

Mark Scheme (Results)

June 2011

GCE Accounting
(6001) Paper 01

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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)	<p>Valid answers may include:</p> <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)	<p>Valid answers may include:</p> <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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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> <thead> <tr> <th></th><th>Hilltec £000</th><th>Microtech £000</th></tr> </thead> <tbody> <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>(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>(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>(iv) Current ratio</td><td>$\frac{150 + 200 + 60}{350} = 1.17:1 \text{ } \textit{✓✓✓}$</td><td>$\frac{100 + 40}{70} = 2:1 \text{ } \textit{✓✓✓}$</td></tr> <tr> <td>(v) Collection period for trade receivables (debtors)</td><td>$\frac{200 \times 365}{800} = 91.25 \text{ days } \textit{✓✓✓}$</td><td>$\frac{40 \times 365}{800} = 18.25 \text{ days } \textit{✓✓✓}$</td></tr> </tbody> </table>		Hilltec £000	Microtech £000	(i) Gross profit to revenue (sales) percentage	$\frac{320 \times 100}{800} = 40\% \text{ } \textit{✓✓✓}$	$\frac{400 \times 100}{800} = 50\% \text{ } \textit{✓✓✓}$	(ii) Profit for the year (Net profit) to revenue (sales) percentage	$\frac{50 \times 100}{800} = 6.25\% \text{ } \textit{✓✓✓}$	$\frac{20 \times 100}{800} = 2.5\% \text{ } \textit{✓✓✓}$	(iii) Return on capital employed	$\frac{50 \times 100}{250} = 20\% \text{ } \textit{✓✓✓}$	$\frac{20 \times 100}{150 + 50} = 10\% \text{ } \textit{✓✓✓}$	(iv) Current ratio	$\frac{150 + 200 + 60}{350} = 1.17:1 \text{ } \textit{✓✓✓}$	$\frac{100 + 40}{70} = 2:1 \text{ } \textit{✓✓✓}$	(v) Collection period for trade receivables (debtors)	$\frac{200 \times 365}{800} = 91.25 \text{ days } \textit{✓✓✓}$	$\frac{40 \times 365}{800} = 18.25 \text{ days } \textit{✓✓✓}$	(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><thead><tr><th></th><th>£</th><th></th><th>£</th></tr></thead><tbody><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>45 450</td><td></td><td></td></tr><tr><td></td><td><u>181 500</u></td><td></td><td><u>181 500</u></td></tr></tbody></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				45 450				<u>181 500</u>		<u>181 500</u>	(9)
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Question Number	Answer						Mark
4(a)(ii)	Capital Accounts						
		Marios £	Tamsin £		Marios £	Tamsin £	
	Motor vehicle	7 500 ✓		Balance b/d	32 000	25 000	
				Current a/c	3 000	1 000 ✓	
	Bank	54 770 ✓OF	44 180 ✓OF	Diss'n a/c	27 270	18 180 ✓OF	
		<u>62 270</u>	<u>44 180</u>		<u>62 270</u>	<u>44 180</u>	

Question Number	Answer	Mark																												
4(a)(iii)	<div style="text-align: center;">Cash (Bank) Account</div> <table style="width: 100%; border-collapse: collapse;"><thead><tr><th></th><th style="text-align: right;">£</th><th></th><th style="text-align: right;">£</th></tr></thead><tbody><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></tbody></table> <div style="text-align: right; margin-top: 10px;">(6)</div>		£		£	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>	
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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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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	(4)
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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>£30 ✓</td><td>£7.50 ✓</td></tr> <tr> <td></td><td>£38</td><td>£27.50</td></tr> </table>		Low tariff	High tariff	Monthly charge	£8 ✓	£20 ✓	Call charges	£30 ✓	£7.50 ✓		£38	£27.50	
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	£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></th><th style="text-align: right;">Shop sales £</th><th style="text-align: right;">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)
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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)	<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 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)
	£																			
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(i) PDB - February	<u>(5 000) ✓✓</u>																			
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)	<div>Statement of corrected profit for the year (net profit) at 30 March 2011</div> <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)
	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)

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