



# Mark Scheme (Results)

## Summer 2012

### GCE Accounting (6001) Paper 01

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark																																																																																																																																												
1(a)(i)	<div><div>Aysha, Bashu and Christine</div><div>Statement of comprehensive income for the year ended 31 March 2012</div><table><thead><tr><th></th><th>£</th><th>£</th><th></th></tr></thead><tbody><tr><td>Revenue</td><td></td><td>265 100</td><td></td></tr><tr><td>Opening inventory</td><td>40 000</td><td></td><td></td></tr><tr><td>Purchases</td><td><u>191 000</u></td><td></td><td></td></tr><tr><td></td><td>231 000</td><td></td><td></td></tr><tr><td>Closing inventory</td><td><u>31 000</u></td><td></td><td>✓✓</td></tr><tr><td>Cost of sales</td><td></td><td>200 000</td><td></td></tr><tr><td>Gross profit</td><td></td><td>65 100</td><td></td></tr><tr><td>✓OF</td><td></td><td></td><td></td></tr><tr><td>Salaries and wages (29 500 – 7 000)</td><td>22 500</td><td></td><td></td></tr><tr><td>✓✓ (✓29 500)</td><td></td><td></td><td></td></tr><tr><td>Sundry expense (8 500 – 750)</td><td>7 750</td><td></td><td>✓</td></tr><tr><td>Rent &amp; rates (9 000 + 3 000)</td><td>12 000</td><td></td><td>✓</td></tr><tr><td>Loan interest (3 000 + 1 000)</td><td>4 000</td><td></td><td></td></tr><tr><td>✓✓ (✓ 3 000)</td><td></td><td></td><td></td></tr><tr><td>Depreciation – Delivery van</td><td>2 200</td><td></td><td>✓</td></tr><tr><td>Fixtures</td><td>800</td><td></td><td>✓</td></tr><tr><td>Bad debts</td><td>3 500</td><td></td><td>✓</td></tr><tr><td>Increase in PDD</td><td><u>350</u></td><td></td><td>✓✓</td></tr><tr><td></td><td>(53 100)</td><td></td><td></td></tr><tr><td>Profit for the year</td><td></td><td>12 000</td><td></td></tr><tr><td>Interest on drawings:</td><td></td><td></td><td></td></tr><tr><td>Aysha</td><td>200</td><td></td><td></td></tr><tr><td>Bashu</td><td>200</td><td></td><td>✓ All</td></tr><tr><td>items</td><td></td><td></td><td></td></tr><tr><td>Christine</td><td><u>100</u></td><td></td><td></td></tr><tr><td></td><td></td><td>12 500</td><td></td></tr><tr><td>Salary: Christine</td><td></td><td><u>(7 000)</u></td><td>✓</td></tr><tr><td></td><td></td><td>5 500</td><td></td></tr><tr><td>Share of profit:</td><td></td><td></td><td></td></tr><tr><td>Aysha</td><td>2 200</td><td></td><td></td></tr><tr><td>Bashu</td><td>2 200</td><td></td><td>✓OF if</td></tr><tr><td>ratio</td><td></td><td></td><td></td></tr><tr><td>Christine</td><td>1 100</td><td></td><td>correct</td></tr><tr><td></td><td></td><td><u>5 500</u></td><td></td></tr></tbody></table></div>		£	£		Revenue		265 100		Opening inventory	40 000			Purchases	<u>191 000</u>				231 000			Closing inventory	<u>31 000</u>		✓✓	Cost of sales		200 000		Gross profit		65 100		✓OF				Salaries and wages (29 500 – 7 000)	22 500			✓✓ (✓29 500)				Sundry expense (8 500 – 750)	7 750		✓	Rent & rates (9 000 + 3 000)	12 000		✓	Loan interest (3 000 + 1 000)	4 000			✓✓ (✓ 3 000)				Depreciation – Delivery van	2 200		✓	Fixtures	800		✓	Bad debts	3 500		✓	Increase in PDD	<u>350</u>		✓✓		(53 100)			Profit for the year		12 000		Interest on drawings:				Aysha	200			Bashu	200		✓ All	items				Christine	<u>100</u>					12 500		Salary: Christine		<u>(7 000)</u>	✓			5 500		Share of profit:				Aysha	2 200			Bashu	2 200		✓OF if	ratio				Christine	1 100		correct			<u>5 500</u>		(17)
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	✓		
	27 200		
	<u>Non-current liabilities</u>		
	Bank loan	<u>80 000</u>	
	✓		
		<u>139 300</u>	

Question Number	Answer	Mark
<b>1(b)</b>	Inventory will be valued at <b>cost or net realisable value</b> whichever is the lower. ✓✓ In the case of this business the washing machines and televisions will be valued at cost, but the microwaves will be valued at the market value (net realisable value) which is lower than the cost. ✓✓	<b>(4)</b>

Question Number	Answer	Mark
1(c)(i)	<div>Capital account of Christine</div> <div>£</div> <div>£</div> <div><div>Goodwill</div><div>Balance c/d</div><div>✓</div><div><div>6 000</div><div><u>4 000</u></div></div><div>✓</div><div>Balance b/d</div><div>10 000</div></div> <div><div><u>10 000</u></div><div><u>10</u></div></div> <div><div>000</div><div>Balance b/d</div><div>4 000</div><div>✓OF</div></div>	(4)

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Question Number	Answer	Mark
<b>1(d)</b>	<p>Valid answers may include:</p> <p>Benefits to recording</p> <ul style="list-style-type: none"> <li>Accurate value of the business to the partners</li> <li>Does not undervalue the business</li> <li>Required when purchasing/selling a business</li> </ul> <p>Against recording</p> <ul style="list-style-type: none"> <li>Goodwill is difficult to value/Money measurement</li> <li>Goodwill can change in value due to sudden events</li> <li>Accounting standards only recommend purchased goodwill be recorded</li> <li>Prudent not to do so</li> </ul> <p><b>No marks for just 'is an intangible asset' OR definition of goodwill</b></p> <p>✓✓ x two benefits and ✓✓ x two points against.</p>	<b>(8)</b>

Question Number	Answer	Mark
<b>2(a)</b>	<p><b>Profit for the year related to revenue or capital employed.</b> ✓✓</p> <p>Liquidity relates to the ability of the business to <b>meet its short term debts</b>. It is usually measured as a ratio of current assets to current liabilities. ✓✓</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>2(b)</b>	<p>(i) gross profit as a percentage of revenue</p> $\frac{\text{Gross profit} \times 100}{20\% (1) \text{ Revenue}} = \frac{£60\,000 \times 100}{£300\,000} (1) =$ <p>(ii) profit for the year as a percentage of revenue</p> $\frac{\text{Profit for the year} \times 100}{\text{Revenue}} = \frac{£15\,000 \times 100}{£300\,000} (1) =$ <p>(iii) inventory turnover</p> $\frac{\text{Cost of sales} (1)}{\text{Average inventory}} = \frac{£240\,000 (1)}{£75\,000 (1)} = 3.2 \text{ times}$ <p>(iv) return on capital employed</p> $\frac{\text{Profit for the year} \times 100}{\text{Capital employed}} = \frac{£15\,000 (1)}{£275\,000 + £100\,000 (1)} = 4\%$ <p>(v) current ratio</p> $\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{£90\,000 + £30\,000 + £150\,000 (1)}{£35\,000 + £10\,000 (1)} = 6:1 (1)$ <p>(vi) liquid (acid test) ratio</p> $\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} = \frac{£30\,000 + £150\,000 (1)}{£35\,000 + £10\,000 (1)} = 4:1 (1)$ <p>(vii) trade payables payment period</p> $\frac{\text{Trade payables} \times 365}{56.8 \text{ days} (1)} = \frac{£35\,000 \times 365}{(1)} =$	



	<p>Credit purchases £225 000 (1)</p> <p>(viii) trade receivables collection period.</p> <p><math>\frac{\text{Trade receivables} \times 365}{\text{days (1)}} = \frac{\text{£30 000} \times 365}{\text{£250 000 (1)}} = 43.8</math></p>	
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Question Number	Answer	Mark
<b>2(c)</b>	<p>Suggested changes may include:</p> <p>(i) inventory turnover</p> <ul style="list-style-type: none"> <li>The inventory turnover <b>trend is falling</b> ✓✓</li> <li>Revenue sales are falling</li> <li>Economic slowdown or competition making it more difficult to sell</li> <li>Reduction in quality of product deterring revenue sales</li> </ul> <p>(ii) return on capital employed</p> <ul style="list-style-type: none"> <li>Return on capital employed <b>trend is falling</b> ✓✓</li> <li>more is being expended on expenses lowering the net profit</li> <li>purchases are more expensive lowering the gross profit to revenue</li> <li>products are being sold with less profit margin to increase or maintain sales</li> </ul> <p>(iii) current ratio</p> <ul style="list-style-type: none"> <li>Current ratio trend is rising ✓✓</li> <li>Inventory level has risen</li> <li>The bank loan has increased the cash available</li> </ul> <p>✓✓ per valid point , <b>MAX ✓✓✓✓ per section</b></p>	<b>(12)</b>

Question Number	Answer	Mark
<b>2(d)</b>	<p>Views of potential investors</p> <ul style="list-style-type: none"> <li>Investors will look at profitability</li> <li>The trend of <b>profitability is falling</b></li> </ul> <p>Views of creditors</p> <ul style="list-style-type: none"> <li>Creditors will consider liquidity</li> <li>It <b>takes on average two months to be paid</b> when one month would be normal</li> <li>The business has a <b>high current ratio and idle funds</b></li> <li>The business has <b>ample cash to pay creditors</b> if required</li> </ul> <p>√√ per valid point x 3 (Maximum two valid points for potential investors or creditors)</p>	<b>(6)</b>

Question Number	Answer	Mark
<b>2(e)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>Used as a yardstick for comparison</li> <li>Accounting ratios give an objective mathematical calculation</li> <li>Comparison can take place with previous years and other businesses</li> <li>Aid the improvement of decision making</li> <li>Key question about the business can be answered e.g profitability, liquidity, efficient use of assets</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>The difficulty of comparing like with like, business to business</li> <li>The future prospects of the business cannot be taken into account</li> <li>Factors such as the quality of the workforce are not considered</li> </ul> <p>√√ x two benefits and √√ x two points against.</p>	<b>(8)</b>

Question Number	Answer	Mark
<b>3(a)(i)</b>	Historic cost relates to recording assets in the books at their cost and not their market value. ✓✓	<b>(2)</b>
Question Number	Answer	Mark
<b>3(a)(ii)</b>	<ul style="list-style-type: none"> <li>The non-current assets of equipment and leasehold are recorded at historic cost less depreciation</li> <li>Inventory</li> </ul> One example ✓✓	<b>(2)</b>

Question Number	Answer	Mark																														
<b>3(b)</b>	<p style="text-align: center;">Sidly Tennis Club Trial balance at 1 May 2011</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">Dr £</th> <th style="width: 20%; text-align: right;">Cr £</th> </tr> </thead> <tbody> <tr> <td>Equipment</td> <td style="text-align: right;">12 200</td> <td></td> </tr> <tr> <td>Equipment – provision for depreciation</td> <td></td> <td style="text-align: right;">2 400</td> </tr> <tr> <td>Inventory of balls</td> <td style="text-align: right;">750</td> <td></td> </tr> <tr> <td>Subscriptions in arrears</td> <td style="text-align: right;">500</td> <td></td> </tr> <tr> <td>Subscriptions in advance</td> <td></td> <td style="text-align: right;">1 400</td> </tr> <tr> <td>Accrued sundry expenses</td> <td></td> <td style="text-align: right;">1 150</td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;">900</td> </tr> <tr> <td>Accumulated fund</td> <td style="text-align: right;">_____</td> <td style="text-align: right;"><u>7 600</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>13 450</u></td> <td style="text-align: right;"><u>13</u></td> </tr> </tbody> </table> <p><u>450</u> ✓ for each correct entry MAX 5 points( ✓OF for Accumulated Fund if a Cr entry ✓✓Correct figure)</p>		Dr £	Cr £	Equipment	12 200		Equipment – provision for depreciation		2 400	Inventory of balls	750		Subscriptions in arrears	500		Subscriptions in advance		1 400	Accrued sundry expenses		1 150	Bank		900	Accumulated fund	_____	<u>7 600</u>		<u>13 450</u>	<u>13</u>	<b>(5)</b>
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Question Number	Answer	Mark		
3(c)	Journal			
		Dr	Cr	
		£	£	
	(i) Disposal	1 200		✓ For
	both			
	Equipment		1 200	
	Provision for depreciation – equipment	360		✓
	Narratives			
	Disposal		360	✓
	Figures			
	Bank	900		✓
	For both			
	Disposal		900	
Disposal	60			
✓OF For both				
Income & expenditure		60		
(ii) Wages	600		✓	
Suspense		600	✓	
(iii) Caterer	450		✓	
Suspense		450	✓	
			(9)	

Question Number	Answer	Mark																																
3(d)(i)	<div><div>Subscriptions account</div><table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>Balance b/d</td><td>500</td><td>✓ Balance b/d</td><td>1 400</td></tr><tr><td>Income &amp; expenditure</td><td>6 000</td><td>✓ Bank</td><td>4</td></tr><tr><td>700</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>Bad debts</td><td>200</td></tr><tr><td>Balance c/d</td><td>700</td><td>✓ Balance c/d</td><td>900</td></tr><tr><td></td><td><u>7 200</u></td><td></td><td><u>7 200</u></td></tr><tr><td>Balance b/d</td><td>900</td><td>Balance b/d</td><td>700</td></tr></table></div>		£		£	Balance b/d	500	✓ Balance b/d	1 400	Income & expenditure	6 000	✓ Bank	4	700						Bad debts	200	Balance c/d	700	✓ Balance c/d	900		<u>7 200</u>		<u>7 200</u>	Balance b/d	900	Balance b/d	700	(7)
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Question Number	Answer	Mark																																																																																																																																																																																
3(d)(ii)	<p>Income &amp; expenditure account for the year ended 30 April 2012</p> <table><tr><td></td><td>£</td><td>£</td><td>£</td></tr><tr><td colspan="4"><u>Income</u></td></tr><tr><td>Subscriptions</td><td></td><td></td><td>6 000</td></tr><tr><td>✓OF</td><td></td><td></td><td></td></tr><tr><td>Donations</td><td></td><td>4 800</td><td>✓</td></tr><tr><td>Profit on the sale of equipment</td><td></td><td><u>60</u></td><td></td></tr><tr><td>✓OF</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>10 860</td><td></td></tr><tr><td colspan="4"><u>Annual dinner</u></td></tr><tr><td>Sales of tickets</td><td>2 900</td><td></td><td></td></tr><tr><td>Less</td><td></td><td></td><td></td></tr><tr><td>Hire of hall</td><td>560</td><td></td><td>✓</td></tr><tr><td>Catering (1950 +600 -450)</td><td><u>2 100</u></td><td></td><td></td></tr><tr><td>✓✓</td><td></td><td></td><td></td></tr><tr><td>Profit on the annual dinner</td><td></td><td></td><td></td></tr><tr><td>240 ✓OF</td><td></td><td></td><td></td></tr><tr><td colspan="4"><u>Tennis balls</u></td></tr><tr><td>Sales</td><td>1 550</td><td></td><td></td></tr><tr><td>less</td><td></td><td></td><td></td></tr><tr><td>Opening inventory</td><td>750</td><td></td><td></td></tr><tr><td>Purchases</td><td><u>1 200</u></td><td></td><td></td></tr><tr><td></td><td>1950</td><td></td><td></td></tr><tr><td>Closing inventory</td><td><u>630</u></td><td></td><td></td></tr><tr><td></td><td>1 320</td><td></td><td></td></tr><tr><td>Profit on sale of tennis balls</td><td></td><td></td><td></td></tr><tr><td>230 ✓✓(✓OF)</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>11</td></tr><tr><td>330</td><td></td><td></td><td></td></tr><tr><td colspan="4"><u>Less Expenditure</u></td></tr><tr><td>Loan interest</td><td></td><td>1 500</td><td></td></tr><tr><td>✓</td><td></td><td></td><td></td></tr><tr><td>Bad debts</td><td></td><td>200</td><td>✓</td></tr><tr><td>Depreciation – equipment (1 830 +960 -180)</td><td></td><td>2 610</td><td></td></tr><tr><td>✓✓(✓OF)</td><td></td><td></td><td></td></tr><tr><td>-lease</td><td></td><td>2 000</td><td></td></tr><tr><td>✓✓</td><td></td><td></td><td></td></tr><tr><td>Wages 5 200 +600</td><td></td><td>5 800</td><td></td></tr><tr><td>✓✓</td><td></td><td></td><td></td></tr><tr><td>Sundry expenses (3 800 +2 650 – 1 150)</td><td></td><td><u>5 300</u></td><td></td></tr><tr><td>✓✓</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>(✓</td></tr><tr><td>each adjus't)</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td><u>(17 410)</u></td><td></td></tr><tr><td>Deficit</td><td></td><td><u>(6 080)</u></td><td></td></tr></table>		£	£	£	<u>Income</u>				Subscriptions			6 000	✓OF				Donations		4 800	✓	Profit on the sale of equipment		<u>60</u>		✓OF						10 860		<u>Annual dinner</u>				Sales of tickets	2 900			Less				Hire of hall	560		✓	Catering (1950 +600 -450)	<u>2 100</u>			✓✓				Profit on the annual dinner				240 ✓OF				<u>Tennis balls</u>				Sales	1 550			less				Opening inventory	750			Purchases	<u>1 200</u>				1950			Closing inventory	<u>630</u>				1 320			Profit on sale of tennis balls				230 ✓✓(✓OF)							11	330				<u>Less Expenditure</u>				Loan interest		1 500		✓				Bad debts		200	✓	Depreciation – equipment (1 830 +960 -180)		2 610		✓✓(✓OF)				-lease		2 000		✓✓				Wages 5 200 +600		5 800		✓✓				Sundry expenses (3 800 +2 650 – 1 150)		<u>5 300</u>		✓✓							(✓	each adjus't)						<u>(17 410)</u>		Deficit		<u>(6 080)</u>		(19)
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Question Number	Answer	Mark
<b>3(e)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>• The medium term future of the club has been secured by the leasehold</li> <li>• The records are professional with a full double entry system</li> <li>• The facilities of the club e.g the equipment are relatively new assisting the recruitment of new members</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• The club is making a significant loss overall</li> <li>• The club has a large overdraft which is increasing rapidly</li> <li>• The activities of the club are not yielding a surplus e.g annual dinner</li> <li>• Income includes a significant donation. This is probably a one off income</li> <li>• The club needs to raise its subscription or recruit new members to increase the income</li> <li>• Need to control expenses.</li> </ul> <p>√√ x two benefits and √√ x two points against.</p>	<b>(8)</b>

Question Number	Answer	Mark
<b>4(a)</b>	<ul style="list-style-type: none"> <li>• Division of labour – a number of people can work on the ledger at the same time</li> <li>• Segregation of duties</li> <li>• Ease of reference – similar accounts are placed together and can be referred to more easily</li> <li>• Balances from sections of the ledger e.g sales ledger, can be more easily obtained</li> <li>• Fraud prevented/ additional control</li> <li>• Specialisation</li> </ul> <p>√√ per valid point X 2</p>	<b>(4)</b>

Fair account				
	£		£	
1 March Balance b/d	1 500 ✓	9 March Goods/Sales		
returns 160 ✓				
6 March Goods/sales	960 ✓	10 March Bank		
1 470 ✓				
26 March Goods/sales	300 ✓	10 March Discount allowed		
30 ✓				
	_____	31 March Balance c/d	<u>1 100</u>	(8)
✓✓(✓OF)				
	<u>2 760</u>		<u>2</u>	
<u>760</u>				
1 April Balance b/d	1 100			
(ii)				
Shirin account				(2)
	£		£	
1 March Balance b/d	500 ✓	13 March Bank/Cash	200	
✓				
	_____	13 March Bad debts	<u>300</u> ✓	
	<u>500</u>		<u>500</u>	
(iii)				
Sales ledger control account				
	£		£	
1 March Balance b/d	5 700 ✓✓	31 March Sales returns		(14)
160 ✓✓				
31 March Sales	1 890 ✓✓	31 March Bank		
1470+1940+200	3 610 ✓✓			
		31 March Discount allowed		
90 ✓✓				
		31 March Bad debts		
300 ✓✓				
		31 March Balance c/d	3	
430 ✓✓				
(✓OF if Cr)				
	<u>7 590</u>		<u>7 590</u>	
1 April Balance b/d	3 430			
✓OF for each entry if on correct side with narrative				



Question Number	Answer	Mark
<b>4(c)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>• The ledger can be sub divided for checking arithmetical accuracy</li> <li>• Checking device</li> <li>• Identifies errors</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Those errors which do not affect the balancing of the trial balance are not revealed by control accounts</li> </ul> <p>✓✓ for one benefit and ✓✓ for one point against.</p> <p>NO Marks for 'corrects errors'</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>5(a)</b>	<p>The term prime cost refers to the materials, direct labour and direct expenses. ✓✓</p> <p>These items are generally the direct/variable costs of production. ✓✓</p>	<b>(4)</b>

Question Number	Answer	Mark
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	14 850 ✓ 30 April 2012 <u>000</u> (15 300) ✓  (450) <b>COST OF MANUFACTURE</b> ✓ <u>050</u> <u>99 750</u> ✓✓  (✓OF)	(5 300)  <u>2 000</u>  <u>49 700</u>	(10  (2 450)  <u>50</u>	
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Question Number	Answer	Mark
<b>5(c)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>• FIFO more widely accepted (e.g by Revenue)</li> <li>• Maintains inventory value nearer to market/replacement value</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Inventory issued to production at below replacement value.</li> </ul> <p>✓✓ for one benefit and ✓✓ for one point against.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>6(a)(i)</b>	The accrual or matching concept differentiates between what has been paid and what has been used in the accounting period. ✓✓	<b>(2)</b>

Question Number	Answer	Mark
<b>6(a)(ii)</b>	The cash book will record the actual payment £1 500 ✓✓. The trial balance will record the balance on the account of two months rent £1 000 ✓✓. The statement of comprehensive income will show the amount used in March only £500.(£6 000 per annum) ✓✓	<b>(6)</b>

Question Number	Answer	Mark																																																																																																																														
6(b)	<div><div>Trial balance at 31 March 2012</div><table><thead><tr><th></th><th>£ Dr</th><th>£ Cr</th></tr></thead><tbody><tr><td>Capital</td><td></td><td></td></tr><tr><td>60 000Cr +8 000</td><td></td><td></td></tr><tr><td>68 000</td><td>✓</td><td></td></tr><tr><td>Non-current assets</td><td></td><td></td></tr><tr><td>45 000Dr +8 000</td><td></td><td>53 000</td></tr><tr><td>✓</td><td></td><td></td></tr><tr><td>Provision for depreciation</td><td></td><td></td></tr><tr><td>on non-current assets</td><td></td><td></td></tr><tr><td>24 000Cr</td><td></td><td></td></tr><tr><td>24 000</td><td>✓</td><td></td></tr><tr><td>Inventory</td><td></td><td></td></tr><tr><td>28 000Dr</td><td></td><td>28 000</td></tr><tr><td>✓</td><td></td><td></td></tr><tr><td>Trade payables</td><td></td><td></td></tr><tr><td>20 000Cr+76 000 -65 000+1 200</td><td></td><td></td></tr><tr><td>32 200</td><td>✓✓✓</td><td></td></tr><tr><td>Trade receivables</td><td></td><td></td></tr><tr><td>23 000Dr+76 000-70 000</td><td></td><td>29 000</td></tr><tr><td>✓✓</td><td></td><td></td></tr><tr><td>Cash/Bank</td><td></td><td></td></tr><tr><td>8 500Dr+19 000+68 600 -62 400-1 500 -3 500</td><td></td><td>28 700</td></tr><tr><td>✓✓✓✓✓</td><td></td><td></td></tr><tr><td>Rent accrued</td><td></td><td></td></tr><tr><td>500Cr +1 500</td><td></td><td>1 000</td></tr><tr><td>✓</td><td></td><td></td></tr><tr><td>Sales</td><td></td><td></td></tr><tr><td>+95 000</td><td></td><td>95 000</td></tr><tr><td>✓</td><td></td><td></td></tr><tr><td>Purchases</td><td></td><td></td></tr><tr><td>+76 000</td><td>76 000</td><td>✓</td></tr><tr><td>Discount allowed</td><td></td><td></td></tr><tr><td>+1 400</td><td>1 400</td><td></td></tr><tr><td>✓</td><td></td><td></td></tr><tr><td>Discount received</td><td></td><td></td></tr><tr><td>+ 2 600</td><td></td><td></td></tr><tr><td>2 600</td><td>✓</td><td></td></tr><tr><td>Sundry expenses</td><td></td><td></td></tr><tr><td>+4 700</td><td>4 700</td><td></td></tr><tr><td>_____✓</td><td></td><td></td></tr><tr><td></td><td><u>211 800</u></td><td></td></tr><tr><td></td><td><u>211 800</u></td><td></td></tr></tbody></table></div>		£ Dr	£ Cr	Capital			60 000Cr +8 000			68 000	✓		Non-current assets			45 000Dr +8 000		53 000	✓			Provision for depreciation			on non-current assets			24 000Cr			24 000	✓		Inventory			28 000Dr		28 000	✓			Trade payables			20 000Cr+76 000 -65 000+1 200			32 200	✓✓✓		Trade receivables			23 000Dr+76 000-70 000		29 000	✓✓			Cash/Bank			8 500Dr+19 000+68 600 -62 400-1 500 -3 500		28 700	✓✓✓✓✓			Rent accrued			500Cr +1 500		1 000	✓			Sales			+95 000		95 000	✓			Purchases			+76 000	76 000	✓	Discount allowed			+1 400	1 400		✓			Discount received			+ 2 600			2 600	✓		Sundry expenses			+4 700	4 700		_____✓				<u>211 800</u>			<u>211 800</u>		(20)
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Question Number	Answer	Mark
<b>6(c)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>• The trial balance balancing is prima facie evidence of correctness</li> <li>• Seema can then start to prepare the financial statements.</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Some errors will not be revealed by the trial balance balancing e.g commission</li> <li>• If there is a debit and a credit of equal value errors will not be revealed.</li> </ul> <p>✓✓ for one benefit and ✓✓ for one point against.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>7(a)(i)</b>	The concept of going concern assumes that the business has an indefinite life/foreseeable future. ✓✓	<b>(2)</b>

Question Number	Answer	Mark
<b>7(a)(ii)</b>	The cost of purchasing a non-current asset will fall in a single year, but the depreciation placed into the statement of comprehensive income will relate only to the amount estimated to have been used in that period. ✓✓	<b>(2)</b>

Question Number	Answer						Mark
7(b)	Vehicle						(8)
	A	B	C	D	Total		
	£		£	£	£		
	£						
	2009	1 200 ✓					
	1 200						
	2010	1 200 ✓	1 200 ✓		1 000 ✓		
		3 400					
	2011	1 200 ✓	800 ✓	2 000 ✓			
	<u>900 ✓</u>	4 900					
Total	3 600	2 000	3 000	900			

Question Number	Answer	Mark																																																																																																																				
7(c)	<div><div>Vehicle account</div><table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>1/1/2011 Balance b/d</td><td>24 000</td><td>✓</td><td>30/9/2011 Disposal /</td></tr><tr><td>8 000 ✓</td><td></td><td></td><td></td></tr><tr><td colspan="4">Sale of</td></tr><tr><td colspan="4">vehicle</td></tr><tr><td>1/7/2011 Bank/creditor/</td><td><u>9 000</u></td><td>✓</td><td>31/12/2011 Balance</td></tr><tr><td>c/d <u>25 000</u></td><td></td><td></td><td></td></tr><tr><td>Cash/Purchase/Veh D</td><td><u>33 000</u></td><td></td><td></td></tr><tr><td><u>33 000</u></td><td></td><td></td><td></td></tr><tr><td>1/1/2012 Balance b/d</td><td>25 000</td><td>✓</td><td></td></tr></table><div>Vehicle – provision for depreciation account</div><table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>1/7/2011 Disposal /</td><td>2 000</td><td>✓</td><td>1/1/2011 Balance b/d</td></tr><tr><td>600 ✓OF</td><td></td><td></td><td>4</td></tr><tr><td colspan="4">Sale of vehicle</td></tr><tr><td>31/12/2011 Balance c/d</td><td><u>7 500</u></td><td>31/12/2011 Income state't</td><td><u>4 900</u></td></tr><tr><td>✓OF</td><td></td><td></td><td></td></tr><tr><td></td><td><u>9 500</u></td><td></td><td><u>9</u></td></tr><tr><td><u>500</u></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>1/1/2012 Balance b/d</td><td>7 500</td></tr><tr><td>✓OF</td><td></td><td></td><td></td></tr></table><div>Disposal account</div><table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>30/9/2011 Vehicle a/c</td><td>8 000</td><td>1/7/2011 Depreciation</td><td></td></tr><tr><td>2 000</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>31/12/2011 Exchange</td><td>5</td></tr><tr><td>400 ✓</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>31/12/2011 Income state't</td><td></td></tr><tr><td><u>600</u> ✓OF</td><td></td><td></td><td></td></tr><tr><td></td><td><u>8 000</u></td><td>/Loss on sale</td><td></td></tr><tr><td><u>8 000</u></td><td></td><td></td><td></td></tr></table></div> <div>(10)</div>		£		£	1/1/2011 Balance b/d	24 000	✓	30/9/2011 Disposal /	8 000 ✓				Sale of				vehicle				1/7/2011 Bank/creditor/	<u>9 000</u>	✓	31/12/2011 Balance	c/d <u>25 000</u>				Cash/Purchase/Veh D	<u>33 000</u>			<u>33 000</u>				1/1/2012 Balance b/d	25 000	✓			£		£	1/7/2011 Disposal /	2 000	✓	1/1/2011 Balance b/d	600 ✓OF			4	Sale of vehicle				31/12/2011 Balance c/d	<u>7 500</u>	31/12/2011 Income state't	<u>4 900</u>	✓OF					<u>9 500</u>		<u>9</u>	<u>500</u>						1/1/2012 Balance b/d	7 500	✓OF					£		£	30/9/2011 Vehicle a/c	8 000	1/7/2011 Depreciation		2 000						31/12/2011 Exchange	5	400 ✓						31/12/2011 Income state't		<u>600</u> ✓OF					<u>8 000</u>	/Loss on sale		<u>8 000</u>				
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Question Number	Answer	Mark
<b>7(d)(i)</b>	<p>Capital expenditure is the <b>purchase of non-current assets</b> or the enhancement of non-current assets.✓</p> <p>Revenue expenditure is the day to day operating expenditure of the business.✓</p>	<b>(2)</b>

Question Number	Answer	Mark
<b>7(d)(ii)</b>	<p>The vehicle tax is a day to day expenditure which will not add to the value of the non-current asset. Therefore it is <b>revenue expenditure</b> ✓✓.</p> <p>A new engine will enhance the value of the non-current asset and therefore will be <b>capital expenditure</b> ✓✓.</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>7(e)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>• Equal amounts charged in each year of ownership for benefit received</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Vehicles will depreciate more in the early years of ownership</li> <li>• Total cost of ownership when maintenance is added will rise.</li> </ul> <p>✓✓ for one benefit and ✓✓ for one point against.</p>	<b>(4)</b>



ASSESSMENT GRID						
	Total	Spec AO1	AO2	AO3	AO4	
Q1						
(a)	3	10	12	8		30
(b)	3	4				4
(c)	3	4	4	2		10
(d)	3				8	8
Q2						
(a)	5	4				4
(b)	5	6	8	8		22
(c)	5	4	4	4		12
(d)	5			6		6
(e)	5				8	8
Q3						
(a)	3	4				4
(b)	3	2	3			5
(c)	3	3	3	3		9
(d)	3	8	10	8		26
(e)	3				8	8
Q4						
(a)	1	4				4
(b)	1/2	8	12	4		24
(c)	2				4	4
Q5						
(a)	3/4	4				4
(b)	3/4	8	12	4		24
(c)	3/4				4	4
Q6						
(a)	1	4	4			8
(b)	2	6	10	4		20
(c)	2				4	4
Q7						
(a)	1	4				4
(b)	1	2	6			8
(c)	1	2	4	4		10
(d)	1	2	4			6 E
(e)	1				4	4 E
Actual %		33	34	19	14	100
Specification %		32	34	20	14	100

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Welsh Assembly Government

