

Mark Scheme (Results)

January 2012

International GCSE Accounting (4AC0)
Paper 01

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the world's leading learning company. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information, please call our GCE line on 0844 576 0025, our GCSE team on 0844 576 0027, or visit our qualifications website at www.edexcel.com. For information about our BTEC qualifications, please call 0844 576 0026, or visit our website at www.btec.co.uk.

If you have any subject specific questions about this specification that require the help of a subject specialist, you may find our Ask The Expert email service helpful.

Ask The Expert can be accessed online at the following link:

<http://www.edexcel.com/Aboutus/contact-us/>

Pearson: helping people progress, everywhere

Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for raising achievement through innovation in education. Find out more about how we can help you and your students at:

www.pearson.com/uk

January 2012

Publications Code UA030079

All the material in this publication is copyright

© Pearson Education Ltd 2012

Question Number	Answer	Mark																																																			
1(a)(i)	<p style="text-align: center;">Toynton Products</p> <p style="text-align: center;">Manufacturing account for the year ended 31 December 2011 (1)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Opening inventory of raw materials</td> <td style="text-align: right;">17 000</td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;"><u>95 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">112 000</td> <td></td> </tr> <tr> <td>Closing inventory of raw materials</td> <td style="text-align: right;"><u>13 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">99 000 (2)</td> </tr> <tr> <td>Factory wages (86 000 + 2 000)</td> <td></td> <td style="text-align: right;">88 000 (1)</td> </tr> <tr> <td>Direct costs</td> <td></td> <td style="text-align: right;"><u>8 500 (1)</u></td> </tr> <tr> <td>PRIME COST</td> <td></td> <td style="text-align: right;">195 500 (W+1 of)</td> </tr> <tr> <td>Overheads:</td> <td></td> <td></td> </tr> <tr> <td>Light, heat & power</td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">45 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent & rates</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">16 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation on plant</td> <td style="text-align: right;"><u>25 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>104 500</u></td> </tr> <tr> <td>PRODUCTION COST</td> <td></td> <td style="text-align: right;"><u>300 000</u> (W+1of)</td> </tr> </tbody> </table>		£	£	Opening inventory of raw materials	17 000		Purchases of raw materials	<u>95 000</u>			112 000		Closing inventory of raw materials	<u>13 000</u>				99 000 (2)	Factory wages (86 000 + 2 000)		88 000 (1)	Direct costs		<u>8 500 (1)</u>	PRIME COST		195 500 (W+1 of)	Overheads:			Light, heat & power	6 000	(1)	Salaries	45 000	(1)	Rent & rates	12 000	(1)	General expenses	16 500	(1)	Depreciation on plant	<u>25 000</u>	(1)			<u>104 500</u>	PRODUCTION COST		<u>300 000</u> (W+1of)	(12)
	£	£																																																			
Opening inventory of raw materials	17 000																																																				
Purchases of raw materials	<u>95 000</u>																																																				
	112 000																																																				
Closing inventory of raw materials	<u>13 000</u>																																																				
		99 000 (2)																																																			
Factory wages (86 000 + 2 000)		88 000 (1)																																																			
Direct costs		<u>8 500 (1)</u>																																																			
PRIME COST		195 500 (W+1 of)																																																			
Overheads:																																																					
Light, heat & power	6 000	(1)																																																			
Salaries	45 000	(1)																																																			
Rent & rates	12 000	(1)																																																			
General expenses	16 500	(1)																																																			
Depreciation on plant	<u>25 000</u>	(1)																																																			
		<u>104 500</u>																																																			
PRODUCTION COST		<u>300 000</u> (W+1of)																																																			

Question Number	Answer	Mark
1(a)(ii)	Production cost $\frac{\pounds 300\,000}{20\,000} = \pounds 15$ per chair Units produced	(2)

Question Number	Answer	Mark																																																																																				
1(b)(i)	<p>Statement of comprehensive income (trading and profit and loss account) for the year ended 31 December 2011</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue (sales)</td> <td></td> <td style="text-align: right;">600 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Opening inventory (stock) of finished goods</td> <td style="text-align: right;">28 000</td> <td></td> <td></td> </tr> <tr> <td>Goods transferred from production</td> <td style="text-align: right;">300 000</td> <td></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Purchases of finished goods</td> <td style="text-align: right;"><u>80 000</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">408 000</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory (stock) of finished goods</td> <td style="text-align: right;"><u>33 000</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>375 000</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">225 000</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Light heat & power</td> <td style="text-align: right;">1 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank loan interest</td> <td style="text-align: right;">6 000</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">22 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">58 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Marketing</td> <td style="text-align: right;">78 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent & rates</td> <td style="text-align: right;">3 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">15 600</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation - office equipment</td> <td style="text-align: right;">9 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Increase in provision for doubtful debts</td> <td style="text-align: right;"><u>600</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>194 200</u></td> <td></td> </tr> <tr> <td>Profit for the year(Net profit)</td> <td></td> <td style="text-align: right;"><u><u>30 800</u></u></td> <td style="text-align: right;">(W +1of)</td> </tr> </tbody> </table>		£	£		Revenue (sales)		600 000	(1)	Opening inventory (stock) of finished goods	28 000			Goods transferred from production	300 000		(1of)	Purchases of finished goods	<u>80 000</u>		(1)		408 000			Closing inventory (stock) of finished goods	<u>33 000</u>			Cost of sales		<u>375 000</u>	(1of)	Gross profit		225 000		Less				Light heat & power	1 500		(1)	Bank loan interest	6 000		(2)	Wages	22 500		(1)	Salaries	58 000		(1)	Marketing	78 000		(1)	Rent & rates	3 000		(1)	General expenses	15 600		(1)	Depreciation - office equipment	9 000		(1)	Increase in provision for doubtful debts	<u>600</u>		(1)			<u>194 200</u>		Profit for the year(Net profit)		<u><u>30 800</u></u>	(W +1of)	(15)
	£	£																																																																																				
Revenue (sales)		600 000	(1)																																																																																			
Opening inventory (stock) of finished goods	28 000																																																																																					
Goods transferred from production	300 000		(1of)																																																																																			
Purchases of finished goods	<u>80 000</u>		(1)																																																																																			
	408 000																																																																																					
Closing inventory (stock) of finished goods	<u>33 000</u>																																																																																					
Cost of sales		<u>375 000</u>	(1of)																																																																																			
Gross profit		225 000																																																																																				
Less																																																																																						
Light heat & power	1 500		(1)																																																																																			
Bank loan interest	6 000		(2)																																																																																			
Wages	22 500		(1)																																																																																			
Salaries	58 000		(1)																																																																																			
Marketing	78 000		(1)																																																																																			
Rent & rates	3 000		(1)																																																																																			
General expenses	15 600		(1)																																																																																			
Depreciation - office equipment	9 000		(1)																																																																																			
Increase in provision for doubtful debts	<u>600</u>		(1)																																																																																			
		<u>194 200</u>																																																																																				
Profit for the year(Net profit)		<u><u>30 800</u></u>	(W +1of)																																																																																			

Question Number	Answer	Mark																																																																																																																																				
1(b)(ii)	<p style="text-align: center;">Statement of financial position (balance sheet) at 31 December 2011</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Non-current (fixed) assets</u></td> </tr> <tr> <td></td> <td style="text-align: right;">Cost</td> <td style="text-align: right;">Accumulated depreciation</td> <td style="text-align: right;">NBV</td> </tr> <tr> <td>Plant</td> <td style="text-align: right;">150 000 -</td> <td style="text-align: right;">75 000</td> <td style="text-align: right;">75 000 (1of)</td> </tr> <tr> <td>Office equipment</td> <td style="text-align: right;"><u>60 000 -</u></td> <td style="text-align: right;"><u>19 000</u></td> <td style="text-align: right;"><u>41 000 (1of)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>210 000</u></td> <td style="text-align: right;"><u>94 000</u></td> <td style="text-align: right;">116 000 (1)</td> </tr> <tr> <td colspan="4"><u>Current assets</u></td> </tr> <tr> <td colspan="4">Inventory (stock)</td> </tr> <tr> <td style="padding-left: 20px;">Raw materials</td> <td style="text-align: right;">13 000 (1)</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Finished goods</td> <td style="text-align: right;"><u>33 000 (1)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">46 000</td> <td></td> </tr> <tr> <td>Trade receivables (debtors)</td> <td style="text-align: right;">48 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Les PDD</td> <td style="text-align: right;"><u>2 400</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">45 600</td> <td></td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;"><u>10 500</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">102 100</td> <td></td> </tr> <tr> <td colspan="4">Less</td> </tr> <tr> <td colspan="4"><u>Current liabilities</u></td> </tr> <tr> <td>Trade payables(creditors)</td> <td style="text-align: right;">36 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Other payables: Accrued</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">factory wages</td> <td style="text-align: right;">2 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;"><u>6 000</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>44 500</u></td> <td></td> </tr> <tr> <td>Net current assets (Working capital)</td> <td></td> <td></td> <td style="text-align: right;">57 600 (W +1of)</td> </tr> <tr> <td colspan="4">Less</td> </tr> <tr> <td colspan="4"><u>Non-current liabilities</u></td> </tr> <tr> <td>6% Bank loan (Repayable 31.12.2015)</td> <td></td> <td></td> <td style="text-align: right;"><u>(100 000)</u> (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>73 600</u></td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">70 000</td> <td></td> </tr> <tr> <td>Profit for the year(Net profit)</td> <td></td> <td style="text-align: right;"><u>30 800</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">100 800</td> <td></td> </tr> <tr> <td>Drawings</td> <td></td> <td style="text-align: right;"><u>27 200</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>73 600</u></td> </tr> </tbody> </table>		£	£	£	<u>Non-current (fixed) assets</u>					Cost	Accumulated depreciation	NBV	Plant	150 000 -	75 000	75 000 (1of)	Office equipment	<u>60 000 -</u>	<u>19 000</u>	<u>41 000 (1of)</u>		<u>210 000</u>	<u>94 000</u>	116 000 (1)	<u>Current assets</u>				Inventory (stock)				Raw materials	13 000 (1)			Finished goods	<u>33 000 (1)</u>					46 000		Trade receivables (debtors)	48 000		(1)	Les PDD	<u>2 400</u>		(1)			45 600		Bank		<u>10 500</u>	(1)			102 100		Less				<u>Current liabilities</u>				Trade payables(creditors)	36 500		(1)	Other payables: Accrued				factory wages	2 000		(1)	Loan interest	<u>6 000</u>		(1)			<u>44 500</u>		Net current assets (Working capital)			57 600 (W +1of)	Less				<u>Non-current liabilities</u>				6% Bank loan (Repayable 31.12.2015)			<u>(100 000)</u> (1)				<u>73 600</u>	Capital		70 000		Profit for the year(Net profit)		<u>30 800</u>	(1of)			100 800		Drawings		<u>27 200</u>	(1)				<u>73 600</u>	
	£	£	£																																																																																																																																			
<u>Non-current (fixed) assets</u>																																																																																																																																						
	Cost	Accumulated depreciation	NBV																																																																																																																																			
Plant	150 000 -	75 000	75 000 (1of)																																																																																																																																			
Office equipment	<u>60 000 -</u>	<u>19 000</u>	<u>41 000 (1of)</u>																																																																																																																																			
	<u>210 000</u>	<u>94 000</u>	116 000 (1)																																																																																																																																			
<u>Current assets</u>																																																																																																																																						
Inventory (stock)																																																																																																																																						
Raw materials	13 000 (1)																																																																																																																																					
Finished goods	<u>33 000 (1)</u>																																																																																																																																					
		46 000																																																																																																																																				
Trade receivables (debtors)	48 000		(1)																																																																																																																																			
Les PDD	<u>2 400</u>		(1)																																																																																																																																			
		45 600																																																																																																																																				
Bank		<u>10 500</u>	(1)																																																																																																																																			
		102 100																																																																																																																																				
Less																																																																																																																																						
<u>Current liabilities</u>																																																																																																																																						
Trade payables(creditors)	36 500		(1)																																																																																																																																			
Other payables: Accrued																																																																																																																																						
factory wages	2 000		(1)																																																																																																																																			
Loan interest	<u>6 000</u>		(1)																																																																																																																																			
		<u>44 500</u>																																																																																																																																				
Net current assets (Working capital)			57 600 (W +1of)																																																																																																																																			
Less																																																																																																																																						
<u>Non-current liabilities</u>																																																																																																																																						
6% Bank loan (Repayable 31.12.2015)			<u>(100 000)</u> (1)																																																																																																																																			
			<u>73 600</u>																																																																																																																																			
Capital		70 000																																																																																																																																				
Profit for the year(Net profit)		<u>30 800</u>	(1of)																																																																																																																																			
		100 800																																																																																																																																				
Drawings		<u>27 200</u>	(1)																																																																																																																																			
			<u>73 600</u>																																																																																																																																			
		(15)																																																																																																																																				

Question Number	Answer	Mark
1(c)	<p>Valid points may include:</p> <p>Points in favour of Toyndon Products accepting the overseas manufacturer's offer</p> <ul style="list-style-type: none"> • Possible higher level of profit • Space and production resources can be released for other projects • Toyndon Products could then concentrate on selling the product • No manufacturing staff to manage • Cash raised from sale of assets <p>Points against Toyndon Products accepting the overseas manufacturer's offer</p> <ul style="list-style-type: none"> • Saving is only marginal and therefore could soon disappear with price rises • Loss of control of quality and supply of product • Social accounting considerations, loss of jobs, impact on the community • Difficulties of guaranteeing prices with exchange rates • Possible difficulty in disposing of assets <p>2 marks per valid point. MAX two points in favour (2 x 2 marks) and two against (2 x 2 marks).</p>	(8)

Question Number	Answer	Mark
2(a)	<p>Error of reversal - The accounts and the sum are correct, but the debiting and crediting has been reversed. Only two accounts are involved. 2 marks</p> <p>Error of compensation - There are two separate and unrelated errors in the books. At least one of the sums debited and credited are incorrect in both transactions, but the two errors arithmetically cancel each other out. 2 marks</p>	(4)

Question Number	Answer	Mark																																																									
2(b)	<p style="text-align: center;">Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Dr £</th> <th style="width: 20%; text-align: center;">Cr £</th> </tr> </thead> <tbody> <tr> <td>(i) Motor vehicle</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">10 000 (1)</td> </tr> <tr> <td>(i) Suspense</td> <td style="text-align: right;">1 300</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount allowed</td> <td></td> <td style="text-align: right;">650 (1)</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;">650 (1)</td> </tr> <tr> <td>(ii) Drawings</td> <td style="text-align: right;">3 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Wages</td> <td></td> <td style="text-align: right;">3 000 (1)</td> </tr> <tr> <td>(iii) Suspense</td> <td style="text-align: right;">1 750</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Nahir</td> <td></td> <td style="text-align: right;">1750 (1)</td> </tr> <tr> <td>(iv) General expenses</td> <td style="text-align: right;">270</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">270 (1)</td> </tr> <tr> <td>(v) Disposal</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Motor vehicle</td> <td></td> <td style="text-align: right;">12 000 (1)</td> </tr> <tr> <td>Provision for depreciation</td> <td style="text-align: right;">5 250</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Disposal</td> <td></td> <td style="text-align: right;">5 250 (1)</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">4 900</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Disposal</td> <td></td> <td style="text-align: right;">4 900 (1)</td> </tr> </tbody> </table>		Dr £	Cr £	(i) Motor vehicle	5 000	(1)	Bank	5 000	(1)	Capital		10 000 (1)	(i) Suspense	1 300	(1)	Discount allowed		650 (1)	Discount received		650 (1)	(ii) Drawings	3 000	(1)	Wages		3 000 (1)	(iii) Suspense	1 750	(1)	Nahir		1750 (1)	(iv) General expenses	270	(1)	Suspense		270 (1)	(v) Disposal	12 000	(1)	Motor vehicle		12 000 (1)	Provision for depreciation	5 250	(1)	Disposal		5 250 (1)	Bank	4 900	(1)	Disposal		4 900 (1)	(18)
	Dr £	Cr £																																																									
(i) Motor vehicle	5 000	(1)																																																									
Bank	5 000	(1)																																																									
Capital		10 000 (1)																																																									
(i) Suspense	1 300	(1)																																																									
Discount allowed		650 (1)																																																									
Discount received		650 (1)																																																									
(ii) Drawings	3 000	(1)																																																									
Wages		3 000 (1)																																																									
(iii) Suspense	1 750	(1)																																																									
Nahir		1750 (1)																																																									
(iv) General expenses	270	(1)																																																									
Suspense		270 (1)																																																									
(v) Disposal	12 000	(1)																																																									
Motor vehicle		12 000 (1)																																																									
Provision for depreciation	5 250	(1)																																																									
Disposal		5 250 (1)																																																									
Bank	4 900	(1)																																																									
Disposal		4 900 (1)																																																									

Question Number	Answer	Mark																																																						
2(c)	<p style="text-align: center;">Trial balance at 30 November 2011.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£ Dr</th> <th style="width: 20%; text-align: center;">£ Cr</th> </tr> </thead> <tbody> <tr> <td>Capital (25 000 + 10000)</td> <td></td> <td style="text-align: right;">35 000 (1)</td> </tr> <tr> <td>Drawings (4 500 + 3 000)</td> <td style="text-align: right;">7 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Revenue (sales)</td> <td></td> <td style="text-align: right;">101 600</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">46 500</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td></td> <td style="text-align: right;">3 250 (1)</td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;">6 800</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount allowed (6 500- 650)</td> <td style="text-align: right;">5 850</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount received (4 000 +650)</td> <td></td> <td style="text-align: right;">4 650 (1)</td> </tr> <tr> <td>Wages (27 500 - 3 000)</td> <td style="text-align: right;">24 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses (9 400 +270)</td> <td style="text-align: right;">9 670</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank (14 000 + 5 000(1) +4 900(1))</td> <td style="text-align: right;">23 900</td> <td></td> </tr> <tr> <td>Trade receivables (debtors) (9 800 -1 750)</td> <td style="text-align: right;">8 050</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade payables (creditors)</td> <td></td> <td style="text-align: right;">13 870 (1)</td> </tr> <tr> <td>Motor vehicles (40 000 +5 000- 12 000)</td> <td style="text-align: right;">33 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Motor vehicles - PFD (14 500 -5 250)</td> <td></td> <td style="text-align: right;">9 250 (1)</td> </tr> <tr> <td>Disposal account</td> <td style="text-align: right;">1 850</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>167 620</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>167 620</u></td> </tr> </tbody> </table>		£ Dr	£ Cr	Capital (25 000 + 10000)		35 000 (1)	Drawings (4 500 + 3 000)	7 500	(1)	Revenue (sales)		101 600	Purchases	46 500		Purchase returns		3 250 (1)	Sales returns	6 800	(1)	Discount allowed (6 500- 650)	5 850	(1)	Discount received (4 000 +650)		4 650 (1)	Wages (27 500 - 3 000)	24 500	(1)	General expenses (9 400 +270)	9 670	(1)	Bank (14 000 + 5 000(1) +4 900(1))	23 900		Trade receivables (debtors) (9 800 -1 750)	8 050	(1)	Trade payables (creditors)		13 870 (1)	Motor vehicles (40 000 +5 000- 12 000)	33 000	(1)	Motor vehicles - PFD (14 500 -5 250)		9 250 (1)	Disposal account	1 850	(2)		<u>167 620</u>	<u>167 620</u>	(16)
	£ Dr	£ Cr																																																						
Capital (25 000 + 10000)		35 000 (1)																																																						
Drawings (4 500 + 3 000)	7 500	(1)																																																						
Revenue (sales)		101 600																																																						
Purchases	46 500																																																							
Purchase returns		3 250 (1)																																																						
Sales returns	6 800	(1)																																																						
Discount allowed (6 500- 650)	5 850	(1)																																																						
Discount received (4 000 +650)		4 650 (1)																																																						
Wages (27 500 - 3 000)	24 500	(1)																																																						
General expenses (9 400 +270)	9 670	(1)																																																						
Bank (14 000 + 5 000(1) +4 900(1))	23 900																																																							
Trade receivables (debtors) (9 800 -1 750)	8 050	(1)																																																						
Trade payables (creditors)		13 870 (1)																																																						
Motor vehicles (40 000 +5 000- 12 000)	33 000	(1)																																																						
Motor vehicles - PFD (14 500 -5 250)		9 250 (1)																																																						
Disposal account	1 850	(2)																																																						
	<u>167 620</u>	<u>167 620</u>																																																						

Question Number	Answer	Mark																																								
2(d)	<p style="text-align: center;">Motor vehicle account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">40 000</td> <td>Disposal</td> <td style="text-align: right;">12 000</td> </tr> <tr> <td>Capital</td> <td style="text-align: right;"><u>5 000(1)</u></td> <td>Balance c/d</td> <td style="text-align: right;"><u>33 000 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>45 000</u></td> <td></td> <td style="text-align: right;"><u>45 000</u></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">33 000</td> <td></td> <td></td> </tr> </table> <p style="text-align: center;">Disposal account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Motor vehicle</td> <td style="text-align: right;">12 000(1)</td> <td>Provision for deprec</td> <td style="text-align: right;">5 250 (1)</td> </tr> <tr> <td></td> <td></td> <td>Bank</td> <td style="text-align: right;">4 900 (1)</td> </tr> <tr> <td></td> <td></td> <td>Balance / P&L/Loss</td> <td style="text-align: right;"><u>1 850 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12 000</u></td> <td></td> <td style="text-align: right;"><u>12 000</u></td> </tr> </table>		£		£	Balance b/d	40 000	Disposal	12 000	Capital	<u>5 000(1)</u>	Balance c/d	<u>33 000 (1)</u>		<u>45 000</u>		<u>45 000</u>	Balance b/d	33 000				£		£	Motor vehicle	12 000(1)	Provision for deprec	5 250 (1)			Bank	4 900 (1)			Balance / P&L/Loss	<u>1 850 (1)</u>		<u>12 000</u>		<u>12 000</u>	(6)
	£		£																																							
Balance b/d	40 000	Disposal	12 000																																							
Capital	<u>5 000(1)</u>	Balance c/d	<u>33 000 (1)</u>																																							
	<u>45 000</u>		<u>45 000</u>																																							
Balance b/d	33 000																																									
	£		£																																							
Motor vehicle	12 000(1)	Provision for deprec	5 250 (1)																																							
		Bank	4 900 (1)																																							
		Balance / P&L/Loss	<u>1 850 (1)</u>																																							
	<u>12 000</u>		<u>12 000</u>																																							

Question Number	Answer	Mark
2(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> • It is 'prima facie' evidence that the double entry is correct. • The existence of errors can be identified and action taken. • Forms the basis of preparing the financial statements. • Proves arithmetical accuracy <p>Points against</p> <ul style="list-style-type: none"> • Some errors will not be revealed by the trial balance e.g errors of omission. • The trial balance will not identify the location of the errors. <p>2 marks per valid point. MAX two points in favour (2 x 2 marks) and two against (2 x 2 marks).</p>	(8)

Question Number	Answer	Mark
3(a)	A semi-fixed cost has both a fixed and a variable element in it which partly increases with the level of output (2) An example would be telephone costs (2)	(4)

Question Number	Answer	Mark
3(b)	Allocation occurs when a cost can be directly attributed to a specific department (2) Apportionment occurs when a cost cannot be directly attributed to a single department but the cost is apportioned on a reasonable basis. E.g floor area. (2)	(4)

Question Number	Answer	Mark																																													
3(c)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 25%;"></th> <th style="width: 25%; text-align: center;">Machining</th> <th style="width: 25%; text-align: center;">Assembly</th> <th style="width: 25%; text-align: center;">Administration</th> <th style="width: 25%; text-align: center;">Maintenance</th> </tr> <tr> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> </tr> </thead> <tbody> <tr> <td></td> <td style="text-align: right;">40 000</td> <td style="text-align: right;">50 000</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">10 000 (2)</td> </tr> <tr> <td></td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">(15 000)</td> <td style="text-align: right;">3 000 (2)</td> </tr> <tr> <td></td> <td style="text-align: right;">7 800</td> <td style="text-align: right;">3 250</td> <td style="text-align: right;">1 950</td> <td style="text-align: right;">(13 000) (2)</td> </tr> <tr> <td></td> <td style="text-align: right;">780</td> <td style="text-align: right;">780</td> <td style="text-align: right;">(1 950)</td> <td style="text-align: right;">390 (2of)</td> </tr> <tr> <td></td> <td style="text-align: right;">234</td> <td style="text-align: right;">97</td> <td style="text-align: right;">59</td> <td style="text-align: right;">(390) (2of)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>30</u></td> <td style="text-align: right;"><u>29</u></td> <td style="text-align: right;">(59)</td> <td style="text-align: right;">(2of)</td> </tr> <tr> <td></td> <td style="text-align: right;">54 844</td> <td style="text-align: right;">60156</td> <td></td> <td style="text-align: right;">(2of)</td> </tr> </tbody> </table> <p>Allow reasonable rounding</p>		Machining	Assembly	Administration	Maintenance		£	£	£	£		40 000	50 000	15 000	10 000 (2)		6 000	6 000	(15 000)	3 000 (2)		7 800	3 250	1 950	(13 000) (2)		780	780	(1 950)	390 (2of)		234	97	59	(390) (2of)		<u>30</u>	<u>29</u>	(59)	(2of)		54 844	60156		(2of)	(4)
	Machining	Assembly	Administration	Maintenance																																											
	£	£	£	£																																											
	40 000	50 000	15 000	10 000 (2)																																											
	6 000	6 000	(15 000)	3 000 (2)																																											
	7 800	3 250	1 950	(13 000) (2)																																											
	780	780	(1 950)	390 (2of)																																											
	234	97	59	(390) (2of)																																											
	<u>30</u>	<u>29</u>	(59)	(2of)																																											
	54 844	60156		(2of)																																											

Question Number	Answer	Mark								
3(d)(i)	<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 50%; text-align: right;">£54 844 (1of)</td> <td style="width: 50%; text-align: right;">£60156 (1of)</td> </tr> <tr> <td style="text-align: right;">6 000 hrs(1)</td> <td style="text-align: right;">8 000 hrs (1)</td> </tr> <tr> <td style="text-align: right;">£9.14 (1of)</td> <td style="text-align: right;">£7.52 (1of)</td> </tr> <tr> <td style="text-align: right;">Per hour</td> <td style="text-align: right;">Per hour</td> </tr> </tbody> </table>	£54 844 (1of)	£60156 (1of)	6 000 hrs(1)	8 000 hrs (1)	£9.14 (1of)	£7.52 (1of)	Per hour	Per hour	(6)
£54 844 (1of)	£60156 (1of)									
6 000 hrs(1)	8 000 hrs (1)									
£9.14 (1of)	£7.52 (1of)									
Per hour	Per hour									

Question Number	Answer	Mark																		
3(d)(ii)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;"></th> <th style="width: 30%; text-align: center;">Machining</th> <th style="width: 30%; text-align: center;">Assembly</th> </tr> <tr> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> </tr> </thead> <tbody> <tr> <td>Budgeted overhead</td> <td style="text-align: right;">6 600 x £9.14 = £60 324(1of)</td> <td style="text-align: right;">7 250 x £7.52 =£54 520 (1of)</td> </tr> <tr> <td>Actual overhead</td> <td style="text-align: right;"><u>£42 500 (1)</u></td> <td style="text-align: right;"><u>£68 250(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;">£17 824 (1of)</td> <td style="text-align: right;">£13 730 (1of)</td> </tr> <tr> <td></td> <td style="text-align: right;">over absorbed (1of)</td> <td style="text-align: right;">under absorbed (1of)</td> </tr> </tbody> </table> <p>Total for the business £4 094 under absorbed (2of)</p>		Machining	Assembly		£	£	Budgeted overhead	6 600 x £9.14 = £60 324(1of)	7 250 x £7.52 =£54 520 (1of)	Actual overhead	<u>£42 500 (1)</u>	<u>£68 250(1)</u>		£17 824 (1of)	£13 730 (1of)		over absorbed (1of)	under absorbed (1of)	(10)
	Machining	Assembly																		
	£	£																		
Budgeted overhead	6 600 x £9.14 = £60 324(1of)	7 250 x £7.52 =£54 520 (1of)																		
Actual overhead	<u>£42 500 (1)</u>	<u>£68 250(1)</u>																		
	£17 824 (1of)	£13 730 (1of)																		
	over absorbed (1of)	under absorbed (1of)																		

Question Number	Answer	Mark												
3(e)	<p>Overhead:</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 20%;"></td> <td style="width: 40%;">Machining</td> <td style="width: 20%;">12hours x £9.14 per hour =</td> <td style="width: 20%; text-align: right;">£109.68 (2of)</td> </tr> <tr> <td></td> <td>Assembly</td> <td>25 hours x £7.52 per hour =</td> <td style="text-align: right;"><u>£188.00 (2of)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">£297.68 (2of)</td> </tr> </tbody> </table>		Machining	12hours x £9.14 per hour =	£109.68 (2of)		Assembly	25 hours x £7.52 per hour =	<u>£188.00 (2of)</u>				£297.68 (2of)	(6)
	Machining	12hours x £9.14 per hour =	£109.68 (2of)											
	Assembly	25 hours x £7.52 per hour =	<u>£188.00 (2of)</u>											
			£297.68 (2of)											

Question Number	Answer	Mark
3(f)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> • Enables accurate calculations for quotations. • Avoids cross subsidy of one department to another. <p>Points against</p> <ul style="list-style-type: none"> • More complex to work out as costs must to be divided to all departments. • Some cost apportionments may be arbitrary therefore the accuracy of the rates is in question. <p>2 marks per valid point. MAX two points in favour (2 x 2 marks) and two against (2 x 2 marks).</p>	(8)

Question Number	Answer	Mark																																				
4(a)(i)	<p style="text-align: center;">Dhanisha</p> <p style="text-align: center;">Cash book (bank columns)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 30%; text-align: center;">£</th> <th style="width: 30%;"></th> <th style="width: 10%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Balance</td> <td style="text-align: right;">3 500</td> <td>Trade payables</td> <td style="text-align: right;">34 250 (1)</td> </tr> <tr> <td>Revenue (sales)</td> <td style="text-align: right;">71 000</td> <td>Rent</td> <td style="text-align: right;">10 500 (1)</td> </tr> <tr> <td></td> <td></td> <td>Telephone etc</td> <td style="text-align: right;">6 800</td> </tr> <tr> <td></td> <td></td> <td>General expenses</td> <td style="text-align: right;">2 750 (1)</td> </tr> <tr> <td></td> <td></td> <td>Non-current (fixed) assets</td> <td style="text-align: right;">24 000 (1)</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>16 300</u></td> <td>Drawings</td> <td style="text-align: right;"><u>12 500</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>90 800</u></td> <td>Balance b/d</td> <td style="text-align: right;"><u>90 800</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">16 300 (1of)</td> </tr> </tbody> </table>		£		£	Balance	3 500	Trade payables	34 250 (1)	Revenue (sales)	71 000	Rent	10 500 (1)			Telephone etc	6 800			General expenses	2 750 (1)			Non-current (fixed) assets	24 000 (1)	Balance c/d	<u>16 300</u>	Drawings	<u>12 500</u>		<u>90 800</u>	Balance b/d	<u>90 800</u>				16 300 (1of)	(8)
	£		£																																			
Balance	3 500	Trade payables	34 250 (1)																																			
Revenue (sales)	71 000	Rent	10 500 (1)																																			
		Telephone etc	6 800																																			
		General expenses	2 750 (1)																																			
		Non-current (fixed) assets	24 000 (1)																																			
Balance c/d	<u>16 300</u>	Drawings	<u>12 500</u>																																			
	<u>90 800</u>	Balance b/d	<u>90 800</u>																																			
			16 300 (1of)																																			

Question Number	Answer	Mark																																																
4(a)(ii)	<p style="text-align: center;">Dhanisha</p> <p style="text-align: center;">Statement of comprehensive income (profit and loss account) for the year ended 31 December 2011.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue (sales)</td> <td></td> <td style="text-align: right;">96 000 (1)</td> </tr> <tr> <td>Less returns</td> <td></td> <td style="text-align: right;"><u>6 000</u> (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">90 000 (1)</td> </tr> <tr> <td>Opening inventory (stock)</td> <td style="text-align: right;">7 500</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>48 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">55 500</td> <td></td> </tr> <tr> <td>Closing inventory (stock)</td> <td style="text-align: right;"><u>5 000</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>50 500</u> (1)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">39 500</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">7 000(1)</td> <td></td> </tr> <tr> <td>Telephone</td> <td style="text-align: right;">6 800(1)</td> <td></td> </tr> <tr> <td>General expenses (2 750 + 750)</td> <td style="text-align: right;">3 500(1)</td> <td></td> </tr> <tr> <td>Depreciation on non-current (fixed) assets</td> <td style="text-align: right;"><u>3 600(1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>20 900</u></td> </tr> <tr> <td>Profit for the year (net profit)</td> <td></td> <td style="text-align: right;"><u>18 600</u> (2) (1of)</td> </tr> </tbody> </table>		£	£	Revenue (sales)		96 000 (1)	Less returns		<u>6 000</u> (1)			90 000 (1)	Opening inventory (stock)	7 500		Purchases	<u>48 000</u>			55 500		Closing inventory (stock)	<u>5 000</u>		Cost of sales		<u>50 500</u> (1)	Gross profit		39 500	Rent	7 000(1)		Telephone	6 800(1)		General expenses (2 750 + 750)	3 500(1)		Depreciation on non-current (fixed) assets	<u>3 600(1)</u>				<u>20 900</u>	Profit for the year (net profit)		<u>18 600</u> (2) (1of)	(10)
	£	£																																																
Revenue (sales)		96 000 (1)																																																
Less returns		<u>6 000</u> (1)																																																
		90 000 (1)																																																
Opening inventory (stock)	7 500																																																	
Purchases	<u>48 000</u>																																																	
	55 500																																																	
Closing inventory (stock)	<u>5 000</u>																																																	
Cost of sales		<u>50 500</u> (1)																																																
Gross profit		39 500																																																
Rent	7 000(1)																																																	
Telephone	6 800(1)																																																	
General expenses (2 750 + 750)	3 500(1)																																																	
Depreciation on non-current (fixed) assets	<u>3 600(1)</u>																																																	
		<u>20 900</u>																																																
Profit for the year (net profit)		<u>18 600</u> (2) (1of)																																																

Question Number	Answer	Mark																																																																																																									
4(a)(iii)	<p style="text-align: center;">Statement of financial position (balance sheet) at 31 December 2011</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%;"></th> </tr> </thead> <tbody> <tr> <td>Non-current (fixed) assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Cost</td> <td style="text-align: right;">Aggregate depreciation</td> <td style="text-align: right;">NBV</td> <td></td> </tr> <tr> <td>Sundry</td> <td style="text-align: right;">28 000</td> <td style="text-align: right;">- 3 600</td> <td style="text-align: right;">=24 400</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory (stock)</td> <td></td> <td style="text-align: right;">5 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Trade receivables (debtors)</td> <td></td> <td style="text-align: right;">19 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Other receivables</td> <td></td> <td style="text-align: right;"><u>3 500</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">27 500</td> <td></td> <td></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade payables (13750 (1) + 4 000 (1))</td> <td></td> <td style="text-align: right;">17 750</td> <td></td> <td></td> </tr> <tr> <td>Other payables</td> <td></td> <td style="text-align: right;">750</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank overdraft</td> <td></td> <td style="text-align: right;"><u>16 300</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">34 800</td> <td></td> <td></td> </tr> <tr> <td>Net current assets/Working capital</td> <td></td> <td></td> <td style="text-align: right;"><u>(7 300)</u> (W+1of)</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>17 100</u></td> <td></td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">11 000</td> <td></td> <td></td> </tr> <tr> <td>Profit for the year (net profit)</td> <td></td> <td style="text-align: right;"><u>18 600</u> (1of)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">29 600</td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td></td> <td style="text-align: right;"><u>12 500</u> (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>17 100</u></td> <td></td> </tr> </tbody> </table>		£	£	£		Non-current (fixed) assets						Cost	Aggregate depreciation	NBV		Sundry	28 000	- 3 600	=24 400	(1)	Current assets					Inventory (stock)		5 000		(1)	Trade receivables (debtors)		19 000		(1)	Other receivables		<u>3 500</u>		(1)			27 500			Current liabilities					Trade payables (13750 (1) + 4 000 (1))		17 750			Other payables		750		(1)	Bank overdraft		<u>16 300</u>					34 800			Net current assets/Working capital			<u>(7 300)</u> (W+1of)					<u>17 100</u>		Capital		11 000			Profit for the year (net profit)		<u>18 600</u> (1of)					29 600			Drawings		<u>12 500</u> (1)						<u>17 100</u>		(10)
	£	£	£																																																																																																								
Non-current (fixed) assets																																																																																																											
	Cost	Aggregate depreciation	NBV																																																																																																								
Sundry	28 000	- 3 600	=24 400	(1)																																																																																																							
Current assets																																																																																																											
Inventory (stock)		5 000		(1)																																																																																																							
Trade receivables (debtors)		19 000		(1)																																																																																																							
Other receivables		<u>3 500</u>		(1)																																																																																																							
		27 500																																																																																																									
Current liabilities																																																																																																											
Trade payables (13750 (1) + 4 000 (1))		17 750																																																																																																									
Other payables		750		(1)																																																																																																							
Bank overdraft		<u>16 300</u>																																																																																																									
		34 800																																																																																																									
Net current assets/Working capital			<u>(7 300)</u> (W+1of)																																																																																																								
			<u>17 100</u>																																																																																																								
Capital		11 000																																																																																																									
Profit for the year (net profit)		<u>18 600</u> (1of)																																																																																																									
		29 600																																																																																																									
Drawings		<u>12 500</u> (1)																																																																																																									
			<u>17 100</u>																																																																																																								

Question Number	Answer	Mark
4(b)	<p>Valid points may include:</p> <p>Points in favour of maintaining a full set of records</p> <ul style="list-style-type: none"> • Easy reference to individual records • Accuracy of records • Can prepare financial statements at regular intervals • Easier to comply with tax and other governmental authorities requirements. • May be required by an investor or obtaining loans from the bank <p>Points against maintaining a full set of records</p> <ul style="list-style-type: none"> • Cost of employing a book-keeper • Additional time requirement. <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

Question Number	Answer	Mark
5(a)	<p>Valid answers may include:</p> <ul style="list-style-type: none"> • Each order is unique • Made to customers' requirements • Often used on large projects <p>2 points x 2 marks</p>	(4)

Question Number	Answer	Mark																		
5(b)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Earnings</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Overheads</td> <td style="text-align: right;"><u>10 000</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">30 000</td> <td></td> </tr> <tr> <td>Divided by</td> <td style="text-align: right;"><u>1 500</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Equals</td> <td style="text-align: right;">£20 per hour</td> <td style="text-align: right;">(2of) If no alien items in calculation</td> </tr> </table>		£		Earnings	20 000	(2)	Overheads	<u>10 000</u>	(2)	Total	30 000		Divided by	<u>1 500</u>	(2)	Equals	£20 per hour	(2of) If no alien items in calculation	(8)
	£																			
Earnings	20 000	(2)																		
Overheads	<u>10 000</u>	(2)																		
Total	30 000																			
Divided by	<u>1 500</u>	(2)																		
Equals	£20 per hour	(2of) If no alien items in calculation																		

Question Number	Answer	Mark																		
5(c)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Labour and overheads 20 hours x £20 per hour=</td> <td style="text-align: right;">400</td> <td style="text-align: right;">(2of)</td> </tr> <tr> <td>Raw materials</td> <td style="text-align: right;"><u>250</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td style="text-align: right;">650</td> <td></td> </tr> <tr> <td>Mark up 20%</td> <td style="text-align: right;"><u>130</u></td> <td style="text-align: right;">(2of)</td> </tr> <tr> <td>Quotation price</td> <td style="text-align: right;">780</td> <td style="text-align: right;">(2of)</td> </tr> </table>		£		Labour and overheads 20 hours x £20 per hour=	400	(2of)	Raw materials	<u>250</u>	(2)		650		Mark up 20%	<u>130</u>	(2of)	Quotation price	780	(2of)	(8)
	£																			
Labour and overheads 20 hours x £20 per hour=	400	(2of)																		
Raw materials	<u>250</u>	(2)																		
	650																			
Mark up 20%	<u>130</u>	(2of)																		
Quotation price	780	(2of)																		

Question Number	Answer	Mark
5(d)	Valid answers may include; <ul style="list-style-type: none"> • Preparing accounts • Ordering materials • Preparing quotations for customers • Travelling to jobs • Holidays • Illness 4 points x 2 marks	(8)

Question Number	Answer	Mark
5(e)	Valid points may include: Points in favour <ul style="list-style-type: none"> • Reasonably accurate calculation which will provide swift quotations. • Customer knows exactly what he is paying for. Points against <ul style="list-style-type: none"> • Only valid if the percentage activity on customers work remains constant. 2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).	(4)

Question Number	Answer	Mark
6(a)	(i) Percentage gross profit to revenue (sales) $\frac{240 \times 100}{800} (1) = 30\% (1)$ (ii) Inventory (stock) turnover $\frac{560}{(30 + 40)/2} (1) = 16 \text{ times } (1)$	(6)

Question Number	Answer	Mark
6(b)	(i) The gross profit to revenue (sales) is falling/deteriorating/worsening (1) and the inventory (stock) turnover is rising/improving/getting better (1) (ii) Prices have been reduced. The gross profit to revenue (sales) has been reduced to increase sales. Poorer quality goods are being purchased. 2 points x (2)	(4)

Question Number	Answer	Mark
6(c)	<p>(i) Current ratio</p> $\frac{40 + 50}{100 + 20} = 0.75:1$ <p>(ii) Liquid (acid test) ratio</p> $\frac{50}{100 + 20} = 0.42:1$ <p>(iii) Trade payables (creditors) payment period</p> $\frac{100 \times 365}{570} = 64.03 \text{ days}$ <p>(iv) Trade receivables (debtors) collection period.</p> $\frac{50 \times 365}{800} = 22.81 \text{ days}$	(12)

Question Number	Answer	Mark
6(d)	Trade payables (creditors) payment period is increasing, which may (or may not) benefit the business (1). Trade receivables (debtors) collection period is decreasing which will benefit the business (1).	(2)

Question Number	Answer	Mark
6(e)	<p>Costas appears to be 'overtrading'. His capital and long term liabilities have not increased over the three year period to support the increased level of activity.</p> <ul style="list-style-type: none"> • He should obtain long term capital in the form of a bank loan(2) • Introduce more capital into his business. (2) • Sell non-current (fixed) assets (2) • Mortgage or leaseback assets (2) <p>2 points x 2 marks</p>	(4)

Question Number	Answer	Mark
6(f)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> • He has achieved his objective of doubling revenue (sales) over three years. <p>Points against</p> <ul style="list-style-type: none"> • He has placed his business in jeopardy because he has not appropriately funded the expansion with long term funds. <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

Question Number	Answer	Mark																												
7(a)	<p style="text-align: center;">Purchases ledger control account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">£</td> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">1 980</td> <td>Balance b/d</td> <td style="text-align: right;">12 500 (1)</td> </tr> <tr> <td>Payments to suppliers</td> <td style="text-align: right;">50 500</td> <td>Credit purchases</td> <td style="text-align: right;">52 800 (2)</td> </tr> <tr> <td>Discount received</td> <td style="text-align: right;">3 250</td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">9 570</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>65 300</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>Balance b/d</td> <td style="text-align: right;"><u>9 570</u> (1of)</td> </tr> </table>		£		£	Purchase returns	1 980	Balance b/d	12 500 (1)	Payments to suppliers	50 500	Credit purchases	52 800 (2)	Discount received	3 250			Balance c/d	9 570				<u>65 300</u>					Balance b/d	<u>9 570</u> (1of)	(10)
	£		£																											
Purchase returns	1 980	Balance b/d	12 500 (1)																											
Payments to suppliers	50 500	Credit purchases	52 800 (2)																											
Discount received	3 250																													
Balance c/d	9 570																													
	<u>65 300</u>																													
		Balance b/d	<u>9 570</u> (1of)																											

Question Number	Answer	Mark
7(b)	Total purchases: credit £52 800(1of) + cash £16 600 = £69 400 (1of)	(2)

Question Number	Answer	Mark																																												
7(c)	<p>Statement of comprehensive income (trading account) for the month of October 2011</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">£</td> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td>Revenue (sales)</td> <td></td> <td>92 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Sales returns</td> <td></td> <td style="text-align: right;"><u>2 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td>90 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Opening inventory (stock)</td> <td style="text-align: right;">17 200</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>69 400</u></td> <td></td> <td style="text-align: right;">(2of)</td> </tr> <tr> <td></td> <td style="text-align: right;">86 400</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory (stock)</td> <td style="text-align: right;"><u>14 600</u></td> <td></td> <td style="text-align: right;">(2of)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>72 000</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;"><u>18 000</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>90 000</u></td> <td></td> </tr> </table>		£		£	Revenue (sales)		92 000	(1)	Sales returns		<u>2 000</u>	(1)			90 000	(1)	Opening inventory (stock)	17 200		(1)	Purchases	<u>69 400</u>		(2of)		86 400			Closing inventory (stock)	<u>14 600</u>		(2of)	Cost of sales		<u>72 000</u>	(2)	Gross profit		<u>18 000</u>	(2)			<u>90 000</u>		(12)
	£		£																																											
Revenue (sales)		92 000	(1)																																											
Sales returns		<u>2 000</u>	(1)																																											
		90 000	(1)																																											
Opening inventory (stock)	17 200		(1)																																											
Purchases	<u>69 400</u>		(2of)																																											
	86 400																																													
Closing inventory (stock)	<u>14 600</u>		(2of)																																											
Cost of sales		<u>72 000</u>	(2)																																											
Gross profit		<u>18 000</u>	(2)																																											
		<u>90 000</u>																																												

Question Number	Answer	Mark
7(d)	Inventory (stock) stolen £14 600 (1of) - £7 850(1) = £6 750 (2of)	(4)

Question Number	Answer	Mark
7(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> • Act as a check on ledger balances. • Detect theft or fraud • Show errors that the accounts might have <p>Points against</p> <ul style="list-style-type: none"> • Will 'narrow' errors to areas of the ledger but will not find errors. • Does not show errors not affecting the trial balance <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467

Fax 01623 450481

Email publication.orders@edexcel.com

Order Code UA030079 January 2012

For more information on Edexcel qualifications, please visit
www.edexcel.com/quals

Pearson Education Limited. Registered company number 872828
with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE

Ofqual



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

