

Mark Scheme Summer 2009

GCE

GCE Accounting (8011-9011)

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Answer	Mark																																																																								
1(a)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: left;">Sales</th> <th style="width: 10%; text-align: center;">£</th> <th style="width: 5%;"></th> <th style="width: 50%; text-align: left;">Purchases</th> <th style="width: 10%; text-align: center;">£</th> <th style="width: 5%;"></th> </tr> </thead> <tbody> <tr> <td>Cash -Wages</td> <td style="text-align: right;">7 800</td> <td style="text-align: right;">✓</td> <td>Supplier payments</td> <td style="text-align: right;">48 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Operating Ex</td> <td style="text-align: right;">5 400</td> <td style="text-align: right;">✓</td> <td>Discount received</td> <td style="text-align: right;"><u>2 500</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Sales banked</td> <td style="text-align: right;">19 850</td> <td style="text-align: right;">✓</td> <td></td> <td style="text-align: right;">50 500</td> <td></td> </tr> <tr> <td>Credit sales</td> <td style="text-align: right;"><u>77 600</u></td> <td style="text-align: right;">✓</td> <td>Creditors 1 May</td> <td style="text-align: right;"><u>4 300</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">110 650</td> <td></td> <td></td> <td style="text-align: right;">46 200</td> <td></td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;"><u>3 200</u></td> <td style="text-align: right;">✓</td> <td>Creditors 30 April</td> <td style="text-align: right;"><u>4 800</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">113 850</td> <td></td> <td style="text-align: right;">PURCHASES</td> <td style="text-align: right;">51 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Debtors 1 May</td> <td style="text-align: right;"><u>9 800</u></td> <td style="text-align: right;">✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">104 050</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Debtors 30 April</td> <td style="text-align: right;"><u>7 950</u></td> <td style="text-align: right;">✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>SALES</td> <td style="text-align: right;">112 000</td> <td style="text-align: right;">✓</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Note: Control Account format is accepted as an alternative layout.</p>	Sales	£		Purchases	£		Cash -Wages	7 800	✓	Supplier payments	48 000	✓	Operating Ex	5 400	✓	Discount received	<u>2 500</u>	✓	Sales banked	19 850	✓		50 500		Credit sales	<u>77 600</u>	✓	Creditors 1 May	<u>4 300</u>	✓		110 650			46 200		Discount allowed	<u>3 200</u>	✓	Creditors 30 April	<u>4 800</u>	✓		113 850		PURCHASES	51 000	✓	Debtors 1 May	<u>9 800</u>	✓					104 050					Debtors 30 April	<u>7 950</u>	✓				SALES	112 000	✓				(13)
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<u>Balance sheet as at 30 April 2009</u>			
	£	£	
<u>Fixed assets</u>			
Equipment		12 000	/
<u>Current assets</u>			
Stock	5 150		/
Debtors	<u>7 950</u>		/
	13 100		
<u>Current liabilities</u>			
Creditors	4 800		/
Accrued	1 300		//
500 + 800			
Bank overdraft	<u>2 400</u>		/
	(8 500)		
Net current assets		<u>4 600</u>	
		16 600	
<u>Long term liabilities</u>			
8% Bank loan		<u>(10 000)</u>	//
		<u>6 600</u>	
Financed by:			
Capital	21 000		/
Net profit	<u>10 600</u>		/OF
	31 600		
Drawings	<u>25 000</u>		/
		<u>6 600</u>	
Note: 8% Bank loan can alternatively be recorded under Financed by:			(27)

Question Number	Answer	Mark
1(c)	<p>Day-work - this is an hourly rate irrespective of the output of the employee. Calculation is hours attended \checkmark x hourly rate. \checkmark</p> <p>Piecework- this is a rate per piece of work completed irrespective of how long that 'piece' takes to complete. Calculation is rate per piece \checkmark x number of pieces completed. \checkmark</p>	(4)

Question Number	Answer	Mark
1(d)	<p>Valid answers may include:</p> <p>In favour of the decision:</p> <ul style="list-style-type: none"> • less supervisory control will be needed • more work may be completed by the employee in the same time • opportunity to increase earnings for employee. <p>Against the decision:</p> <ul style="list-style-type: none"> • difficulty of measuring this type of work • difficulty in setting the piecework rate • quality of work may diminish. <p>$\checkmark\checkmark$ per point. MAX two points in favour and two points against.</p>	(8)

(Total 52 marks)

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2(a)	<p><u>Sayeda trading and profit and loss account for the year ending 30 April 2009</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Sales - credit</td> <td></td> <td style="text-align: right;">205 000</td> <td></td> </tr> <tr> <td>cash</td> <td></td> <td style="text-align: right;"><u>19 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">224 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">21 000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>195 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">216 000</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>56 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>160 000</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">64 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Expenses</td> <td style="text-align: right;">37 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;"><u>15 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>52 000</u></td> <td></td> </tr> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;"><u>12 000</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>64 000</u></td> <td></td> </tr> </tbody> </table>		£	£		Sales - credit		205 000		cash		<u>19 000</u>				224 000	✓	Opening stock	21 000			Purchases	<u>195 000</u>				216 000			Closing stock	<u>56 000</u>		✓	Cost of sales		<u>160 000</u>	✓	Gross profit		64 000	✓	Expenses	37 000		✓	Depreciation	<u>15 000</u>		✓			<u>52 000</u>		Net profit		<u>12 000</u>	✓			<u>64 000</u>		(7)
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2(b)	<p>Mark up $\frac{64\,000}{160\,000} \times 100 = 40\%$ ✓✓✓</p> <p>Stock turnover $\frac{160\,000}{(21\,000 + 56\,000)/2} = 4.16$ times ✓✓✓</p> <p>ROCE $\frac{12\,000 \times 100}{15\,000 + 40\,000} = 21.8\%$ ✓✓✓ OR $\frac{12\,000 + 4\,000 \times 100}{15\,000 + 40\,000} = 29.18$ ✓✓✓</p> <p>Debtors collection period (days) $\frac{14\,000 \times 365}{205\,000} = 25$ days ✓✓✓</p> <p>Creditors payment period (days) $\frac{35\,000 \times 365}{195\,000} = 65.5$ days ✓✓✓</p> <p>Note: all reasonable rounding accepted.</p>	(15)

Question Number	Answer	Mark
2(c)(i)	<p>The term profitability refers to the ability to generate sufficient excess of income over expenditure <i>✓✓</i> compared to a common ‘yardstick’ such as capital employed to generate that profit or sales. <i>✓✓</i></p> <p>Note: if a ratio such as GP to sales or ROCE is used to explain profitability <i>✓✓</i> for ‘yardstick’.</p>	(4)

Question Number	Answer	Mark
2(c)(ii)	<p>The mark up is well above the sector average which is good and means that the business is profitable. <i>✓✓OF</i></p> <p>The return on capital employed is above the sector average, which is good and means that the return on the owners’ investment is greater than the average in the sector. <i>✓✓OF</i></p> <p>The debtors’ collection period is lower than the sector meaning that the sector collects debts more quickly. The business should pay attention to this to improve liquidity. <i>✓✓OF</i></p>	(6)

Question Number	Answer	Mark
2(d)	<p>Valid answers may include:</p> <p>In favour of the decision:</p> <ul style="list-style-type: none"> • if prices are reduced by 20%, sales may increase significantly • cheaper goods may give a greater mark up • it could lead to expansion of business and of spreading fixed costs further. <p>Against the decision:</p> <ul style="list-style-type: none"> • poorer quality goods may lose the reputation of the business • reduced prices may lower the mark up • the business may be selling more goods for less profit. <p><i>✓✓</i> per point. MAX two points in favour and two points against.</p>	(8)

Question Number	Answer	Mark
2(e)	<p>1. Money measurement. <i>✓✓</i> People are not considered assets which are recorded in the accounts. People can also leave with limited notice and the skill is lost without monetary compensation. <i>✓</i></p> <p>2. Historic cost. <i>✓✓</i> Market prices may fluctuate but no profit on premises may be assumed until the profit is realised through a sale.</p> <p>3. Accruals or matching. <i>✓✓</i> Adjust has to be made between the amount actually spent and that which is used up, or incurred in the period, to enable matching of the income for the period with the expenditure to generate that income. <i>✓</i></p> <p>4. Consistency. <i>✓✓</i> When a depreciation policy has been selected it should be used consistently to enable comparison of periods to be undertaken. A change of policy would distort profits. <i>✓</i></p>	(12)

(Total 52 marks)

Question Number	Answer	Mark
3(a)(i)	<p>Valid answers may include:</p> <ul style="list-style-type: none"> • bad debts relate to the current accounting period • bad debts can be measured with certainty because they relate to past events • PDD relate to existing debtors, but they are an estimation of the percentage of debts that will become 'bad', probably in the next accounting period • the provision is only an estimation based upon empirical information and cannot be ascertained with certainty. <p>✓✓ for one point x 3. MAXIMUM two points relating to bad debts and two points relating to provisions for doubtful debts.</p>	(6)

Question Number	Answer	Mark
3(a)(ii)	Conservatism or prudence. ✓✓	(7)

Question Number	Answer	Mark																																																																	
3(b)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th colspan="2" style="text-align: center;">Journal</th> <th></th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">Dr</th> <th style="text-align: center;">Cr</th> <th></th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Fixed assets</td> <td style="text-align: right;">2 000</td> <td></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>General expenses</td> <td></td> <td></td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bank/Cash</td> <td style="text-align: right;">300</td> <td></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">700</td> <td></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>A.Malan</td> <td></td> <td></td> <td style="text-align: right;">1 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>OR</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">700</td> <td></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>A.Malan</td> <td></td> <td></td> <td style="text-align: right;">700</td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">243</td> <td></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Suspense</td> <td></td> <td></td> <td style="text-align: right;">243</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table>			Journal					Dr	Cr				£	£		Fixed assets	2 000			✓	General expenses			2 000	✓	Bank/Cash	300			✓	Bad debts	700			✓	A.Malan			1 000	✓	OR					Bad debts	700			✓	A.Malan			700	✓✓	Wages and salaries	243			✓	Suspense			243	✓	(7)
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3(d)	<p>Trading and profit and loss account for the year ended 30 April 2009.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="width: 25%; text-align: right;">£</td> <td style="width: 25%; text-align: right;">£</td> <td></td> </tr> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">132 000</td> <td></td> </tr> <tr> <td>✓</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">5 600</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>66 600</u></td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td></td> <td style="text-align: right;">72 200</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>5 700</u></td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>66 500</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">65 500</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rent (9 100-2 400)</td> <td style="text-align: right;">6 700</td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Electricity (3 000+340-735)</td> <td style="text-align: right;">2 605</td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>General expenses (9 450-2 000)</td> <td style="text-align: right;">7 450</td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">700</td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Wages and salaries (28 100+243)</td> <td style="text-align: right;">28 343</td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">7 500</td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Increase in PDD</td> <td style="text-align: right;"><u>15</u></td> <td></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>53 313</u></td> <td></td> </tr> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;"><u>12 187</u></td> <td style="text-align: right;">(20)</td> </tr> </table>		£	£		Sales		132 000		✓				Opening stock	5 600		✓	Purchases	<u>66 600</u>		✓✓		72 200			Closing stock	<u>5 700</u>		✓✓	Cost of sales		<u>66 500</u>		Gross profit		65 500		Less				Rent (9 100-2 400)	6 700		✓✓	Electricity (3 000+340-735)	2 605		✓✓	General expenses (9 450-2 000)	7 450		✓✓	Bad debts	700		✓✓	Wages and salaries (28 100+243)	28 343		✓✓	Depreciation	7 500		✓✓	Increase in PDD	<u>15</u>		✓✓			<u>53 313</u>		Net profit		<u>12 187</u>	(20)	
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3(e)	<p>Valid answers may include:</p> <p>In favour of the decision:</p> <ul style="list-style-type: none"> • perpetual inventory will enable the issuing of stock to be more closely related to prices paid • accurate and up to date valuation of stock is available at all times • LIFO will issue stock at close to the replacement cost in inflationary times. <p>Against the decision:</p> <ul style="list-style-type: none"> • perpetual inventory is more complex to operate than periodic inventory • LIFO provides a lower closing stock value and therefore lowers gross profit in the final accounts • LIFO is not accepted by SSAP or the Revenue • breaches consistency concept • time consuming using perpetual basis. <p><i>√√</i> per point. MAX two points in favour and two points against. Note: Comments on difficult to calculate, prudent, physical deterioration reduced, no marks.</p>	(8)

(Total 52 Marks)

Section B

Question Number	Answer	Mark																																																
4(a)	<p style="text-align: center;">Profit and Loss Appropriation Account for the year ended 31 December 2008</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;">38 000</td> </tr> <tr> <td><u>Interest on capital</u></td> <td></td> <td></td> </tr> <tr> <td>Eleni</td> <td style="text-align: right;">1 500</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Gianna</td> <td style="text-align: right;"><u>1 000</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">2 500</td> <td></td> </tr> <tr> <td><u>Salaries</u></td> <td></td> <td></td> </tr> <tr> <td>Eleni</td> <td style="text-align: right;">7 500</td> <td></td> </tr> <tr> <td>Gianna</td> <td style="text-align: right;"><u>10 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">17 500</td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(20 000)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">18 000</td> </tr> <tr> <td><u>Share of profit</u></td> <td></td> <td></td> </tr> <tr> <td>Eleni</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">✓OF</td> </tr> <tr> <td>Gianna</td> <td style="text-align: right;"><u>6 000</u></td> <td style="text-align: right;">✓OF</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>18 000</u></td> </tr> </tbody> </table> <p>OF If no alien items such as drawings included.</p>		£	£	Net profit		38 000	<u>Interest on capital</u>			Eleni	1 500	✓	Gianna	<u>1 000</u>	✓		2 500		<u>Salaries</u>			Eleni	7 500		Gianna	<u>10 000</u>			17 500	✓			<u>(20 000)</u>			18 000	<u>Share of profit</u>			Eleni	12 000	✓OF	Gianna	<u>6 000</u>	✓OF			<u>18 000</u>	(5)
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4(b)	<p style="text-align: center;">Current accounts</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%;">Eleni</th> <th style="width: 15%;">Gianna</th> <th style="width: 15%;"></th> <th style="width: 15%;">Eleni</th> <th style="width: 15%;">Gianna</th> </tr> <tr> <td></td> <td style="text-align: right;">£</td> <td style="text-align: right;">£</td> <td></td> <td style="text-align: right;">£</td> <td style="text-align: right;">£</td> </tr> </thead> <tbody> <tr> <td>Balance b/d</td> <td style="text-align: right;">3 000</td> <td></td> <td>Balance b/d</td> <td></td> <td style="text-align: right;">500 ✓</td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">17 500</td> <td style="text-align: right;">16 600 ✓</td> <td>Interest on capital</td> <td style="text-align: right;">1 500</td> <td style="text-align: right;">1 000 ✓OF</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Salaries</td> <td style="text-align: right;">7 500</td> <td style="text-align: right;">10 000 ✓</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>500</u></td> <td style="text-align: right;"><u>900</u> ✓OF</td> <td>Share of profit</td> <td style="text-align: right;"><u>12 000</u></td> <td style="text-align: right;"><u>6 000</u> ✓OF</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>21 000</u></td> <td style="text-align: right;"><u>17 500</u></td> <td></td> <td style="text-align: right;"><u>21 000</u></td> <td style="text-align: right;"><u>17 500</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>Balance b/d</td> <td style="text-align: right;">500</td> <td style="text-align: right;">900</td> </tr> </tbody> </table>		Eleni	Gianna		Eleni	Gianna		£	£		£	£	Balance b/d	3 000		Balance b/d		500 ✓	Drawings	17 500	16 600 ✓	Interest on capital	1 500	1 000 ✓OF				Salaries	7 500	10 000 ✓	Balance c/d	<u>500</u>	<u>900</u> ✓OF	Share of profit	<u>12 000</u>	<u>6 000</u> ✓OF		<u>21 000</u>	<u>17 500</u>		<u>21 000</u>	<u>17 500</u>				Balance b/d	500	900	(6)
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Fixed assets																																																																																		
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Delivery vehicle		8 000	✓																																																																															
Fixtures		<u>14 000</u>																																																																																
		62 000	✓																																																																															
Current assets																																																																																		
Stock	36 000		✓																																																																															
Debtors less PDD	32 300		✓																																																																															
Bank	<u>4 500</u>		✓																																																																															
	72 800																																																																																	
Current liabilities																																																																																		
Creditors	58 400		✓																																																																															
Net current assets/Working capital		<u>14 400</u>	✓																																																																															
		<u>76 400</u>																																																																																
Financed by:																																																																																		
	Eleni Gianna Michalis																																																																																	
Capital a/c	46 000 16 000 13 000	75 000	✓																																																																															
Current a/c	500CR 900CR	<u>1 400</u>	✓OF																																																																															
		<u>76 400</u>																																																																																

Question Number	Answer	Mark
4(e)	<p>Valid answers may include:</p> <p>Non-financial factors:</p> <ul style="list-style-type: none"> • job security • has a stake in the business • improves the prestige/standing of Michalis • 'tied' to this business, cannot easily leave for other employment. <p>Financial factors:</p> <ul style="list-style-type: none"> • investment required from personal assets • unlimited liability for losses • loss of security of regular salary • will generate £10 000 income from the partnership, but £14 000 as office manager • Michalis will have a stake in the business and its profits • extra work put into the business would result in extra income. <p>✓✓ for a financial factor plus ✓✓ for a non financial factor.</p> <p>Note: Points must be from the perspective of Michalis, <u>NOT</u> the business.</p>	(4)

(Total 32 marks)

Question Number	Answer	Mark
5(a)	<p>Fixed cost - A cost that is fixed, in the short term, for a range of production output or sales and does not vary with the units produced or sold. ✓✓ Example- Rent ✓ also accept General Expenses and Marketing.</p> <p>Variable cost - A cost which rises directly in proportion to the production output or sales of a unit. ✓✓ Example - Raw Material ✓ also accept Hanif's labour.</p>	(6)

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5(b)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>• Sales- Garden centre 80 x 70</td> <td></td> <td style="text-align: right;">5 600</td> <td>✓</td> </tr> <tr> <td>General sales 80 x 100</td> <td></td> <td style="text-align: right;">8 000</td> <td>✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>13 600</u></td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Raw materials 4 500 - 900</td> <td style="text-align: right;">3 600</td> <td></td> <td>✓✓</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">600</td> <td></td> <td>✓✓</td> </tr> <tr> <td>General expenses 1 600 - 75</td> <td style="text-align: right;">1 525</td> <td></td> <td>✓✓</td> </tr> <tr> <td>Marketing expenses 2 000 + 375</td> <td style="text-align: right;">2 375</td> <td></td> <td>✓✓</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;"><u>300</u></td> <td></td> <td>✓✓</td> </tr> <tr> <td>Profit</td> <td></td> <td style="text-align: right;"><u>8 400</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>5 200</u></td> <td></td> </tr> <tr> <td>• Cost per picnic bench:</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">£</td> <td></td> <td></td> </tr> <tr> <td>Costs</td> <td style="text-align: right;">8 400</td> <td></td> <td>✓OF from (b)</td> </tr> <tr> <td>Divided by production</td> <td style="text-align: right;"><u>160</u></td> <td></td> <td>✓</td> </tr> <tr> <td>Cost per picnic bench</td> <td style="text-align: right;">52.50</td> <td></td> <td></td> </tr> <tr> <td>Hanif labour 7.5 hours x £5</td> <td style="text-align: right;"><u>37.50</u></td> <td></td> <td>✓</td> </tr> <tr> <td>Total cost</td> <td style="text-align: right;">90.00</td> <td></td> <td>✓OF</td> </tr> </tbody> </table>		£	£		• Sales- Garden centre 80 x 70		5 600	✓	General sales 80 x 100		8 000	✓			<u>13 600</u>		Less				Raw materials 4 500 - 900	3 600		✓✓	Rent	600		✓✓	General expenses 1 600 - 75	1 525		✓✓	Marketing expenses 2 000 + 375	2 375		✓✓	Depreciation	<u>300</u>		✓✓	Profit		<u>8 400</u>				<u>5 200</u>		• Cost per picnic bench:					£			Costs	8 400		✓OF from (b)	Divided by production	<u>160</u>		✓	Cost per picnic bench	52.50			Hanif labour 7.5 hours x £5	<u>37.50</u>		✓	Total cost	90.00		✓OF	(12)
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Question Number	Answer	Mark
5(c)	Liquid (acid test) ratio $\frac{\overset{✓}{700} + \overset{✓}{200} + \overset{✓}{75} + \overset{✓}{375}}{6\ 000\ ✓} = \frac{1\ 350}{6\ 000} = 0.225:1\ ✓$	(6)

Question Number	Answer	Mark
5(d)	<p>Valid answers may include:</p> <p>In favour:</p> <ul style="list-style-type: none"> • a profit is being made • can make own decisions • benefits from own entrepreneurship. <p>Against:</p> <ul style="list-style-type: none"> • drawings are greater than the profit made • costs of production high when selling some units at £70 • low liquidity • loss of security of a guaranteed income • considerable administrative burden of keeping accounts, making tax returns etc. <p>✓✓ for one advantage x ✓✓ for one point against.</p>	(4)

(Total 32 marks)

Question Number	Answer	Mark
6(a)	<p>Allocation - Costs only relate to a specific department, product or activity and can therefore be allocated to that cost centre. //</p> <p>Apportionment - Costs relate to the whole business or more than one department, product or activity and therefore require apportionment on the most reasonable basis available. //</p>	(4)

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6(b)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%;">Machining</th> <th style="width: 15%;">Assembly</th> <th style="width: 15%;">Administration</th> <th style="width: 15%;"></th> <th style="width: 10%;"></th> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> </tr> </thead> <tbody> <tr> <td>Allocated</td> <td></td> <td style="text-align: right;">14 400</td> <td style="text-align: right;">15 300</td> <td style="text-align: right;">13 300</td> <td>//</td> </tr> <tr> <td>Supervision</td> <td></td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">24 000</td> <td style="text-align: right;">9 000</td> <td>//</td> </tr> <tr> <td>Electricity</td> <td></td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">4 000</td> <td style="text-align: right;">2 000</td> <td>//</td> </tr> <tr> <td>Rent</td> <td></td> <td style="text-align: right;">3 600</td> <td style="text-align: right;">4 200</td> <td style="text-align: right;">1 200</td> <td>//</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">18 000</td> <td style="text-align: right;">4 500</td> <td style="text-align: right;">4 500</td> <td>//</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">60 000</td> <td style="text-align: right; border-top: 1px solid black;">52 000</td> <td style="text-align: right; border-top: 1px solid black;">30 000</td> <td></td> </tr> <tr> <td>Re-allocation</td> <td></td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">18 000</td> <td></td> <td>//OF</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">72 000</td> <td style="text-align: right; border-top: 1px solid black;">70 000</td> <td></td> <td></td> </tr> <tr> <td>Recovery rate:</td> <td></td> <td style="text-align: right;"><u>72 000</u></td> <td style="text-align: right;"><u>70 000</u></td> <td></td> <td>//OF</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">8 000</td> <td style="text-align: right;">14 000</td> <td></td> <td>//</td> </tr> <tr> <td>Recovery rate</td> <td>£9 per hour</td> <td></td> <td>£5 per hour</td> <td></td> <td>//OF</td> </tr> </tbody> </table>		Machining	Assembly	Administration					£	£	£		Allocated		14 400	15 300	13 300	//	Supervision		12 000	24 000	9 000	//	Electricity		12 000	4 000	2 000	//	Rent		3 600	4 200	1 200	//	Depreciation		18 000	4 500	4 500	//			60 000	52 000	30 000		Re-allocation		12 000	18 000		//OF			72 000	70 000			Recovery rate:		<u>72 000</u>	<u>70 000</u>		//OF			8 000	14 000		//	Recovery rate	£9 per hour		£5 per hour		//OF	(18)
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Question Number	Answer	Mark
6(d)	<p>Valid answers may include:</p> <p>In favour:</p> <ul style="list-style-type: none"> • provides a basis for recovering overhead costs • reasonable pre-estimate of how costs are actually incurred. <p>Against:</p> <ul style="list-style-type: none"> • complicated calculation • only an estimate of the costs incurred by each department • reasonable basis not always available. <p>// for one advantage x // for one point against.</p>	(4)

(Total 32 marks)

Question Number	Answer	Mark																								
7(a)	<p style="text-align: center;">Purchase ledger control account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">1 500 //</td> <td>Balance b/d</td> <td style="text-align: right;">4 000 /</td> </tr> <tr> <td>Payments</td> <td style="text-align: right;">57 000 //</td> <td>Credit purchases</td> <td style="text-align: right;">64 000 //</td> </tr> <tr> <td>Discount received</td> <td style="text-align: right;">2 000 //</td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>7 500 /</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>68 000</u></td> <td></td> <td style="text-align: right;"><u>68 000</u></td> </tr> </table>		£		£	Purchase returns	1 500 //	Balance b/d	4 000 /	Payments	57 000 //	Credit purchases	64 000 //	Discount received	2 000 //			Balance c/d	<u>7 500 /</u>				<u>68 000</u>		<u>68 000</u>	(10)
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Question Number	Answer	Mark
7(b)	<p>Valid points:</p> <ul style="list-style-type: none"> • The purchases ledger control account balances. • Therefore it is reasonable to assume that no fraud has been taking place. <p>// for identifying that the control account balances plus // for identifying that no fraud has been committed. MAX // if account in (a) does not balance.</p>	(4)

Question Number	Answer	Mark
7(c)	<p>Valid answers may include:</p> <p>In favour:</p> <ul style="list-style-type: none"> • control accounts are an independent checking mechanism, checking arithmetical accuracy • control accounts allow for separation of duties and will be prepared by an independent person. <p>Against:</p> <ul style="list-style-type: none"> • the control account may not balance for a number of reasons only one of which is fraud • most commonly, a control account will not balance because of errors in double entry not because of fraud. <p>// for one advantage and // for one point against.</p>	(4)

Question Number	Answer	Mark																																												
7(d)	<p style="text-align: center;">Trading account for the year ended 30 April 2009</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td></td> <td style="text-align: right;">90 000 /</td> </tr> <tr> <td>Opening stock</td> <td></td> <td style="text-align: right;">26 500 /</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">64 000 /</td> <td></td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;"><u>1 500 /</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>62 500</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">89 000</td> <td></td> </tr> <tr> <td>Closing stock</td> <td></td> <td style="text-align: right;"><u>11 000 /</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td style="text-align: right;">78 000</td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right;"><u>12 000 /</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>90 000</u></td> </tr> </tbody> </table>		£	£	£	Sales			90 000 /	Opening stock		26 500 /		Purchases	64 000 /			Purchase returns	<u>1 500 /</u>					<u>62 500</u>				89 000		Closing stock		<u>11 000 /</u>		Cost of sales			78 000	Gross profit			<u>12 000 /</u>				<u>90 000</u>	(6)
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