

# MyStudyBro - Revision Exercise Tool

This Revision Handout includes the Questions and Answers of a total of 2 exercises!

## Chapters:

### ICT - Unit 1 (Pearson Edexcel)

Page 1	(WAC01 or WAC11) 2018 Summer Correction of Errors
Page 6	(WAC01 or WAC11) 2018 Summer - Answer <b>Also Includes:</b> Correction of Errors
Page 13	(WAC01 or WAC11) 2017 Winter Job Costing
Page 14	(WAC01 or WAC11) 2017 Winter - Answer <b>Also Includes:</b> Job Costing

2 Roshan's bookkeeper extracted the following trial balance on 30 April 2018.

	Dr	Cr
	£	£
Capital		60 000
Drawings	11 900	
Revenue		205 000
Purchases	125 000	
Returns inwards		800
Inventory – 1 May 2017	31 000	
Non-current assets (cost)	64 000	
Provision for depreciation – non-current assets		36 000
Discount allowed		1 680
Discount received	3 100	
Trade receivables		19 000
Trade payables		15 650
Allowance for doubtful debts	400	
Wages	27 000	
Rent and rates	8 500	
Electricity and gas	4 600	
General expenses	23 500	
Cash in hand		3 170
Suspense	<u>42 300</u>	<u>          </u>
	<u>341 300</u>	<u>341 300</u>

Roshan was aware that the bookkeeper had made some errors in drafting the trial balance.

### Required

(a) Complete the trial balance in your question paper, **correcting all errors**.

(8)

**After** the correction of the trial balance, the bookkeeper completed the financial statements, which showed a profit for the year of £30 700. Roshan then identified that there had been some errors in the year-end adjustments.

- (1) The inventory at 30 April 2018 was recorded in the financial statements as £35 500. There was an error in the inventory count, which should have shown the total as £32 700
- (2) No adjustment had been made for discount receivable owing. £3 100 had been recorded in the financial statements when this should have been £3 450
- (3) No adjustments had been made for general expenses prepaid £1 200 and owing £550
- (4) Annual depreciation on non-current assets had been charged at the rate of 25% on cost, when this should have been 15% on cost.
- (5) No adjustment had been made to the allowance for doubtful debts, which should have been maintained at 4%.
- (6) A provision should have been made for an injury claim from one of Roshan's employees. The injury claim would be for 7 weeks' loss of earnings at £180 per week plus a total loss of bonus of £120. No entry had been made in the financial statements.

### Required

- (b) Complete the table in the question paper, to calculate the revised profit/loss after the corrections of (1) to (6).

(14)

The following information related to three of Roshan's ledger accounts.

	Balance 1 May 2017	Payments by cheque	Balance 1 May 2018	Transfer to statement of profit or loss and other comprehensive income
	£	£	£	£
Allowance for doubtful debts	400	Nil	To be calculated	To be calculated
Wages	650 Cr	27 650	175 Cr	To be calculated
Electricity and gas	250 Dr	4 350	360 Cr	To be calculated

### Required

(c) Prepare the following ledger accounts for the year ended 30 April 2018, showing the balance brought down at 1 May 2018:

- Allowance for Doubtful Debts Account
- Wages Account
- Electricity and Gas Account.

(9)

(d) Explain the difference between:

- (i) the accounting concepts of accruals and money measurement

(4)

- (ii) bad debts and allowance for doubtful debts

(4)

- (iii) social accounting and ethical accounting.

(4)

Roshan is considering computerising his accounts using information and communication technology (ICT). He believes that this will eliminate the errors in his financial statements.

(e) Evaluate the proposal that information and communication technology (ICT) will **eliminate the errors** made by his bookkeeper in recording transactions and preparing the trial balance and the financial statements.

(12)

(Total for Question 2 = 55 marks)

**TOTAL FOR SECTION A = 110 MARKS**

Source material for Question 2 is on pages 5 to 7 of the source booklet.

- 2 (a) Complete the trial balance, **correcting all errors**.

(8)

**Roshan**  
**Trial balance at 30 April 2018**

	Dr	Cr
	£	£
Capital		
Drawings		
Revenue		
Purchases		
Returns inwards		
Inventory – 1 May 2017		
Non-current assets (cost)		
Provision for depreciation – non-current assets		
Discount allowed		
Discount received		
Trade receivables		
Trade payables		
Allowance for doubtful debts		
Wages		
Rent and rates		
Electricity and gas		
General expenses		
Cash in hand		
Suspense		



- (b) Complete the table, to calculate the revised profit/loss after the corrections of (1) to (6).

(14)

**Corrected profit/(loss) for the year ended 30 April 2018**

			£
Draft profit for the year			30 700
	Increase	Decrease	
	£	£	
(1) The inventory at 30 April 2018 was recorded in the financial statements as £35 500. There was an error in the inventory count, which should have shown the total as £32 700			
(2) No adjustment had been made for discount receivable owing. £3 100 had been recorded in the financial statements when this should have been £3 450			
(3) No adjustments had been made for general expenses prepaid £1 200 and owing £550			
(4) Annual depreciation on non-current assets had been charged at the rate of 25% on cost, when this should have been 15% on cost.			
(5) No adjustment had been made to the allowance for doubtful debts, which should have been maintained at 4%.			
(6) A provision should have been made for an injury claim from one of Roshan's employees. The injury claim would be for 7 weeks' loss of earnings at £180 per week plus a total loss of bonus £120. No entry had been made in the financial statements.			
Total			
Revised profit/(loss) for the year			



Question Number	Answer	Mark
2 (a)	<b>AO1 (5), AO2 (3)</b> <b>AO1: Five marks for correcting trial balance.</b> <b>AO2: Three marks for matching trial balance totals.</b>	(8)

Roshan		
Trial balance at 30 April 2018		
	Dr	Cr
	£	£
Capital		60 000
Drawings	11 900	
Revenue		205 000
Purchases	125 000	
Returns inwards	800 (1)AO1	
Inventory -1 May 2017	31 000	
Non-current assets (cost)	64 000	
Provision for depreciation – non-current assets		36 000
Discount allowed	1 680 (1)AO1	
Discount received		3 100 (1)AO1
Trade receivables	19 000 (1)AO1	
Trade payables		15 650
Allowance for doubtful debts		400 (1)AO1
Wages	27 000	
Rent and rates	8 500	
Electricity and gas	4 600	
General expenses	23 500	
Cash in hand	3 170 (1)AO2	
Suspense	-	-
	<u>320 150</u>	<u>320 150 (2/1of)AO2</u>
The same		

Question Number	Answer	Mark
2 (b)	<b>AO2 (12), AO3 (2)</b> <b>AO2: Twelve marks for adjusting profit.</b> <b>AO3: Two marks for calculating depreciation.</b>	(14)

Corrected profit/(loss) for the year ended 30 April 2018

			£
Draft profit for the year			30 700
	Increase £	Decrease £	
(1) The inventory at 30 April 2018 was recorded in the financial statements as £35 500. There was an error in the inventory count which should have been £32 700.		2 800 (1) <b>AO2</b> correct number (1) <b>AO2</b> correct treatment	
(2) No adjustment had been made for discount receivable owing. £3 100 had been recorded in the financial statements when this should have been £3 450.	350 (1) <b>AO2</b> correct number (1) <b>AO2</b> correct treatment		
(3) No adjustment had been made for general expenses prepaid £1 200 and owing £550.	1 200 (1) <b>AO2</b>	550 (1) <b>AO2</b>	
(4) Annual depreciation on non-current assets had been charged at the rate of 25% on cost, when this should have been 15%.	6 400 (1) <b>AO3</b> correct number (1) <b>AO2</b> correct treatment		
(5) No adjustment had been made to the allowance for doubtful debts which should have been maintained at 4%.		360 (1) <b>AO2</b> correct number (1) <b>AO2</b> correct treatment	



(6) A provision was to be made for an injury claim from one of Roshan's employees. The injury claim would be for 7 weeks loss of earnings at £180 per week plus a total loss of bonus £120.		1 380 <b>(1) AO3</b> correct number <b>(1) AO2</b> correct treatment	
Total	7 950	(5 090)	2 860
Revised profit/(loss) for the year			33 560 <b>(2/1of)</b> <b>AO2</b>

Question Number	Answer	Mark
2 (c)	<b>AO1 (6), AO3 (3)</b> <b>AO1: Six marks for transferring entries to the accounts correctly and balancing off accounts.</b> <b>AO3: Three marks for deriving bank or income statement figures.</b>	<b>(9)</b>

## Allowance for Doubtful Debts Account

		£			£
			2017		
			1 May	Balance b/d	400 <b>(1)</b> <b>AO1</b>
2018			2018		
30 April	Balance c/d	<u>760</u>	30 April	Income statement	<u>360 (1of)</u> <b>AO3</b>
		<u>760</u>			<u>760</u>
			1 May	Balance b/d	760 <b>(1of)</b> <b>AO1</b>

## Wages Account

		£			£
2017/18	Bank/cheque	27 650 <b>(1) AO3</b>	2017		
2018			1 May	Balance b/d	650
30 April	Balance c/d	175	2018		
		—	30 April	Income statement	<u>27 175</u> <b>(1) AO1</b>
		<u>27 825</u>			<u>27 825</u>
			1 May	Balance b/d	175 <b>(1)</b> <b>AO1</b>

## Electricity and Gas Account

		£			£
2017					
1 May	Balance b/d	250			
2017/18	Bank/cheque	4 350 (1) <b>AO1</b>			
2018			2018		
30 April	Balance c/d	<u>360</u>	30 April	Income statement	<u>4 960 (1)</u> <b>AO3</b>
		<u>4 960</u>			<u>4 960</u>
			1 May	Balance b/d	360 (1) <b>AO1</b>

Question Number	Answer	Mark
2 (d)(i)	<b>AO1 (4)</b> <b>AO1: Four marks for explaining the distinction.</b>	(4)

Accruals	Money measurement
Matches income to expenditure for a period	Recognises that some assets cannot be measured in monetary terms in financial statements
Applies to all expenses and incomes	Some assets to the business such as peoples skill cannot be recorded on the SOFP
Ensures not overstating profits	All assets liabilities which can be measured in monetary terms should be included

Marks awarded only if two points are distinguished, one from each concept **(1)**

**AO1** x 4

Question Number	Answer	Mark
2 (d) (ii)	<b>AO1 (4)</b> <b>AO1: Four marks for explaining the distinction.</b>	<b>(4)</b>

<b>Bad debts</b>	<b>Allowance for doubtful debts</b>
Actual bad debts from the <b>last period</b>	Estimate of possible debts in the <b>next period</b>
<b>Actual</b> figure	<b>Estimate</b> only
Expense of the period entered in the income statement	Application of prudence concept to value trade receivables accurately
These have occurred in the current period	This is for a debt which might occur in a future period

Two marks awarded for first category and two marks for second category **(1)**

**AO1** x 4

Question Number	Answer	Mark
2 (d) (iii)	<b>AO1 (4)</b> <b>AO1: Four marks for explaining the distinction.</b>	<b>(4)</b>

<b>Social accounting</b>	<b>Ethical accounting</b>
Business should consider their actions in a social context not just profit	Businesses should report with honesty
Considers impact on workers, community, environment etc	Not misleading by issuing incorrect statements or financial statements
Long term benefit for business and society	Not withholding relevant information

Marks awarded only if two points are distinguished, one from each concept **(1)**

**AO1** x 4

Question Number	Indicative Content	Mark
2 (e)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Positive points for the proposal</p> <p>Errors may be reduced because the software package will complete the double entry so the correct corresponding account will receive the entry. The software package will produce financial reports/statements on as regular a basis as is required. Therefore the construction and base data used will be correctly applied. The computer will ensure no arithmetical/calculation errors.</p> <p>Negative points for the proposal</p> <p>Although the double entry will be completed with the debit and credit the computer can only apply the figures supplied by the inputter. An error in inputting from the source documents will not be detected by the computer. Regular financial reports/ statements will require period end financial adjustments. If these are not accurately applied the outcome will be inaccurate. If poorly programmed errors may occur. Repetitive input can lead to errors. Lack of training can lead to input errors. Some of the errors which do not affect the trial balance will still not be detected if using ICT e.g. error of omission or error of original entry.</p> <p>Decision</p> <p>Candidates may conclude that errors will be reduced but there is no guarantee of elimination of errors. Candidates should support that decision with an appropriate rationale.</p> <p><b>NOT</b></p> <p>General advantages and disadvantages of using ICT. ALL errors not revealed by the trial balance will still not be detected.</p>	(12)

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations.
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Question Number	Answer	Mark
<b>3 (a)</b>	<p><b>AO1 (4)</b>  <b>AO1: Four marks for identifying possible reasons for the fall.</b></p> <p>Sales will probably be falling  If sales for cash, smaller cash inflow  If for sales on credit, fewer trade receivables to convert into cash  Inventory may rise unless purchases are restrained  May require bank overdraft to pay expenses  Difficulty in paying trade payables</p> <p>MAX 4 x <b>(1) AO1</b></p>	<b>(4)</b>

**5** Falgu commenced business as a builder on 1 December 2015. The following information is available for the year ended 30 November 2016:

- raw materials costing £80 000 were purchased and used
- Falgu marks up all raw materials by 15%
- Falgu worked 50 hours per week for 50 weeks of the year
- 80% of the hours worked by Falgu were charged to customers
- overhead costs were:
 

Rent of premises	£1 000 per month
General expenses	£13 500 per year
Motor vehicle running costs	£8 500 per year
- Falgu charged a rate to customers of £25 per hour to cover his labour and overheads.

### Required

(a) Explain the difference between mark-up and margin. (2)

(b) State whether the following costs would be fixed, semi-fixed, semi-variable or variable, giving your reason for each:

(i) raw materials (2)

(ii) rent of premises (2)

(iii) telephone costs (included in general expenses). (2)

(c) Calculate Falgu's profit or loss for the year ended 30 November 2016. (8)

Falgu has decided to charge a rate to customers in the future that will provide him with a profit for the year of £40 000.

(d) Calculate the hourly rate that Falgu would need to charge to customers. (4)

(e) Prepare a quotation for a customer where:

Raw materials purchase price	£1 100
Falgu's hours worked	35 hours

(4)

Falgu is considering the use of information and communications technology (ICT) to operate his business.

(f) Evaluate the use of information and communications technology (ICT) to operate Falgu's business. (6)

**(Total for Question 5 = 30 marks)**

Question Number	Answer	Mark
5(a)	<p><b>AO1 (2)</b>  <b>A01: Two marks for identifying the correct narrative.</b></p> <p>Mark-up is the percentage profit added to cost price (1) <b>AO1</b></p> <p>OR</p> <p>Gross profit divided by cost of sales (1) <b>AO1</b></p> <p>Margin is the percentage of profit contained within the revenue (1) <b>AO1</b></p> <p>OR</p> <p>Gross profit divided by revenue (1) <b>AO1</b></p>	<b>(2)</b>

Question Number	Answer	Mark
5(b)	<p><b>AO1 (3), AO2 (3)</b>  <b>A01: Three marks for and stating each costs features.</b>  <b>A02: Three marks for identifying the correct type of cost.</b></p> <p>(i) Raw materials are a variable cost. (1) <b>AO1</b> The cost varies <b>directly</b> with production increase or decrease. (1) <b>AO2</b>  (2)</p> <p>(ii) Rent is a fixed cost. (1) <b>AO1</b> This cost will remain fixed over varying range of production during the accounting period. (1) <b>AO2</b>  (2)</p> <p>(iii) Telephone costs are a semi-<b>variable</b>. (1) <b>AO1</b> The cost has a fixed element, the network contract, plus a variable cost for each call. (1) <b>AO2</b>  (2)</p>	<b>(6)</b>

Question Number	Answer	Mark																																				
5(c)	<p><b>AO1 (3), AO2 (5)</b>  <b>A01: Three marks for inclusion of expenses.</b>  <b>A02: Five marks for calculating the correct value and insert in statement.</b></p> <p style="text-align: right;">Profit for the year ended 30 November 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">£</th><th style="text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Income</td><td></td><td></td></tr> <tr> <td>Raw material sales</td><td></td><td style="text-align: right;">92 000 (1) <b>AO2</b></td></tr> <tr> <td>Own labour</td><td></td><td style="text-align: right;"><u>50 000</u> (2) <b>AO2</b></td></tr> <tr> <td></td><td></td><td style="text-align: right;">142 000</td></tr> <tr> <td>Expenditure</td><td></td><td></td></tr> <tr> <td>Raw material costs</td><td style="text-align: right;">80 000</td><td style="text-align: right;">(1) <b>AO2</b></td></tr> <tr> <td>Rent of builders premises</td><td style="text-align: right;">12 000</td><td style="text-align: right;">(1) <b>AO1</b></td></tr> <tr> <td>General expenses</td><td style="text-align: right;">13 500</td><td style="text-align: right;">(1) <b>AO1</b></td></tr> <tr> <td>Motor vehicle running costs</td><td style="text-align: right;"><u>8 500</u></td><td style="text-align: right;">(1) <b>AO1</b></td></tr> <tr> <td></td><td></td><td style="text-align: right;">(114 000)</td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;">28 000 (1of) <b>AO2</b></td></tr> </tbody> </table> <p>Workings:  Own labour (50 x 50) x 80% = 2 000 (1) <b>AO2</b> x 25 = 50 000 (1) <b>AO2</b>  Raw materials shown as £12 000 income (92 000 – 80 000) = 2 marks</p>		£	£	Income			Raw material sales		92 000 (1) <b>AO2</b>	Own labour		<u>50 000</u> (2) <b>AO2</b>			142 000	Expenditure			Raw material costs	80 000	(1) <b>AO2</b>	Rent of builders premises	12 000	(1) <b>AO1</b>	General expenses	13 500	(1) <b>AO1</b>	Motor vehicle running costs	<u>8 500</u>	(1) <b>AO1</b>			(114 000)	Profit for the year		28 000 (1of) <b>AO2</b>	<b>(8)</b>
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Question Number	Answer	Mark
5(d)	<p><b>AO2 (1), AO3 (3)</b>  <b>A02: One mark for using the current labour rate.</b>  <b>A03: Three marks for calculating the revised rate.</b></p> <p>Existing profit for the year            £28 000  Required profit                            <u>£40 000</u>  Increase required                        £12 000 (1of) <b>AO3</b> Divided by  2 000 hours (1) <b>AO2</b> = £6 per hour extra(1) <b>AO3</b></p> <p>The rate would need to be £25 per hour + £6 per hour = £31  per hour (1of) <b>AO3</b></p>	<b>(4)</b>

Question Number	Answer	Mark								
5(e)	<p><b>AO2 (3), AO3 (1)</b> <b>A02: Three marks for using the number of labour hours.</b> <b>A03: One mark for calculating the quotation.</b></p> <p style="text-align: center;">Job Quotation</p> <table><tr><td></td><td style="text-align: right;">£</td></tr><tr><td>Raw material 1 100 x 115%</td><td style="text-align: right;">1 265 (1) <b>AO2</b></td></tr><tr><td>Labour 35 (1) <b>AO2</b>x £31 (1of) <b>AO3</b></td><td style="text-align: right;"><u>1 085</u></td></tr><tr><td>Total price</td><td style="text-align: right;"><u>2 350</u> (1of) <b>AO2</b></td></tr></table>		£	Raw material 1 100 x 115%	1 265 (1) <b>AO2</b>	Labour 35 (1) <b>AO2</b> x £31 (1of) <b>AO3</b>	<u>1 085</u>	Total price	<u>2 350</u> (1of) <b>AO2</b>	<p style="text-align: center;"><b>(4)</b></p>
	£									
Raw material 1 100 x 115%	1 265 (1) <b>AO2</b>									
Labour 35 (1) <b>AO2</b> x £31 (1of) <b>AO3</b>	<u>1 085</u>									
Total price	<u>2 350</u> (1of) <b>AO2</b>									



Question Number	Indicative content	Mark
5(f)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Potential positive arguments for</p> <ul style="list-style-type: none"> <li>• Speed, accuracy, reduction in errors are all benefits that Falgu would receive</li> <li>• Security would be improved as passwords would be required</li> <li>• Large storage capacity on disk reducing the storage of paper hard copies.</li> </ul> <p>Potential negative points</p> <ul style="list-style-type: none"> <li>• Capital cost of purchase of the hardware and software</li> <li>• Risk of viruses, hacking of data</li> <li>• Training of staff for constant upgrades in software.</li> </ul> <p>Decision</p> <p>Candidates may conclude that it is wise or unwise to purchase ICT. The decision should be supported by reasoned arguments.</p>	(6)

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.