

# MyStudyBro - Revision Exercise Tool

This Revision Handout includes the Questions and Answers of a total of 5 exercises!

## Chapters:

### **Control Accounts - Unit 1 (Pearson Edexcel)**

Page 1	(WAC01 or WAC11) 2018 Winter
Page 3	(WAC01 or WAC11) 2018 Winter - Answer
Page 11	(WAC01 or WAC11) 2017 Summer
Page 13	(WAC01 or WAC11) 2017 Summer - Answer
Page 16	(WAC01 or WAC11) 2015 Summer
Page 18	(WAC01 or WAC11) 2015 Summer - Answer
Page 20	(WAC01 or WAC11) 2014 Winter
Page 21	(WAC01 or WAC11) 2014 Winter - Answer
Page 23	(WAC01 or WAC11) 2012 Summer
Page 24	(WAC01 or WAC11) 2012 Summer - Answer

- 2 Alung is in business buying and selling goods on credit. The following were recorded in the books for October 2017.

Trade Receivables Ledger Control Account		£
Balances 1 October 2017:	Debit	40 500
	Credit	1 500

Totals for October 2017:

	£
Credit sales	56 000
Receipts from credit customers	50 220
Interest charged on overdue account	320
Refund to credit customer	900
Bad debts	1 650
Discount allowed	2 050
Returns inwards	4 300

Trade Receivables Ledger Control Account		£
Balances 31 October 2017:	Debit	To be calculated
	Credit	Nil

### Required

- (a) Prepare the Trade Receivables Ledger Control Account for October 2017. (10)
- (b) State **two** possible reasons why Alung had a credit balance on his Trade Receivables Ledger Control Account on 1 October 2017. (2)

On 31 October 2017 Alung compared his Trade Receivables Ledger Control Account balance with the total balances in his Trade Receivables Ledger and found the following errors:

- (1) a sale of goods to Raj, £1 530, had been recorded in the books as £1 350
- (2) discount allowed, £23, was entered in the discount column on the credit side of the Cash Book and debited to the account of Copra
- (3) a sale to Ng, £850, had been debited in the account of Nah
- (4) an invoice recording the sale of goods to Shen, £650, had not been recorded in the books
- (5) a sale of office fixtures, £2 400, had been recorded in the Sales Account.

### Required

- (c) (i) Identify **each** type of error in (1) to (5). (5)
- (ii) Prepare the Journal entries to correct all the errors. Narratives are **not** required. (10)

(d) Explain why a compensating error would **not** be revealed by the trial balance.

(2)

On 1 November 2016 the balance of the Allowance for Doubtful Debts Account was £2 300

At 31 October 2017, Alung had the following schedule of trade receivables.

Age of debt	Trade receivables	Percentage irrecoverable
0 – 1 month	£20 000	2%
1 – 3 months	£12 000	5%
3 months plus	£6 000	10%

### Required

(e) (i) Calculate the allowance for doubtful debts at 31 October 2017.

(3)

(ii) Prepare the Allowance for Doubtful Debts Account for the year ended 31 October 2017.

(3)

(iii) Prepare the Statement of Financial Position (Extract) showing the trade receivables at 31 October 2017.

(3)

The following information relates to a customer, Weston Supplies, in November 2017.

November 1 Weston Supplies owed Alung £800

5 Alung sold goods, list price £400, to Weston Supplies less 25% trade discount.

6 Weston Supplies returned goods purchased on 5 November with a list price of £80

20 Weston Supplies informed Alung that it had ceased trading. Weston Supplies paid £0.50 in the £1 on all outstanding debts. Alung considers the remainder of the balance as irrecoverable.

### Required

(f) Prepare the ledger account of Weston Supplies for November 2017 in the books of Alung.

(5)

(g) Evaluate the use of accounting concepts and conventions in the preparation of financial statements.

(12)

**(Total for Question 2 = 55 marks)**

**TOTAL FOR SECTION A = 110 MARKS**

Question Number	Answer	Mark
2 (a)	<b>A01 (7), A02(3)</b> <b>A01: Seven marks for posting entries into account.</b> <b>A02: Three marks for recording interest charges and refunds correctly and balancing without alien items.</b>	(10)

## Trade Receivables Control Account

Date	Details	£	Date	Details	£
2017			2017		
Oct 1	Balance b/d	40 500 (1) <b>A01</b>	Oct 1	Balance b/d	1 500
Oct 31	Sales	56 000 (1) <b>A01</b>	Oct 31	Bank	50 220 (1) <b>A01</b>
	Interest charged	320 (1) <b>A02</b>		Bad debt	1 650 (1) <b>A01</b>
	Bank (Refund)	900 (1) <b>A02</b>		Discount allowed	2 050 (1) <b>A01</b>
				Returns inwards	4 300 (1) <b>A01</b>
		_____		Balance c/d	<u>38 000</u> (1) <b>A02</b>
		<u>97 720</u>			<u>97 720</u>
Nov 1	Balance b/d	38 000 (1of) <b>A01</b>			
		On debit side			

Question Number	Answer	Mark
2 (b)	<b>AO1 (2)</b> <b>AO1: Two marks for identifying possible reasons.</b> Customer over payment Customer prepayment Goods returned after payment Incorrect discount allowed calculated by customer <b>2 x (1) AO1</b>  NOT Errors in posting Discount allowed	<b>(2)</b>

Question Number	Answer	Mark
2 (c) (i)	<b>AO2 (5)</b> <b>AO2: Five marks for applying the principle to the scenario to determine the type of error.</b> (1) Original entry <b>(1) AO2</b> (2) Reversal <b>(1) AO2</b> (3) Commission <b>(1) AO2</b> (4) Omission <b>(1) AO2</b> (5) Principle <b>(1) AO2</b>  <b>NOT</b> (1) Transposition (2) Compensation	<b>(5)</b>

Question Number	Answer	Mark
2 (c) (ii)	<b>AO2 (8), AO3(2)</b> <b>AO2: Eight marks for recording the correct journal entry.</b> <b>AO3: Two marks for entries requiring identification of ledger accounts and adjustment of financial entries made.</b>	(10)

## Journal

	Dr	Cr
	£	£
Raj	180 (1) <b>AO2</b>	
Revenue/sales		180 (1) <b>AO2</b>
Discount allowed	46 (1) <b>AO3</b>	
Copra		46 (1) <b>AO3</b>
Ng	850 (1) <b>AO2</b>	
Nah		850 (1) <b>AO2</b>
Shen	650 (1) <b>AO2</b>	
Revenue/sales		650 (1) <b>AO2</b>
Revenue/sales	2 400 (1) <b>AO2</b>	
Office furniture/fixtures		2 400 (1) <b>AO2</b>

NOT

Sales day book instead of revenue/sales

Question Number	Answer	Mark
2 (d)	<b>AO1 (2)</b> <b>AO1: Two marks for explaining why the error is not revealed by the trial balance.</b> There is a debit entry and a credit entry of equal value/at least two different errors which cancel each other out <b>(1) AO1</b> therefore both sides of the trial balance will agree. <b>(1) AO1</b>	<b>(2)</b>

Question Number	Answer	Mark
2 (e) (i)	<b>AO1 (3)</b> <b>AO1: Three marks for calculating the allowance.</b> <div style="text-align: right; margin-right: 100px;">£</div> <div style="margin-left: 100px;">           0 – 1 month            400 <b>(1) AO1</b>            1 – 3 months        600 <b>(1) AO1</b>            3 months plus      <u>600</u> <b>(1) AO1</b>                                         1 600         </div>	<b>(3)</b>

Question Number	Answer	Mark
2 (e) (ii)	<b>AO1(2), AO2(1)</b> <b>AO1: Two marks for recording the balances correctly.</b> <b>AO2: One mark for calculating and recording the transfer to the income statement.</b>	(3)

## Allowance for Doubtful Debts Account

Date	Details	£	Date	Details	£
2017			2016		
Oct 31	Income statement	700 <b>(1of)</b> <b>AO2</b>	Nov 1	Balance b/d	2 300 <b>(1)</b> <b>AO1</b>
	Balance c/d	<u>1 600</u>			<u>          </u>
		<u>2 300</u>			<u>2 300</u>
			Oct 31	Balance b/d	1 600 <b>(1of)</b> <b>AO1</b>
					On credit side

Question Number	Answer	Mark
2 (e) (iii)	<b>AO1(2), AO2(1)</b> <b>AO1: Two marks for recording the correct heading and allowance.</b> <b>AO2: One mark for recording the net value of trade receivables.</b>  Statement of Financial Position (Extract) at 31 October 2017  Current assets <b>(1)</b> <b>AO1</b> Trade receivables                      38 000 of Less Allowance for doubtful debts <u>(1 600)</u> <b>(1of)</b> <b>AO1</b> 36 400 <b>(1of)</b> <b>AO2</b>	(3)

Question Number	Answer	Mark
2 (f)	<b>A01(1), A02(4)</b> <b>A01: One mark for recording the opening balance.</b> <b>A02: Four marks for calculating and recording the remaining entries.</b>	(5)

## Weston Supplies Account

Date	Details	£	Date	Details	£
2017			2017		
Oct 1	Balance b/d	800 (1) <b>A01</b>	Oct 6	Returns in	60 (1) <b>A02</b>
Oct 5	Sales	300 (1) <b>A02</b>	Oct 20	Bank	520 (1) <b>A02</b>
				Bad debt	<u>520</u> (1) <b>A02</b>
		<u>1 100</u>			<u>1 100</u>

Question Number	Indicative Content	Mark
<b>2 (g)</b>	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Positive points for concepts and conventions</p> <p>Ensures consistency of approach when different businesses use the same concepts in preparing their financial statements.</p> <p>Ensures greater accuracy in the calculation of profit for a period when the expenses and incomes have been calculated using accounting concepts and conventions.</p> <p>Stakeholders can have trust and faith in the published financial statements of the business to be used for their assessment of the business</p> <p>Financial statements can be compared from business to business as the financial statements are prepared using the same concepts and conventions.</p> <p>Negative points for concepts and conventions</p> <p>Concepts and conventions are often open to interpretations and different business may take different interpretations when preparing their accounts.</p> <p>Concepts and conventions can on occasions be contradictory e.g. it may be consistent to use straight line depreciation but not prudent in the early years of a non-current assets life when depreciation is high.</p> <p>The application of concepts and conventions requires those preparing the financial statements to be skilled in accounting approaches therefore there is a cost implication.</p> <p>Do not incorporate non-financial factors.</p> <p>Decision</p> <p>Candidates may conclude that the application of concepts and conventions is on balance a positive development in that it provides a consistent approach to the preparation of financial statements. Candidates should support that decision with an appropriate rationale.</p> <p>NOT</p> <p>Description of concepts and conventions.</p>	<p><b>(12)</b></p>

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.

**SECTION B****Answer THREE questions from this section.**

- 3** Gihan is a retailer who buys and sells goods. The following information was available for the month of April 2017.

- Balances of the Trade Receivables Control Account on 1 April 2017 were:

**£**  
 3 450 Dr  
 50 Cr

- Summary of transactions for April 2017 (before corrections):

	<b>£</b>
Sales: Cash	1 900
Credit	7 830
Sales returns	470
Discount allowed	520
Cheques received from trade receivables	6 695
Refund to credit customer by cheque	210
Interest charged on overdue account	95

- On inspection of the books, Gihan found the following errors in the account of Mille Street Stores:
  - a return of goods, £70, from Mille Street Stores had not been recorded in the books
  - trade discount had been allowed by Gihan on a sale of goods at the rate of 25%. The sale should have been allowed trade discount at the rate of 10%. Mille Street Stores were charged £225 after trade discount
  - Gihan's Trade Receivables Ledger on 30 April 2017 (before correction of Mille Street Stores Account) contained the following balances:

	<b>Dr</b>	<b>Cr</b>
	<b>£</b>	<b>£</b>
Muttiah	1 000	-
Nalak	-	150
Southsyde Trading	2 300	-
Mille Street Stores	700	-

**Required**

- (a) Explain how the **Trade Receivables Ledger** differs from the **Sales Day Book**. (4)
- (b) Prepare the journal entries to correct the two errors. Narratives are **not** required. (6)
- (c) Calculate the **corrected** closing balance on the account of Mille Street Stores at 30 April 2017. (4)
- (d) Prepare the Trade Receivables Ledger Control Account for the month of April 2017. (10)
- (e) Evaluate the usefulness of preparing control accounts. (6)

---

**(Total for Question 3 = 30 marks)**

Question Number	Answer	Mark
3 (a)	<p><b>AO1 (4)</b>  <b>AO1: Four marks for stating the difference between trade receivable ledger and sales day book.</b></p> <p>The trade receivables ledger consists of the <b>individual accounts (1)AO1</b> of customers to whom we have <b>sold goods or services on credit (1)AO1</b>.</p> <p>The sales day book <b>lists all of the credit sales (1)AO1</b> made in a day/specific period. <b>(1)AO1</b> before it is <b>totalled and posted to the ledger</b>.</p> <p><b>Accept</b>  The trade receivables ledger is not a book of prime entry <b>(1)</b> the sales day book is a book of prime entry <b>(1)</b></p> <p><b>NOT</b>  All sales (must be credit)</p>	(4)

Question Number	Answer	Mark																		
3 (b)	<p><b>AO1 (2), AO2 (4)</b>  <b>AO1: Two mark for identifying the account.</b>  <b>AO2: Four marks for calculating the figure and inserting this correctly in the journal.</b></p> <p style="text-align: center;">Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: center;">Dr</th><th style="text-align: center;">Cr</th></tr> <tr> <th></th><th style="text-align: center;">£</th><th style="text-align: center;">£</th></tr> </thead> <tbody> <tr> <td>Sales returns/TRCA (1)AO1</td><td style="text-align: right;">70 (1)AO2</td><td></td></tr> <tr> <td>Mill Street Stores</td><td></td><td style="text-align: right;">70 (1)AO2</td></tr> <tr> <td>Mill Street Stores</td><td style="text-align: right;">45 (1)AO2</td><td></td></tr> <tr> <td>Revenue (Sales)/TRCA (1)AO1</td><td></td><td style="text-align: right;">45 (1)AO2</td></tr> </tbody> </table>		Dr	Cr		£	£	Sales returns/TRCA (1)AO1	70 (1)AO2		Mill Street Stores		70 (1)AO2	Mill Street Stores	45 (1)AO2		Revenue (Sales)/TRCA (1)AO1		45 (1)AO2	(6)
	Dr	Cr																		
	£	£																		
Sales returns/TRCA (1)AO1	70 (1)AO2																			
Mill Street Stores		70 (1)AO2																		
Mill Street Stores	45 (1)AO2																			
Revenue (Sales)/TRCA (1)AO1		45 (1)AO2																		

Question Number	Answer	Mark																		
3 (c)	<p><b>AO1 (2), AO2 (2)</b>  <b>AO1: Two marks for recording the opening and closing balances.</b>  <b>AO2: Two marks for making the correct adjustments.</b></p> <p style="text-align: center;">Mill Street Stores</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: center;">£</th><th></th></tr> </thead> <tbody> <tr> <td>Balance b/d</td><td style="text-align: right;">700</td><td>(1)AO1</td></tr> <tr> <td>Less Returns</td><td style="text-align: right;"><u>(70)</u></td><td>(1)AO2</td></tr> <tr> <td></td><td style="text-align: right;">630</td><td></td></tr> <tr> <td>Plus Trade discount</td><td style="text-align: right;"><u>45</u></td><td>(1of from (b))AO2</td></tr> <tr> <td>Corrected balance</td><td style="text-align: right;"><u>675</u></td><td>(1of)AO1</td></tr> </tbody> </table>		£		Balance b/d	700	(1)AO1	Less Returns	<u>(70)</u>	(1)AO2		630		Plus Trade discount	<u>45</u>	(1of from (b))AO2	Corrected balance	<u>675</u>	(1of)AO1	(4)
	£																			
Balance b/d	700	(1)AO1																		
Less Returns	<u>(70)</u>	(1)AO2																		
	630																			
Plus Trade discount	<u>45</u>	(1of from (b))AO2																		
Corrected balance	<u>675</u>	(1of)AO1																		

Question Number	Answer	Mark																																								
3 (d)	<p><b>AO1 (1), AO2 (6), AO3 (3)</b></p> <p><b>A01: One mark for recording the correct closing credit balance.</b></p> <p><b>A02: Six marks for correctly applying the monthly balances to the account.</b></p> <p><b>A03: Three marks for calculating the corrected figure from the journal adjustment before applying the corrected figure to the account.</b></p>	(10)																																								
<p style="text-align: center;">Trade Receivables Control Account</p> <table><thead><tr><th></th><th>£</th><th></th><th>£</th><th></th></tr></thead><tbody><tr><td>Balance b/d</td><td>3 450</td><td>Balance b/d</td><td>50</td><td></td></tr><tr><td>Revenue7830<b>(1)AO2</b>+45</td><td>7 875 <b>(1)AO3</b></td><td>Sales returns 470<b>(1)AO2</b>+70</td><td>540 <b>(1)AO3</b></td><td></td></tr><tr><td>Bank (cash refund)</td><td>210 <b>(1)AO2</b></td><td>Discount allowed</td><td>520 <b>(1)AO2</b></td><td></td></tr><tr><td>Interest charged</td><td>95 <b>(1)AO2</b></td><td>Bank (receipts)</td><td>6 695 <b>(1)AO2</b></td><td></td></tr><tr><td>Balance c/d</td><td><u>150</u></td><td>Balance c/d</td><td><u>3 975</u></td><td></td></tr><tr><td></td><td><u>11 780</u></td><td></td><td><u>11 780</u></td><td></td></tr><tr><td>Balance b/d</td><td>3 975 <b>(1)AO3</b></td><td>Balance b/d</td><td>150 <b>(1)AO1</b></td><td></td></tr></tbody></table>				£		£		Balance b/d	3 450	Balance b/d	50		Revenue7830 <b>(1)AO2</b> +45	7 875 <b>(1)AO3</b>	Sales returns 470 <b>(1)AO2</b> +70	540 <b>(1)AO3</b>		Bank (cash refund)	210 <b>(1)AO2</b>	Discount allowed	520 <b>(1)AO2</b>		Interest charged	95 <b>(1)AO2</b>	Bank (receipts)	6 695 <b>(1)AO2</b>		Balance c/d	<u>150</u>	Balance c/d	<u>3 975</u>			<u>11 780</u>		<u>11 780</u>		Balance b/d	3 975 <b>(1)AO3</b>	Balance b/d	150 <b>(1)AO1</b>	
	£		£																																							
Balance b/d	3 450	Balance b/d	50																																							
Revenue7830 <b>(1)AO2</b> +45	7 875 <b>(1)AO3</b>	Sales returns 470 <b>(1)AO2</b> +70	540 <b>(1)AO3</b>																																							
Bank (cash refund)	210 <b>(1)AO2</b>	Discount allowed	520 <b>(1)AO2</b>																																							
Interest charged	95 <b>(1)AO2</b>	Bank (receipts)	6 695 <b>(1)AO2</b>																																							
Balance c/d	<u>150</u>	Balance c/d	<u>3 975</u>																																							
	<u>11 780</u>		<u>11 780</u>																																							
Balance b/d	3 975 <b>(1)AO3</b>	Balance b/d	150 <b>(1)AO1</b>																																							

Question Number	Answer	Mark
<b>3 (e)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Potential positive arguments for control accounts</p> <ul style="list-style-type: none"> <li>• Checking device on the double entry</li> <li>• Facilitates total balances for financial statement preparation</li> <li>• Restricts fraud</li> <li>• Owner can see total trade payables and trade receivables</li> </ul> <p>Potential negative points against control accounts</p> <ul style="list-style-type: none"> <li>• Additional resources required to prepare.</li> <li>• Require an experienced book-keeper to prepare</li> <li>• Not all errors will be revealed.</li> </ul> <p>Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.</p>	<b>(6)</b>
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.

**SECTION B****SOURCE MATERIAL FOR USE WITH QUESTION 4**

- 4** The following balances were extracted from the books of Promita for the month of February 2015:

Opening balances on 1 February

Sales ledger control account	£32 500 Dr
	£950 Cr
Provision for doubtful debts	£1 300

**Additional information for the month of February 2015:**

1. Totals for the month of February

	£
Sales day book	66 580
Cash sales	3 000
Sales returns day book	2 060
Cheques from trade receivables	55 900
Dishonoured cheque	3 360
Refund to trade receivable by cheque	190
Discount allowed	1 620
Bad debt written off	900

2. There was no credit balance on the Sales Ledger Control Account at 28 February 2015.
3. The bad debt written-off in February related to the debt of Chumi, who was only able to pay £600 of his debt. The balance was irrecoverable.
4. The provision for doubtful debts is to be maintained at 4% of trade receivables at 28 February 2015.

**Required:**

- (a) Distinguish between bad debts and a provision for doubtful debts. (4)
- (b) Suggest **two** possible reasons for the opening credit balance on the Sales Ledger Control Account at 1 February 2015. (2)
- (c) Prepare the:
- (i) Sales Ledger Control Account for the month of February 2015 (10)
  - (ii) journal entry recording the writing off of the bad debt of Chumi (6)
  - (iii) Provision for Doubtful Debts Account for the month of February 2015. (6)
- (d) Evaluate the use of control accounts. (4)

---

**(Total for Question 4 = 32 marks)**

**Answer space for question 4 is on pages 21 to 24 of the question paper.**

Section B

- 4 (a) Bad debts – Actual bad debts from the last accounting period. ✓✓  
 Provision for doubtful debts- An estimate of the amount that Promita will lose in the next financial period because of bad debts. ✓✓  
 (4)

(b) Possible reasons:

- Overpayment by debtor
- Prepayment by debtor
- Goods returned after payment
- Error in posting

✓ per point x 2

(2)

(c)(i)

Sales Ledger Control Account

	£		£
1 Feb Balance b/d	32 500	1 Feb Balance b/d	950 ✓ both
Feb Sales	66 580 ✓	Feb Sales returns	2 060 ✓
Bank (dishonoured cheque) 3 360 ✓		Bank	55 900 ✓
Bank (refund) 190 ✓		Discount allowed 1 620 ✓	
		Bad debt	900 ✓
		Balance c/d	41 200 ✓
	<u>102 630</u>		<u>102 630</u>
1 Mar Balance b/d	41 200 ✓ of if Dr balance		

Narratives must be present but accept reasonable narratives  
 Ignore aliens

(10)

(ii)

Journal

	Dr	Cr
	£	£
Bank ✓	600 ✓	
Bad debts	900 ✓	
Chumi ✓		1 500 ✓

Bad debt: Chumi paid £600 of his debt of £1 500. ✓

(6)

(iii)

Provision for Doubtful Debts Account

	£		£
28 Feb Balance c/d	1 648 ✓ of	1 Feb Balance b/d	1 300 ✓
		28 Feb Income statement ✓	348
	<u>1 648</u>		<u>1 648</u>
		1 Mar Balance b/d	1 648 ✓ of if Cr

(6)

(d)

Valid answers may include

In favour

- Checks accuracy of ledger
- Minimise fraud
- Help to locate errors
- Provide summary totals to speed up preparation of the financial statements

Against

- Do not pinpoint errors or correct errors
- Require accounting expertise
- Not all errors can be revealed by control accounts.

✓✓ per point (Max one point in favour and one point against)

(4)

(Total 32 marks)

5 (a)

Date	Receipts	Issues	Balance
1 March			600 @ £1.20 ✓✓
3 March	1 800 @ £1.30		600 @ £1.20 1 800 @ £1.30 ✓✓
5 March		1 800 @ £1.30 200 @ £1.20	400 @ £1.20 ✓✓
17 March	1 500 @ £1.50		400 @ £1.20 1 500 @ £1.50 ✓✓
20 March		1 000 @ £1.50	400 @ £1.20 500 @ £1.50 = £1 230 ✓✓ (10)

(b)

Manufacturing Account for the month of March 2015

	Metres	£	
Inventory of raw material 1 March 2015	600	720	✓✓
Purchases of raw material	<u>3 300</u>	<u>4 590</u>	✓✓
	3 900	5 310	
Inventory of raw material 1 March 2015	<u>900</u>	<u>1 230</u>	✓✓ of
Cost of raw materials consumed	3 000	4 080	
Factory wages 200 paid hours x £4 per hour x 12		9 600	✓✓
Direct expenses 3 800 x 40%		<u>1 520</u>	✓✓
Prime cost ✓		15 200	✓✓ of (12)

## SECTION B

## SOURCE MATERIAL FOR USE WITH QUESTION 4

4. Ranatunga maintains double-entry records and also control accounts.

(1) On 1 January 2013 he had the following balances on his Purchases Ledger Control Account:

£430 Dr  
£78 000 Cr

(2) Ranatunga extracted the following balances from his Ledger on 31 December 2013:

	£
Cheques paid to suppliers	497 000
Refund from supplier	4 000
Discount received	8 200
Cash purchases	24 600
Sales ledger contra/Purchases ledger contra	2 150
Credit purchases	505 000
Returns outwards	15 600

(3) After extracting the balances in (2) above, the following errors were discovered:

- A discount received of £200 had been debited to the Discount Received Account
- A purchase of goods from Archana, £750, had been correctly entered in the Purchases Day Book but had been recorded in Archana's account at £570
- The Purchases Day Book had been undercast by £2 500
- A purchase from C. Vissing, £300, had been entered into the account of B. Vincent.

(4) On 1 January 2014 the Purchases Ledger Control Account had the following balances:

£650 Dr  
? Cr

**Required:**

- (a) Prepare the Journal correcting the errors in (3) above. Narratives are **not** required. (8)
- (b) Prepare the Purchases Ledger Control Account for the year ended 31 December 2013, following the correction of all errors. (16)
- (c) Suggest **two** possible reasons for a debit balance in the Purchases Ledger Control Account. (4)
- (d) Evaluate the use of control accounts. (4)

(Total 32 marks)

Answer space for question 4 is on pages 23 to 25 of the question paper.

**SECTION B**

4 (a)

Journal			
	Dr	Cr	
	£	£	
Suspense	400		✓
Discount received		400	✓
Suspense	180		✓
Archana		180	✓
Purchases	2 500		✓
Suspense		2 500	✓
B Vincent	300		✓
C Vissing		300	✓
			<b>(8)</b>

(b)

Purchases Ledger Control Account			
	£		£
Balance b/d	430	Balance b/d	78 000
Payments to creditors	497 000 v✓	Refund	4 000 v✓
Discount rec'd (8 200v+400v)	8 600 ✓	Credit purchases	
Sales ledger contra	2 150 v✓	(505 000v+2 500v)	507 500 ✓
Returns outwards	15 600 v✓		
Balance c/d	<u>66 370</u>	Balance c/d	<u>650</u>
	<u>590 150</u>		<u>590 150</u>
Balance b/d	650 ✓	Balance b/d	66 370 vof
			<b>(16)</b>

(c)

- Goods returned after payment made
- Discount received not posted
- Overpayment to creditor
- Contra from sales ledger

2 marks x 2 points

**(4)**

(d) Valid points may include:

Positive

- Tests arithmetical accuracy
- Helps to identify areas where errors exist
- Through separation of duties protects against fraud
- Provides total of trade payables or trade receivables.

Negative

- Time consuming
- Requires double entry accounting and a high level of staff skill
- Some errors are not discovered by control accounts e.g errors of omission.

✓✓ per point x 2 - MAX 1 points positive and 1 points negative

**(4)**

**(Total 32 marks)**

5 (a)

Allocation occurs where a cost is wholly identifiable with one cost centre ✓✓

Apportionment occurs where costs are shared and must be apportioned across the cost centres on some equitable basis ✓✓

**(4)**

(b) (i)

	East Town £000's	Weststead £000's	Northerton £000's	
Marketing	90	36	54	✓✓✓✓
Premises running costs	70	50	60	✓✓✓✓
Management salaries	550	125	225	✓✓✓✓
Depreciation	<u>36</u>	<u>12</u>	<u>24</u>	✓✓✓✓
	746	223	363	

**(16)**

(ii)

Profit for the year	750	260	500	✓✓
Less revised overheads	<u>746</u>	<u>223</u>	<u>363</u>	✓✓ of
Revised profit for the year	4	37	137	✓✓✓✓(✓✓of)

**(8)**

## SECTION B

## SOURCE MATERIAL FOR USE WITH QUESTION 4

4. Zaman is in business buying and selling goods on credit. He maintains a full set of double entry records. The following information relates to the month of March 2012:
1. On 1 March 2012 Zaman was owed the following by his debtors:
 

	£
Fahi	1 500
Shirin	500
Marvan	800
Jegan	2 900
  2. Sales were made by Zaman as follows:
 

Fahi	6 March	Goods with a list price of £1 200, allowed 20% trade discount
Marvan	15 March	Goods with a list price of £700, allowed 10% trade discount
Cash sales	20 March	£500
Fahi	26 March	Goods with a list price £300, but no discount.
  3. Sales returns:
 

Fahi	9 March	Goods supplied on 6 March with a list price of £200
------	---------	---
  4. Zaman received the following payments by cheque:
 

Fahi	10 March	The balance owing on 1 March less 2% cash discount
Jegan	14 March	£2 000 less 3% cash discount
  5. On 13 March Zaman was informed that Shirin had been declared bankrupt and a payment of £0.40 in the £1 was received in final settlement of the debt.

**Required:**

- (a) Zaman divides his ledger into three sections – general ledger, purchases ledger and sales ledger. Explain **two** advantages of dividing the ledger into three sections. (4)
- (b) Prepare the following ledger accounts in the books of Zaman:
  - (i) Fahi account (8)
  - (ii) Shirin account (2)
  - (iii) sales ledger control account. (14)
- (c) Evaluate the use of control accounts in a business. (4)

**(Total 32 marks)****Answer space for question 4 is on pages 18 to 19 of the question paper.**

Question Number	Answer	Mark
<b>4(a)</b>	<ul style="list-style-type: none"> <li>• Division of labour – a number of people can work on the ledger at the same time</li> <li>• Segregation of duties</li> <li>• Ease of reference – similar accounts are placed together and can be referred to more easily</li> <li>• Balances from sections of the ledger e.g sales ledger, can be more easily obtained</li> <li>• Fraud prevented/ additional control</li> <li>• Specialisation</li> </ul> <p>√√ per valid point X 2</p>	<b>(4)</b>

Question Number	Answer	Mark																																																																																																																																
Summer 2012 Past Paper (Mark Scheme)	<p style="text-align: center;"><b>www.mystudybro.com</b></p> <p style="text-align: center;">This resource was created and owned by Pearson Edexcel</p>	<b>Accounting Unit 1</b> WAC01 or WAC11																																																																																																																																
4(b)	<p style="text-align: center;">Fall account</p> <table><tr><td></td><td style="text-align: right;">£</td><td></td><td style="text-align: right;">£</td></tr><tr><td>1 March Balance b/d</td><td style="text-align: right;">1 500 ✓</td><td>9 March Goods/Sales</td><td></td></tr><tr><td>returns 160 ✓</td><td></td><td></td><td></td></tr><tr><td>6 March Goods/sales</td><td style="text-align: right;">960 ✓</td><td>10 March Bank</td><td></td></tr><tr><td>1 470 ✓</td><td></td><td></td><td></td></tr><tr><td>26 March Goods/sales</td><td style="text-align: right;">300 ✓</td><td>10 March Discount allowed</td><td></td></tr><tr><td>30 ✓</td><td></td><td></td><td></td></tr><tr><td></td><td style="text-align: right;">_____</td><td>31 March Balance c/d</td><td style="text-align: right;"><u>1 100</u></td></tr><tr><td>✓✓(✓OF)</td><td></td><td></td><td></td></tr><tr><td></td><td style="text-align: right;"><u>2 760</u></td><td></td><td style="text-align: right;"><u>2</u></td></tr><tr><td><u>760</u></td><td></td><td></td><td></td></tr><tr><td>1 April Balance b/d</td><td style="text-align: right;">1 100</td><td></td><td></td></tr></table> <p>(ii)</p> <p style="text-align: center;">Shirin account</p> <table><tr><td></td><td style="text-align: right;">£</td><td></td><td style="text-align: right;">£</td></tr><tr><td>1 March Balance b/d</td><td style="text-align: right;">500 ✓</td><td>13 March Bank/Cash</td><td style="text-align: right;">200</td></tr><tr><td>✓</td><td></td><td></td><td></td></tr><tr><td></td><td style="text-align: right;"><u>500</u></td><td>13 March Bad debts</td><td style="text-align: right;"><u>300</u> ✓</td></tr><tr><td></td><td></td><td></td><td style="text-align: right;"><u>500</u></td></tr></table> <p>(iii)</p> <p style="text-align: center;">Sales ledger control account</p> <table><tr><td></td><td style="text-align: right;">£</td><td></td><td style="text-align: right;">£</td></tr><tr><td>1 March Balance b/d</td><td style="text-align: right;">5 700 ✓✓</td><td>31 March Sales returns</td><td></td></tr><tr><td>160 ✓✓</td><td></td><td></td><td></td></tr><tr><td>31 March Sales</td><td style="text-align: right;">1 890 ✓✓</td><td>31 March Bank</td><td></td></tr><tr><td>1470+1940+200</td><td style="text-align: right;">3 610 ✓✓</td><td></td><td></td></tr><tr><td></td><td></td><td>31 March Discount allowed</td><td></td></tr><tr><td>90 ✓✓</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>31 March Bad debts</td><td></td></tr><tr><td>300 ✓✓</td><td></td><td></td><td></td></tr><tr><td></td><td></td><td>31 March Balance c/d</td><td style="text-align: right;">3</td></tr><tr><td>430 ✓✓</td><td></td><td></td><td></td></tr><tr><td>(✓OF if Cr)</td><td></td><td></td><td></td></tr><tr><td></td><td style="text-align: right;"><u>7 590</u></td><td></td><td style="text-align: right;"><u>7 590</u></td></tr><tr><td>1 April Balance b/d</td><td style="text-align: right;">3 430</td><td></td><td></td></tr><tr><td colspan="4">✓OF for each entry if on correct side with narrative</td></tr></table>		£		£	1 March Balance b/d	1 500 ✓	9 March Goods/Sales		returns 160 ✓				6 March Goods/sales	960 ✓	10 March Bank		1 470 ✓				26 March Goods/sales	300 ✓	10 March Discount allowed		30 ✓					_____	31 March Balance c/d	<u>1 100</u>	✓✓(✓OF)					<u>2 760</u>		<u>2</u>	<u>760</u>				1 April Balance b/d	1 100				£		£	1 March Balance b/d	500 ✓	13 March Bank/Cash	200	✓					<u>500</u>	13 March Bad debts	<u>300</u> ✓				<u>500</u>		£		£	1 March Balance b/d	5 700 ✓✓	31 March Sales returns		160 ✓✓				31 March Sales	1 890 ✓✓	31 March Bank		1470+1940+200	3 610 ✓✓					31 March Discount allowed		90 ✓✓						31 March Bad debts		300 ✓✓						31 March Balance c/d	3	430 ✓✓				(✓OF if Cr)					<u>7 590</u>		<u>7 590</u>	1 April Balance b/d	3 430			✓OF for each entry if on correct side with narrative				<p style="text-align: right;"><b>(8)</b></p> <p style="text-align: right;"><b>(2)</b></p> <p style="text-align: right;"><b>(14)</b></p>
	£		£																																																																																																																															
1 March Balance b/d	1 500 ✓	9 March Goods/Sales																																																																																																																																
returns 160 ✓																																																																																																																																		
6 March Goods/sales	960 ✓	10 March Bank																																																																																																																																
1 470 ✓																																																																																																																																		
26 March Goods/sales	300 ✓	10 March Discount allowed																																																																																																																																
30 ✓																																																																																																																																		
	_____	31 March Balance c/d	<u>1 100</u>																																																																																																																															
✓✓(✓OF)																																																																																																																																		
	<u>2 760</u>		<u>2</u>																																																																																																																															
<u>760</u>																																																																																																																																		
1 April Balance b/d	1 100																																																																																																																																	
	£		£																																																																																																																															
1 March Balance b/d	500 ✓	13 March Bank/Cash	200																																																																																																																															
✓																																																																																																																																		
	<u>500</u>	13 March Bad debts	<u>300</u> ✓																																																																																																																															
			<u>500</u>																																																																																																																															
	£		£																																																																																																																															
1 March Balance b/d	5 700 ✓✓	31 March Sales returns																																																																																																																																
160 ✓✓																																																																																																																																		
31 March Sales	1 890 ✓✓	31 March Bank																																																																																																																																
1470+1940+200	3 610 ✓✓																																																																																																																																	
		31 March Discount allowed																																																																																																																																
90 ✓✓																																																																																																																																		
		31 March Bad debts																																																																																																																																
300 ✓✓																																																																																																																																		
		31 March Balance c/d	3																																																																																																																															
430 ✓✓																																																																																																																																		
(✓OF if Cr)																																																																																																																																		
	<u>7 590</u>		<u>7 590</u>																																																																																																																															
1 April Balance b/d	3 430																																																																																																																																	
✓OF for each entry if on correct side with narrative																																																																																																																																		

Question Number	Answer	Mark
<b>4(c)</b>	<p>Valid answers may include:</p> <p>Benefits</p> <ul style="list-style-type: none"> <li>• The ledger can be sub divided for checking arithmetical accuracy</li> <li>• Checking device</li> <li>• Identifies errors</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Those errors which do not affect the balancing of the trial balance are not revealed by control accounts</li> </ul> <p>✓✓ for one benefit and ✓✓ for one point against.</p> <p>NO Marks for 'corrects errors'</p>	<b>(4)</b>