

MyStudyBro - Revision Exercise Tool

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

Chapters:

Incomplete Records - Unit 1 (Pearson Edexcel)

Page 1	(WAC01 or WAC11) 2019 Winter
Page 6	(WAC01 or WAC11) 2019 Winter - Answer
Page 12	(WAC01 or WAC11) 2017 Winter
Page 14	(WAC01 or WAC11) 2017 Winter - Answer
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Page 30	(WAC01 or WAC11) 2015 Winter - Answer

- 2 Abhra sells sandwiches to local businesses, which he purchases ready-made from Quality Catering.

Abhra does not maintain full accounting records but the following information is available for the year ended 31 December 2018.

(1)

Bank Summary

	£		£
Balance b/d	18 000	Paid to Quality Catering	115 000
Cash sales banked	180 000	Wages	23 450
Sale of fixtures	2 400	Motor vehicle expenses	14 100
Commission received	9 100	Purchase of motor vehicle	11 500
Rent received	5 900	Premises rent	10 000
		Bank loan repaid and interest	7 300
		General expenses	15 800
		Balance c/d	<u>18 250</u>
	<u>215 400</u>		<u>215 400</u>
Balance b/d	18 250		

- (2) Abhra banked all cash from sales **after** paying the following:

	£
Wages	3 250 per month
Drawings	1 500 per month
Motor vehicle expenses	1 700

- (3) Balances at:

1 January 2018 31 December 2018

	£	£
Motor vehicles (carrying value)	30 000	35 000
Fixtures and fittings (carrying value)	12 000	8 800
Trade receivables	4 900	5 700
Trade payable (Quality Catering)	12 350	17 800
5% bank loan	30 000	24 000
Motor vehicle expenses	600 Cr	350 Dr
General expenses	750 Cr	1 300 Cr

- (4) There was no inventory of sandwiches at the beginning or end of the year.
- (5) There was no interest outstanding on the bank loan.

Required

- (a) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018. **Show all workings.** (16)

Abhra does not maintain full accounting records, but is considering preparing full accounting records in the future. To assist Abhra to make a decision he wishes to see an example of double entry accounting.

- (b) Prepare the Quality Catering Account for the year ended 31 December 2018 as it would have appeared if Abhra had maintained full accounting records. (5)

- (c) State **four** advantages for Abhra of preparing full accounting records. (4)

Abhra sells two types of sandwich, the basic and the superior, which he purchases from Quality Catering. The following information is available.

	Basic	Superior
Purchase price from Quality Catering	£2.50 per sandwich	£3.25 per sandwich
Abhra selling price	£3.50 per sandwich	£5.00 per sandwich

Abhra is considering setting up his own sandwich production facility rather than purchasing sandwiches from Quality Catering. He has prepared the following annual cost estimates of producing his own sandwiches.

Sandwich type	Basic	Superior
Production required per week	800	300
Raw materials		
Bread – two slices per sandwich	£1.50 for 24 slice loaf	£2.40 for 24 slice loaf
Fillings	£5.00 for 10 sandwiches	£4.00 for 5 sandwiches
Labour		
Production time @ £7.20 per hour	10 sandwiches per hour	6 sandwiches per hour
Direct expenses		
Packaging	£15.50 for 100 boxes	£30 for 100 boxes
Overheads		
Total additional production overheads	£27 500 per annum	

Additional information

- Each sandwich is packaged in one box for sale.
- Abhra would absorb the total additional production overheads on the basis of the number of sandwiches produced.
- Production will be for 50 weeks of the year.

Required

(d) Complete the table in your Question Paper to show the **total weekly** cost of producing **each** type of sandwich. (12)

(e) Calculate the production cost of:

- one basic sandwich
- one superior sandwich. (2)

Abhra intends to sell the sandwiches at a profit margin of 40%.

(f) Calculate the price that Abhra would need to charge for: (4)

- one basic sandwich
- one superior sandwich.

(g) Evaluate whether Abhra should continue to purchase the sandwiches from Quality Catering or set up his own sandwich production facility. (12)

(Total for Question 2 = 55 marks)

TOTAL FOR SECTION A = 110 MARKS

- (d) Complete the table to show the **total weekly** cost of producing **each** type of sandwich.

(12)

Sandwich type	Basic	Superior
Production required per week	800	300
	£	£
Raw materials		
Bread – two slices per sandwich		
Fillings		
Labour		
Production time @ £7.20 per hour		
Direct expenses		
Packaging		
Overheads		
Total additional production overheads		
Total weekly production cost (£)		

Workings

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Question Number	Answer	Mark
2 (a)	AO1 (3), AO2 (9), AO3 (4) AO1: Three marks for transferring balances to the position statement. AO2: Nine marks for calculating or adjusting balances in the position statement. AO3: Four marks for balances requiring two levels of adjustment.	(16)

Abhra Sandwiches

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.

	£	£
Revenue		
	180 000 + 39 000 + 18 000 + 1 700 – 4 900 + 5 700	239 500 (4) AO2
Cost of sales	115 000 – 12 350 + 17 800	(120 450) (2) AO2
Gross profit		119 050
Other income		
Commission received		9 100 (1) AO1
Rent received		<u>5 900</u> (1) AO1
		134 050
Expenses		
Wages	23 450 + 39 000	62 450 (1) AO2
Motor vehicle expenses	14 100 + 1 700 – 600 – 350	14 850 (2) AO3
Premises rent		10 000 (1) AO1
Bank loan interest	7 300 – 6 000	1 300 (1) AO2
General expenses	15 800 – 750 + 1 300	16 350 (1) AO2
Depreciation – Motor vehicles		6 500 (1) AO3
Fixtures and fittings	-	<u>800</u> (1) AO3
		<u>112 250</u>
Profit for the year		<u>21 800</u>

Note:

Revenue adjustment to 180 000, 1 mark for two correct, 2 marks for three correct. 3 marks for four correct.

Cost of sales adjustment to 135 000, 1 mark for one correct.

Question Number	Answer	Mark
2 (b)	AO1 (4), AO2 (1) AO1: Four marks for transferring balances given in resource booklet. AO2: One mark for correctly recording purchases.	(5)

Quality Catering Account

Date	Details	£	Date	Details	£
2018			2018		
	Bank	115 000 (1) AO1	1 Jan	Balance b/d	12 350 (1) AO1
31 Dec	Balance c/d	<u>17 800</u> (1) AO1		Purchases	<u>120 450</u> (1of) AO2
		<u>132 800</u>			<u>132 800</u>
			2019		
			1 Jan	Balance b/d	17 800 (1) AO1

Question Number	Answer	Mark
2 (c)	AO1 (4) AO1: Four marks for identifying advantages. Valid answers may include: <ul style="list-style-type: none"> • Running balance in accounts such as Quality Catering • Queries about account balances can be discussed with reference to the account • Statements of account can be sent out each month • The existence of errors can be identified by a trial balance • Financial statements can be prepared at regular intervals and profit ascertained 4 x 1 mark	(4)

Question Number	Answer	Mark
2 (d)	AO1 (2), AO2 (8), AO3 (2) AO1: Two marks for arriving at a total cost. AO2: Eight marks for calculating raw material, labour and direct expenses. AO3: Two marks for arriving at the overhead cost.	(12)

Sandwich type	Basic	Superior
Production required per week	800	300
	£	£
Raw materials		
Bread – 2 slices per sandwich	100 (1) AO2	60 (1) AO2
Fillings	400 (1) AO2	240 (1) AO2
Labour		
Production time @ £7.20 per hour	576 (1) AO2	360 (1) AO2
Direct expenses		
Packaging	124 (1) AO2	90 (1) AO2
Overheads		
Total additional overheads	400 (1) AO3	150 (1) AO3
Total production cost (£)	1600 (1) AO1	900 (1) AO1

Question Number	Answer	Mark
2 (e)	AO1 (2) A01: Two marks for calculating the production cost. Production cost per sandwich $\frac{1600}{800} = \text{£}2 \text{ per (1of) AO1}$ $\frac{900}{300} = \text{£}3 \text{ per (1of) AO1}$	(2)

Question Number	Answer	Mark
2 (f)	AO2 (4) A02: Four marks for calculating the selling price. Selling price $\frac{\text{£}2 \times 100}{60} = \text{£}3.33 \text{ (1of) AO2}$ $\frac{\text{£}3 \times 100}{60} = \text{£}5 \text{ (1of) AO2}$	(4)

Question Number	Indicative Content		Mark
2 (g)	<p>A01 (1), A02 (1), A03 (5), A04 (5)</p> <p>Own figure rule applies.g vtdrv</p> <p>Potential positive points for production of sandwiches</p> <p>Production will be secure and within his control. The sandwiches can be made cheaper than the current purchase arrangements.</p> <p>Quality control can be assured.</p> <p>Potential negative points against production of sandwiches</p> <p>Production problems will now be for Abhra to resolve. There will be more calls on his management time in the business. He could not really reduce the selling prices so there is no advantage in increased sales potential. Extra staff required to carry out work. Hygiene requirements for production which might be costly.</p> <p>Decision)</p> <p>Candidates may conclude that the production in house is advantageous or not advantageous. The candidate's decision should be supported by an appropriate rationale.</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	<p>Accurate and thorough understanding, supported throughout by relevant application to the scenario.</p> <p>Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects.</p> <p>An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations.</p>
Level 4	10 - 12	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario.</p> <p>A coherent and logical chain of reasoning, showing causes and effects.</p> <p>Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.</p>

- 6 Raegan buys and sells clothing on credit. She does not maintain a full set of books but the following information is available for the year ended 31 December 2016.

(1)

Cash Book (summary)

	£		£
Receipts from credit customers	47 200	Balance b/d	750
Cash sales banked	8 300	Payments to credit suppliers	35 000
Commission receivable	5 000	Purchase of computers	7 400
Balance c/d	280	Wages by cheque	9 000
		General expenses	8 630
	<u>60 780</u>		<u>60 780</u>
		Balance b/d	280

(2) Balances at:

	1 January 2016	31 December 2016
	£	£
Trade receivables	5 750	4 400
Trade payables	2 750	6 100
Inventory	10 920	9 350
Computers and fixtures (carrying value)	15 000	17 500
General expenses	450 Accrued	920 Prepaid
Commission receivable	–	600 Accrued

(3) Cash sales were banked after payment of the following:

	£
Wages	10 350
Drawings	10 500
Purchase of fixtures	6 000
Purchase of goods	2 000

(4) Fixtures were sold, on credit, in December for £1 300 at carrying value.

Required

- (a) Explain the difference between:
- (i) capital expenditure and revenue expenditure (2)
 - (ii) capital and capital employed. (2)
- (b) Calculate for the year ended 31 December 2016 the:
- (i) revenue (4)
 - (ii) purchases (3)
 - (iii) depreciation on computers and fixtures. (4)
- (c) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016. (9)
- (d) Evaluate the need to maintain double entry records in a business. (6)

(Total for Question 6 = 30 marks)

TOTAL FOR SECTION B = 90 MARKS

TOTAL FOR PAPER = 200 MARKS

Question Number	Answer	Mark
6(a)	<p>AO1 (4) A01: Four marks for stating the differences</p> <p>(i) Capital expenditure is mainly purchasing long term non-current assets which will last for many accounting periods. (1) AO1 Revenue expenditure is a day to day expenditure used in the current accounting period. (1) AO1</p> <p style="text-align: right;">(2)</p> <p>(ii) Capital is the net value that the owner has invested in the business. (1) AO1 Capital employed is the owners capital plus any non-current liabilities borrowed to finance the business. (1) AO1</p> <p style="text-align: right;">(2)</p>	(4)

Question Number	Answer	Mark
6(b)	<p>AO1 (2), AO2 (6) , AO3 (3) A01: Two marks for establishing the revenue and purchases without adjustment. A02: Six marks for making adjustments. A03: Three marks analysing the value of (i) to (iii) correctly.</p> <p>(i) Revenue $(47\,200 + 8\,300)$ (1) AO1 + $(10\,350 + 10\,500 + 6\,000 + 2\,000)$ (1) AO2 + $(4\,400 - 5\,750)$ (1) AO2 = 83 000 (1) AO3</p> <p style="text-align: right;">(4)</p> <p>(ii) Purchases $(35\,000 + 2\,000)$ (1) AO1 + $(6\,100 - 2\,750)$ (1) AO2 = 40 350 (1) AO3</p> <p style="text-align: right;">(3)</p> <p>(iii) Depreciation on computers and fixtures $15\,000 + (7\,400 + 6\,000)$ (1) AO2 - 1 300 (1) AO2 = 27 100 - 17 500 (1) AO2 = 9 600 (1) AO3</p> <p style="text-align: right;">(4)</p>	(11)

Question Number	Answer	Mark																																																						
6(c)	<p>AO1 (2), AO2 (6), AO3 (1)</p> <p>AO1: Two marks for correctly bringing forward revenue and depreciation from (b) and correctly applying to the statement.</p> <p>AO2: Six marks for correct calculations and insertion in the statement.</p> <p>AO3: One mark for calculating the correct figure and inserting this into the correct side of the account.</p> <p>Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016</p> <table> <tr> <td></td><td>£</td><td>£</td></tr> <tr> <td>Revenue</td><td></td><td>83 000 (1) of AO1</td></tr> <tr> <td>Cost or sales:</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td>10 920 (1) AO2</td><td></td></tr> <tr> <td>Purchases</td><td><u>40 350</u></td><td></td></tr> <tr> <td></td><td>51 270</td><td></td></tr> <tr> <td>Closing inventory</td><td><u>(9 350)</u></td><td></td></tr> <tr> <td></td><td></td><td>(41 920) (1 of + w) AO2</td></tr> <tr> <td>Gross profit</td><td></td><td>41 080</td></tr> <tr> <td>Other income</td><td></td><td></td></tr> <tr> <td>Commission receivable (5 000 + 600)</td><td></td><td><u>5 600</u> (1) AO3</td></tr> <tr> <td></td><td></td><td>46 680</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Wages (9 000 + 10 350)</td><td>19 350 (1) AO2</td><td></td></tr> <tr> <td>General expenses (8 630 – 450 – 920)</td><td>7 260 (2) AO2</td><td></td></tr> <tr> <td>Depreciation</td><td><u>9 600</u> (1 of) AO1</td><td></td></tr> <tr> <td></td><td></td><td>(36 210)</td></tr> <tr> <td>Profit for the year</td><td></td><td><u>10 470</u> (1 of) AO2</td></tr> </table> <p>Note: General expenses 8 180 (1) or 7 710 (1)</p> <p>8 160 (1) 9 100 (1)</p>		£	£	Revenue		83 000 (1) of AO1	Cost or sales:			Opening inventory	10 920 (1) AO2		Purchases	<u>40 350</u>			51 270		Closing inventory	<u>(9 350)</u>				(41 920) (1 of + w) AO2	Gross profit		41 080	Other income			Commission receivable (5 000 + 600)		<u>5 600</u> (1) AO3			46 680	Less			Wages (9 000 + 10 350)	19 350 (1) AO2		General expenses (8 630 – 450 – 920)	7 260 (2) AO2		Depreciation	<u>9 600</u> (1 of) AO1				(36 210)	Profit for the year		<u>10 470</u> (1 of) AO2	(9)
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Question Number	Indicative content	Mark
6(d)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Potential positive arguments for</p> <ul style="list-style-type: none"> • Details of individual accounts will be available • Financial statements can be prepared to ascertain profit on a regular basis • Easier to make decisions because financial information is readily available • 3rd parties such as banks can rely on the information and grant loans. <p>Potential negative points</p> <ul style="list-style-type: none"> • Skill required to complete the books of accounts • Cost implications of employing a specialist. Time required by the owner. <p>Decision</p> <p>Candidates may conclude that it is wise or unwise to maintain double entry records. 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.

SECTION B

Answer THREE questions from this section.

- 3** Bebi is a sole trader buying and selling goods for cash and on credit. When she commenced business she decided not to keep a formal set of books.

Bebi is now required to calculate her profit or loss for the year and seeks your help.

In discussion with Bebi the following information is available:

- (1) At the start of the year, on 1 October 2016, her assets and liabilities were:
- inventory £13 600
 - motor van for business use £11 400 (at valuation)
 - trade receivables £10 400
 - trade payables £8 000
 - bank overdraft £1 700
- (2) Cheque receipts during the year from trade receivables were £106 000 for credit sales and a further £9 200 was owed by trade receivables at 30 September 2017.
- (3) Bebi banked £3 000 from cash sales **after** she had paid for the following in cash:
- motor van expenses £7 800
 - wages £14 000
 - personal drawings £9 200
- (4) Credit purchases of £95 000 were paid by cheque during the year and £15 000 was owed to trade payables at 30 September 2017.
- (5) Bebi marked up all goods by $33\frac{1}{3}\%$
- (6) The motor van was valued at £8 300 at 30 September 2017.
- (7) Bebi paid £6 500 by cheque for general expenses during the year.
- (8) At 30 September 2017, wages of £900 were accrued and general expenses of £400 were prepaid.

Required

- (a) Calculate, for the year ended 30 September 2017, the:
- (i) total revenue (4)
 - (ii) total purchases. (3)
- (b) Calculate, at 30 September 2017, the:
- (i) closing inventory (3)
 - (ii) bank balance. (3)
- (c) Prepare the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2017. (7)
- Bebi is considering merging her business and personal bank account.
- (d) Explain the accounting concept that would be broken if Bebi records all business and personal transactions in a single bank account. (2)
- (e) Explain the method of depreciation used for the motor van. (2)
- (f) Evaluate Bebi's decision not to maintain a formal set of books. (6)

(Total for Question 3 = 30 marks)

Level 4	10 - 12	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario.</p> <p>A coherent and logical chain of reasoning, showing causes and effects.</p> <p>Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.</p>
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Question Number	Answer	Mark																					
3 (a) (i)	<p>AO2 (4) AO2: Four marks for completing the calculations.</p> <p>Revenue</p> <table> <tr> <td></td><td>£</td><td></td></tr> <tr> <td>Cash receipts</td><td>34 000</td><td>(1) AO2</td></tr> <tr> <td>Cheque receipts</td><td>106 000</td><td>(1) AO2</td></tr> <tr> <td>Trade receivables at end</td><td><u>9 200</u></td><td></td></tr> <tr> <td></td><td>149 200</td><td></td></tr> <tr> <td>Trade receivables at start</td><td><u>(10 400)</u></td><td>(1) AO2</td></tr> <tr> <td>Revenue</td><td>138 800</td><td>(1) of AO2</td></tr> </table>		£		Cash receipts	34 000	(1) AO2	Cheque receipts	106 000	(1) AO2	Trade receivables at end	<u>9 200</u>			149 200		Trade receivables at start	<u>(10 400)</u>	(1) AO2	Revenue	138 800	(1) of AO2	(4)
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Revenue	138 800	(1) of AO2																					

Question Number	Answer	Mark																		
3 (a) (ii)	<p>AO2 (3) AO2: Three marks for completing the calculations.</p> <p>Purchases</p> <table> <tr> <td></td><td>£</td><td></td></tr> <tr> <td>Cheque payments</td><td>95 000</td><td>(1) AO2</td></tr> <tr> <td>Trade payables at end</td><td><u>15 000</u></td><td></td></tr> <tr> <td></td><td>110 000</td><td></td></tr> <tr> <td>Trade payables at start</td><td><u>(8 000)</u></td><td>(1) AO2</td></tr> <tr> <td>Purchases</td><td>102 000</td><td>(1) of AO2</td></tr> </table>		£		Cheque payments	95 000	(1) AO2	Trade payables at end	<u>15 000</u>			110 000		Trade payables at start	<u>(8 000)</u>	(1) AO2	Purchases	102 000	(1) of AO2	(3)
	£																			
Cheque payments	95 000	(1) AO2																		
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	110 000																			
Trade payables at start	<u>(8 000)</u>	(1) AO2																		
Purchases	102 000	(1) of AO2																		

Question Number	Answer	Mark
3 (b) (i)	<p>AO3 (3) AO3: Three marks for calculations for closing inventory.</p> <p>Closing inventory</p> <p>Sales 138 800 x $\frac{100}{133 \frac{1}{3}}$ = Cost of sales 104 100 (1)of AO3</p> <p>(13 600 + Purchases 102 000 of) = 115 600 (1)of AO3 - Cost of sales 104 100 = 11 500 (1)of AO3</p>	(3)

Question Number	Answer	Mark																				
3 (b) (ii)	<p>AO1 (2), AO2 (1)</p> <p>AO1: Two marks for establishing receipts and payments.</p> <p>AO2: One mark for adjusting the calculations for opening balance.</p> <p>Bank</p> <table><tr><td></td><td>£</td><td></td><td>£</td></tr><tr><td>Receipts</td><td></td><td>Payments</td><td></td></tr><tr><td>Trade receivables</td><td>106 000</td><td>Trade receivables</td><td>95 000 (1)</td></tr><tr><td>Cash sales</td><td><u>3 000</u></td><td>General expenses</td><td><u>6 500</u> AO1</td></tr><tr><td></td><td>109 000 (1) AO1</td><td></td><td>101 500</td></tr></table> <p>Opening balance (1 700) + 109 000 – 101 500 = 5 800 (1)of AO2</p>		£		£	Receipts		Payments		Trade receivables	106 000	Trade receivables	95 000 (1)	Cash sales	<u>3 000</u>	General expenses	<u>6 500</u> AO1		109 000 (1) AO1		101 500	(3)
	£		£																			
Receipts		Payments																				
Trade receivables	106 000	Trade receivables	95 000 (1)																			
Cash sales	<u>3 000</u>	General expenses	<u>6 500</u> AO1																			
	109 000 (1) AO1		101 500																			

Question Number	Answer	Mark																																													
3 (c)	<p>AO1 (4), AO2 (3) AO1: Four marks for transferred balances. AO2: Three marks adjusting balances to be included.</p> <p style="text-align: center;">Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 September 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">£</th><th style="text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">138 800 (1)of AO1</td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">13 600</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;"><u>102 000</u> of</td><td></td></tr> <tr> <td></td><td style="text-align: right;">115 600</td><td></td></tr> <tr> <td>Closing inventory</td><td style="text-align: right;"><u>(11 500)</u> (1)of AO1</td><td></td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;"><u>104 100</u></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">34 700 (1)of AO2</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Motor van expenses</td><td style="text-align: right;">7 800 (1) AO1</td><td></td></tr> <tr> <td>Wages (14 000 + 900)</td><td style="text-align: right;">14 900 (1) AO2</td><td></td></tr> <tr> <td>Motor van depreciation</td><td style="text-align: right;">3 100 (1) AO1</td><td></td></tr> <tr> <td>General expenses (6 500 – 400)</td><td style="text-align: right;"><u>6 100</u> (1) AO2</td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>31 900</u></td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;"><u>2 800</u></td></tr> </tbody> </table>		£	£	Revenue		138 800 (1)of AO1	Opening inventory	13 600		Purchases	<u>102 000</u> of			115 600		Closing inventory	<u>(11 500)</u> (1)of AO1		Cost of sales		<u>104 100</u>	Gross profit		34 700 (1)of AO2	Less			Motor van expenses	7 800 (1) AO1		Wages (14 000 + 900)	14 900 (1) AO2		Motor van depreciation	3 100 (1) AO1		General expenses (6 500 – 400)	<u>6 100</u> (1) AO2				<u>31 900</u>	Profit for the year		<u>2 800</u>	(7)
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3 (d)	<p>AO1 (1), AO3 (1) AO1: One mark for stating the meaning of the concept. AO3: One mark for naming the concept.</p> <p>Accounting/Business entity (1) AO3 the owner and the business will have a separate identity (1) AO1.</p>	(2)																																													

Question Number	Answer	Mark
3 (e)	AO1 (2) AO1: Two marks for explaining the method and its application. Revaluation method (1) AO1 based on the reduction in the market value over the accounting period. (1) AO1	(2)

Question Number	Indicative Content		Mark
3 (f)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Potential positive points for maintaining a set of books</p> <ul style="list-style-type: none"> Balances of personal accounts available at all times. Profit can be ascertained. Assists decision making. <p>Potential arguments for not maintaining a set of books</p> <ul style="list-style-type: none"> Cost and employment of accounting specialist. More time to run the business. <p>NOT</p> <p>Decision about errors.</p> <p>Decision</p> <p>Candidates may decide that maintaining a formal set of books is a positive or negative move. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion.</p>		(6)
Level	Mark	Descriptor	
	0	A completely incorrect response.	
Level 1	1-2	<p>Isolated elements of knowledge and understanding which are recall based.</p> <p>Generic assertions may be present.</p> <p>Weak or no relevant application to the scenario set.</p>	
Level 2	3-4	<p>Elements of knowledge and understanding, which are applied to the scenario.</p> <p>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.</p> <p>An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.</p>	
Level 3	5-6	<p>Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective.</p> <p>A coherent and logical chain of reasoning, showing causes and effects is present.</p> <p>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.</p>	

SECTION B

SOURCE MATERIAL FOR USE WITH QUESTION 4

- 4 Carlos is a trader buying and selling goods. He does not maintain a full set of double accounting records but has provided the following information at 31 December 2015:

(1) Bank Account			
	£		£
Balance b/d	1 700	Cheques to trade payables	42 500
Cheques from trade receivables	45 300	Rent	2 500
Sale of non-current asset	2 500	Refund to trade receivable	900
Commission receivable	2 700	Premises maintenance	7 200
Cash banked from sales	9 000	Advertising	4 800
Balance c/d	3 400	General expenses	6 700
	<u>64 600</u>		<u>64 600</u>
		Balance b/d	3 400

- (2) Balances:

	1 January 2015 £	31 December 2015 £
Non-current assets (at valuation)	20 000	18 000
Trade receivables	15 400	27 900
Trade payables	29 800	21 000
Prepaid rent	500	1 000
Accrued wages	1 200	1 600
Inventory	32 000	25 700

- (3) During the year ending 31 December 2015, Carlos made the following payments in cash before banking the cash from sales:

	£
Drawings	11 000
Wages	8 900
Purchase of non-current asset	4 000
Inventory purchase	5 300

Required:

- (a) Prepare the Statement of Financial Position at 1 January 2015 showing the opening capital. (4)
- (b) Calculate for the year ended 31 December 2015 the:
- (i) revenue for the year (6)
 - (ii) purchases for the year. (5)
- (c) Prepare the Statement of Comprehensive Income for the year ended 31 December 2015. (13)
- (d) Evaluate Carlos' decision **not** to maintain a full set of books. (4)

(Total for Question 4 = 32 marks)

Answer space for question 4 is on pages 21 to 25 of the question paper.

SECTION B

4(a)

Carlos		
Statement of Financial Position at 1 January 2015		
Assets	£	£
Non-current assets		20 000✓
<u>Current assets</u>		
Inventory	32 000	
Trade receivables	15 400	
Other income	500	
Bank	<u>1 700</u>	
		<u>49 600</u> ✓
Total Assets		<u>69 600</u>
Liabilities	£	£
Capital		38 600 ✓
<u>Current liabilities</u>		
Trade payables	29 800	
Other payables	<u>1 200</u>	
		<u>31 000</u> ✓
Total Liabilities		<u>69 600</u>

(4)

(b)(i)

Revenue 45 300 + 9000 (1) – 900 (1) + 27 900 (1) – 15 400 (1) + 29 200 (1) = 95 100 (1)

(6)

(ii)

Purchases 42 500 (1) + 21 000 (1) – 29 800 (1) + 5 300 (1) = 39 000 (1)

(5)

(c)

Carlos

Statement of Comprehensive Income for the year ended 31 December 2015

	£	£
Revenue		95 100 of
Less		
Opening inventory	32 000 ✓	
Purchases	<u>39 000</u> of	
	71 000	
Less Closing inventory	<u>(25 700)</u> ✓	
Cost of sales		<u>45 300</u>
Gross profit		49 800
Other receivables:		
Commission received		<u>2 700</u> ✓
		52 500
Less expenses:		
Rent (500 + 2 500 ✓ - 1 000 ✓)	2 000	
Advertising	4 800 ✓	
General expenses	6 700 ✓	
Premises maintenance	7 200 ✓	
Wages (- 1 200 + 8 900 ✓ + 1 600 ✓)	9 300	
Depreciation -		
20 000 - 2 500 + 4000 - 18 000	<u>3 500</u> ✓✓(✓of)	
		<u>33 500</u>
Profit for the year		<u>19 000</u> ✓of + w if no aliens

(13)

(d) Valid answers may include:

Arguments for maintaining a set of books

- Financial statements can be easily prepared
- Records of individual accounts will make referencing easier
- Management decisions can be made with the support of information
- Preparing tax returns.

Arguments against maintaining a set of books

- Time consuming using time which could be used on trading
- More costly to prepare
- Requires expertise
- Training and updating software
- Security issues.

✓✓ per valid point. Maximum **one** valid points for and **one** valid points against.

(4)

(Total: 32 marks)

SECTION A

SOURCE MATERIAL FOR USE WITH QUESTION 1

- 1 Kokila is in business as a trader of mobile phones. She does not maintain a full set of accounts but does maintain a bank account together with other memorandum records. The following information is available for the year ended 31 December 2014:

1.	Bank Account			
	£			£
Balance b/d	2 600	Payments to suppliers		85 700
Cash sales banked	45 300	Bank loan repayments		6 300
Cheques from customers	95 250	and interest		
Commission received	3 400	Rates and insurance		5 300
		Sundry expenses		10 500
		New office computer		4 000
		Delivery expenses		15 670
		Balance c/d		19 080
	<u>146 550</u>			<u>146 550</u>
Balance b/d	19 080			

2. Kokila made cash sales of £84 000 in the year. Before banking the cash, she paid the following expenses and took her cash drawings:

	£
Wages	14 250
Rent	6 000
Sundry expenses	6 950
Drawings	11 500

3. Other balances:

	At 1 January 2014	At 31 December 2014
	£	£
Inventory at cost	9 800	8 200
Trade receivables	12 400	13 500
Trade payables	8 750	11 150
Warehouse fixtures (at valuation)	15 000	13 800
Office computers (at valuation)	24 000	25 000
Commission receivable due	–	800
Wages accrued	750	500
Rates and insurance prepaid	1 100	1 700
Bank loan	20 000	15 000

4. The inventory at cost on 31 December 2014 contained a batch of phones costing £1 500 which are damaged and will require repairs costing £150. After repair the phones will have a resale value of £1 350.
5. All bank loan interest for the year has been paid.
6. Kokila is concerned about possible bad debts. She has decided to create a provision for doubtful debts based upon the age of her trade receivables.

Age of debt (Months)	Amount £	Percentage allowance (%)
Over 6 months	500	40
3 to 6 months	2 500	10
1 to 3 months	4 000	5
Up to 1 month	6 500	2

- (a) Calculate Kokila's capital at 1 January 2014. (4)
 - (b) Prepare the:
 - (i) Statement of Comprehensive Income for the year ended 31 December 2014 (22)
 - (ii) Statement of Financial Position at 31 December 2014. (14)
- Kokila is considering maintaining full double entry accounts in the next accounting year.
- (c) State **four** advantages to Kokila of maintaining full double entry accounts. (4)
- A friend of Kokila, who is an accounting student, has recommended that she depreciates her warehouse fixtures and office computers using the straight line method of depreciation.
- (d) Evaluate whether Kokila should change her method of depreciation from revaluation to the straight line method. (8)

(Total for Question 1 = 52 marks)

Answer space for question 1 is on pages 2 to 8 of the question paper.

WAC01/01 - Mark Scheme
January 2015

1 (a)

Capital:

Assets	£	
Inventory	9 800	
Warehouse fixtures	15 000	
Office computers	24 000	
Trade receivables	12 400	
Prepaid	1 100	
Bank	<u>2 600</u>	
	64 900 ✓	
Less liabilities		
Trade payables	8 750	
8% Bank loan	20 000	
Accrual	<u>750</u>	
	29 500 ✓	
Capital	35 400 ✓✓(1of)	(4)

An answer of 35 400 is correct and worth four ticks

(b)

Statement of Comprehensive Income for the year ended 31 December 2014

	£	£	
Revenue $84\,000\text{v} + (95\,250\text{v} - 12\,400\text{v} + 13\,500\text{v})$		180 350	
Less			
Opening inventory	9 800		
Purchases $85\,700\text{v} + 11\,150\text{v} - 8\,750\text{v}$	<u>88 100</u>		
	97 900		
Less Closing inventory $8\,200 - 300$	<u>(7 900)</u>	vV(8050 vof)	
Cost of sales		<u>(90 000)</u>	
Gross profit		90 350	
Plus Commission receivable $3\,400 + 800$		<u>4 200</u>	v
		94 550	
Less expenses:			
Wages $14\,250 - 750\text{v} + 500\text{v}$	14 000		
Rent	6 000		v
Sundry expenses $6\,950 + 10\,500$	17 450		v
Loan interest	1 300		v
Rates and insurance $5\,300 + 1\,100\text{v} - 1\,700\text{v}$	4 700		
Delivery expenses	15 670		v
Depreciation – Warehouse fixtures	1 200		v
Office computers	3 000		v
Creation of provision for doubtful debts	<u>780</u>		vV(vof)
		<u>(64 100)</u>	
Profit for the year		<u>30 450</u>	(22)

Statement of Financial Position at 31 December 2014

Non-current Assets

	£	£	Book value £
Warehouse fixtures			13 800 ✓
Office computers			<u>25 000</u> ✓
			38 800

Current Assets

Inventory		7 900	✓ of
Trade receivables	13 500		
Less PDD	<u>780</u> of	12 720	✓ V (✓ of)
Other receivables: Rates and insurance	1 700		✓
Commission receivable	<u>800</u>		✓
		2 500	
Bank		<u>19 080</u>	✓
			<u>42 200</u>
			<u>81 000</u>

Capital and equity:

Capital 1 January 2014		35 400	
Profit for the year		<u>30 450</u>	✓ of
		65 850	
Less Drawings		<u>(11 500)</u>	✓
Capital 31 December 2014			54 350

Non-current Liabilities ✓ (correct heading label)

8% Bank loan			15 000 ✓
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Current Liabilities

Trade payables		11 150	✓
Other payables: wages		<u>500</u>	✓
			<u>11 650</u>
			<u>81 000</u>

(c)

Valid answers may include:

- Easier to prepare financial statements / trial balance / establish profit
- Detailed record of each debtor / creditor accounts
- Checking of records is possible / less time consuming to check
- Can monitor business progress
- Can control costs more effectively
- Can manage business more effectively
- Can detect errors but NOT in correct errors
- Useful for authorities / tax authorities / bank
- Enables comparisons

✓ x 4 points

(4)

Not:

- More accurate
- True and fair view
- Organised

(d)

Valid answers may include:

For the use of revaluation

- Book value will be the same as market value
- Market value of asset may be significantly different from book value if you use straight line depreciation / not show a realistic book value
- Maintains consistency concept

Against the use of revaluation

- Equal depreciation each year for equal usage of asset
- Total costs of owning the asset will increase as repairs become significant
- Probably high depreciation in early years although usage in each year will be constant
- May be time consuming and difficult to value the assets each year
- Will distort profit from year to year with different depreciation values

✓✓ x 4 points (MAX two points for revaluation and two points against revaluation)

(8)

(Total 52 marks)