

Write your name here

Surname

Other names

**Edexcel****International GCSE**

Centre Number

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Candidate Number

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# Accounting

## Paper 1

Friday 10 May 2013 – Morning

**Time: 2 hours 30 minutes**

Paper Reference

**4AC0/01****You do not need any other materials.**

Total Marks

### Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided  
– *there may be more space than you need.*

### Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets  
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used

### Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly and in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

P42233A

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1/1/1

**PEARSON**

**SECTION B**

**Answer ALL questions.**

- 11** New Wave Clothing supplies clothing to retailers. The following document is being prepared to send to a customer.

(W)..... Note

**New Wave Clothing**  
**33 Market Square**  
**London**

Harvey Nichols  
22 Alexander Terrace  
London

24 April 2013

| Quantity | Code               | Description  | Unit price (£) | Total (£) |
|----------|--------------------|--------------|----------------|-----------|
| 10       | KRD2               | Ladies Coats | 80             | (X)       |
|          | Trade Discount 20% |              |                | (Y)       |
|          |                    |              |                | (Z)       |

Goods damaged in transit

- (a) State the word that is missing at (W).

(1)

.....

- (b) State the figures that are missing at:

(3)

(X) .....

(Y) .....

(Z) .....

- (c) Why does New Wave Clothing offer Harvey Nichols a trade discount?

(2)

.....

.....

.....

.....



On 1 April 2013 Harvey Nichols owed New Wave Clothing £2 380. In addition to the transaction shown on the previous page, they purchased goods on 15 April 2013 for £1 240 and paid the full amount due on their account on 30 April 2013 by cheque.

- (d) Prepare the account of Harvey Nichols in the books of New Wave Clothing for the month of April 2013 showing all the transactions for the month.

(4)

### Harvey Nichols Account

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |

(Total for Question 11 = 10 marks)



## Section B

| Question Number | Answer | Mark       |
|-----------------|--------|------------|
| 11(a)           | Credit | <b>(1)</b> |

| Question Number | Answer                               | Mark       |
|-----------------|--------------------------------------|------------|
| 11(b)           | (X) £800<br>(Y) £160<br><br>(Z) £640 | <b>(3)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| 11(c)           | Trade discount is given to businesses in the same trade (1) and is a reward for loyalty (1) or for bulk buying (1).<br>Max 2 | <b>(2)</b> |

| Question Number | Answer                  |             |             |        |               |             | Mark |
|-----------------|-------------------------|-------------|-------------|--------|---------------|-------------|------|
| 11(d)           | Harvey Nicholls Account |             |             |        |               |             | (4)  |
|                 | Date                    | Narration   | £           | Date   | Narration     | £           |      |
|                 | Apr 1                   | Balance b/d | 2 380 (1cf) | Apr 24 | Sales returns | 640 (1of)   |      |
|                 | Apr 15                  | Sales       | 1 240 (1cf) | Apr 30 | Bank          | 2 980 (1of) |      |
|                 |                         |             | 3 620       |        |               | 3 620       |      |

- 12** Johan is a sole trader who sells goods for cash and on credit. He provided the following information for the year ended 31 December 2012.

|           | 1 January 2012 | 31 December 2012 |
|-----------|----------------|------------------|
|           | £              | £                |
| Debtors   | 13 400         | 17 500           |
| Creditors | 9 600          | 11 200           |
| Stock     | 3 400          | 4 500            |

His summarised bank account for the year ended 31 December 2012 revealed the following:

|   | £           |
|---|-------------|
| Opening bank balance at 1 January 2012                    | 2 460 (Dr)  |
| Receipts from cash and credit customers                   | 64 100      |
| Payments for the year to suppliers, expenses and drawings | 43 800      |
| Closing bank balance at 31 December 2012                  | 12 760 (Dr) |

During the year ended 31 December 2012:

|   | £      |
|---|--------|
| Cash sales banked during the year       | 11 600 |
| Cash purchases during the year          | 14 250 |
| Payments to credit suppliers            | 35 700 |
| Discount received from credit suppliers | 700    |



(a) Calculate Johan's **credit** sales for the year ended 31 December 2012.

(5)

(b) Calculate Johan's **credit** purchases for the year ended 31 December 2012.

(5)



(c) Prepare Johan's trading account for the year ended 31 December 2012.

(8)

**Johan  
Trading Account  
for the year ended 31 December 2012**

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- (d) Using the figures calculated in (c), and stating the formula used, calculate each of the following ratios to two decimal places

percentage of gross profit to sales

(2)

| Formula              | Calculation          |
|----------------------|----------------------|
| <br><br><br><br><br> | <br><br><br><br><br> |

rate of stock turnover

(2)

| Formula              | Calculation          |
|----------------------|----------------------|
| <br><br><br><br><br> | <br><br><br><br><br> |

After the preparation of his trading account, Johan discovers that he has not yet deposited additional cash sales of £1 350 into the bank. He has used this money to pay for additional purchases of stock.

- (e) Indicate by placing a tick (✓) in the table below the effect (if any) of this transaction on the following items.

(3)

|                                     | Increase | Decrease | No Effect |
|-------------------------------------|----------|----------|-----------|
| Gross profit                        |          |          |           |
| Percentage of gross profit to sales |          |          |           |
| Rate of stock turnover              |          |          |           |

(Total for Question 12 = 25 marks)





| Question Number                                   | Answer  | Mark   |   |  |                 |        |        |   |        |        |                 |        |        |                     |        |        |     |
|---|---|--------|---|--|-----------------|--------|--------|---|--------|--------|-----------------|--------|--------|---------------------|--------|--------|-----|
| 12(a)   | <table> <tr> <td></td><td>£</td><td></td></tr> <tr> <td>Opening debtors</td><td>13 400</td><td>(1 cf)</td></tr> <tr> <td>Receipts from debtors (64100 (1cf) – 11600 (1cf))</td><td>52 500</td><td>(2 cf)</td></tr> <tr> <td>Closing debtors</td><td>17 500</td><td>(1 cf)</td></tr> <tr> <td><b>Credit sales</b></td><td>56 600</td><td>(1 of)</td></tr> </table> |        | £ |  | Opening debtors | 13 400 | (1 cf) | Receipts from debtors (64100 (1cf) – 11600 (1cf)) | 52 500 | (2 cf) | Closing debtors | 17 500 | (1 cf) | <b>Credit sales</b> | 56 600 | (1 of) | (5) |
|   | £   |        |   |  |                 |        |        |   |        |        |                 |        |        |                     |        |        |     |
| Opening debtors                                   | 13 400  | (1 cf) |   |  |                 |        |        |   |        |        |                 |        |        |                     |        |        |     |
| Receipts from debtors (64100 (1cf) – 11600 (1cf)) | 52 500  | (2 cf) |   |  |                 |        |        |   |        |        |                 |        |        |                     |        |        |     |
| Closing debtors                                   | 17 500  | (1 cf) |   |  |                 |        |        |   |        |        |                 |        |        |                     |        |        |     |
| <b>Credit sales</b>                               | 56 600  | (1 of) |   |  |                 |        |        |   |        |        |                 |        |        |                     |        |        |     |

Alternative presentation acceptable

| Question Number              | Answer   | Mark                         |        |                                      |                 |  |  |      |           |   |      |           |   |       |         |                |        |                                      |                 |        |       |                 |        |         |                 |  |  |        |  |  |        |     |
|------------------------------|--|------------------------------|--------|--------------------------------------|-----------------|--|--|------|-----------|---|------|-----------|---|-------|---------|----------------|--------|--------------------------------------|-----------------|--------|-------|-----------------|--------|---------|-----------------|--|--|--------|--|--|--------|-----|
| 12(a)                        | <table><tr><th colspan="6">Sales Ledger Control Account</th></tr><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td>Jan 1</td><td>Bal b/d</td><td>13400<br/>(1cf)</td><td>Dec 31</td><td>Bank 64100<br/>(1cf) – 11600<br/>(1cf)</td><td>52 500<br/>(2cf)</td></tr><tr><td>Dec 31</td><td>Sales</td><td>56 600<br/>(1cf)</td><td>Dec 31</td><td>Bal c/d</td><td>17 500<br/>(1cf)</td></tr><tr><td></td><td></td><td>70 000</td><td></td><td></td><td>70 000</td></tr></table> | Sales Ledger Control Account |        |                                      |                 |  |  | Date | Narration | £ | Date | Narration | £ | Jan 1 | Bal b/d | 13400<br>(1cf) | Dec 31 | Bank 64100<br>(1cf) – 11600<br>(1cf) | 52 500<br>(2cf) | Dec 31 | Sales | 56 600<br>(1cf) | Dec 31 | Bal c/d | 17 500<br>(1cf) |  |  | 70 000 |  |  | 70 000 | (5) |
| Sales Ledger Control Account |  |                              |        |                                      |                 |  |  |      |           |   |      |           |   |       |         |                |        |                                      |                 |        |       |                 |        |         |                 |  |  |        |  |  |        |     |
| Date                         | Narration  | £                            | Date   | Narration                            | £               |  |  |      |           |   |      |           |   |       |         |                |        |                                      |                 |        |       |                 |        |         |                 |  |  |        |  |  |        |     |
| Jan 1                        | Bal b/d  | 13400<br>(1cf)               | Dec 31 | Bank 64100<br>(1cf) – 11600<br>(1cf) | 52 500<br>(2cf) |  |  |      |           |   |      |           |   |       |         |                |        |                                      |                 |        |       |                 |        |         |                 |  |  |        |  |  |        |     |
| Dec 31                       | Sales  | 56 600<br>(1cf)              | Dec 31 | Bal c/d                              | 17 500<br>(1cf) |  |  |      |           |   |      |           |   |       |         |                |        |                                      |                 |        |       |                 |        |         |                 |  |  |        |  |  |        |     |
|                              |  | 70 000                       |        |                                      | 70 000          |  |  |      |           |   |      |           |   |       |         |                |        |                                      |                 |        |       |                 |        |         |                 |  |  |        |  |  |        |     |

| Question Number         | Answer   | Mark   |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |
|-------------------------|--|--------|---|--|-------------------|-------|--------|-----------------------|--------|--------|-------------------|-----|--------|-------------------|--------|--------|-------------------------|--------|--------|-----|
| 12(b)                   | <table> <tr> <td></td><td>£</td><td></td></tr> <tr> <td>Opening creditors</td><td>9 600</td><td>(1 cf)</td></tr> <tr> <td>Payments to creditors</td><td>35 700</td><td>(1 cf)</td></tr> <tr> <td>Discount received</td><td>700</td><td>(1 cf)</td></tr> <tr> <td>Closing creditors</td><td>11 200</td><td>(1 cf)</td></tr> <tr> <td><b>Credit purchases</b></td><td>38 000</td><td>(1 of)</td></tr> </table> |        | £ |  | Opening creditors | 9 600 | (1 cf) | Payments to creditors | 35 700 | (1 cf) | Discount received | 700 | (1 cf) | Closing creditors | 11 200 | (1 cf) | <b>Credit purchases</b> | 38 000 | (1 of) | (5) |
|                         | £  |        |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |
| Opening creditors       | 9 600  | (1 cf) |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |
| Payments to creditors   | 35 700   | (1 cf) |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |
| Discount received       | 700  | (1 cf) |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |
| Closing creditors       | 11 200   | (1 cf) |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |
| <b>Credit purchases</b> | 38 000   | (1 of) |   |  |                   |       |        |                       |        |        |                   |     |        |                   |        |        |                         |        |        |     |

Alternative presentation acceptable

| Question Number                  | Answer   | Mark                             |        |           |                 |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |
|----------------------------------|--|----------------------------------|--------|-----------|-----------------|--|--|------|-----------|---|------|-----------|---|--------|------|----------------|-------|---------|----------------|--------|----------|--------------|--------|-----------|-----------------|--------|---------|----------------|--|--|--|--|--|-------|--|--|-------|-----|
| 12(b)                            | <table><tr><th colspan="6">Purchases Ledger Control Account</th></tr><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td>Dec 31</td><td>Bank</td><td>35700<br/>(1cf)</td><td>Jan 1</td><td>Bal b/d</td><td>9 600<br/>(1cf)</td></tr><tr><td>Dec 31</td><td>Disc Rec</td><td>700<br/>(1cf)</td><td>Dec 31</td><td>Purchases</td><td>38 000<br/>(1of)</td></tr><tr><td>Dec 31</td><td>Bal c/d</td><td>11200<br/>(1cf)</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>47600</td><td></td><td></td><td>47600</td></tr></table> | Purchases Ledger Control Account |        |           |                 |  |  | Date | Narration | £ | Date | Narration | £ | Dec 31 | Bank | 35700<br>(1cf) | Jan 1 | Bal b/d | 9 600<br>(1cf) | Dec 31 | Disc Rec | 700<br>(1cf) | Dec 31 | Purchases | 38 000<br>(1of) | Dec 31 | Bal c/d | 11200<br>(1cf) |  |  |  |  |  | 47600 |  |  | 47600 | (5) |
| Purchases Ledger Control Account |  |                                  |        |           |                 |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |
| Date                             | Narration  | £                                | Date   | Narration | £               |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |
| Dec 31                           | Bank   | 35700<br>(1cf)                   | Jan 1  | Bal b/d   | 9 600<br>(1cf)  |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |
| Dec 31                           | Disc Rec   | 700<br>(1cf)                     | Dec 31 | Purchases | 38 000<br>(1of) |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |
| Dec 31                           | Bal c/d  | 11200<br>(1cf)                   |        |           |                 |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |
|                                  |  | 47600                            |        |           | 47600           |  |  |      |           |   |      |           |   |        |      |                |       |         |                |        |          |              |        |           |                 |        |         |                |  |  |  |  |  |       |  |  |       |     |

| Question Number            | Answer   | Mark   |                       |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
|----------------------------|--|--------|-----------------------|---|--|------------------------|--|--------|---------|---------------------------|--|--|--|---------------|-------|--|-----------------------|----------------------------|--------|--|--------|--|--------|--|--|---------------|-------|--|--|--------------------|--|--------|--------|-------------------------|--|--------|--------|-----|
| 12(c)                      | <div><p style="text-align: center;"><b>Johan<br/>Trading Account<br/>for the year ended 31 December 2012</b></p><table><tr><th></th><th>£</th><th>£</th><th></th></tr><tr><td>Sales (56 600 + 11600)</td><td></td><td>68 200</td><td>(2 of )</td></tr><tr><td><b>Cost of goods sold</b></td><td></td><td></td><td></td></tr><tr><td>Opening Stock</td><td>3 400</td><td></td><td>(1for both stocks cf)</td></tr><tr><td>Purchases (38 000 + 14250)</td><td>52 250</td><td></td><td>(2 of)</td></tr><tr><td></td><td>55 650</td><td></td><td></td></tr><tr><td>Closing Stock</td><td>4 500</td><td></td><td></td></tr><tr><td>Cost of goods sold</td><td></td><td>51 150</td><td>(1 of)</td></tr><tr><td><b>Gross profit (1)</b></td><td></td><td>17 050</td><td>(1 of)</td></tr></table></div> |        | £                     | £ |  | Sales (56 600 + 11600) |  | 68 200 | (2 of ) | <b>Cost of goods sold</b> |  |  |  | Opening Stock | 3 400 |  | (1for both stocks cf) | Purchases (38 000 + 14250) | 52 250 |  | (2 of) |  | 55 650 |  |  | Closing Stock | 4 500 |  |  | Cost of goods sold |  | 51 150 | (1 of) | <b>Gross profit (1)</b> |  | 17 050 | (1 of) | (8) |
|                            | £  | £      |                       |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| Sales (56 600 + 11600)     |  | 68 200 | (2 of )               |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| <b>Cost of goods sold</b>  |  |        |                       |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| Opening Stock              | 3 400  |        | (1for both stocks cf) |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| Purchases (38 000 + 14250) | 52 250   |        | (2 of)                |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
|                            | 55 650   |        |                       |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| Closing Stock              | 4 500  |        |                       |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| Cost of goods sold         |  | 51 150 | (1 of)                |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |
| <b>Gross profit (1)</b>    |  | 17 050 | (1 of)                |   |  |                        |  |        |         |                           |  |  |  |               |       |  |                       |                            |        |  |        |  |        |  |  |               |       |  |  |                    |  |        |        |                         |  |        |        |     |

| Question Number   | Answer  | Mark    |             |   |  |            |
|---|---|---------|-------------|---|--|------------|
| 12(d)(i)  | <p>Percentage of gross profit to sales</p> <table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Gross profit}}{\text{Sales}} \times 100 \text{ (1)}</math></td><td><math display="block">\frac{17\,050}{68\,200} \times 100 = 25\% \text{ (1 of)}</math></td></tr></table> | Formula | Calculation | $\frac{\text{Gross profit}}{\text{Sales}} \times 100 \text{ (1)}$ | $\frac{17\,050}{68\,200} \times 100 = 25\% \text{ (1 of)}$ | <p>(2)</p> |
| Formula   | Calculation   |         |             |   |  |            |
| $\frac{\text{Gross profit}}{\text{Sales}} \times 100 \text{ (1)}$ | $\frac{17\,050}{68\,200} \times 100 = 25\% \text{ (1 of)}$  |         |             |   |  |            |

| Question Number  | Answer  | Mark                   |  |  |         |             |  |   |  |     |
|--|---|------------------------|--|--|---------|-------------|--|---|--|-----|
| 12(d)(ii)  | <table><tr><td>Rate of stock turnover</td><td></td></tr><tr><td><table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Cost of goods sold}}{\text{Average Stock (1)}}</math></td><td><math display="block">\frac{51\ 150}{3\ 950} = 12.95 \text{ times (1 of)}</math></td></tr></table></td><td></td></tr></table> | Rate of stock turnover |  | <table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Cost of goods sold}}{\text{Average Stock (1)}}</math></td><td><math display="block">\frac{51\ 150}{3\ 950} = 12.95 \text{ times (1 of)}</math></td></tr></table> | Formula | Calculation | $\frac{\text{Cost of goods sold}}{\text{Average Stock (1)}}$ | $\frac{51\ 150}{3\ 950} = 12.95 \text{ times (1 of)}$ |  | (2) |
| Rate of stock turnover   |   |                        |  |  |         |             |  |   |  |     |
| <table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Cost of goods sold}}{\text{Average Stock (1)}}</math></td><td><math display="block">\frac{51\ 150}{3\ 950} = 12.95 \text{ times (1 of)}</math></td></tr></table> | Formula   | Calculation            | $\frac{\text{Cost of goods sold}}{\text{Average Stock (1)}}$ | $\frac{51\ 150}{3\ 950} = 12.95 \text{ times (1 of)}$  |         |             |  |   |  |     |
| Formula  | Calculation   |                        |  |  |         |             |  |   |  |     |
| $\frac{\text{Cost of goods sold}}{\text{Average Stock (1)}}$   | $\frac{51\ 150}{3\ 950} = 12.95 \text{ times (1 of)}$   |                        |  |  |         |             |  |   |  |     |

| Question Number                     | Answer   |          |           |  | Mark |          |          |           |              |  |  |       |                                     |  |       |  |                        |       |  |  |     |
|-------------------------------------|--|----------|-----------|--|------|----------|----------|-----------|--------------|--|--|-------|-------------------------------------|--|-------|--|------------------------|-------|--|--|-----|
| 12(e)                               | <table><tr><td></td><td>Increase</td><td>Decrease</td><td>No Effect</td></tr><tr><td>Gross profit</td><td></td><td></td><td>✓ (1)</td></tr><tr><td>Percentage of gross profit to sales</td><td></td><td>✓ (1)</td><td></td></tr><tr><td>Rate of stock turnover</td><td>✓ (1)</td><td></td><td></td></tr></table> |          |           |  |      | Increase | Decrease | No Effect | Gross profit |  |  | ✓ (1) | Percentage of gross profit to sales |  | ✓ (1) |  | Rate of stock turnover | ✓ (1) |  |  | (3) |
|                                     | Increase   | Decrease | No Effect |  |      |          |          |           |              |  |  |       |                                     |  |       |  |                        |       |  |  |     |
| Gross profit                        |  |          | ✓ (1)     |  |      |          |          |           |              |  |  |       |                                     |  |       |  |                        |       |  |  |     |
| Percentage of gross profit to sales |  | ✓ (1)    |           |  |      |          |          |           |              |  |  |       |                                     |  |       |  |                        |       |  |  |     |
| Rate of stock turnover              | ✓ (1)  |          |           |  |      |          |          |           |              |  |  |       |                                     |  |       |  |                        |       |  |  |     |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 13(a)           | It is necessary for Saul to produce a manufacturing account in order to calculate the cost of production for his business (1). This will then be used to calculate the cost of sales and the gross profit (1). | (2)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 13(b)           | Direct labour is the cost of the wages of the people who are involved with the manufacture of the product (1) whereas indirect labour is the cost of the wages of the people who are not directly involved in the production process such as supervisors and managers. (1) | (2)  |

**13** Saul runs a manufacturing business.

- (a) Explain why it is necessary for Saul to prepare a manufacturing account in addition to a trading and profit and loss account.

(2)

.....

.....

.....

.....

- (b) Explain the difference between direct labour and indirect labour.

(2)

.....

.....

.....

.....

The following information was provided for the year ended 31 December 2012.

|  | £       |
|--|---------|
| Stock of raw materials – 1 January 2012    | 24 000  |
| Stock of raw materials – 31 December 2012  | 34 000  |
| Work in progress – 1 January 2012          | 9 760   |
| Work in progress – 31 December 2012        | 10 380  |
| Stock of finished goods – 1 January 2012   | 42 000  |
| Stock of finished goods – 31 December 2012 | 53 000  |
| Purchases of raw materials                 | 234 000 |
| Carriage on raw materials                  | 6 000   |
| Direct factory wages                       | 110 000 |
| Indirect factory expenses                  | 185 000 |
| Royalties                                  | 60 000  |



- (11)

[illegible]

**(Total for Question 13 = 15 marks)**



| Question Number   | Answer   | Mark                   |  |   |         |             |  |  |     |        |     |
|---|--|------------------------|--|---|---------|-------------|--|--|-----|--------|-----|
| 12(d)(ii)   | <table><tr><td colspan="2">Rate of stock turnover</td></tr><tr><td><table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Cost of goods sold}}{\text{Average Stock}}</math></td><td><math display="block">\frac{51\ 150}{3\ 950} = 12.95 \text{ times}</math></td></tr><tr><td>(1)</td><td>(1 of)</td></tr></table></td><td rowspan="2">(2)</td></tr></table> | Rate of stock turnover |  | <table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Cost of goods sold}}{\text{Average Stock}}</math></td><td><math display="block">\frac{51\ 150}{3\ 950} = 12.95 \text{ times}</math></td></tr><tr><td>(1)</td><td>(1 of)</td></tr></table> | Formula | Calculation | $\frac{\text{Cost of goods sold}}{\text{Average Stock}}$ | $\frac{51\ 150}{3\ 950} = 12.95 \text{ times}$ | (1) | (1 of) | (2) |
| Rate of stock turnover  |  |                        |  |   |         |             |  |  |     |        |     |
| <table><tr><td>Formula</td><td>Calculation</td></tr><tr><td><math display="block">\frac{\text{Cost of goods sold}}{\text{Average Stock}}</math></td><td><math display="block">\frac{51\ 150}{3\ 950} = 12.95 \text{ times}</math></td></tr><tr><td>(1)</td><td>(1 of)</td></tr></table> | Formula  | Calculation            | $\frac{\text{Cost of goods sold}}{\text{Average Stock}}$ | $\frac{51\ 150}{3\ 950} = 12.95 \text{ times}$  | (1)     | (1 of)      | (2)  |  |     |        |     |
| Formula   | Calculation  |                        |  |   |         |             |  |  |     |        |     |
| $\frac{\text{Cost of goods sold}}{\text{Average Stock}}$  | $\frac{51\ 150}{3\ 950} = 12.95 \text{ times}$   |                        |  |   |         |             |  |  |     |        |     |
| (1)   | (1 of)   |                        |  |   |         |             |  |  |     |        |     |

| Question Number | Answer                              |          |          |           | Mark |
|-----------------|-------------------------------------|----------|----------|-----------|------|
| 12(e)           |                                     |          |          |           | (3)  |
|                 |                                     | Increase | Decrease | No Effect |      |
|                 | Gross profit                        |          |          | ✓ (1)     |      |
|                 | Percentage of gross profit to sales |          | ✓ (1)    |           |      |
|                 | Rate of stock turnover              | ✓ (1)    |          |           |      |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 13(a)           | It is necessary for Saul to produce a manufacturing account in order to calculate the cost of production for his business (1). This will then be used to calculate the cost of sales and the gross profit (1). | (2)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 13(b)           | Direct labour is the cost of the wages of the people who are involved with the manufacture of the product (1) whereas indirect labour is the cost of the wages of the people who are not directly involved in the production process such as supervisors and managers. (1) | (2)  |

| Question Number                       | Answer  | Mark           |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|---------------------------------------|---|----------------|--------------|---|--|-----------------------------|--------|--|--------------|----------------------------|----------------|--|-------|--|---------|--|--|---------------------------|--------------|--|-------|--|---------|--|--|-----------------------------|---------------|--|--|---------------------------------------|--|---------|-------|-----------------------|--|---------|-------|-----------|--|---------------|-------|-------------------|--|---------|-------|---------------------------|--|----------------|-------|--|--|---------|--|--------------------------|--|-------|--------------|--------------------------|--|----------|--|----------------------------|--|---------|-------|------|
| 13(c)                                 | <div><div>Saul</div><div>Manufacturing Account</div><div>Year ended 31 December 2012</div><table><tr><td></td><td>£</td><td>£</td><td></td></tr><tr><td>Opening stock raw materials</td><td>24 000</td><td></td><td>(1 for both)</td></tr><tr><td>Purchases of raw materials</td><td><u>234 000</u></td><td></td><td>(1cf)</td></tr><tr><td></td><td>258 000</td><td></td><td></td></tr><tr><td>Carriage on raw materials</td><td><u>6 000</u></td><td></td><td>(1cf)</td></tr><tr><td></td><td>264 000</td><td></td><td></td></tr><tr><td>Closing stock raw materials</td><td><u>34 000</u></td><td></td><td></td></tr><tr><td><b>Cost of raw materials consumed</b></td><td></td><td>230 000</td><td>(1of)</td></tr><tr><td>Direct factory labour</td><td></td><td>110 000</td><td>(1cf)</td></tr><tr><td>Royalties</td><td></td><td><u>60 000</u></td><td>(1cf)</td></tr><tr><td><b>Prime cost</b></td><td></td><td>400 000</td><td>(1cf)</td></tr><tr><td>Indirect factory expenses</td><td></td><td><u>185 000</u></td><td>(1cf)</td></tr><tr><td></td><td></td><td>585 000</td><td></td></tr><tr><td>Opening work in progress</td><td></td><td>9 760</td><td>(1 for both)</td></tr><tr><td>Closing work in progress</td><td></td><td>(10 380)</td><td></td></tr><tr><td><b>Production cost (1)</b></td><td></td><td>584 380</td><td>(1of)</td></tr></table></div> |                | £            | £ |  | Opening stock raw materials | 24 000 |  | (1 for both) | Purchases of raw materials | <u>234 000</u> |  | (1cf) |  | 258 000 |  |  | Carriage on raw materials | <u>6 000</u> |  | (1cf) |  | 264 000 |  |  | Closing stock raw materials | <u>34 000</u> |  |  | <b>Cost of raw materials consumed</b> |  | 230 000 | (1of) | Direct factory labour |  | 110 000 | (1cf) | Royalties |  | <u>60 000</u> | (1cf) | <b>Prime cost</b> |  | 400 000 | (1cf) | Indirect factory expenses |  | <u>185 000</u> | (1cf) |  |  | 585 000 |  | Opening work in progress |  | 9 760 | (1 for both) | Closing work in progress |  | (10 380) |  | <b>Production cost (1)</b> |  | 584 380 | (1of) | (11) |
|                                       | £   | £              |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Opening stock raw materials           | 24 000  |                | (1 for both) |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Purchases of raw materials            | <u>234 000</u>  |                | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|                                       | 258 000   |                |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Carriage on raw materials             | <u>6 000</u>  |                | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|                                       | 264 000   |                |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Closing stock raw materials           | <u>34 000</u>   |                |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| <b>Cost of raw materials consumed</b> |   | 230 000        | (1of)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Direct factory labour                 |   | 110 000        | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Royalties                             |   | <u>60 000</u>  | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| <b>Prime cost</b>                     |   | 400 000        | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Indirect factory expenses             |   | <u>185 000</u> | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|                                       |   | 585 000        |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Opening work in progress              |   | 9 760          | (1 for both) |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Closing work in progress              |   | (10 380)       |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| <b>Production cost (1)</b>            |   | 584 380        | (1of)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |

| Question Number | Answer          |             |                      |        |             |                      | Mark |
|-----------------|-----------------|-------------|----------------------|--------|-------------|----------------------|------|
| 14 (a)          | Capital account |             |                      |        |             |                      | (4)  |
|                 | Date            | Narration   | £                    | Date   | Narration   | £                    |      |
|                 | Mar 31          | Drawings    | 21 000<br>(1cf)      | Apr 1  | Balance b/d | 64 500<br>(1cf)      |      |
|                 | Mar 31          | Balance c/d | 57 866               | Mar 31 | Net profit  | 14 366<br>(1cf)      |      |
|                 |                 |             | <b><u>78 866</u></b> |        |             | <b><u>78 866</u></b> |      |
|                 |                 |             |                      | Apr 1  | Balance b/d | 57 866<br>(1cf)      |      |
|                 |                 |             |                      |        |             |                      |      |

- 14 The following trial balance was extracted from the accounts of Safiya after the preparation of the trading, profit and loss account for the year

**Safiya**  
**Trial Balance as at 31 March 2013**

|  | Debit          | Credit         |
|--|----------------|----------------|
|  | £              | £              |
| Accruals   |                | 875            |
| Bank   | 8560           |                |
| Bank loan – payable 2015                           |                | 16 000         |
| Capital  |                | 64 500         |
| Closing stock                                      | 6 000          |                |
| Creditors  |                | 15 680         |
| Debtors  | 4 980          |                |
| Drawings   | 21 000         |                |
| Fixtures and fittings (cost)                       | 40 000         |                |
| Motor vehicles (cost)                              | 55 000         |                |
| Net profit   |                | 14 366         |
| Prepayments  | 1 430          |                |
| Provision for depreciation – fixtures and fittings |                | 5 000          |
| Provision for depreciation – motor vehicles        |                | 19 800         |
| Provision for doubtful debts                       |                | 749            |
|  | <b>136 970</b> | <b>136 970</b> |

- (a) Prepare the capital account of Safiya for the year ended 31 March 2013. Balance the account on that date and bring the balance down to 1 April 2013.

(4)

**Capital Account**

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |





(12)

**Safiya  
Balance Sheet  
As at 31 March 2013**

[illegible]

- (c) Using the figures calculated in (b), and stating the formula used, calculate each of the following ratios to two decimal places.

Current ratio

(2)

| Formula              | Calculation          |
|----------------------|----------------------|
| <br><br><br><br><br> | <br><br><br><br><br> |

Quick ratio (acid test)

(2)

| Formula              | Calculation          |
|----------------------|----------------------|
| <br><br><br><br><br> | <br><br><br><br><br> |

Safiya provides the following information for the previous financial year.

|                          | Current ratio | Quick ratio (acid test) |
|--------------------------|---------------|-------------------------|
| Year ended 31 March 2012 | 2.5:1         | 1.4:1                   |



(5)

**(Total for Question 14 = 25 marks)**



| Question Number                       | Answer  | Mark           |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|---------------------------------------|---|----------------|--------------|---|--|-----------------------------|--------|--|--------------|----------------------------|----------------|--|-------|--|---------|--|--|---------------------------|--------------|--|-------|--|---------|--|--|-----------------------------|---------------|--|--|---------------------------------------|--|---------|-------|-----------------------|--|---------|-------|-----------|--|---------------|-------|-------------------|--|---------|-------|---------------------------|--|----------------|-------|--|--|---------|--|--------------------------|--|-------|--------------|--------------------------|--|----------|--|----------------------------|--|---------|-------|------|
| 13(c)                                 | <div><div>Saul</div><div>Manufacturing Account</div><div>Year ended 31 December 2012</div><table><tr><td></td><td>£</td><td>£</td><td></td></tr><tr><td>Opening stock raw materials</td><td>24 000</td><td></td><td>(1 for both)</td></tr><tr><td>Purchases of raw materials</td><td><u>234 000</u></td><td></td><td>(1cf)</td></tr><tr><td></td><td>258 000</td><td></td><td></td></tr><tr><td>Carriage on raw materials</td><td><u>6 000</u></td><td></td><td>(1cf)</td></tr><tr><td></td><td>264 000</td><td></td><td></td></tr><tr><td>Closing stock raw materials</td><td><u>34 000</u></td><td></td><td></td></tr><tr><td><b>Cost of raw materials consumed</b></td><td></td><td>230 000</td><td>(1of)</td></tr><tr><td>Direct factory labour</td><td></td><td>110 000</td><td>(1cf)</td></tr><tr><td>Royalties</td><td></td><td><u>60 000</u></td><td>(1cf)</td></tr><tr><td><b>Prime cost</b></td><td></td><td>400 000</td><td>(1cf)</td></tr><tr><td>Indirect factory expenses</td><td></td><td><u>185 000</u></td><td>(1cf)</td></tr><tr><td></td><td></td><td>585 000</td><td></td></tr><tr><td>Opening work in progress</td><td></td><td>9 760</td><td>(1 for both)</td></tr><tr><td>Closing work in progress</td><td></td><td>(10 380)</td><td></td></tr><tr><td><b>Production cost (1)</b></td><td></td><td>584 380</td><td>(1of)</td></tr></table></div> |                | £            | £ |  | Opening stock raw materials | 24 000 |  | (1 for both) | Purchases of raw materials | <u>234 000</u> |  | (1cf) |  | 258 000 |  |  | Carriage on raw materials | <u>6 000</u> |  | (1cf) |  | 264 000 |  |  | Closing stock raw materials | <u>34 000</u> |  |  | <b>Cost of raw materials consumed</b> |  | 230 000 | (1of) | Direct factory labour |  | 110 000 | (1cf) | Royalties |  | <u>60 000</u> | (1cf) | <b>Prime cost</b> |  | 400 000 | (1cf) | Indirect factory expenses |  | <u>185 000</u> | (1cf) |  |  | 585 000 |  | Opening work in progress |  | 9 760 | (1 for both) | Closing work in progress |  | (10 380) |  | <b>Production cost (1)</b> |  | 584 380 | (1of) | (11) |
|                                       | £   | £              |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Opening stock raw materials           | 24 000  |                | (1 for both) |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Purchases of raw materials            | <u>234 000</u>  |                | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|                                       | 258 000   |                |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Carriage on raw materials             | <u>6 000</u>  |                | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|                                       | 264 000   |                |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Closing stock raw materials           | <u>34 000</u>   |                |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| <b>Cost of raw materials consumed</b> |   | 230 000        | (1of)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Direct factory labour                 |   | 110 000        | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Royalties                             |   | <u>60 000</u>  | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| <b>Prime cost</b>                     |   | 400 000        | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Indirect factory expenses             |   | <u>185 000</u> | (1cf)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
|                                       |   | 585 000        |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Opening work in progress              |   | 9 760          | (1 for both) |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| Closing work in progress              |   | (10 380)       |              |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |
| <b>Production cost (1)</b>            |   | 584 380        | (1of)        |   |  |                             |        |  |              |                            |                |  |       |  |         |  |  |                           |              |  |       |  |         |  |  |                             |               |  |  |                                       |  |         |       |                       |  |         |       |           |  |               |       |                   |  |         |       |                           |  |                |       |  |  |         |  |                          |  |       |              |                          |  |          |  |                            |  |         |       |      |

| Question Number | Answer          |             |                      |        |             |                      | Mark |
|-----------------|-----------------|-------------|----------------------|--------|-------------|----------------------|------|
| 14 (a)          | Capital account |             |                      |        |             |                      | (4)  |
|                 | Date            | Narration   | £                    | Date   | Narration   | £                    |      |
|                 | Mar 31          | Drawings    | 21 000<br>(1cf)      | Apr 1  | Balance b/d | 64 500<br>(1cf)      |      |
|                 | Mar 31          | Balance c/d | 57 866               | Mar 31 | Net profit  | 14 366<br>(1cf)      |      |
|                 |                 |             | <b><u>78 866</u></b> |        |             | <b><u>78 866</u></b> |      |
|                 |                 |             |                      | Apr 1  | Balance b/d | 57 866<br>(1cf)      |      |
|                 |                 |             |                      |        |             |                      |      |

| Question Number              | Answer  | Mark             |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|------------------------------|---|------------------|---------------|---------|---|--|---------------------|-------------|------------------|---------------|--|-----------------------|--------|-------|--------|--------|----------------|---------------|---------------|---------------|--------|--|---------------|---------------|--------|--|--|--|--|--|--|-----------------------|--|--|--|--|-------|--|-------|--|--------|---------|-------|--|--|--|------------------------------|------------|--|--|--|--|--|-------|--|--------|-------------|--|-------|--|--------|------|--|--------------|--|--------|--|--|--------|--|--|----------------------------|--|--|--|--|----------|-----|--|--|--------|-----------|---------------|--|--|--------|--|--|--------|--|--|------------------------|--|--|-------|--------|--|--|--|--------|--|------------------------------|--|--|--|--|-----------|--|--|---------------|---------|--|--|--|--------|--|--------------------|--|--|--|--|---------------------------|--|-------|--|--|------------|--|--------------|--|--|--|--|--------|--|--|----------|--|---------------|--|--|--|--|--|--------|--------|------|
| 14 (b)                       | <div><p style="text-align: center;"><b>Safiya</b><br/><b>Balance Sheet</b><br/><b>As at 31 March 2013</b></p><table><tr><td></td><td>£</td><td>£</td><td>£</td><td></td></tr><tr><td><b>Fixed Assets</b></td><td><b>Cost</b></td><td><b>Total Dep</b></td><td><b>N.B.V.</b></td><td></td></tr><tr><td>Fixtures and fittings</td><td>40 000</td><td>5 000</td><td>35 000</td><td>(1 cf)</td></tr><tr><td>Motor vehicles</td><td><u>55 000</u></td><td><u>19 800</u></td><td><u>35 200</u></td><td>(1 cf)</td></tr><tr><td></td><td><u>95 000</u></td><td><u>24 800</u></td><td>70 200</td><td></td></tr><tr><td></td><td></td><td></td><td></td><td></td></tr><tr><td><b>Current Assets</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Stock</td><td></td><td>6 000</td><td></td><td>(1 cf)</td></tr><tr><td>Debtors</td><td>4 980</td><td></td><td></td><td></td></tr><tr><td>Provision for doubtful debts</td><td><u>749</u></td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>4 231</td><td></td><td>2 (cf)</td></tr><tr><td>Prepayments</td><td></td><td>1 430</td><td></td><td>(1 cf)</td></tr><tr><td>Bank</td><td></td><td><u>8 560</u></td><td></td><td>(1 cf)</td></tr><tr><td></td><td></td><td>20 221</td><td></td><td></td></tr><tr><td><b>Current Liabilities</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Accruals</td><td>875</td><td></td><td></td><td>(1 cf)</td></tr><tr><td>Creditors</td><td><u>15 680</u></td><td></td><td></td><td>(1 cf)</td></tr><tr><td></td><td></td><td>16 555</td><td></td><td></td></tr><tr><td><b>Working capital</b></td><td></td><td></td><td>3 666</td><td>(1 of)</td></tr><tr><td></td><td></td><td></td><td>73 866</td><td></td></tr><tr><td><b>Long term Liabilities</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Bank loan</td><td></td><td></td><td><u>16 000</u></td><td>( 1 cf)</td></tr><tr><td></td><td></td><td></td><td>57 866</td><td></td></tr><tr><td><b>Financed by</b></td><td></td><td></td><td></td><td></td></tr><tr><td>Capital – Opening balance</td><td></td><td>64500</td><td></td><td></td></tr><tr><td>Net Profit</td><td></td><td><u>14366</u></td><td></td><td></td></tr><tr><td></td><td></td><td>78 866</td><td></td><td></td></tr><tr><td>Drawings</td><td></td><td><u>21 000</u></td><td></td><td></td></tr><tr><td></td><td></td><td></td><td>57 866</td><td>(1 cf)</td></tr></table></div> |                  | £             | £       | £ |  | <b>Fixed Assets</b> | <b>Cost</b> | <b>Total Dep</b> | <b>N.B.V.</b> |  | Fixtures and fittings | 40 000 | 5 000 | 35 000 | (1 cf) | Motor vehicles | <u>55 000</u> | <u>19 800</u> | <u>35 200</u> | (1 cf) |  | <u>95 000</u> | <u>24 800</u> | 70 200 |  |  |  |  |  |  | <b>Current Assets</b> |  |  |  |  | Stock |  | 6 000 |  | (1 cf) | Debtors | 4 980 |  |  |  | Provision for doubtful debts | <u>749</u> |  |  |  |  |  | 4 231 |  | 2 (cf) | Prepayments |  | 1 430 |  | (1 cf) | Bank |  | <u>8 560</u> |  | (1 cf) |  |  | 20 221 |  |  | <b>Current Liabilities</b> |  |  |  |  | Accruals | 875 |  |  | (1 cf) | Creditors | <u>15 680</u> |  |  | (1 cf) |  |  | 16 555 |  |  | <b>Working capital</b> |  |  | 3 666 | (1 of) |  |  |  | 73 866 |  | <b>Long term Liabilities</b> |  |  |  |  | Bank loan |  |  | <u>16 000</u> | ( 1 cf) |  |  |  | 57 866 |  | <b>Financed by</b> |  |  |  |  | Capital – Opening balance |  | 64500 |  |  | Net Profit |  | <u>14366</u> |  |  |  |  | 78 866 |  |  | Drawings |  | <u>21 000</u> |  |  |  |  |  | 57 866 | (1 cf) | (12) |
|                              | £   | £                | £             |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| <b>Fixed Assets</b>          | <b>Cost</b>   | <b>Total Dep</b> | <b>N.B.V.</b> |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Fixtures and fittings        | 40 000  | 5 000            | 35 000        | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Motor vehicles               | <u>55 000</u>   | <u>19 800</u>    | <u>35 200</u> | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              | <u>95 000</u>   | <u>24 800</u>    | 70 200        |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| <b>Current Assets</b>        |   |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Stock                        |   | 6 000            |               | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Debtors                      | 4 980   |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Provision for doubtful debts | <u>749</u>  |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   | 4 231            |               | 2 (cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Prepayments                  |   | 1 430            |               | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Bank                         |   | <u>8 560</u>     |               | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   | 20 221           |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| <b>Current Liabilities</b>   |   |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Accruals                     | 875   |                  |               | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Creditors                    | <u>15 680</u>   |                  |               | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   | 16 555           |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| <b>Working capital</b>       |   |                  | 3 666         | (1 of)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   |                  | 73 866        |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| <b>Long term Liabilities</b> |   |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Bank loan                    |   |                  | <u>16 000</u> | ( 1 cf) |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   |                  | 57 866        |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| <b>Financed by</b>           |   |                  |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Capital – Opening balance    |   | 64500            |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Net Profit                   |   | <u>14366</u>     |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   | 78 866           |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
| Drawings                     |   | <u>21 000</u>    |               |         |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |
|                              |   |                  | 57 866        | (1 cf)  |   |  |                     |             |                  |               |  |                       |        |       |        |        |                |               |               |               |        |  |               |               |        |  |  |  |  |  |  |                       |  |  |  |  |       |  |       |  |        |         |       |  |  |  |                              |            |  |  |  |  |  |       |  |        |             |  |       |  |        |      |  |              |  |        |  |  |        |  |  |                            |  |  |  |  |          |     |  |  |        |           |               |  |  |        |  |  |        |  |  |                        |  |  |       |        |  |  |  |        |  |                              |  |  |  |  |           |  |  |               |         |  |  |  |        |  |                    |  |  |  |  |                           |  |       |  |  |            |  |              |  |  |  |  |        |  |  |          |  |               |  |  |  |  |  |        |        |      |

| Question Number   | Answer  | Mark        |   |   |   |                                      |  |
|---|---|-------------|---|---|---|--------------------------------------|--|
| 14 (c)  | Current ratio   | (2)         |   |   |   |                                      |  |
|   | <table><tr><td>Formula:</td><td>Calculation</td></tr><tr><td>Current assets/Current liabilities <b>(1)</b></td><td>20 221/16 555 = <b>1.22:1 (1 of)</b></td></tr></table> |             | Formula:  | Calculation                                   | Current assets/Current liabilities <b>(1)</b> | 20 221/16 555 = <b>1.22:1 (1 of)</b> |  |
|   | Formula:  |             | Calculation   |   |   |                                      |  |
|   | Current assets/Current liabilities <b>(1)</b>   |             | 20 221/16 555 = <b>1.22:1 (1 of)</b>                  |   |   |                                      |  |
| Quick ratio (acid test)   |   |             |   |   |   |                                      |  |
| <table><tr><td>Formula</td><td>Calculation</td></tr><tr><td>Current assets - stock/Current liabilities <b>(1)</b></td><td>(20 221 – 6000)/16 555 = <b>0.86:1 (1 of)</b></td></tr></table> | Formula   | Calculation | Current assets - stock/Current liabilities <b>(1)</b> | (20 221 – 6000)/16 555 = <b>0.86:1 (1 of)</b> | (2)   |                                      |  |
| Formula   | Calculation   |             |   |   |   |                                      |  |
| Current assets - stock/Current liabilities <b>(1)</b>   | (20 221 – 6000)/16 555 = <b>0.86:1 (1 of)</b>   |             |   |   |   |                                      |  |

| Question Number | Answer  | Mark              |
|-----------------|---|-------------------|
| 14 (d)          | <p>Award (1) mark for a general statement regarding the change in liquidity over the two years; a further (2) marks for a discussion on the meaning of each individual ratio; (1) mark for the implication for their creditors and a final (1) mark for a conclusion.</p> <p><b>Sample answer</b></p> <p>The liquidity of the business has worsened over the two years (1) which is evidenced by the reduction in both ratios. The current ratio indicates that they are just able to cover their short term debts (1) whereas their quick ratio indicates that they are below the ideal ratio of 1:1. (1) The implication of this for a creditor is that the business may experience some difficulty in meeting its short term debts (1).</p> <p>The business needs to consider whether it needs to take steps to invest more cash into the business in order to meet its short term obligations (1)</p> | <p><b>(5)</b></p> |

**15** Khalid purchased a new packaging machine costing £120 000 for his business on 1 July 2010. He decided to depreciate this machine at the rate of 20% using the reducing balance method.

(a) Explain the following two methods of depreciation.

Straight line

(2)

Reducing balance

(2)

(b) Prepare the provision for depreciation account for the years ended 30 June 2011 and 30 June 2012. Balance the account and bring the balance down on 1 July 2012.

(6)

**Provision for Depreciation Account**

| Date | Narration | £ | Date | Narration | £ |
|------|-----------|---|------|-----------|---|
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |
|      |           |   |      |           |   |



(5)

**TOTAL FOR SECTION B = 90 MARKS**  
**TOTAL FOR PAPER = 100 MARKS**





| Question Number | Answer   | Mark                  |
|-----------------|--|-----------------------|
| 15 (a)          | <p>Straight line</p> <p>This method applies the same amount of depreciation or the same percentage rate each year (1). This method is used where each year is expected to benefit equally from the use of an asset (1).</p> <p>Reducing balance</p> <p>This method applies the same percentage rate of depreciation each year but it is calculated on a different value each year (1). This method is used where the greater benefits from the use of the asset will be gained in the early years of its life (1).</p> | <p>(2)</p> <p>(2)</p> |

| Question Number                    | Answer  | Mark                               |                 |                        |                          |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
|------------------------------------|---|------------------------------------|-----------------|------------------------|--------------------------|--|--|------|-----------|---|------|-----------|---|--------------------|----------------|--------|-----------------|------------------------|------------------|--|--|--|--------|----------------|--------|--------------------|----------------|--------|-----------------|------------------------|--------------------------|--|--|----------------------|--|--|----------------------|--|--|--|--------|----------------|------------------|-----|
| 15 (b)                             | <table><tr><th colspan="6">Provision for depreciation account</th></tr><tr><th>Date</th><th>Narration</th><th>£</th><th>Date</th><th>Narration</th><th>£</th></tr><tr><td>2011<br/>June<br/>30</td><td>Balance<br/>c/d</td><td>24 000</td><td>2011<br/>June 30</td><td>Profit and<br/>loss (1)</td><td>24 000<br/>(1 cf)</td></tr><tr><td></td><td></td><td></td><td>July 1</td><td>Balance<br/>b/d</td><td>24 000</td></tr><tr><td>2012<br/>June<br/>30</td><td>Balance<br/>c/d</td><td>43 200</td><td>2012<br/>June 30</td><td>Profit and<br/>loss (1)</td><td>19 200<br/>(2 cf<br/>1 of)</td></tr><tr><td></td><td></td><td><b><u>43 200</u></b></td><td></td><td></td><td><b><u>43 200</u></b></td></tr><tr><td></td><td></td><td></td><td>July 1</td><td>Balance<br/>b/d</td><td>43 200<br/>(1 of)</td></tr></table> | Provision for depreciation account |                 |                        |                          |  |  | Date | Narration | £ | Date | Narration | £ | 2011<br>June<br>30 | Balance<br>c/d | 24 000 | 2011<br>June 30 | Profit and<br>loss (1) | 24 000<br>(1 cf) |  |  |  | July 1 | Balance<br>b/d | 24 000 | 2012<br>June<br>30 | Balance<br>c/d | 43 200 | 2012<br>June 30 | Profit and<br>loss (1) | 19 200<br>(2 cf<br>1 of) |  |  | <b><u>43 200</u></b> |  |  | <b><u>43 200</u></b> |  |  |  | July 1 | Balance<br>b/d | 43 200<br>(1 of) | (6) |
| Provision for depreciation account |   |                                    |                 |                        |                          |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
| Date                               | Narration   | £                                  | Date            | Narration              | £                        |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
| 2011<br>June<br>30                 | Balance<br>c/d  | 24 000                             | 2011<br>June 30 | Profit and<br>loss (1) | 24 000<br>(1 cf)         |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
|                                    |   |                                    | July 1          | Balance<br>b/d         | 24 000                   |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
| 2012<br>June<br>30                 | Balance<br>c/d  | 43 200                             | 2012<br>June 30 | Profit and<br>loss (1) | 19 200<br>(2 cf<br>1 of) |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
|                                    |   | <b><u>43 200</u></b>               |                 |                        | <b><u>43 200</u></b>     |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |
|                                    |   |                                    | July 1          | Balance<br>b/d         | 43 200<br>(1 of)         |  |  |      |           |   |      |           |   |                    |                |        |                 |                        |                  |  |  |  |        |                |        |                    |                |        |                 |                        |                          |  |  |                      |  |  |                      |  |  |  |        |                |                  |     |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 15 (c)          | <p>Award up to 2 marks for comments relative to the accruals concept</p> <p>Award up to 2 marks for comments relative to the consistency concept</p> <p>Award 1 mark for a concluding statement.</p> <p>Sample answer<br/>When a business depreciates its fixed assets it is attempting to match the benefit achieved from the use of this fixed asset (1) to the cost of the fixed asset which is an example of the application of the accruals (matching) concept (1).</p> <p>In order for the business to monitor their performance it is necessary to use the same method of depreciation for each class of asset(1) which is an example of the application of the consistency concept (1).</p> <p>If a business does not follow these concepts it will be in breach of the accounting conventions (rules) and will report an incorrect profit in their profit and loss account and an incorrect valuation of their fixed assets on their balance sheet (1)</p> | (5)  |