

Mark Scheme (Results)

Summer 2010

GCE

GCE ACCOUNTING (6001) Paper 01

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Publications Code UA023379

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Section A

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1(c)	<p>Answers must be from the perspective of Ionna, not general comments or from the partnership's point of view. If candidates discuss the advantages and disadvantages of being a sole trader, this is acceptable, assuming that it is directly related to Ionna.</p> <p>Valid points may include:</p> <p style="text-align: center;">In favour of joining the partnership</p> <ul style="list-style-type: none"> • Established business • The existence of goodwill indicates a successful business • Partners to share the workload and facilitate time off and holidays • Experienced partners to share decision making with <p style="text-align: center;">In favour of setting up a sole trader business</p> <ul style="list-style-type: none"> • All profit made would belong to Ionna • Total control without having to seek approval of other partners • No need to purchase goodwill <p>√√ marks per point x 4 points (maximum 2 points in favour or against)</p>	(8)

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	Mark the number not the narrative, unless the word 'balance' is used when it is not a balance, e.g. balance 13 500 on the debit side = no marks, but balance b/d must be 12 900.	
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2(b)(ii)	<p style="text-align: center;">Provision for doubtful debts account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>700</u> ✓</td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">550 ✓</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>700</u></td> <td style="text-align: right;">Profit and loss</td> <td style="text-align: right;"><u>150</u> ✓</td> </tr> <tr> <td style="text-align: right;">balance</td> <td></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">700 ✓ OF if Cr</td> </tr> </table> <p>To obtain the marks for balances the narrative must be more than b/d or c/d. Profit & Loss 150 on the credit side – narrative must be Profit & Loss (P&L).</p>		£		£	Balance c/d	<u>700</u> ✓	Balance b/d	550 ✓		<u>700</u>	Profit and loss	<u>150</u> ✓	balance		Balance b/d	700 ✓ OF if Cr	(4)
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Balance c/d	<u>700</u> ✓	Balance b/d	550 ✓															
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2(b)(iii)	<p style="text-align: center;">Motor vehicle account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">✓ 16 000 ✓</td> <td style="text-align: right;">Operating expenses</td> <td style="text-align: right;">5 000 ✓</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>16 000</u></td> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>11 000</u></td> </tr> <tr> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">11 000 ✓ OF if a Dr balance</td> <td style="text-align: right;"></td> <td style="text-align: right;"><u>16 000</u></td> </tr> </table> <p>Accept variable descriptions for operating expenses. Variable narratives for balances but more than b/d or c/d.</p>		£		£	Balance b/d	✓ 16 000 ✓	Operating expenses	5 000 ✓		<u>16 000</u>	Balance c/d	<u>11 000</u>	Balance b/d	11 000 ✓ OF if a Dr balance		<u>16 000</u>	(4)
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2(c)	<p style="text-align: center;">Jaida – Trading and Profit and Loss Account for the year ended 31 March 2010</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td style="text-align: right;">Sales</td> <td style="text-align: right;">(133 000 + 2 070)</td> <td style="text-align: right;">135 070 ✓</td> <td></td> </tr> <tr> <td style="text-align: right;">Sales returns</td> <td style="text-align: right;">(6 500 + 320)</td> <td style="text-align: right;"><u>6 820</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">128 250</td> <td></td> </tr> <tr> <td style="text-align: right;">Opening stock</td> <td style="text-align: right;">12 900</td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">Purchases</td> <td style="text-align: right;">(62 000 – 450)</td> <td style="text-align: right;"><u>61 550</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">74 450</td> <td></td> </tr> <tr> <td style="text-align: right;">Closing stock</td> <td style="text-align: right;">(13 500 - 1 200)</td> <td style="text-align: right;"><u>12 300</u></td> <td></td> </tr> <tr> <td style="text-align: right;">Cost of sales</td> <td></td> <td style="text-align: right;"><u>62 150</u></td> <td></td> </tr> <tr> <td style="text-align: right;">Gross profit</td> <td></td> <td style="text-align: right;">66 100</td> <td></td> </tr> <tr> <td style="text-align: right;">Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="text-align: right;">Wages (35 000– 1 110)</td> <td></td> <td style="text-align: right;">33 890 ✓</td> <td></td> </tr> <tr> <td style="text-align: right;">Operating expenses (28 900 + 450 + 5 000)</td> <td></td> <td style="text-align: right;">34 350 ✓</td> <td></td> </tr> <tr> <td style="text-align: right;">Depreciation on motor vehicle(3 200 – 1 000)</td> <td></td> <td style="text-align: right;">2 200 ✓</td> <td></td> </tr> <tr> <td style="text-align: right;">Bad debt (600 + 1 200)</td> <td></td> <td style="text-align: right;">1 800 ✓</td> <td></td> </tr> <tr> <td style="text-align: right;">Provision for doubtful debts (700 – 550)</td> <td></td> <td style="text-align: right;"><u>150</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>72 390</u></td> <td></td> </tr> </table>		£		£	Sales	(133 000 + 2 070)	135 070 ✓		Sales returns	(6 500 + 320)	<u>6 820</u> ✓				128 250		Opening stock	12 900			Purchases	(62 000 – 450)	<u>61 550</u> ✓				74 450		Closing stock	(13 500 - 1 200)	<u>12 300</u>		Cost of sales		<u>62 150</u>		Gross profit		66 100		Less				Wages (35 000– 1 110)		33 890 ✓		Operating expenses (28 900 + 450 + 5 000)		34 350 ✓		Depreciation on motor vehicle(3 200 – 1 000)		2 200 ✓		Bad debt (600 + 1 200)		1 800 ✓		Provision for doubtful debts (700 – 550)		<u>150</u> ✓				<u>72 390</u>		(8)
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	Net loss	<u>6 290</u>	
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Question Number	Answer	Mark
2(d)	<p>Materiality – Small value items will be charged to a single accounting period although their benefit may exist for a number of accounting periods. ✓✓</p> <p>Comment on not depreciating small value items ✓✓</p> <p>The level of materiality will depend upon the size of the business to the point at which the transaction does not distort the profit and a true and fair view still exists ✓✓</p> <p>An error made which will make a change in a business decision ✓✓</p> <p>MAX 4 marks</p>	(4)

Question Number	Answer	Mark
2(e)	<p>Valid points may include:</p> <p>In favour</p> <ul style="list-style-type: none"> • Enables progress to the trading and profit and loss account to take place. • Gives an indication of the potential profit made by the business. • Enables errors when located to be corrected and adjustments made to the draft profit on an ongoing basis. <p>Against</p> <ul style="list-style-type: none"> • Ideally, errors need to be located and corrected before progression to final accounts if profit calculated is to be accurate. <p>NOTE: The draft P&L account does not in itself help to correct errors</p> <ul style="list-style-type: none"> • The difference figure in the suspense may hide significant compensating errors. • Costly and time consuming to prepare accounts requiring additional work. <p>✓✓ per point x 4 points (maximum 2 points in favour or against)</p>	(8)

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3(a)	<p style="text-align: center;"><u>Soller manufacturing account for the year ended 30 April 2010</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="text-align: center; width: 15%;">Standard £</th> <th style="text-align: center; width: 15%;">Super £</th> <th style="text-align: center; width: 15%;">Total £</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Opening stock of raw materials</td> <td></td> <td></td> <td style="text-align: right;">50 000</td> <td>✓✓</td> </tr> <tr> <td>Purchases of raw materials</td> <td></td> <td></td> <td style="text-align: right;"><u>542 000</u></td> <td>✓✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">592 000</td> <td></td> </tr> <tr> <td>Closing stock of raw material</td> <td></td> <td></td> <td style="text-align: right;"><u>112 000</u></td> <td>✓✓</td> </tr> <tr> <td>Raw materials consumed</td> <td style="text-align: right;">300 000</td> <td style="text-align: right;">180 000</td> <td style="text-align: right;">480 000</td> <td></td> </tr> <tr> <td>Direct labour</td> <td style="text-align: right;"><u>225 000</u> ✓</td> <td style="text-align: right;"><u>165 000</u> ✓</td> <td style="text-align: right;"><u>390 000</u></td> <td></td> </tr> <tr> <td>PRIME COST ✓</td> <td style="text-align: right;">525 000</td> <td style="text-align: right;">345 000</td> <td style="text-align: right;">870 000</td> <td>✓OF if no aliens</td> </tr> <tr> <td>Plus factory overheads:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Management salaries</td> <td style="text-align: right;">160 000</td> <td style="text-align: right;">50 000</td> <td style="text-align: right;">210 000</td> <td></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">100 000</td> <td style="text-align: right;">80 000</td> <td style="text-align: right;">180 000</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;"><u>70 000</u></td> <td style="text-align: right;"><u>40 000</u></td> <td style="text-align: right;"><u>110 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">330 000 ✓</td> <td style="text-align: right;">170 000 ✓</td> <td style="text-align: right;">500 000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">855 000</td> <td style="text-align: right;">515 000</td> <td style="text-align: right;">1370 000</td> <td></td> </tr> <tr> <td>W.I.P at start</td> <td style="text-align: right;">50 000</td> <td style="text-align: right;">30 000</td> <td style="text-align: right;">80 000</td> <td></td> </tr> <tr> <td>at end</td> <td style="text-align: right;">(25 000) ✓</td> <td style="text-align: right;">(15 000) ✓</td> <td style="text-align: right;">(40 000)</td> <td></td> </tr> <tr> <td>MANUFACTURING COST ✓</td> <td style="text-align: right;"><u>880 000</u></td> <td style="text-align: right;"><u>530 000</u></td> <td style="text-align: right;"><u>1410 000</u></td> <td>✓OF</td> </tr> </tbody> </table>		Standard £	Super £	Total £		Opening stock of raw materials			50 000	✓✓	Purchases of raw materials			<u>542 000</u>	✓✓				592 000		Closing stock of raw material			<u>112 000</u>	✓✓	Raw materials consumed	300 000	180 000	480 000		Direct labour	<u>225 000</u> ✓	<u>165 000</u> ✓	<u>390 000</u>		PRIME COST ✓	525 000	345 000	870 000	✓OF if no aliens	Plus factory overheads:					Management salaries	160 000	50 000	210 000		Premises	100 000	80 000	180 000		Depreciation	<u>70 000</u>	<u>40 000</u>	<u>110 000</u>			330 000 ✓	170 000 ✓	500 000			855 000	515 000	1370 000		W.I.P at start	50 000	30 000	80 000		at end	(25 000) ✓	(15 000) ✓	(40 000)		MANUFACTURING COST ✓	<u>880 000</u>	<u>530 000</u>	<u>1410 000</u>	✓OF	(16)
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Question Number	Answer	Mark
3(b)(i)	<p>Cost per unit:</p> <p>Standard $\frac{\underline{\pounds 880\,000}}{25\,000}$ OF = $\pounds 35.20$ per unit ✓✓OF</p> <p>Super $\frac{\underline{\pounds 530\,000}}{15\,000}$ OF = $\pounds 35.33$ per unit ✓✓OF</p>	(4)

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Revised profit	80 000	135 000	√√OF																			

Question Number	Answer	Mark
3(d)(i)	<p>Apportionment - Costs are apportioned to the cost centres on some equitable basis. Example e.g Rent on basis of floor area occupied √√</p> <p>NOTE: We will accept equitable basis, fair basis or similar, but NOT arbitrary.</p> <p>Absorption - Total budgeted overhead for a department is divided by Machine or labour hours to achieve a recovery rate per hour. √√</p>	(4)

Question Number	Answer	Mark
3(e)	<p>Valid points may include:</p> <p>Benefits of ceasing production:</p> <ul style="list-style-type: none"> • Could concentrate on marketing the Super if market is strong • Could concentrate resources and management on the production of Super • Opportunity to develop new products. <p>Disadvantages of ceasing production:</p> <ul style="list-style-type: none"> • Reduces the product range. • Redundancy or retraining costs. • With revised apportionment both products are making a profit • If Super sales cannot be expanded, fixed costs of overheads will fall upon the Super • Reputation of the business damaged <p>NOTE: No marks for just stating increased profit as this will be uncertain depending upon the use of the additional capacity and recovery of standard overheads.</p> <p>NOTE: Where candidates are quoting their own profit figures, generally as an argument to not cease production, these will be accepted as valid.</p> <p>√√ for recognition /development of each point x 4 (MAX 2 benefits or disadvantages).</p>	(8)

Question Number	Answer	Mark
3(d)(ii)	<p>Over absorption – Occurs where the total cost recovered to production jobs is greater than the actual overhead costs incurred. √√</p> <p>√√ Possible reasons include actual overhead costs were lower than budgeted</p> <p>OR The actual machine or labour hours worked were greater than those planned √√</p> <p>MAX 4 marks can be awarded</p>	(4)

Section B

Question Number	Answer	Mark																																																												
4(a)(i)	<p style="text-align: center;">White Lightening – Receipts and payments account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 10%; text-align: center;">£</th> <th style="width: 10%;"></th> <th style="width: 10%; text-align: center;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Accumulated fund</td> <td style="text-align: right;">1 000</td> <td style="text-align: center;">✓</td> <td>Salary</td> <td style="text-align: right;">8 000</td> </tr> <tr> <td>Subscriptions</td> <td style="text-align: right;">16 750</td> <td style="text-align: center;">✓</td> <td>Telephone & Postage</td> <td style="text-align: right;">3 600</td> </tr> <tr> <td>Raffle income</td> <td style="text-align: right;">400</td> <td style="text-align: center;">✓</td> <td>Rent</td> <td style="text-align: right;">2 000</td> </tr> <tr> <td>Album sales</td> <td style="text-align: right;">4 200</td> <td style="text-align: center;">✓</td> <td>Office expenses</td> <td style="text-align: right;">1 850</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Office equipment</td> <td style="text-align: right;">3 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Newsletter</td> <td style="text-align: right;">1 080</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Concert tickets</td> <td style="text-align: right;">280</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>1 060</u></td> <td></td> <td>Album purchases</td> <td style="text-align: right;"><u>3 600</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>23 410</u></td> <td></td> <td>Balance b/d</td> <td style="text-align: right;"><u>23 410</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">1 060</td> </tr> </tbody> </table> <p style="margin-top: 20px;">There must be a narrative, but we are flexible on that narrative e.g. For ‘accumulated fund’, we will accept ‘balance’ BUT NOT b/d or b/f. In the case of ‘office equipment’, we will accept ‘creditor’</p>		£		£		Accumulated fund	1 000	✓	Salary	8 000	Subscriptions	16 750	✓	Telephone & Postage	3 600	Raffle income	400	✓	Rent	2 000	Album sales	4 200	✓	Office expenses	1 850				Office equipment	3 000				Newsletter	1 080				Concert tickets	280	Balance c/d	<u>1 060</u>		Album purchases	<u>3 600</u>							<u>23 410</u>		Balance b/d	<u>23 410</u>					1 060	(8)
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Raffle income	400	✓	Rent	2 000																																																										
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Question Number	Answer	Mark
4(b)	<p>Valid points may include:</p> <p>Benefits of writing off bad debts:</p> <ul style="list-style-type: none"> • Debtor level is high with 400 out of 2 000 still having not paid • A significant time has passed increasing probability that not all debts will be collected • Not all debts will be collectable and therefore a significant provision should be made • Prudence concept applied • Will lead to reduced profits in the future if bad debts occur • Debtors will be accurate in the accounts. <p>Disadvantages of accounting for bad debts:</p> <ul style="list-style-type: none"> • Income from subscriptions may still be collected • Need to chase debts to establish whether they are collectable. <p>√√ for recognition /development of each point x 2 (1 benefit and 1 disadvantage).</p> <p>Note: Do not accept reduced profit as a disadvantage, as this does not comply with the prudence concept.</p> <p>Note: Do not accept prudence concept as a disadvantage.</p>	(4)

Question Number	Answer	Mark
5(a)(i)	Fixed costs are those costs which do not vary in the short term over a range of output.√√ Note: We will not accept an example as the explanation on its own.	(2)

Question Number	Answer	Mark
5(a)(ii)	Marketing, Equipment depreciation, Administration. √√ Accept other fixed costs not in question e.g rent. Note: If several costs are stated they must all be fixed or no marks e.g rent and raw materials, no marks. Note: We are not accepting 'overheads'	(2)

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5(b)(i)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;">Budget</th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> </tr> <tr> <th></th> <th style="text-align: right;">£</th> <th></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>Materials (£200 less 20%)</td> <td style="text-align: right;">160</td> <td>√</td> <td></td> <td>√</td> </tr> <tr> <td>Labour (64 x £5)</td> <td style="text-align: right;">320</td> <td>√</td> <td></td> <td></td> </tr> <tr> <td>Overheads:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Marketing (£19 000/50)</td> <td style="text-align: right;">380</td> <td>√√</td> <td></td> <td></td> </tr> <tr> <td>Administration (£30 000/50)</td> <td style="text-align: right;">600</td> <td>√√</td> <td></td> <td></td> </tr> <tr> <td>Equipment (£12 000 -£2 000 /5/50)</td> <td style="text-align: right;"><u>40</u></td> <td>√√</td> <td></td> <td></td> </tr> <tr> <td>TOTAL COST</td> <td style="text-align: right;"><u>1 500</u></td> <td>√</td> <td></td> <td></td> </tr> </tbody> </table> <p>If total costs listed in the column, marks awarded for each item if subsequently divided by 50.</p>		Budget					£				Materials (£200 less 20%)	160	√		√	Labour (64 x £5)	320	√			Overheads:					Marketing (£19 000/50)	380	√√			Administration (£30 000/50)	600	√√			Equipment (£12 000 -£2 000 /5/50)	<u>40</u>	√√			TOTAL COST	<u>1 500</u>	√			(9)
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Question Number	Answer	Mark
5(d)	<p>Valid points may include:</p> <p>Benefits of setting up business:</p> <ul style="list-style-type: none"> • Can work from own initiative • Potential greater rewards in long term. • Recommended to manufacture Budget trailer OF due to higher profit of £10 000 OF. <p>Disadvantages of setting up business:</p> <ul style="list-style-type: none"> • Risk of own business, less secure. • Less financial return in the short term. Currently earning £15 000, will drop to £10 000 OF. • Investment required from own resources. <p>√√ for recognition/ development of each point x 2 (1 benefit and 1 disadvantage OR a recommendation of a trailer type plus a benefit or a disadvantage).</p> <p>Note: As part (d) is not 'clipped' to parts (b) and (c), we cannot check OFs for e.g. profit generated. Accept candidates' figures, if quoted, as correct.</p>	(4)

Question Number	Answer	Mark
6(a)	<p>Profitability relates to the ability of the business to buy, mark up, and sell goods at a profit which will enable the business to cover all of its' business costs and to generate sufficient further profit to justify the risk of capital. ✓✓</p> <p>Liquidity is the ability to be able to meet the short term debts of the business. ✓✓</p>	(4)

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6(b)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;">Bank account</th> </tr> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Balance b/d</td> <td style="text-align: right;">3 000</td> <td>Payments to creditors</td> <td style="text-align: right;">99 000 ✓</td> </tr> <tr> <td>Receipts from debtors</td> <td style="text-align: right;">151 000 ✓</td> <td>Fixed assets</td> <td style="text-align: right;">18 000 ✓</td> </tr> <tr> <td>6% Loan</td> <td style="text-align: right;">10 000 ✓</td> <td>Expenses</td> <td style="text-align: right;">25 000 ✓</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>21 000</u></td> <td>Drawings</td> <td style="text-align: right;"><u>43 000</u> ✓</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>185 000</u></td> <td>Balance b/d</td> <td style="text-align: right;"><u>185 000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">21 000</td> </tr> </tbody> </table>	Bank account					£		£	Balance b/d	3 000	Payments to creditors	99 000 ✓	Receipts from debtors	151 000 ✓	Fixed assets	18 000 ✓	6% Loan	10 000 ✓	Expenses	25 000 ✓	Balance c/d	<u>21 000</u>	Drawings	<u>43 000</u> ✓		<u>185 000</u>	Balance b/d	<u>185 000</u>				21 000	(6)
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Question Number	Answer	Mark
7(a)	<ul style="list-style-type: none"> Does not reveal errors of commission, omission, principle, compensation, transposition, original entry. Shows only arithmetical errors. Does not show location of errors. Provides a summarised position for many creditors and debtors which may contain many errors. Only records the position as at a point in time. <p>√√ per limitation x 2</p> <p>Note: No marks for time consuming and costly to prepare.</p>	(4)

Question Number	Answer	Mark																																			
7(b)(i)	<p style="text-align: center;">Purchases ledger control account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center; width: 10%;">£</td> <td style="width: 30%;"></td> <td style="text-align: center; width: 10%;">£</td> <td style="width: 10%;"></td> </tr> <tr> <td>Returns outward</td> <td style="text-align: right;">380</td> <td>√</td> <td>Balance b/d</td> <td style="text-align: right;">9 730</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">13 500</td> <td>√</td> <td>Purchases (12 420+2 500)</td> <td style="text-align: right;">14 920</td> </tr> <tr> <td>√√√ Discount received (460 – 95)</td> <td></td> <td></td> <td>365</td> <td style="text-align: right;">√√√</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">10 405</td> <td>√</td> <td>OF if on Dr</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>24 650</u></td> <td></td> <td></td> <td style="text-align: right;"><u>24 650</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Balance b/d</td> <td style="text-align: right;">10 405</td> </tr> </table> <p>Note: Balance c/d OF only if on Dr side and suitable narrative for balance, not b/d or c/d alone.</p>		£		£		Returns outward	380	√	Balance b/d	9 730	Bank	13 500	√	Purchases (12 420+2 500)	14 920	√√√ Discount received (460 – 95)			365	√√√	Balance c/d	10 405	√	OF if on Dr			<u>24 650</u>			<u>24 650</u>				Balance b/d	10 405	(10)
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7(b)(ii)	<p style="text-align: center;">Sales ledger control account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center; width: 10%;">£</td> <td style="width: 30%;"></td> <td style="text-align: center; width: 10%;">£</td> <td style="width: 10%;"></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">14 250</td> <td>√</td> <td>Returns in (250+ 750)</td> <td style="text-align: right;">1 000</td> </tr> <tr> <td>√</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">28 310</td> <td>√√</td> <td>Bad debts (800+600)</td> <td style="text-align: right;">1 400</td> </tr> <tr> <td>√</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Dishonoured cheques</td> <td style="text-align: right;">600</td> <td>√√</td> <td>Bank</td> <td style="text-align: right;">25 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Discount allowed</td> <td style="text-align: right;">160</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;">15 600</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>43 160</u></td> <td></td> <td></td> <td style="text-align: right;">√OF</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">15 600</td> <td></td> <td></td> <td style="text-align: right;"><u>43 160</u></td> </tr> </table> <p>Note: Balance c/d OF only if on Cr side and suitable narrative for balance, not b/d or c/d alone.</p>		£		£		Balance b/d	14 250	√	Returns in (250+ 750)	1 000	√					Sales	28 310	√√	Bad debts (800+600)	1 400	√					Dishonoured cheques	600	√√	Bank	25 000				Discount allowed	160				Balance c/d	15 600		<u>43 160</u>			√OF	Balance c/d	15 600			<u>43 160</u>	(14)
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Question Number	Answer	Mark
7(c)	<p>Benefits of control accounts:</p> <ul style="list-style-type: none"> • Acts as a checking device . • Control accounts act as a check against the total of debtors or creditors. • Identifies the general location of an error, i.e. into the sales or purchases ledger. • Act as a protection against fraud. • Reveal errors such as incorrect addition. <p>Disadvantages</p> <ul style="list-style-type: none"> • The control account will not identify errors in individual accounts. • Considerable additional work will be required to pinpoint specific errors. • Errors not revealed by the trial balance will not be revealed by the control accounts. • Considerable extra work and therefore time-consuming and costly to prepare control accounts. <p>√√ for recognition/ development of each point x 2 (MAX 1 benefit or disadvantage).</p>	(4)

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