

Mark Scheme (Results)

June 2011

GCE Accounting
(6001) Paper 01

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Publications Code UA027256

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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></th><th style="text-align: right;">£</th><th style="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></td><td></td><td style="text-align: right;"><u>43 960</u></td></tr> <tr> <td>Profit for the year (Net profit)</td><td></td><td style="text-align: right;"><u>9 094</u> ✓ OF</td></tr> <tr> <td></td><td></td><td style="text-align: right;"><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>	✓			<u>43 960</u>	Profit for the year (Net profit)		<u>9 094</u> ✓ OF			<u>53 054</u>	(15)
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1(b)(i)	Error of principle ✓	(1)

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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)

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1(b)(iii)	<table><tr><td></td><td>Dr</td><td>Cr</td><td></td></tr><tr><td></td><td>£</td><td>£</td><td></td></tr><tr><td>General expenses and repairs</td><td>2 000</td><td></td><td>✓</td></tr><tr><td>Fixtures and fittings</td><td></td><td>2 000</td><td>✓</td></tr><tr><td>Correction of error/Repairs charged to fixtures and fittings account</td><td></td><td></td><td>✓</td></tr></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)
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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)

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2(a)	<div><div>Sales Ledger Control Account</div><table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>Balance b/d</td><td>19 900 ✓</td><td>Bank</td><td>425 000 ✓</td></tr><tr><td>Refunds to customers</td><td>8 350 ✓</td><td></td><td></td></tr><tr><td>Dishonoured cheques</td><td>1 600 ✓</td><td></td><td></td></tr><tr><td>Revenue (sales)</td><td><u>420 000 ✓✓</u></td><td>Balance c/d</td><td><u>24 850</u></td></tr><tr><td></td><td><u>449 850</u></td><td></td><td><u>449 850</u></td></tr><tr><td>Balance b/d</td><td>24 850 ✓</td><td></td><td></td></tr></table></div>		£		£	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)																																																								
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Sundry expenses	3 600 ✓																																																																																					
Depreciation	<u>4 600 ✓</u>	<u>40 100</u>																																																																																				
Profit for the year (net profit)		<u>1 900 ✓OF</u>																																																																																				
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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> <tr> <th></th><th>Hilltec £000</th><th>Microtech £000</th></tr> <tr> <td>(i) Gross profit to revenue (sales) percentage</td><td>$\frac{320 \times 100}{800} = 40\% \text{ } \textit{✓✓✓}$</td><td>$\frac{400 \times 100}{800} = 50\% \text{ } \textit{✓✓✓}$</td></tr> <tr> <td></td><td></td><td>(6)</td></tr> <tr> <td>(ii) Profit for the year (Net profit) to revenue (sales) percentage</td><td>$\frac{50 \times 100}{800} = 6.25\% \text{ } \textit{✓✓✓}$</td><td>$\frac{20 \times 100}{800} = 2.5\% \text{ } \textit{✓✓✓}$</td></tr> <tr> <td></td><td></td><td>(6)</td></tr> <tr> <td>(iii) Return on capital employed</td><td>$\frac{50 \times 100}{250} = 20\% \text{ } \textit{✓✓✓}$</td><td>$\frac{20 \times 100}{150 + 50} = 10\% \text{ } \textit{✓✓✓}$</td></tr> <tr> <td></td><td></td><td>(6)</td></tr> <tr> <td>(iv) Current ratio</td><td>$\frac{150 + 200 + 60}{350} = 1.17:1$</td><td>$\frac{100 + 40}{70} = 2:1$</td></tr> <tr> <td><i>✓✓✓</i></td><td></td><td><i>✓✓✓</i></td></tr> <tr> <td></td><td></td><td>(6)</td></tr> <tr> <td>(v) Collection period for trade days receivables (debtors)</td><td>$\frac{200 \times 365}{800} = 91.25 \text{ days}$</td><td>$\frac{40 \times 365}{800} = 18.25 \text{ days}$</td></tr> <tr> <td></td><td><i>✓✓✓</i></td><td><i>✓✓✓</i></td></tr> <tr> <td></td><td></td><td>(6)</td></tr> </table>		Hilltec £000	Microtech £000	(i) Gross profit to revenue (sales) percentage	$\frac{320 \times 100}{800} = 40\% \text{ } \textit{✓✓✓}$	$\frac{400 \times 100}{800} = 50\% \text{ } \textit{✓✓✓}$			(6)	(ii) Profit for the year (Net profit) to revenue (sales) percentage	$\frac{50 \times 100}{800} = 6.25\% \text{ } \textit{✓✓✓}$	$\frac{20 \times 100}{800} = 2.5\% \text{ } \textit{✓✓✓}$			(6)	(iii) Return on capital employed	$\frac{50 \times 100}{250} = 20\% \text{ } \textit{✓✓✓}$	$\frac{20 \times 100}{150 + 50} = 10\% \text{ } \textit{✓✓✓}$			(6)	(iv) Current ratio	$\frac{150 + 200 + 60}{350} = 1.17:1$	$\frac{100 + 40}{70} = 2:1$	<i>✓✓✓</i>		<i>✓✓✓</i>			(6)	(v) Collection period for trade days receivables (debtors)	$\frac{200 \times 365}{800} = 91.25 \text{ days}$	$\frac{40 \times 365}{800} = 18.25 \text{ days}$		<i>✓✓✓</i>	<i>✓✓✓</i>			(6)	(30)
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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)	<div><div>Dissolution Account</div><table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>Property (premises)</td><td>75 000</td><td>Trade payables (creditors)</td><td>23 000 ✓</td></tr><tr><td>Motor vehicles</td><td>18 000</td><td>Trade receivables(debtors)</td><td>11 000 ✓</td></tr><tr><td>Inventory (stock)</td><td>8 500</td><td>Marios - Motor vehicle</td><td>7 500 ✓</td></tr><tr><td>Trade receivables (debtors)</td><td>11 500 ✓</td><td>Woodman & Co</td><td>140 000 ✓</td></tr><tr><td>Trade payables (creditors)</td><td>21 800 ✓</td><td></td><td></td></tr><tr><td>Dissolution costs</td><td>1 250 ✓</td><td></td><td></td></tr><tr><td colspan="4">Profit on dissolution:</td></tr><tr><td>Marios</td><td>27 270 ✓OF</td><td></td><td></td></tr><tr><td>Tamsin</td><td><u>18 180</u> ✓OF</td><td></td><td></td></tr><tr><td></td><td><u>45 450</u></td><td></td><td></td></tr><tr><td></td><td><u>181 500</u></td><td></td><td><u>181 500</u></td></tr></table></div>		£		£	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	<u>18 180</u> ✓OF				<u>45 450</u>				<u>181 500</u>		<u>181 500</u>	(9)
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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. //</p> <p>Stock rotation relates to physical rotation of stock, the oldest stock will be issued first to avoid deterioration. //</p>	(4)

Question Number	Answer	Mark																																								
5(b)	<div>Stock valuation - FIFO</div> <div>£</div> <table><tr><td>1 April Purchased</td><td>1 000 @ £20</td><td>=20 000</td><td></td></tr><tr><td>20 April Purchased</td><td>1 500 @ £22</td><td>=<u>33 000</u></td><td></td></tr><tr><td></td><td></td><td>53 000</td><td></td></tr><tr><td>Less</td><td></td><td></td><td></td></tr><tr><td>Issued</td><td>1 000 @ £20</td><td></td><td></td></tr><tr><td>Issued</td><td>1 000 @ £22</td><td><u>42 000</u></td><td></td></tr><tr><td>Stock valuation</td><td></td><td>11 000</td><td>////</td></tr><tr><td>Less</td><td></td><td></td><td></td></tr><tr><td>Repair costs of 200 phones</td><td></td><td><u>1 200</u></td><td>//</td></tr><tr><td>Net valuation of stock</td><td></td><td><u><u>9 800</u></u></td><td>//OF</td></tr></table>	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	////	Less				Repair costs of 200 phones		<u>1 200</u>	//	Net valuation of stock		<u><u>9 800</u></u>	//OF	(8)
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Question Number	Answer	Mark																																																												
5(c) (i) and (ii)	<div>Income statement (trading and profit & loss account) for the month of April 2011</div> <table><thead><tr><th></th><th>£</th><th>£</th><th></th></tr></thead><tbody><tr><td>Revenue (sales)</td><td>800 Low tariff</td><td>12 800</td><td>✓✓</td></tr><tr><td></td><td>1 200 High tariff</td><td><u>39 600</u></td><td>✓✓</td></tr><tr><td></td><td></td><td>52 400</td><td></td></tr><tr><td>Less</td><td></td><td></td><td></td></tr><tr><td>Purchases</td><td>53 000</td><td></td><td></td></tr><tr><td>Closing inventory (stock)</td><td><u>(9 800)</u></td><td></td><td></td></tr><tr><td>Cost of sales</td><td></td><td><u>43 200</u></td><td>✓✓OF</td></tr><tr><td>Gross profit</td><td></td><td>9 200</td><td></td></tr><tr><td>Less</td><td></td><td></td><td></td></tr><tr><td>Wages and salaries</td><td>(4 320 + 730)</td><td>5 050</td><td>✓</td></tr><tr><td>Mobile phone network charges</td><td></td><td>5 000</td><td>✓</td></tr><tr><td>Depreciation</td><td></td><td><u>1 400</u></td><td>✓</td></tr><tr><td></td><td></td><td><u>11 450</u></td><td></td></tr><tr><td>Loss for the month (net loss)</td><td></td><td><u>(2 250)</u></td><td>✓OF</td></tr></tbody></table>		£	£		Revenue (sales)	800 Low tariff	12 800	✓✓		1 200 High tariff	<u>39 600</u>	✓✓			52 400		Less				Purchases	53 000			Closing inventory (stock)	<u>(9 800)</u>			Cost of sales		<u>43 200</u>	✓✓OF	Gross profit		9 200		Less				Wages and salaries	(4 320 + 730)	5 050	✓	Mobile phone network charges		5 000	✓	Depreciation		<u>1 400</u>	✓			<u>11 450</u>		Loss for the month (net loss)		<u>(2 250)</u>	✓OF	<div>(4)</div> <div>(6)</div>
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5(d)(i)	<table> <tr> <td></td><td>Low tariff</td><td>High tariff</td></tr> <tr> <td>Monthly charge</td><td>£8 ✓</td><td>£20 ✓</td></tr> <tr> <td>Call charges</td><td><u>£30</u> ✓</td><td><u>£7.50</u> ✓</td></tr> <tr> <td></td><td>£38</td><td>£27.50</td></tr> </table>		Low tariff	High tariff	Monthly charge	£8 ✓	£20 ✓	Call charges	<u>£30</u> ✓	<u>£7.50</u> ✓		£38	£27.50	
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(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>Departmental income statement (trading and profit & loss account) for the year ended 31 March 2011</p> <table> <tr> <td></td><td>Shop sales</td><td>Workshop repairs</td></tr> <tr> <td></td><td>£</td><td>£</td></tr> <tr> <td>Revenue (sales)</td><td>120 000</td><td>60 000</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Opening inventory (stock)</td><td>38 000 /</td><td>2 100 /</td></tr> <tr> <td>Purchases</td><td>84 000 /</td><td>7 100 /</td></tr> <tr> <td>Internal transfers</td><td>(5 600) /</td><td>5 600 /</td></tr> <tr> <td></td><td>116 400</td><td>14 800</td></tr> <tr> <td>Closing inventory (stock)</td><td>47 500 /</td><td>0 /</td></tr> <tr> <td>Cost of sales</td><td>68 900</td><td>14 800</td></tr> <tr> <td>Gross profit</td><td>51 100</td><td>45 200</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Motor running expenses</td><td>6 400 /</td><td>9 600 /</td></tr> <tr> <td>Wages</td><td>16 800 /</td><td>25 200 /</td></tr> <tr> <td>Rent and rates</td><td>3 000 /</td><td>6 000 /</td></tr> <tr> <td>General expenses</td><td>7 000 /</td><td>5 500 /</td></tr> <tr> <td>Business advertising</td><td>7 200 /</td><td>3 600 /</td></tr> <tr> <td>Provision for doubtful debts</td><td>440 /</td><td>750 /</td></tr> <tr> <td></td><td>40 840</td><td>50 650</td></tr> <tr> <td>Profit /loss for the year (net profit)</td><td>10 260 /OF</td><td>(5 450) /OF</td></tr> <tr> <td></td><td><u>51 100</u></td><td><u>45 200</u></td></tr> </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	(5 600) /	5 600 /		116 400	14 800	Closing inventory (stock)	47 500 /	0 /	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	440 /	750 /		40 840	50 650	Profit /loss for the year (net profit)	10 260 /OF	(5 450) /OF		<u>51 100</u>	<u>45 200</u>	(22)
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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)	<p>(iii) ✓</p> <p>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 ✓✓.</p>	(5)

Question Number	Answer	Mark																		
7(b)	<p>Statement of corrected gross profit at 30 March 2011</p> <table> <tr> <td></td><td>£</td><td></td></tr> <tr> <td>Gross profit</td><td>37 780</td><td></td></tr> <tr> <td>(i) Sale or return</td><td>(860) ✓✓</td><td></td></tr> <tr> <td>(ii) Goods at list price</td><td>(250) ✓✓</td><td></td></tr> <tr> <td>(i) PDB - February</td><td><u>(5 000) ✓✓</u></td><td></td></tr> <tr> <td>Corrected gross profit</td><td><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)
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Corrected gross profit	<u>31 670</u> ✓																			

Question Number	Answer				Mark
7(c)	Journal of Zahin				(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>Statement of corrected profit for the year (net profit) at 30 March 2011</p> <table><thead><tr><th></th><th>Increase</th><th>Decrease</th></tr><tr><th></th><th>£</th><th>£</th></tr></thead><tbody><tr><td>(iv) Discount received</td><td>850 //</td><td></td></tr><tr><td>(v) Error of commission</td><td>No Effect //</td><td></td></tr><tr><td>(vi) Sundry expenses</td><td></td><td>(360) //</td></tr><tr><td>(vii) Depreciation</td><td></td><td>(900) //</td></tr></tbody></table>		Increase	Decrease		£	£	(iv) Discount received	850 //		(v) Error of commission	No Effect //		(vi) Sundry expenses		(360) //	(vii) Depreciation		(900) //	(8)
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(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)

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Welsh Assembly Government

