

Mark Scheme (Results)

June 2011

GCE Accounting
(6001) Paper 01

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information, please call our GCE line on 0844 576 0025, our GCSE team on 0844 576 0027, or visit our website at www.edexcel.com.

If you have any subject specific questions about the content of this Mark Scheme 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/>

Alternatively, you can contact our Business/Economics Advisor directly by sending an email to Business specialist on
BusinessSubjectAdvisor@EdexcelExperts.co.uk.

You can also telephone 0844 372 2187 to speak to a member of our subject advisor team.

June 2011

Publications Code UA027256

All the material in this publication is copyright

© Edexcel Ltd 2011

Question Number	Answer	Mark																																																																		
1(a)(i)	<p style="text-align: center;">Statement of comprehensive income (Trading and profit and loss account) for the year ended 30 April 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;">85 524 ✓</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory (Stock)</td> <td style="text-align: right;">3 810</td> <td></td> </tr> <tr> <td>Ordinary goods purchased (Purchases)</td> <td style="text-align: right;"><u>33 290</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">(32 890 + 400)</td> <td style="text-align: right;">37 100</td> <td></td> </tr> <tr> <td>Less Closing inventory (Stock)</td> <td style="text-align: right;"><u>4 630</u></td> <td></td> </tr> <tr> <td>Cost of sales (Cost of goods sold)</td> <td></td> <td style="text-align: right;"><u>32 470</u> ✓</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">53 054</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Motor vehicle running</td> <td style="text-align: right;">4 250</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">6 910</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Repairs to fixtures and fittings</td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Telephone and broadband</td> <td style="text-align: right;">1 450</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Wages (23 860 - 1 600)</td> <td style="text-align: right;">22 260</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Loan interest (1 750 + 650)</td> <td style="text-align: right;">2 400</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Depreciation - Property</td> <td style="text-align: right;">800</td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">- Motor vehicle</td> <td style="text-align: right;">1 400</td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">- Fixtures and fittings</td> <td style="text-align: right;">1 800</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bad debt</td> <td style="text-align: right;">600</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Increase in PDD</td> <td style="text-align: right;"><u>90</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Profit for the year (Net profit)</td> <td></td> <td style="text-align: right;"> <u>43 960</u> <u>9 094</u> ✓ OF <u>53 054</u> </td> </tr> </tbody> </table>		£	£	Revenue (sales)		85 524 ✓	Less			Opening inventory (Stock)	3 810		Ordinary goods purchased (Purchases)	<u>33 290</u>	✓	(32 890 + 400)	37 100		Less Closing inventory (Stock)	<u>4 630</u>		Cost of sales (Cost of goods sold)		<u>32 470</u> ✓	Gross profit		53 054	Less			Motor vehicle running	4 250	✓	General expenses	6 910	✓	Repairs to fixtures and fittings	2 000	✓	Telephone and broadband	1 450	✓	Wages (23 860 - 1 600)	22 260	✓	Loan interest (1 750 + 650)	2 400	✓	Depreciation - Property	800	✓	- Motor vehicle	1 400	✓	- Fixtures and fittings	1 800	✓	Bad debt	600	✓	Increase in PDD	<u>90</u>	✓	Profit for the year (Net profit)		<u>43 960</u> <u>9 094</u> ✓ OF <u>53 054</u>	(15)
	£	£																																																																		
Revenue (sales)		85 524 ✓																																																																		
Less																																																																				
Opening inventory (Stock)	3 810																																																																			
Ordinary goods purchased (Purchases)	<u>33 290</u>	✓																																																																		
(32 890 + 400)	37 100																																																																			
Less Closing inventory (Stock)	<u>4 630</u>																																																																			
Cost of sales (Cost of goods sold)		<u>32 470</u> ✓																																																																		
Gross profit		53 054																																																																		
Less																																																																				
Motor vehicle running	4 250	✓																																																																		
General expenses	6 910	✓																																																																		
Repairs to fixtures and fittings	2 000	✓																																																																		
Telephone and broadband	1 450	✓																																																																		
Wages (23 860 - 1 600)	22 260	✓																																																																		
Loan interest (1 750 + 650)	2 400	✓																																																																		
Depreciation - Property	800	✓																																																																		
- Motor vehicle	1 400	✓																																																																		
- Fixtures and fittings	1 800	✓																																																																		
Bad debt	600	✓																																																																		
Increase in PDD	<u>90</u>	✓																																																																		
Profit for the year (Net profit)		<u>43 960</u> <u>9 094</u> ✓ OF <u>53 054</u>																																																																		

Question Number	Answer	Mark																																																																																																																																																						
1(a)(ii)	<p style="text-align: center;">Statement of financial position (Balance sheet) at 30 April 2011</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">Cost £</th> <th style="text-align: center;">Accumulated Depreciation £</th> <th style="text-align: center;">NBV £</th> <th></th> </tr> </thead> <tbody> <tr> <td colspan="5">Non-current assets</td> </tr> <tr> <td>Property</td> <td style="text-align: right;">40 000</td> <td style="text-align: right;">7 200</td> <td style="text-align: right;">32 800</td> <td style="text-align: right;">✓OF</td> </tr> <tr> <td>Motor vehicle</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">9 400</td> <td style="text-align: right;">5 600</td> <td style="text-align: right;">✓OF</td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;">12 000 ✓</td> <td style="text-align: right;">5 400</td> <td style="text-align: right;">6 600</td> <td style="text-align: right;">✓OF</td> </tr> <tr> <td>Other intangible assets (Goodwill)</td> <td></td> <td></td> <td style="text-align: right;">25 000 ✓</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>67 000</u></td> <td style="text-align: right;"><u>22 000</u></td> <td style="text-align: right;">70 000</td> <td></td> </tr> <tr> <td colspan="5">Current assets</td> </tr> <tr> <td>Inventory (stock)</td> <td></td> <td style="text-align: right;">4 630</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Trade receivables (Debtors) (7 850 - 600)</td> <td style="text-align: right;">7 250 ✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Less PDD</td> <td style="text-align: right;"><u>290 ✓</u></td> <td style="text-align: right;">6 960</td> <td></td> <td></td> </tr> <tr> <td>Other receivables (Prepaid)</td> <td></td> <td style="text-align: right;">1 600</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Cash</td> <td></td> <td style="text-align: right;">5 750</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>18 940</u></td> <td></td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td style="text-align: right;"><u><u>88 940</u></u></td> <td></td> <td></td> </tr> <tr> <td colspan="5">Less</td> </tr> <tr> <td colspan="5">Creditors: amounts due within one year</td> </tr> <tr> <td>Trade payables (Creditors) (6 900 ✓ + 400 ✓)</td> <td></td> <td></td> <td style="text-align: right;">7 300</td> <td></td> </tr> <tr> <td>Other payables (Accruals)</td> <td></td> <td></td> <td style="text-align: right;"><u>650</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">7 950</td> <td></td> </tr> <tr> <td colspan="5">Less</td> </tr> <tr> <td colspan="5">Creditors: amounts falling due after more than one year</td> </tr> <tr> <td>8% Bank loan</td> <td></td> <td></td> <td style="text-align: right;"><u>30 000</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Total liabilities</td> <td></td> <td></td> <td style="text-align: right;"><u><u>37 950</u></u></td> <td></td> </tr> <tr> <td colspan="5">Capital</td> </tr> <tr> <td>Balance 1 May 2010</td> <td></td> <td></td> <td style="text-align: right;">50 600</td> <td></td> </tr> <tr> <td>Profit for the year (Net profit)</td> <td></td> <td></td> <td style="text-align: right;"><u>9 094</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">59 694</td> <td></td> </tr> <tr> <td>Less Drawings</td> <td></td> <td></td> <td style="text-align: right;"><u>8 704</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u><u>50 990</u></u></td> <td style="text-align: right;">✓OF</td> </tr> </tbody> </table>		Cost £	Accumulated Depreciation £	NBV £		Non-current assets					Property	40 000	7 200	32 800	✓OF	Motor vehicle	15 000	9 400	5 600	✓OF	Fixtures and fittings	12 000 ✓	5 400	6 600	✓OF	Other intangible assets (Goodwill)			25 000 ✓			<u>67 000</u>	<u>22 000</u>	70 000		Current assets					Inventory (stock)		4 630		✓	Trade receivables (Debtors) (7 850 - 600)	7 250 ✓				Less PDD	<u>290 ✓</u>	6 960			Other receivables (Prepaid)		1 600		✓	Cash		5 750		✓			<u>18 940</u>			Total assets		<u><u>88 940</u></u>			Less					Creditors: amounts due within one year					Trade payables (Creditors) (6 900 ✓ + 400 ✓)			7 300		Other payables (Accruals)			<u>650</u>	✓				7 950		Less					Creditors: amounts falling due after more than one year					8% Bank loan			<u>30 000</u>	✓	Total liabilities			<u><u>37 950</u></u>		Capital					Balance 1 May 2010			50 600		Profit for the year (Net profit)			<u>9 094</u>					59 694		Less Drawings			<u>8 704</u>					<u><u>50 990</u></u>	✓OF	(15)
	Cost £	Accumulated Depreciation £	NBV £																																																																																																																																																					
Non-current assets																																																																																																																																																								
Property	40 000	7 200	32 800	✓OF																																																																																																																																																				
Motor vehicle	15 000	9 400	5 600	✓OF																																																																																																																																																				
Fixtures and fittings	12 000 ✓	5 400	6 600	✓OF																																																																																																																																																				
Other intangible assets (Goodwill)			25 000 ✓																																																																																																																																																					
	<u>67 000</u>	<u>22 000</u>	70 000																																																																																																																																																					
Current assets																																																																																																																																																								
Inventory (stock)		4 630		✓																																																																																																																																																				
Trade receivables (Debtors) (7 850 - 600)	7 250 ✓																																																																																																																																																							
Less PDD	<u>290 ✓</u>	6 960																																																																																																																																																						
Other receivables (Prepaid)		1 600		✓																																																																																																																																																				
Cash		5 750		✓																																																																																																																																																				
		<u>18 940</u>																																																																																																																																																						
Total assets		<u><u>88 940</u></u>																																																																																																																																																						
Less																																																																																																																																																								
Creditors: amounts due within one year																																																																																																																																																								
Trade payables (Creditors) (6 900 ✓ + 400 ✓)			7 300																																																																																																																																																					
Other payables (Accruals)			<u>650</u>	✓																																																																																																																																																				
			7 950																																																																																																																																																					
Less																																																																																																																																																								
Creditors: amounts falling due after more than one year																																																																																																																																																								
8% Bank loan			<u>30 000</u>	✓																																																																																																																																																				
Total liabilities			<u><u>37 950</u></u>																																																																																																																																																					
Capital																																																																																																																																																								
Balance 1 May 2010			50 600																																																																																																																																																					
Profit for the year (Net profit)			<u>9 094</u>																																																																																																																																																					
			59 694																																																																																																																																																					
Less Drawings			<u>8 704</u>																																																																																																																																																					
			<u><u>50 990</u></u>	✓OF																																																																																																																																																				

Question Number	Answer	Mark
1(b)(i)	Error of principle ✓	(1)

Question Number	Answer	Mark
1(b)(ii)	Valid answers may include: <ul style="list-style-type: none"> • Repairs are classed as day to day expenses OR • Repairs are revenue expenses ✓✓ • Fixtures and fittings contain capital expenditure only OR • Fixtures and fittings will last for many years ✓✓ 	(4)

Question Number	Answer	Mark																				
1(b)(iii)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: center;">Dr</th> <th style="width: 15%; text-align: center;">Cr</th> <th style="width: 10%;"></th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">General expenses and repairs</td> <td style="text-align: center;">2 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">Fixtures and fittings</td> <td></td> <td style="text-align: center;">2 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Correction of error/Repairs charged to fixtures and fittings account</td> <td></td> <td></td> <td style="text-align: right;">✓</td> </tr> </tbody> </table>		Dr	Cr			£	£		General expenses and repairs	2 000		✓	Fixtures and fittings		2 000	✓	Correction of error/Repairs charged to fixtures and fittings account			✓	(3)
	Dr	Cr																				
	£	£																				
General expenses and repairs	2 000		✓																			
Fixtures and fittings		2 000	✓																			
Correction of error/Repairs charged to fixtures and fittings account			✓																			

Question Number	Answer	Mark									
1(c)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">Straight line</th> <th style="width: 35%; text-align: center;">Diminishing balance</th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Calculation</td> <td style="padding-left: 20px;">Based upon cost less residual value ✓✓</td> <td style="padding-left: 20px;">Based upon % of outstanding book value ✓✓</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="padding-left: 20px;">Allows an even amount of depreciation in each year ✓</td> <td style="padding-left: 20px;">Allows more depreciation in the early years ✓</td> </tr> </tbody> </table>		Straight line	Diminishing balance	Calculation	Based upon cost less residual value ✓✓	Based upon % of outstanding book value ✓✓	Depreciation	Allows an even amount of depreciation in each year ✓	Allows more depreciation in the early years ✓	(6)
	Straight line	Diminishing balance									
Calculation	Based upon cost less residual value ✓✓	Based upon % of outstanding book value ✓✓									
Depreciation	Allows an even amount of depreciation in each year ✓	Allows more depreciation in the early years ✓									

Question Number	Answer	Mark
1(d)	Valid answers may include: <p>In favour</p> <ul style="list-style-type: none"> • Motor vehicles lose more in value in the early years of ownership • Statement of financial position (balance sheet) valuation will be more accurate • When depreciation costs are added to repair costs the total cost of owning the asset are fairly even <p>Against</p> <ul style="list-style-type: none"> • Benefit to the business will be the same over the early and later years • After initial loss, motor vehicle loss in value is constant although depreciation charge will be variable <p>✓✓ per point x 2 in favour plus ✓✓ per point x 2 against.</p>	(8)

Question Number	Answer	Mark																																																																																				
2(a)	<p>Sales Ledger Control Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">19 900 ✓</td> <td>Bank</td> <td style="text-align: right;">425 000 ✓</td> </tr> <tr> <td>Refunds to customers</td> <td style="text-align: right;">8 350 ✓</td> <td></td> <td></td> </tr> <tr> <td>Dishonoured cheques</td> <td style="text-align: right;">1 600 ✓</td> <td></td> <td></td> </tr> <tr> <td>Revenue (sales)</td> <td style="text-align: right;"><u>420 000 ✓✓</u></td> <td>Balance c/d</td> <td style="text-align: right;"><u>24 850</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>449 850</u></td> <td></td> <td style="text-align: right;"><u>449 850</u></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">24 850 ✓</td> <td></td> <td></td> </tr> </table>		£		£	Balance b/d	19 900 ✓	Bank	425 000 ✓	Refunds to customers	8 350 ✓			Dishonoured cheques	1 600 ✓			Revenue (sales)	<u>420 000 ✓✓</u>	Balance c/d	<u>24 850</u>		<u>449 850</u>		<u>449 850</u>	Balance b/d	24 850 ✓			(7)																																																								
	£		£																																																																																			
Balance b/d	19 900 ✓	Bank	425 000 ✓																																																																																			
Refunds to customers	8 350 ✓																																																																																					
Dishonoured cheques	1 600 ✓																																																																																					
Revenue (sales)	<u>420 000 ✓✓</u>	Balance c/d	<u>24 850</u>																																																																																			
	<u>449 850</u>		<u>449 850</u>																																																																																			
Balance b/d	24 850 ✓																																																																																					
2 (b)	<p>Commission Receivable Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">4 800 ✓</td> <td>Bank</td> <td style="text-align: right;">43 500 ✓</td> </tr> <tr> <td>Income statement (P/L) ✓</td> <td style="text-align: right;"><u>42 000 ✓✓OF</u></td> <td>Balance c/d</td> <td style="text-align: right;"><u>3 300</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>46 800</u></td> <td></td> <td style="text-align: right;"><u>46 800</u></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">3 300 ✓OF</td> <td></td> <td></td> </tr> </table> <p style="text-align: center;">Rent Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">1 250 ✓</td> <td>Income statement (P/L) ✓</td> <td style="text-align: right;">5 000 ✓✓</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;"><u>3 750 ✓</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>5 000</u></td> <td></td> <td style="text-align: right;"><u>5 000</u></td> </tr> </table> <p style="text-align: center;">Wages Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">400 ✓</td> <td>Income statement (P/L) ✓</td> <td style="text-align: right;">18 550 ✓✓</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">17 800 ✓</td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>350 ✓</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>18 550</u></td> <td></td> <td style="text-align: right;"><u>18 550</u></td> </tr> <tr> <td></td> <td></td> <td>Balance b/d</td> <td style="text-align: right;">350</td> </tr> </table> <p style="text-align: center;">Marketing Expenses Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">11 250 ✓</td> <td>Balance b/d</td> <td style="text-align: right;">750 ✓</td> </tr> <tr> <td></td> <td></td> <td>Income statement (P/L) ✓</td> <td style="text-align: right;">8 350 ✓✓</td> </tr> <tr> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>2 150 ✓</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>11 250</u></td> <td></td> <td style="text-align: right;"><u>11 250</u></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">2 150</td> <td></td> <td></td> </tr> </table>		£		£	Balance b/d	4 800 ✓	Bank	43 500 ✓	Income statement (P/L) ✓	<u>42 000 ✓✓OF</u>	Balance c/d	<u>3 300</u>		<u>46 800</u>		<u>46 800</u>	Balance b/d	3 300 ✓OF				£		£	Balance b/d	1 250 ✓	Income statement (P/L) ✓	5 000 ✓✓	Bank	<u>3 750 ✓</u>				<u>5 000</u>		<u>5 000</u>		£		£	Balance b/d	400 ✓	Income statement (P/L) ✓	18 550 ✓✓	Bank	17 800 ✓			Balance c/d	<u>350 ✓</u>				<u>18 550</u>		<u>18 550</u>			Balance b/d	350		£		£	Bank	11 250 ✓	Balance b/d	750 ✓			Income statement (P/L) ✓	8 350 ✓✓			Balance c/d	<u>2 150 ✓</u>		<u>11 250</u>		<u>11 250</u>	Balance b/d	2 150			(23)
	£		£																																																																																			
Balance b/d	4 800 ✓	Bank	43 500 ✓																																																																																			
Income statement (P/L) ✓	<u>42 000 ✓✓OF</u>	Balance c/d	<u>3 300</u>																																																																																			
	<u>46 800</u>		<u>46 800</u>																																																																																			
Balance b/d	3 300 ✓OF																																																																																					
	£		£																																																																																			
Balance b/d	1 250 ✓	Income statement (P/L) ✓	5 000 ✓✓																																																																																			
Bank	<u>3 750 ✓</u>																																																																																					
	<u>5 000</u>		<u>5 000</u>																																																																																			
	£		£																																																																																			
Balance b/d	400 ✓	Income statement (P/L) ✓	18 550 ✓✓																																																																																			
Bank	17 800 ✓																																																																																					
Balance c/d	<u>350 ✓</u>																																																																																					
	<u>18 550</u>		<u>18 550</u>																																																																																			
		Balance b/d	350																																																																																			
	£		£																																																																																			
Bank	11 250 ✓	Balance b/d	750 ✓																																																																																			
		Income statement (P/L) ✓	8 350 ✓✓																																																																																			
		Balance c/d	<u>2 150 ✓</u>																																																																																			
	<u>11 250</u>		<u>11 250</u>																																																																																			
Balance b/d	2 150																																																																																					
2 (c)	<p>Statement of comprehensive income (profit and loss account) for the year ended 31 March 2011</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> <td style="width: 50%;"></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Revenue (sales) 420 000 x 10%</td> <td></td> <td></td> <td style="text-align: right;">42 000 ✓✓OF</td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">5 000 ✓OF</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">18 550 ✓OF</td> <td></td> <td></td> </tr> <tr> <td>Marketing</td> <td style="text-align: right;">8 350 ✓OF</td> <td></td> <td></td> </tr> <tr> <td>Sundry expenses</td> <td style="text-align: right;">3 600 ✓</td> <td></td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;"><u>4 600 ✓</u></td> <td></td> <td style="text-align: right;"><u>40 100</u></td> </tr> <tr> <td>Profit for the year (net profit)</td> <td></td> <td></td> <td style="text-align: right;"><u>1 900 ✓OF</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>42 000</u></td> </tr> </table>		£		£	Revenue (sales) 420 000 x 10%			42 000 ✓✓OF	Less				Rent	5 000 ✓OF			Wages	18 550 ✓OF			Marketing	8 350 ✓OF			Sundry expenses	3 600 ✓			Depreciation	<u>4 600 ✓</u>		<u>40 100</u>	Profit for the year (net profit)			<u>1 900 ✓OF</u>				<u>42 000</u>	(8)																																												
	£		£																																																																																			
Revenue (sales) 420 000 x 10%			42 000 ✓✓OF																																																																																			
Less																																																																																						
Rent	5 000 ✓OF																																																																																					
Wages	18 550 ✓OF																																																																																					
Marketing	8 350 ✓OF																																																																																					
Sundry expenses	3 600 ✓																																																																																					
Depreciation	<u>4 600 ✓</u>		<u>40 100</u>																																																																																			
Profit for the year (net profit)			<u>1 900 ✓OF</u>																																																																																			
			<u>42 000</u>																																																																																			

Question Number	Answer	Mark
2(d)	<p>Accounting concepts - In the search for objectivity, the rules which lay down the way in which the financial information of the business is recorded. //</p> <p>Accruals concept - Calculates profit for the year on the basis of the difference between revenues and expenses for the year rather than the difference between cash receipts and expenditures. //</p> <p>Going concern concept- Unless the opposite is known accounting always assumes that the business will continue to operate for an indefinite period. Therefore, it is not necessary to show what assets would fetch. //</p>	(6)

Question Number	Answer	Mark
2(e)	<p>Valid answers may include:</p> <p>In favour</p> <ul style="list-style-type: none"> • Profit figures can be relied upon/asset values are accurate • Comparison between accounts is possible • Users can trust the accounts prepared/make decisions based on the accounts <p>Against</p> <ul style="list-style-type: none"> • Use of concepts often open to a wide interpretation • Different interpretation in different businesses e.g. materiality • Concepts can contradict each other <p>// per point x 2 in favour plus // per point x 2 against</p>	(8)

Question Number	Answer	Mark
3(a)	<p>Profit is the difference between revenue and expenses for a period <i>///</i></p> <p>Profitability compares the profit for the period with resources used to generate that profit e.g. capital employed to obtain a percentage return on capital employed/e.g. percentage mark-up on sales <i>///</i></p>	(4)

Question Number	Answer	Mark																								
3(b) (i - v)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: center;">Hilltec £000</th> <th style="width: 20%; text-align: center;">Microtech £000</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>(i) Gross profit to revenue (sales) percentage</td> <td style="text-align: center;">$\frac{320 \times 100}{800} = 40\% \text{ ///}$</td> <td style="text-align: center;">$\frac{400 \times 100}{800} = 50\% \text{ ///}$</td> <td style="text-align: right;">(6)</td> </tr> <tr> <td>(ii) Profit for the year (Net profit) to revenue (sales) percentage</td> <td style="text-align: center;">$\frac{50 \times 100}{800} = 6.25\% \text{ ///}$</td> <td style="text-align: center;">$\frac{20 \times 100}{800} = 2.5\% \text{ ///}$</td> <td style="text-align: right;">(6)</td> </tr> <tr> <td>(iii) Return on capital employed</td> <td style="text-align: center;">$\frac{50 \times 100}{250} = 20\% \text{ ///}$</td> <td style="text-align: center;">$\frac{20 \times 100}{150 + 50} = 10\% \text{ ///}$</td> <td style="text-align: right;">(6)</td> </tr> <tr> <td>(iv) Current ratio <i>///</i></td> <td style="text-align: center;">$\frac{150 + 200 + 60}{350} = 1.17:1$</td> <td style="text-align: center;">$\frac{100 + 40}{70} = 2:1$ <i>///</i></td> <td style="text-align: right;">(30)</td> </tr> <tr> <td>(v) Collection period for trade receivables (debtors)</td> <td style="text-align: center;">$\frac{200 \times 365}{800} = 91.25 \text{ days}$</td> <td style="text-align: center;">$\frac{40 \times 365}{800} = 18.25 \text{ days}$ <i>///</i></td> <td style="text-align: right;">(6)</td> </tr> </tbody> </table>		Hilltec £000	Microtech £000		(i) Gross profit to revenue (sales) percentage	$\frac{320 \times 100}{800} = 40\% \text{ ///}$	$\frac{400 \times 100}{800} = 50\% \text{ ///}$	(6)	(ii) Profit for the year (Net profit) to revenue (sales) percentage	$\frac{50 \times 100}{800} = 6.25\% \text{ ///}$	$\frac{20 \times 100}{800} = 2.5\% \text{ ///}$	(6)	(iii) Return on capital employed	$\frac{50 \times 100}{250} = 20\% \text{ ///}$	$\frac{20 \times 100}{150 + 50} = 10\% \text{ ///}$	(6)	(iv) Current ratio <i>///</i>	$\frac{150 + 200 + 60}{350} = 1.17:1$	$\frac{100 + 40}{70} = 2:1$ <i>///</i>	(30)	(v) Collection period for trade receivables (debtors)	$\frac{200 \times 365}{800} = 91.25 \text{ days}$	$\frac{40 \times 365}{800} = 18.25 \text{ days}$ <i>///</i>	(6)	
	Hilltec £000	Microtech £000																								
(i) Gross profit to revenue (sales) percentage	$\frac{320 \times 100}{800} = 40\% \text{ ///}$	$\frac{400 \times 100}{800} = 50\% \text{ ///}$	(6)																							
(ii) Profit for the year (Net profit) to revenue (sales) percentage	$\frac{50 \times 100}{800} = 6.25\% \text{ ///}$	$\frac{20 \times 100}{800} = 2.5\% \text{ ///}$	(6)																							
(iii) Return on capital employed	$\frac{50 \times 100}{250} = 20\% \text{ ///}$	$\frac{20 \times 100}{150 + 50} = 10\% \text{ ///}$	(6)																							
(iv) Current ratio <i>///</i>	$\frac{150 + 200 + 60}{350} = 1.17:1$	$\frac{100 + 40}{70} = 2:1$ <i>///</i>	(30)																							
(v) Collection period for trade receivables (debtors)	$\frac{200 \times 365}{800} = 91.25 \text{ days}$	$\frac{40 \times 365}{800} = 18.25 \text{ days}$ <i>///</i>	(6)																							

Question Number	Answer	Mark
3(c)	<p>Valid non-financial factors may include:</p> <ul style="list-style-type: none"> • Future market potential • Location of business • Quality of products sold • Reputation • Skill of workforce / Quality of service • History of industrial relations • Good relationship with suppliers • Brand image <p>✓ x 4 factors</p>	(4)

Question Number	Answer	Mark
3(d)	<p>In favour of Hilltec:</p> <ul style="list-style-type: none"> • Net profit to revenue is better due to lower wage costs • Return on capital employed is at a good level • The business has no loans • The business has a higher level of non-current assets <p>In favour of Microtech:</p> <ul style="list-style-type: none"> • Gross profit to sales is higher possibly due to more efficient buying • Net profit to revenue/ Return on capital employed could be much improved if wage costs could be reduced. • Current ratio at benchmark level at 2:1 • Efficient collection of debts at 18.25 days <p>Candidates may recommend either business. Allow OF arguments. ✓✓ per valid reason x 3 reasons</p>	(6)

Question Number	Answer	Mark
3(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none">• Provide a 'yardstick' of comparison• Can be compared with other similar businesses or previous periods• Provide investors/purchasers etc with an independent assurance <p>Points against</p> <ul style="list-style-type: none">• Do not consider non financial factors such as potential/ work force• Look at individual/specific measurements only e.g. liquidity• Difficult to interpret/may be subjective• May not be accurate/representative <p>✓✓ per point x 2 in favour plus ✓✓ per point x 2 against.</p>	(8)

Question Number	Answer	Mark																																																
4(a)(i)	<p style="text-align: center;">Dissolution 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>Property (premises)</td> <td style="text-align: right;">75 000</td> <td>Trade payables (creditors)</td> <td style="text-align: right;">23 000 ✓</td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;">18 000</td> <td>Trade receivables(debtors)</td> <td style="text-align: right;">11 000 ✓</td> </tr> <tr> <td>Inventory (stock)</td> <td style="text-align: right;">8 500</td> <td>Marios - Motor vehicle</td> <td style="text-align: right;">7 500 ✓</td> </tr> <tr> <td>Trade receivables (debtors)</td> <td style="text-align: right;">11 500 ✓</td> <td>Woodman & Co</td> <td style="text-align: right;">140 000 ✓</td> </tr> <tr> <td>Trade payables (creditors)</td> <td style="text-align: right;">21 800 ✓</td> <td></td> <td></td> </tr> <tr> <td>Dissolution costs</td> <td style="text-align: right;">1 250 ✓</td> <td></td> <td></td> </tr> <tr> <td colspan="4">Profit on dissolution:</td> </tr> <tr> <td></td> <td style="text-align: right;">Marios 27 270 ✓OF</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">Tamsin 18 180 ✓OF</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>45 450</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>181 500</u></td> <td></td> <td style="text-align: right;"><u>181 500</u></td> </tr> </table>		£		£	Property (premises)	75 000	Trade payables (creditors)	23 000 ✓	Motor vehicles	18 000	Trade receivables(debtors)	11 000 ✓	Inventory (stock)	8 500	Marios - Motor vehicle	7 500 ✓	Trade receivables (debtors)	11 500 ✓	Woodman & Co	140 000 ✓	Trade payables (creditors)	21 800 ✓			Dissolution costs	1 250 ✓			Profit on dissolution:					Marios 27 270 ✓OF				Tamsin 18 180 ✓OF				<u>45 450</u>				<u>181 500</u>		<u>181 500</u>	(9)
	£		£																																															
Property (premises)	75 000	Trade payables (creditors)	23 000 ✓																																															
Motor vehicles	18 000	Trade receivables(debtors)	11 000 ✓																																															
Inventory (stock)	8 500	Marios - Motor vehicle	7 500 ✓																																															
Trade receivables (debtors)	11 500 ✓	Woodman & Co	140 000 ✓																																															
Trade payables (creditors)	21 800 ✓																																																	
Dissolution costs	1 250 ✓																																																	
Profit on dissolution:																																																		
	Marios 27 270 ✓OF																																																	
	Tamsin 18 180 ✓OF																																																	
	<u>45 450</u>																																																	
	<u>181 500</u>		<u>181 500</u>																																															

Question Number	Answer	Mark																																				
4(a)(ii)	<p style="text-align: center;">Capital Accounts</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Marios</td> <td style="text-align: center;">Tamsin</td> <td></td> <td style="text-align: center;">Marios</td> <td style="text-align: center;">Tamsin</td> </tr> <tr> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> </tr> <tr> <td>Motor vehicle</td> <td style="text-align: right;">7 500 ✓</td> <td></td> <td>Balance b/d</td> <td style="text-align: right;">32 000</td> <td style="text-align: right;">25 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Current a/c</td> <td style="text-align: right;">3 000</td> <td style="text-align: right;">1 000 ✓</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;"><u>54 770 ✓OF</u></td> <td style="text-align: right;"><u>44 180 ✓OF</u></td> <td>Diss'n a/c</td> <td style="text-align: right;"><u>27 270</u></td> <td style="text-align: right;"><u>18 180 ✓OF</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>62 270</u></td> <td style="text-align: right;"><u>44 180</u></td> <td></td> <td style="text-align: right;"><u>62 270</u></td> <td style="text-align: right;"><u>44 180</u></td> </tr> </table>		Marios	Tamsin		Marios	Tamsin		£	£		£	£	Motor vehicle	7 500 ✓		Balance b/d	32 000	25 000				Current a/c	3 000	1 000 ✓	Bank	<u>54 770 ✓OF</u>	<u>44 180 ✓OF</u>	Diss'n a/c	<u>27 270</u>	<u>18 180 ✓OF</u>		<u>62 270</u>	<u>44 180</u>		<u>62 270</u>	<u>44 180</u>	(5)
	Marios	Tamsin		Marios	Tamsin																																	
	£	£		£	£																																	
Motor vehicle	7 500 ✓		Balance b/d	32 000	25 000																																	
			Current a/c	3 000	1 000 ✓																																	
Bank	<u>54 770 ✓OF</u>	<u>44 180 ✓OF</u>	Diss'n a/c	<u>27 270</u>	<u>18 180 ✓OF</u>																																	
	<u>62 270</u>	<u>44 180</u>		<u>62 270</u>	<u>44 180</u>																																	

Question Number	Answer	Mark																												
4(a)(iii)	<p style="text-align: center;">Cash (Bank) 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;">1 000</td> <td>Trade payables (creditors)</td> <td style="text-align: right;">21 800 ✓</td> </tr> <tr> <td>Trade receivables(debtors)</td> <td style="text-align: right;">11 000 ✓</td> <td>Dissolution costs</td> <td style="text-align: right;">1 250 ✓</td> </tr> <tr> <td>Woodman & Co</td> <td style="text-align: right;">140 000 ✓</td> <td>Loan - Marios</td> <td style="text-align: right;">30 000 ✓</td> </tr> <tr> <td></td> <td></td> <td>Capital - Marios</td> <td style="text-align: right;">54 770 ✓</td> </tr> <tr> <td></td> <td></td> <td>Tamsin</td> <td style="text-align: right;"><u>44 180</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>152 000</u></td> <td></td> <td style="text-align: right;"><u>152 000</u></td> </tr> </table>		£		£	Balance b/d	1 000	Trade payables (creditors)	21 800 ✓	Trade receivables(debtors)	11 000 ✓	Dissolution costs	1 250 ✓	Woodman & Co	140 000 ✓	Loan - Marios	30 000 ✓			Capital - Marios	54 770 ✓			Tamsin	<u>44 180</u>		<u>152 000</u>		<u>152 000</u>	(6)
	£		£																											
Balance b/d	1 000	Trade payables (creditors)	21 800 ✓																											
Trade receivables(debtors)	11 000 ✓	Dissolution costs	1 250 ✓																											
Woodman & Co	140 000 ✓	Loan - Marios	30 000 ✓																											
		Capital - Marios	54 770 ✓																											
		Tamsin	<u>44 180</u>																											
	<u>152 000</u>		<u>152 000</u>																											

Question Number	Answer	Mark
4(b)	<p>Possible reasons:</p> <ul style="list-style-type: none"> • Retirement • Death • Disagreement • Admission of a new partner • Sale of business • If a partner wants to leave <p>✓ per reason x 2 reasons</p>	(2)

Question Number	Answer	Mark
4(c)(i)	<p>Goodwill is the value/price paid for a business over and above the net value of the assets ✓✓</p>	(2)

Question Number	Answer	Mark
4(c)(ii)	<p>Possible reasons:</p> <ul style="list-style-type: none"> • Location • Reputation • Specialist product or service <p>✓✓ per reason x 2 reasons</p>	(4)

Question Number	Answer	Mark
4(d)	<p>Valid points may include:</p> <p>Points in favour:</p> <ul style="list-style-type: none"> • More capital available • Greater skill base • Decisions made jointly and possibly more considered • Holiday/sickness cover <p>Points against:</p> <ul style="list-style-type: none"> • Profits shared • Cannot make decisions alone • Conflicts may arise <p>✓✓ per valid point x 2. MAXIMUM one point in favour and one against</p>	(4)

Question Number	Answer	Mark
5(a)	<p>Stock valuation relates to the price attached to the issue of stock to the production department or for resale/for the valuation of closing stock. A method such as FIFO will be used resulting in the issue price probably being different from the price paid. <i>✓✓</i></p> <p>Stock rotation relates to physical rotation of stock, the oldest stock will be issued first to avoid deterioration. <i>✓✓</i></p>	(4)

Question Number	Answer	Mark																																																
5(b)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4" style="text-align: center;">Stock valuation - FIFO</td> </tr> <tr> <td colspan="4" style="text-align: center;">£</td> </tr> <tr> <td style="width: 15%;">1 April</td> <td style="width: 20%;">Purchased</td> <td style="width: 15%;">1 000 @ £20</td> <td style="width: 50%; text-align: right;">=20 000</td> </tr> <tr> <td>20 April</td> <td>Purchased</td> <td>1 500 @ £22</td> <td style="text-align: right;"><u>=33 000</u></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">53 000</td> </tr> <tr> <td colspan="4">Less</td> </tr> <tr> <td></td> <td>Issued</td> <td>1 000 @ £20</td> <td></td> </tr> <tr> <td></td> <td>Issued</td> <td>1 000 @ £22</td> <td style="text-align: right;"><u>42 000</u></td> </tr> <tr> <td colspan="3">Stock valuation</td> <td style="text-align: right;">11 000 <i>✓✓✓✓</i></td> </tr> <tr> <td colspan="4">Less</td> </tr> <tr> <td colspan="3">Repair costs of 200 phones</td> <td style="text-align: right;"><u>1 200</u> <i>✓✓</i></td> </tr> <tr> <td colspan="3">Net valuation of stock</td> <td style="text-align: right;"><u><u>9 800</u></u> <i>✓✓OF</i></td> </tr> </table>	Stock valuation - FIFO				£				1 April	Purchased	1 000 @ £20	=20 000	20 April	Purchased	1 500 @ £22	<u>=33 000</u>				53 000	Less					Issued	1 000 @ £20			Issued	1 000 @ £22	<u>42 000</u>	Stock valuation			11 000 <i>✓✓✓✓</i>	Less				Repair costs of 200 phones			<u>1 200</u> <i>✓✓</i>	Net valuation of stock			<u><u>9 800</u></u> <i>✓✓OF</i>	(8)
Stock valuation - FIFO																																																		
£																																																		
1 April	Purchased	1 000 @ £20	=20 000																																															
20 April	Purchased	1 500 @ £22	<u>=33 000</u>																																															
			53 000																																															
Less																																																		
	Issued	1 000 @ £20																																																
	Issued	1 000 @ £22	<u>42 000</u>																																															
Stock valuation			11 000 <i>✓✓✓✓</i>																																															
Less																																																		
Repair costs of 200 phones			<u>1 200</u> <i>✓✓</i>																																															
Net valuation of stock			<u><u>9 800</u></u> <i>✓✓OF</i>																																															

Question Number	Answer	Mark																																																																																
5(c) (i) and (ii)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="5" style="text-align: center;">Income statement (trading and profit & loss account) for the month of April 2011</td> </tr> <tr> <td colspan="2"></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td style="width: 15%;">Revenue (sales)</td> <td style="width: 20%;">800 Low tariff</td> <td></td> <td style="text-align: right;">12 800</td> <td style="text-align: center;"><i>✓✓</i></td> </tr> <tr> <td></td> <td>1 200 High tariff</td> <td></td> <td style="text-align: right;"><u>39 600</u></td> <td style="text-align: center;"><i>✓✓</i></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">52 400</td> <td></td> </tr> <tr> <td colspan="5">Less</td> </tr> <tr> <td colspan="2">Purchases</td> <td style="text-align: right;">53 000</td> <td></td> <td></td> </tr> <tr> <td colspan="2">Closing inventory (stock)</td> <td style="text-align: right;"><u>(9 800)</u></td> <td></td> <td></td> </tr> <tr> <td colspan="3">Cost of sales</td> <td style="text-align: right;"><u>43 200</u></td> <td style="text-align: center;"><i>✓✓OF</i></td> </tr> <tr> <td colspan="3">Gross profit</td> <td style="text-align: right;">9 200</td> <td></td> </tr> <tr> <td colspan="5">Less</td> </tr> <tr> <td colspan="2">Wages and salaries (4 320 + 730)</td> <td style="text-align: right;">5 050</td> <td></td> <td style="text-align: center;"><i>✓</i></td> </tr> <tr> <td colspan="2">Mobile phone network charges</td> <td style="text-align: right;">5 000</td> <td></td> <td style="text-align: center;"><i>✓</i></td> </tr> <tr> <td colspan="2">Depreciation</td> <td style="text-align: right;"><u>1 400</u></td> <td></td> <td style="text-align: center;"><i>✓</i></td> </tr> <tr> <td colspan="3"></td> <td style="text-align: right;">11 450</td> <td></td> </tr> <tr> <td colspan="3">Loss for the month (net loss)</td> <td style="text-align: right;"><u><u>(2 250)</u></u></td> <td style="text-align: center;"><i>✓OF</i></td> </tr> </table>	Income statement (trading and profit & loss account) for the month of April 2011							£	£		Revenue (sales)	800 Low tariff		12 800	<i>✓✓</i>		1 200 High tariff		<u>39 600</u>	<i>✓✓</i>				52 400		Less					Purchases		53 000			Closing inventory (stock)		<u>(9 800)</u>			Cost of sales			<u>43 200</u>	<i>✓✓OF</i>	Gross profit			9 200		Less					Wages and salaries (4 320 + 730)		5 050		<i>✓</i>	Mobile phone network charges		5 000		<i>✓</i>	Depreciation		<u>1 400</u>		<i>✓</i>				11 450		Loss for the month (net loss)			<u><u>(2 250)</u></u>	<i>✓OF</i>	(6)
Income statement (trading and profit & loss account) for the month of April 2011																																																																																		
		£	£																																																																															
Revenue (sales)	800 Low tariff		12 800	<i>✓✓</i>																																																																														
	1 200 High tariff		<u>39 600</u>	<i>✓✓</i>																																																																														
			52 400																																																																															
Less																																																																																		
Purchases		53 000																																																																																
Closing inventory (stock)		<u>(9 800)</u>																																																																																
Cost of sales			<u>43 200</u>	<i>✓✓OF</i>																																																																														
Gross profit			9 200																																																																															
Less																																																																																		
Wages and salaries (4 320 + 730)		5 050		<i>✓</i>																																																																														
Mobile phone network charges		5 000		<i>✓</i>																																																																														
Depreciation		<u>1 400</u>		<i>✓</i>																																																																														
			11 450																																																																															
Loss for the month (net loss)			<u><u>(2 250)</u></u>	<i>✓OF</i>																																																																														

Question Number	Answer	Mark												
5(d)(i)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">Low tariff</th> <th style="width: 35%; text-align: center;">High tariff</th> </tr> </thead> <tbody> <tr> <td>Monthly charge</td> <td style="text-align: right;">£8 ✓</td> <td style="text-align: right;">£20 ✓</td> </tr> <tr> <td>Call charges</td> <td style="text-align: right;"><u>£30</u> ✓</td> <td style="text-align: right;"><u>£7.50</u> ✓</td> </tr> <tr> <td></td> <td style="text-align: right;">£38</td> <td style="text-align: right;">£27.50</td> </tr> </tbody> </table>		Low tariff	High tariff	Monthly charge	£8 ✓	£20 ✓	Call charges	<u>£30</u> ✓	<u>£7.50</u> ✓		£38	£27.50	
	Low tariff	High tariff												
Monthly charge	£8 ✓	£20 ✓												
Call charges	<u>£30</u> ✓	<u>£7.50</u> ✓												
	£38	£27.50												
(ii)	For the usage that Hinal will make of the mobile phone he is advised to enter into a High tariff contract. ✓✓ Accept OF recommendation.	(6)												

Question Number	Answer	Mark
5(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> • Accepted by the tax authorities/accounting standards • Is logical in that the oldest stock values are sold/issued first • Gives a higher closing stock value and higher profits when prices are rising. <p>Points against</p> <ul style="list-style-type: none"> • Stock is sold/issued at values that may be below current market prices • Higher profits will mean higher taxes. <p>✓✓ per valid point x 2. MAXIMUM one point in favour and one against.</p>	(4)

Question Number	Answer	Mark
6(a)(i)	<p>Appropriation is the way that overheads are shared/divided between various departments or cost centres. ✓✓ This could involve allocation and/or apportionment. ✓✓</p> <p>The costs may be shared on the most reasonable basis available ✓✓ e.g. floor area for rent. ✓✓</p> <p>Any two points x ✓✓</p>	(4)
(ii)	Business advertising is undertaken to increase sales and therefore it would be best to apportion this cost on the basis of the revenue (sales). ✓✓	(2)

Question Number	Answer	Mark																																																												
6(b)	<p style="text-align: center;">Departmental income statement (trading and profit & loss account) for the year ended 31 March 2011</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;">Shop sales £</th> <th style="text-align: center; width: 20%;">Workshop repairs £</th> </tr> </thead> <tbody> <tr> <td>Revenue (sales)</td> <td style="text-align: right;">120 000</td> <td style="text-align: right;">60 000</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory (stock)</td> <td style="text-align: right;">38 000 ✓</td> <td style="text-align: right;">2 100 ✓</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">84 000 ✓</td> <td style="text-align: right;">7 100 ✓</td> </tr> <tr> <td>Internal transfers</td> <td style="text-align: right;"><u>(5 600) ✓</u></td> <td style="text-align: right;"><u>5 600 ✓</u></td> </tr> <tr> <td></td> <td style="text-align: right;">116 400</td> <td style="text-align: right;">14 800</td> </tr> <tr> <td>Closing inventory (stock)</td> <td style="text-align: right;"><u>47 500 ✓</u></td> <td style="text-align: right;"><u>0 ✓</u></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">68 900</td> <td style="text-align: right;">14 800</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">51 100</td> <td style="text-align: right;">45 200</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Motor running expenses</td> <td style="text-align: right;">6 400 ✓</td> <td style="text-align: right;">9 600 ✓</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">16 800 ✓</td> <td style="text-align: right;">25 200 ✓</td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">3 000 ✓</td> <td style="text-align: right;">6 000 ✓</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">7 000 ✓</td> <td style="text-align: right;">5 500 ✓</td> </tr> <tr> <td>Business advertising</td> <td style="text-align: right;">7 200 ✓</td> <td style="text-align: right;">3 600 ✓</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;"><u>440 ✓</u></td> <td style="text-align: right;"><u>750 ✓</u></td> </tr> <tr> <td></td> <td style="text-align: right;">40 840</td> <td style="text-align: right;">50 650</td> </tr> <tr> <td>Profit /loss for the year (net profit)</td> <td style="text-align: right;"><u>10 260 ✓OF</u></td> <td style="text-align: right;"><u>(5 450) ✓OF</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>51 100</u></td> <td style="text-align: right;"><u>45 200</u></td> </tr> </tbody> </table>		Shop sales £	Workshop repairs £	Revenue (sales)	120 000	60 000	Less			Opening inventory (stock)	38 000 ✓	2 100 ✓	Purchases	84 000 ✓	7 100 ✓	Internal transfers	<u>(5 600) ✓</u>	<u>5 600 ✓</u>		116 400	14 800	Closing inventory (stock)	<u>47 500 ✓</u>	<u>0 ✓</u>	Cost of sales	68 900	14 800	Gross profit	51 100	45 200	Less			Motor running expenses	6 400 ✓	9 600 ✓	Wages	16 800 ✓	25 200 ✓	Rent and rates	3 000 ✓	6 000 ✓	General expenses	7 000 ✓	5 500 ✓	Business advertising	7 200 ✓	3 600 ✓	Provision for doubtful debts	<u>440 ✓</u>	<u>750 ✓</u>		40 840	50 650	Profit /loss for the year (net profit)	<u>10 260 ✓OF</u>	<u>(5 450) ✓OF</u>		<u>51 100</u>	<u>45 200</u>	(22)
	Shop sales £	Workshop repairs £																																																												
Revenue (sales)	120 000	60 000																																																												
Less																																																														
Opening inventory (stock)	38 000 ✓	2 100 ✓																																																												
Purchases	84 000 ✓	7 100 ✓																																																												
Internal transfers	<u>(5 600) ✓</u>	<u>5 600 ✓</u>																																																												
	116 400	14 800																																																												
Closing inventory (stock)	<u>47 500 ✓</u>	<u>0 ✓</u>																																																												
Cost of sales	68 900	14 800																																																												
Gross profit	51 100	45 200																																																												
Less																																																														
Motor running expenses	6 400 ✓	9 600 ✓																																																												
Wages	16 800 ✓	25 200 ✓																																																												
Rent and rates	3 000 ✓	6 000 ✓																																																												
General expenses	7 000 ✓	5 500 ✓																																																												
Business advertising	7 200 ✓	3 600 ✓																																																												
Provision for doubtful debts	<u>440 ✓</u>	<u>750 ✓</u>																																																												
	40 840	50 650																																																												
Profit /loss for the year (net profit)	<u>10 260 ✓OF</u>	<u>(5 450) ✓OF</u>																																																												
	<u>51 100</u>	<u>45 200</u>																																																												

Question Number	Answer	Mark
6(c)	<p>Valid points may include (accept OF comments):</p> <p>Points in favour:</p> <ul style="list-style-type: none"> • Shop sales are more profitable than workshop repairs • Costs such as wages may be able to be reduced • The repair shop makes losses. <p>Points against:</p> <ul style="list-style-type: none"> • Workshop overheads are greater than shop overheads • Workshop overheads will have to be borne by the shop sales • Sales may be affected because the business will not offer repair facilities • Loss of image/business reputation affected as a result of redundancies • Cost of redundancies. <p>✓✓ per valid point x 2. MAXIMUM one point in favour and one against</p>	(4)

Question Number	Answer	Mark
7(a)	(iii) ✓ A suspense account is opened as a temporary measure when the trial balance fails to agree ✓✓. It has a balance equal to the net balance of all errors in the ledger ✓✓.	(5)

Question Number	Answer	Mark																		
7(b)	<p style="text-align: center;">Statement of corrected gross profit at 30 March 2011</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">£</td> <td></td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">37 780</td> <td></td> </tr> <tr> <td>(i) Sale or return</td> <td style="text-align: right;">(860) ✓✓</td> <td></td> </tr> <tr> <td>(ii) Goods at list price</td> <td style="text-align: right;">(250) ✓✓</td> <td></td> </tr> <tr> <td>(i) PDB - February</td> <td style="text-align: right;"><u>(5 000) ✓✓</u></td> <td></td> </tr> <tr> <td>Corrected gross profit</td> <td style="text-align: right;"><u>31 670</u> ✓</td> <td></td> </tr> </table>		£		Gross profit	37 780		(i) Sale or return	(860) ✓✓		(ii) Goods at list price	(250) ✓✓		(i) PDB - February	<u>(5 000) ✓✓</u>		Corrected gross profit	<u>31 670</u> ✓		(7)
	£																			
Gross profit	37 780																			
(i) Sale or return	(860) ✓✓																			
(ii) Goods at list price	(250) ✓✓																			
(i) PDB - February	<u>(5 000) ✓✓</u>																			
Corrected gross profit	<u>31 670</u> ✓																			

Question Number	Answer	Mark																																								
7(c)	<p style="text-align: center;">Journal of Zahin</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Dr</td> <td style="text-align: center;">Cr</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Suspense</td> <td style="text-align: right;">850</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;">850</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>A Milner</td> <td style="text-align: right;">950</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>M. Mills</td> <td></td> <td style="text-align: right;">950</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Sundry expenses</td> <td style="text-align: right;">360</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">360</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Income statement (profit & loss)</td> <td style="text-align: right;">900</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Provision for depreciation (disposal)</td> <td></td> <td style="text-align: right;">900</td> <td style="text-align: right;">✓</td> </tr> </table>		Dr	Cr			£	£		Suspense	850		✓	Discount received		850	✓	A Milner	950		✓	M. Mills		950	✓	Sundry expenses	360		✓	Suspense		360	✓	Income statement (profit & loss)	900		✓	Provision for depreciation (disposal)		900	✓	(8)
	Dr	Cr																																								
	£	£																																								
Suspense	850		✓																																							
Discount received		850	✓																																							
A Milner	950		✓																																							
M. Mills		950	✓																																							
Sundry expenses	360		✓																																							
Suspense		360	✓																																							
Income statement (profit & loss)	900		✓																																							
Provision for depreciation (disposal)		900	✓																																							

Question Number	Answer	Mark																								
7(d)	<p style="text-align: center;">Statement of corrected profit for the year (net profit) at 30 March 2011</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">Increase</td> <td style="text-align: center;">Decrease</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>(iv) Discount received</td> <td style="text-align: right;">850 ✓✓</td> <td></td> <td></td> </tr> <tr> <td>(v) Error of commission</td> <td style="text-align: center;">No Effect ✓✓</td> <td></td> <td></td> </tr> <tr> <td>(vi) Sundry expenses</td> <td></td> <td style="text-align: right;">(360) ✓✓</td> <td></td> </tr> <tr> <td>(vii) Depreciation</td> <td></td> <td style="text-align: right;">(900) ✓✓</td> <td></td> </tr> </table>		Increase	Decrease			£	£		(iv) Discount received	850 ✓✓			(v) Error of commission	No Effect ✓✓			(vi) Sundry expenses		(360) ✓✓		(vii) Depreciation		(900) ✓✓		(8)
	Increase	Decrease																								
	£	£																								
(iv) Discount received	850 ✓✓																									
(v) Error of commission	No Effect ✓✓																									
(vi) Sundry expenses		(360) ✓✓																								
(vii) Depreciation		(900) ✓✓																								

Question Number	Answer	Mark
7(e)	<p>Valid points may include:</p> <p>Points in favour:</p> <ul style="list-style-type: none">• The trial balance is a checking device• Is 'prima facie' evidence that the books are correct when the trial balance balances <p>Points against:</p> <ul style="list-style-type: none">• Certain errors, e.g. commission, are not revealed• Shows only arithmetical errors• Does not show location of errors <p>// per valid point x 2. MAXIMUM one point in favour and one against</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 UA027256 June 2011

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

