	Answer	Mark
1(d)	<p>(i) Fixed costs are constant for a period of time and do not vary in the short term with the level of output. ✓✓</p> <p>Semi-fixed costs contain both a fixed and a variable element. The variable element varying with the level of output. ✓✓</p> <p>(ii) Examples: Fixed: Rent, Production managers salary, Depreciation on plant ✓</p> <p style="padding-left: 100px;">Semi-fixed: Sundry factory expenses ✓</p>	(6)

Question Number	Answer	Mark
1(e)	<p>Valid answers may include:</p> <p>For acceptance of the answer</p> <ul style="list-style-type: none"> • Cheaper manufacturing cost greater profit • Loss of manufacturing responsibility • Can concentrate on marketing product <p>Against acceptance of the offer</p> <ul style="list-style-type: none"> • Loss of manufacturing independence • Prices may rise later • Supply placed in the hands of another manufacturer • Social aspects on community with closure of plant • discussion of exchange rate and/or import issues <p>// per point in favour (max 2 points) and // per point against (max 2 points)</p>	(8)

(Total 52 marks)

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Suspense		1 600	/																																																																																							
Disposal	14 000																																																																																									
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	Motor vehicles		14 000	
	✓			
	Provision for depreciation - Motor vehicles	6 300		
	✓			
	Disposal		6 300	✓
	Bank	4 000		
	✓			
	Disposal		4 000	✓

Question Number	Answer	Mark																														
2(a)(ii)	<p>Suspense account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td style="width: 10%;"></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">4 670</td> <td>✓</td> <td>General expenses</td> <td style="text-align: right;">1 870</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">300</td> <td>✓</td> <td>Rent</td> <td style="text-align: right;">1 500</td> </tr> <tr> <td></td> <td style="text-align: right;">_____</td> <td></td> <td>Salaries</td> <td style="text-align: right;">1</td> </tr> <tr> <td><u>600</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>4 970</u></td> <td></td> <td></td> <td style="text-align: right;"><u>4 970</u></td> </tr> </table>		£		£		Balance b/d	4 670	✓	General expenses	1 870	Wages	300	✓	Rent	1 500		_____		Salaries	1	<u>600</u>						<u>4 970</u>			<u>4 970</u>	(5)
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Question Number	Answer	Mark																																																																																															
2(b)	<p style="text-align: center;">Trial Balance as at 30 November 2009</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td style="width: 10%;"></td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right;">173 000</td> <td>✓</td> </tr> <tr> <td>Capital</td> <td></td> <td></td> <td style="text-align: right;">36 000</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">39 100</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">81 600</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Rent</td> <td></td> <td style="text-align: right;">17 000</td> <td></td> <td>✓</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">13 570</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Debtors and Creditors</td> <td style="text-align: right;">21 300</td> <td></td> <td style="text-align: right;">13 000</td> <td>✓</td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;">12 100</td> <td></td> <td>✓</td> </tr> <tr> <td>Stock</td> <td style="text-align: right;">18 500</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Fixed assets:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Motor vehicles</td> <td style="text-align: right;">16 000</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td> Office furniture</td> <td style="text-align: right;">18 000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Provisions for depreciation:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Motor vehicles</td> <td></td> <td></td> <td style="text-align: right;">9 700</td> <td></td> </tr> <tr> <td> ✓</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Office furniture</td> <td></td> <td></td> <td style="text-align: right;">9 170</td> <td></td> </tr> <tr> <td>Disposal</td> <td style="text-align: right;"><u>3 700</u></td> <td></td> <td style="text-align: right;">_____</td> <td>✓✓</td> </tr> <tr> <td></td> <td style="text-align: right;">240 870</td> <td></td> <td style="text-align: right;">240 870</td> <td></td> </tr> </table>		£		£		Gross profit			173 000	✓	Capital			36 000		Wages	39 100			✓	Salaries	81 600			✓	Rent		17 000		✓	General expenses	13 570			✓	Debtors and Creditors	21 300		13 000	✓	Bank		12 100		✓	Stock	18 500			✓	Fixed assets:					Motor vehicles	16 000			✓	Office furniture	18 000				Provisions for depreciation:					Motor vehicles			9 700		✓					Office furniture			9 170		Disposal	<u>3 700</u>		_____	✓✓		240 870		240 870		(12)
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Question Number	Answer	Mark								
2(c)	<p style="text-align: center;">Profit and Loss Account for the year ending 30 November 2009</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">170 000</td> <td style="text-align: center;">+3 500 -500</td> <td style="text-align: right;">173 000</td> </tr> </table>		£		£	Gross profit	170 000	+3 500 -500	173 000	
	£		£							
Gross profit	170 000	+3 500 -500	173 000							

	Less					
	Wages	39 400	-300	39 100		✓
	Salaries		80 000 +1 600		81 600	
		✓				
	Rent	15 500	+1 500		17 000	
		✓				
	General expenses	11 700	+1 870		13 570	
		✓				
	Depreciation:					
	Motor vehicles	2 400	+2 100		4 500	
		✓✓				
	Office furniture				2 700	
		✓				
	Loss on sale of vehicle				<u>3 700</u>	
		✓✓				
					<u>162 170</u>	
	Net profit				<u>11 830</u>	(9)

Question Number	Answer	Mark
2(d)	<p>Valid answers may include:</p> <p>In favour of the proposition</p> <ul style="list-style-type: none"> The trial balance ensures that there is a debit and a credit of equal value. It provides 'prima facie' evidence of accuracy. <p>Against the proposition</p> <ul style="list-style-type: none"> If an account is debited and another credited the trial balance will not detect an error There are errors that cannot be detected by the trial balance e.g omission, commission, principle, compensation etc Does not locate the actual error <p>✓✓ per point in favour (max 2 points) and ✓✓ per point against (max 2 points)</p>	(8)

(Total 52 marks)

Question Number	Answer	Mark																												
3(a)	<p>Departmental Trading and Profit and loss account for the year ending 31 December 2009</p> <table> <thead> <tr> <th></th> <th>Plumbing £</th> <th>Electrical £</th> <th>Timber £</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>110 000</td> <td></td> <td>148 000</td> </tr> <tr> <td>96 000</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td>14 000</td> <td>16 700</td> <td>18 200</td> </tr> <tr> <td>Purchases</td> <td>58 000</td> <td>65 000</td> <td>55 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>✓</td> </tr> </tbody> </table>		Plumbing £	Electrical £	Timber £	Sales	110 000		148 000	96 000					✓			Opening stock	14 000	16 700	18 200	Purchases	58 000	65 000	55 000				✓	
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			✓																											

	Goods for extension			(5 000) <i>J</i>	
		72 000	81 700	68 200	
	Closing stock	12 800	14 300	21 100 <i>J</i>	
	Cost of Sales	59 200	67 400	47 100 <i>J</i>	
	Gross profit		50 800	80 600	48 900
	Less				
	Wages	18 000	27 000	35 000 <i>JJ</i>	
	Manager salary	6 000	10 000	14 000 <i>JJ</i>	
	Administration expenses	4 655	5 320	3 325 <i>JJ</i>	
	Rent, heat and light		2 550	2 125	3 825 <i>JJ</i>
	Vehicle running expenses	4 000	4 000	12 000 <i>JJ</i>	
	Depreciation:				
	Premises	900		750	1 350 <i>JJJ</i>
	Equipment		2 250	2 250	4
	500 <i>JJJ</i>				
	Delivery vehicle	640	640	1 920 <i>JJJ</i>	
	Provision for doubtful debts		250	90	
	700 <i>JJJ</i>				
		39 245	52 175	76 620	
	Net profit	11 555	28 425	(27 720)	(28)
		50 800	82 600	48 900	

Question Number	Answer	Mark
3(b)(i)	The extent of doubtful debts within the debtors balance cannot be ascertained with certainty. <i>JJ</i> Therefore, a reasonable assessment is made of the potential future loss in the period in which the debtors were obtained. <i>JJ</i>	(4)

Question Number	Answer	Mark
3(b)(ii)	The accruals concept matches income and expenditure for a period of time. <i>JJ</i> The sales for the period must be matched with the cost of those sales and not just the purchases for the period. <i>JJ</i>	(4)

Question Number	Answer	Mark
3(b)(iii)	The extension will provide a new facility for the business for many years; <i>JJ</i> is not primarily for resale and enhances, not repairs, an existing fixed asset (premises). <i>JJ</i>	(4)

Question Number	Answer	Mark
3(b)(iv)	Staff work in a single department <i>JJ</i> and therefore their wages can be identified to a specific department. <i>JJ</i>	(4)

Question Number	Answer	Mark
3(c)	Valid answers may include: In favour of closure <ul style="list-style-type: none"> Losses are not sustainable in the long term 	

	<ul style="list-style-type: none"> • Opportunity to replace with a department which is profitable • Improved use of resources <p>Against closure</p> <ul style="list-style-type: none"> • Complementary nature of department in providing a service to builders • Fixed costs will be redistributed to other two departments • Cost and social cost of making staff redundant <p>✓✓ per point in favour (max 2 points) and ✓✓ per point against (max 2 points)</p>	(8)
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(Total 52 marks)

Section B

Question Number	Answer	Mark																		
4(a)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">2009</th> <th style="width: 35%; text-align: center;">2008</th> </tr> </thead> <tbody> <tr> <td>(i) Gross profit to sales % <i>✓✓</i></td> <td>$\frac{120\,000}{400\,000} \times 100 = 30\%$ <i>✓✓</i></td> <td>$\frac{95\,000}{380\,000} \times 100 = 25\%$</td> </tr> <tr> <td>(ii) Stock turnover <i>✓✓</i></td> <td>$\frac{280\,000}{32\,500} = 8.6$ times <i>✓✓</i></td> <td>$\frac{285\,000}{37\,500} = 7.6$ times</td> </tr> <tr> <td>(iii) Debtors collection period $\frac{400\,000}{120\,000} \times 365 = 52.8$ days <i>✓✓</i></td> <td>$\frac{40\,000}{400\,000} \times 365 = 36.5$ days <i>✓✓</i></td> <td>$\frac{55}{380\,000} \times 365$</td> </tr> <tr> <td>(iv) Return on capital employed $\frac{35\,000}{120\,000 + 25\,000} \times 100 = 3.4\%$ <i>✓✓</i></td> <td>$\frac{35\,000}{150\,000 + 25\,000} \times 100 = 20\%$ <i>✓✓</i></td> <td>$\frac{5\,000}{\dots} \times 100$</td> </tr> <tr> <td>(v) Liquid (acid test) <i>✓✓</i></td> <td>$\frac{85\,000 - 35\,000}{30\,000} = 1.67:1$ <i>✓✓</i></td> <td>$\frac{100\,000 - 40\,000}{85\,000} = 0.70:1$</td> </tr> </tbody> </table>		2009	2008	(i) Gross profit to sales % <i>✓✓</i>	$\frac{120\,000}{400\,000} \times 100 = 30\%$ <i>✓✓</i>	$\frac{95\,000}{380\,000} \times 100 = 25\%$	(ii) Stock turnover <i>✓✓</i>	$\frac{280\,000}{32\,500} = 8.6$ times <i>✓✓</i>	$\frac{285\,000}{37\,500} = 7.6$ times	(iii) Debtors collection period $\frac{400\,000}{120\,000} \times 365 = 52.8$ days <i>✓✓</i>	$\frac{40\,000}{400\,000} \times 365 = 36.5$ days <i>✓✓</i>	$\frac{55}{380\,000} \times 365$	(iv) Return on capital employed $\frac{35\,000}{120\,000 + 25\,000} \times 100 = 3.4\%$ <i>✓✓</i>	$\frac{35\,000}{150\,000 + 25\,000} \times 100 = 20\%$ <i>✓✓</i>	$\frac{5\,000}{\dots} \times 100$	(v) Liquid (acid test) <i>✓✓</i>	$\frac{85\,000 - 35\,000}{30\,000} = 1.67:1$ <i>✓✓</i>	$\frac{100\,000 - 40\,000}{85\,000} = 0.70:1$	(20)
	2009	2008																		
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Question Number	Answer	Mark
4(b)(i)	The liquidity position is deteriorating and is falling below the benchmark of 0.7-1.0:1. <i>✓✓OF</i>	(2)

Question Number	Answer	Mark
4(b)(ii)	<p>Valid answers may include:</p> <ul style="list-style-type: none"> • Dispose of fixed assets for cash. • Reduce drawings in cash • Introduce more capital in cash/bank • Extend long term loans if possible • Increase stock turnover/reduce stock • Reduce payment period from debtors <p><i>✓✓</i> per point x3</p>	(6)

Question Number	Answer	Mark
4(c)	<p>Valid answers may include:</p> <p>Points for:</p> <ul style="list-style-type: none"> • Ratios provide accepted yardsticks against which to measure the business. • Trends can be identified. <p>Points against:</p>	

	<ul style="list-style-type: none">• Ratios do not show the skill of the workforce or Management.• Ratios do not show the strength of the demand for the product. <p>// for one point in favour and // for one point against</p>	(4)
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(Total 32 marks)

Question Number	Answer	Mark																				
5(a)(i)	<p>Total salary and wage cost:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">£</td> <td></td> <td></td> </tr> <tr> <td>Partners (40 000 + 25%) x 2</td> <td style="text-align: right;">100 000</td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td>Juniors (16 000 + 25%) x 3</td> <td style="text-align: right;">60 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Administrator (12 000 + 25%)</td> <td style="text-align: right;"><u>15 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">175 000</td> <td style="text-align: right;">✓</td> <td></td> </tr> </table>		£			Partners (40 000 + 25%) x 2	100 000	✓		Juniors (16 000 + 25%) x 3	60 000		✓	Administrator (12 000 + 25%)	<u>15 000</u>		✓		175 000	✓		(4)
	£																					
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	175 000	✓																				

Question Number	Answer	Mark																
5(a)(ii)	<p>Total cost:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">£</td> <td></td> <td></td> </tr> <tr> <td>Total salary and wage cost</td> <td style="text-align: right;">175 000</td> <td></td> <td style="text-align: right;">OF</td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;"><u>35 000</u></td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">210 000</td> <td></td> <td style="text-align: right;">✓OF</td> </tr> </table>		£			Total salary and wage cost	175 000		OF	Other expenses	<u>35 000</u>	✓			210 000		✓OF	(2)
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	210 000		✓OF															

Question Number	Answer	Mark																																																								
5(a)(iii)	<p>Hourly rate:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td></td> <td style="text-align: center;">Partner</td> <td></td> </tr> <tr> <td style="text-align: center;">Junior</td> <td></td> <td></td> <td></td> </tr> <tr> <td>£</td> <td style="text-align: center;">£</td> <td></td> <td></td> </tr> <tr> <td>Salary</td> <td style="text-align: right;">40 000</td> <td style="text-align: right;">✓</td> <td style="text-align: right;">16 000</td> </tr> <tr> <td>On costs (25%)</td> <td style="text-align: right;">10 000</td> <td style="text-align: right;">✓</td> <td style="text-align: right;">4 000</td> </tr> <tr> <td>Administrator</td> <td style="text-align: right;"><u>3 000</u></td> <td style="text-align: right;">✓</td> <td style="text-align: right;"><u>3 000</u></td> </tr> <tr> <td></td> <td style="text-align: right;">53 000</td> <td></td> <td style="text-align: right;">23 000</td> </tr> <tr> <td>Divided by chargeable hours</td> <td style="text-align: right;"><u>1 000</u></td> <td style="text-align: right;">✓✓</td> <td style="text-align: right;"><u>1 150</u></td> </tr> <tr> <td></td> <td style="text-align: right;">£53 per hour</td> <td></td> <td style="text-align: right;">£20</td> </tr> <tr> <td>per hour</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;"><u>7</u></td> <td></td> <td style="text-align: right;"><u>7</u></td> </tr> <tr> <td>Hourly rate</td> <td style="text-align: right;">£60 per hour</td> <td></td> <td style="text-align: right;">£27</td> </tr> <tr> <td>per hour</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">✓OF</td> <td></td> <td style="text-align: right;">✓OF</td> </tr> </table>			Partner		Junior				£	£			Salary	40 000	✓	16 000	On costs (25%)	10 000	✓	4 000	Administrator	<u>3 000</u>	✓	<u>3 000</u>		53 000		23 000	Divided by chargeable hours	<u>1 000</u>	✓✓	<u>1 150</u>		£53 per hour		£20	per hour				Other expenses	<u>7</u>		<u>7</u>	Hourly rate	£60 per hour		£27	per hour					✓OF		✓OF	(14)
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Question Number	Answer	Mark
5(b)	<p>Valid answers may include:</p> <ul style="list-style-type: none"> • Promoting the business • Undertaking own administration • Interviewing staff • Meeting potential clients • Travelling time • Illness <p>✓✓ per point x 4</p>	(8)

Question Number	Answer	Mark
5(c)	<p>Valid answers may include:</p> <p>Points for:</p> <ul style="list-style-type: none"> • Service industry best suited to charging by hour • Charging method is seen as fair by clients • Simple to calculate from job sheets <p>Points against:</p> <ul style="list-style-type: none"> • Work can be of varying complexity justifying a different charge. • Method does not take account of the ability of the client to pay. <p>// for one point in favour and // for one point against</p>	(4)

(Total 32 marks)

Question Number	Answer	Mark
6(a)	<ul style="list-style-type: none"> • Goodwill is an intangible asset • Determining an actual valuation is difficult. • Concept of money measurement • Prudent to write off • Brought into business only on purchase or sale • Recommended by Partnership act/law to be written off <p>// x 2 points</p>	(4)

Question Number	Answer	Mark																																																												
6(b)(i)	<p>Appropriation Account for the year ended 30 November 2009</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">£</td> <td style="text-align: right;">£</td> <td></td> </tr> <tr> <td>Net profit</td> <td style="text-align: right;">21 000</td> <td></td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on capital:</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Chong</td> <td style="text-align: right;">1 200</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Dey</td> <td style="text-align: right;"><u>800</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">2 000</td> <td></td> <td style="text-align: right;">//</td> </tr> <tr> <td>Salary</td> <td style="text-align: right;"><u>7 000</u></td> <td></td> <td style="text-align: right;">//</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">12 000</td> <td></td> </tr> <tr> <td>Share of profit:</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Chong</td> <td></td> <td style="text-align: right;">7 200</td> <td style="text-align: right;">//OF if</td> </tr> <tr> <td>correct split/</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Dey</td> <td></td> <td style="text-align: right;"><u>4 800</u></td> <td style="text-align: right;">//OF no</td> </tr> <tr> <td>alien items</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>12 000</u></td> <td></td> </tr> </table>		£	£		Net profit	21 000			Less				Interest on capital:				Chong	1 200			Dey	<u>800</u>				2 000		//	Salary	<u>7 000</u>		//			12 000		Share of profit:				Chong		7 200	//OF if	correct split/				Dey		<u>4 800</u>	//OF no	alien items						<u>12 000</u>		(18)
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	Dey	18 100		
	Elva	<u>13 000</u>		
				<u>58 500</u>
	✓OF			(7)

Question Number	Answer	Mark
6(c)	<p>Valid points may include:</p> <p>In favour</p> <ul style="list-style-type: none"> • Additional capital • Additional skills and expertise • Additional person to share workload <p>Against</p> <ul style="list-style-type: none"> • Profits shared by more partners • Higher level of profit required to maintain income level of original partners • Possible source of disagreement of business development <p>✓✓ for one point in favour and ✓✓ for one point against</p>	(4)

(Total 32 marks)

Question Number	Answer	Mark
7(a)	Lower of cost or resale value ✓✓ less costs/expenses of placing the goods in a condition for sale ✓✓	(4)

Question Number	Answer	Mark														
7(b)(i)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">£</td> </tr> <tr> <td>Purchases: Payments</td> <td style="text-align: right;">79 000 ✓</td> </tr> <tr> <td> Cash purchases</td> <td style="text-align: right;">2 800 ✓</td> </tr> <tr> <td> Creditors 17 Nov</td> <td style="text-align: right;"><u>14 700 ✓</u></td> </tr> <tr> <td></td> <td style="text-align: right;">96 500</td> </tr> <tr> <td> Creditors 1 Nov</td> <td style="text-align: right;"><u>12 500 ✓</u></td> </tr> <tr> <td> PURCHASES</td> <td style="text-align: right;">84 000 ✓✓</td> </tr> </table>		£	Purchases: Payments	79 000 ✓	Cash purchases	2 800 ✓	Creditors 17 Nov	<u>14 700 ✓</u>		96 500	Creditors 1 Nov	<u>12 500 ✓</u>	PURCHASES	84 000 ✓✓	(6)
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Question Number	Answer	Mark
7(b)(ii)	£	

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