



PRINCIPLES OF ACCOUNTS

7110/22

Paper 2 Structured

May/June 2017

MARK SCHEME

Maximum Mark: 120

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2017 series for most Cambridge IGCSE[®], Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

© IGCSE is a registered trademark.

This document consists of **13** printed pages.

Question	Answer	Marks																																																																
1(a)	<p style="text-align: center;">Delun account</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> <td></td> </tr> <tr> <td>April 15</td> <td>Purchases returns</td> <td>160</td> <td>(1)</td> <td>April 1</td> <td>Balance b/d</td> <td>1500</td> <td></td> </tr> <tr> <td>23</td> <td>Bank</td> <td>1470</td> <td>(1)</td> <td>April 10</td> <td>Purchases</td> <td>1120</td> <td>(1)</td> </tr> <tr> <td></td> <td>Discount</td> <td>30</td> <td>(1)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>30</td> <td>Balance c/d</td> <td><u>960</u></td> <td></td> <td>April 30</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>2620</u></td> <td></td> <td></td> <td></td> <td><u>2620</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>May 1</td> <td>Balance b/d</td> <td>960</td> <td>(1)of</td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		2017				2017				April 15	Purchases returns	160	(1)	April 1	Balance b/d	1500		23	Bank	1470	(1)	April 10	Purchases	1120	(1)		Discount	30	(1)					30	Balance c/d	<u>960</u>		April 30						<u>2620</u>				<u>2620</u>						May 1	Balance b/d	960	(1)of	5
Date	Details	\$		Date	Details	\$																																																												
2017				2017																																																														
April 15	Purchases returns	160	(1)	April 1	Balance b/d	1500																																																												
23	Bank	1470	(1)	April 10	Purchases	1120	(1)																																																											
	Discount	30	(1)																																																															
30	Balance c/d	<u>960</u>		April 30																																																														
		<u>2620</u>				<u>2620</u>																																																												
				May 1	Balance b/d	960	(1)of																																																											
1(b)	Purchases ledger (1)	1																																																																
1(c)	April 10 Sales invoice (1) 15 Credit note (1)	2																																																																
1(d)	Statement of account (1)	1																																																																
1(e)	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Transaction</th> <th>Assets \$</th> <th></th> <th>Liabilities \$</th> <th></th> <th>Capital \$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Purchased goods on credit at a cost of \$500.</td> <td>+500</td> <td></td> <td>+500</td> <td></td> <td>No effect</td> <td></td> </tr> <tr> <td>Sold goods on credit for \$700 (cost \$400).</td> <td>+300</td> <td>(1)</td> <td>No effect</td> <td>(1)</td> <td>+300</td> <td>(1)</td> </tr> <tr> <td>Paid a supplier \$2 050 in full settlement of a debt of \$2 200.</td> <td>-2 050</td> <td>(1)</td> <td>-2 200</td> <td>(1)</td> <td>+150</td> <td>(1)</td> </tr> <tr> <td>Purchase goods, \$130, and paid in cash.</td> <td>No effect</td> <td>(1)</td> <td>No effect</td> <td>(1)</td> <td>No effect</td> <td>(1)</td> </tr> </tbody> </table>	Transaction	Assets \$		Liabilities \$		Capital \$		Purchased goods on credit at a cost of \$500.	+500		+500		No effect		Sold goods on credit for \$700 (cost \$400).	+300	(1)	No effect	(1)	+300	(1)	Paid a supplier \$2 050 in full settlement of a debt of \$2 200.	-2 050	(1)	-2 200	(1)	+150	(1)	Purchase goods, \$130, and paid in cash.	No effect	(1)	No effect	(1)	No effect	(1)	9																													
Transaction	Assets \$		Liabilities \$		Capital \$																																																													
Purchased goods on credit at a cost of \$500.	+500		+500		No effect																																																													
Sold goods on credit for \$700 (cost \$400).	+300	(1)	No effect	(1)	+300	(1)																																																												
Paid a supplier \$2 050 in full settlement of a debt of \$2 200.	-2 050	(1)	-2 200	(1)	+150	(1)																																																												
Purchase goods, \$130, and paid in cash.	No effect	(1)	No effect	(1)	No effect	(1)																																																												

Question	Answer	Marks
1(f)	A record of all transactions Detailed record of each customer, supplier, expense or income. Reference can easily be made to the detail in each account. Financial statements can be prepared at regular intervals. The profit can be ascertained. Aid management and decisions can be made. 2 points · (1) mark	2
	Total:	20

Question	Answer	Marks																																																																								
2(a)	<p>Provides total of debtors and creditors Assists the location of errors / identifies errors Checks arithmetical accuracy A deterrent against fraud Checks the efficiency of staff Calculates sales and purchases</p> <p>Accept other relevant points</p> <p style="text-align: right;">2 points · (1)</p>	2																																																																								
2(b)	<p style="text-align: center;">Sales ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> <td></td> </tr> <tr> <td>March 1</td> <td>Balance b/d</td> <td>36 000</td> <td>(1)</td> <td>March 31</td> <td>Bank</td> <td>53 800</td> <td>(1)</td> </tr> <tr> <td></td> <td>Sales</td> <td>51 270</td> <td>(1)</td> <td></td> <td>Sales returns</td> <td>1 750</td> <td>(1)</td> </tr> <tr> <td>March 31</td> <td>Bank</td> <td>2 080</td> <td>(1)</td> <td></td> <td>Discount allowed</td> <td>950</td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Bad debt</td> <td>1 450</td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td><u>31 400</u></td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td><u>89 350</u></td> <td></td> <td></td> <td></td> <td><u>89 350</u></td> <td></td> </tr> <tr> <td>April 1</td> <td>Balance b/d</td> <td>31 400</td> <td>(1)of</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		2017				2017				March 1	Balance b/d	36 000	(1)	March 31	Bank	53 800	(1)		Sales	51 270	(1)		Sales returns	1 750	(1)	March 31	Bank	2 080	(1)		Discount allowed	950	(1)						Bad debt	1 450	(1)						Balance c/d	<u>31 400</u>	(1)			<u>89 350</u>				<u>89 350</u>		April 1	Balance b/d	31 400	(1)of					9
Date	Details	\$		Date	Details	\$																																																																				
2017				2017																																																																						
March 1	Balance b/d	36 000	(1)	March 31	Bank	53 800	(1)																																																																			
	Sales	51 270	(1)		Sales returns	1 750	(1)																																																																			
March 31	Bank	2 080	(1)		Discount allowed	950	(1)																																																																			
					Bad debt	1 450	(1)																																																																			
					Balance c/d	<u>31 400</u>	(1)																																																																			
		<u>89 350</u>				<u>89 350</u>																																																																				
April 1	Balance b/d	31 400	(1)of																																																																							
2(c)	<p style="text-align: center;">Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td></td> <td>2016</td> <td></td> <td></td> <td></td> </tr> <tr> <td>March 31</td> <td>Income statement</td> <td>(1)</td> <td>330</td> <td>(1)of</td> <td>April 1</td> <td>Balance b/d</td> <td>1900</td> <td>(1)</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td></td> <td>1570</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td><u>1900</u></td> <td></td> <td></td> <td><u>1900</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>2017 April 1</td> <td>Balance b/d</td> <td>1570</td> <td>(1)of</td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		2017				2016				March 31	Income statement	(1)	330	(1)of	April 1	Balance b/d	1900	(1)		Balance c/d		1570								<u>1900</u>			<u>1900</u>						2017 April 1	Balance b/d	1570	(1)of	4																							
Date	Details	\$		Date	Details	\$																																																																				
2017				2016																																																																						
March 31	Income statement	(1)	330	(1)of	April 1	Balance b/d	1900	(1)																																																																		
	Balance c/d		1570																																																																							
			<u>1900</u>			<u>1900</u>																																																																				
				2017 April 1	Balance b/d	1570	(1)of																																																																			

Question	Answer	Marks																		
2(d)	Prudence (1) Accruals(matching) (1)	1																		
2(e)	<p style="text-align: center;">General journal</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <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>Bad debts</td> <td style="text-align: center;">750 (1)</td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: center;">500 (1)</td> <td></td> </tr> <tr> <td>Horner</td> <td></td> <td style="text-align: center;">1250 (1)</td> </tr> <tr> <td colspan="3">Horner declared bankrupt, received \$500, in full settlement of \$1 250 debt (1)</td> </tr> </tbody> </table>		Dr	Cr		\$	\$	Bad debts	750 (1)		Bank	500 (1)		Horner		1250 (1)	Horner declared bankrupt, received \$500, in full settlement of \$1 250 debt (1)			4
	Dr	Cr																		
	\$	\$																		
Bad debts	750 (1)																			
Bank	500 (1)																			
Horner		1250 (1)																		
Horner declared bankrupt, received \$500, in full settlement of \$1 250 debt (1)																				
	Total:	20																		

PUBLISHED

Question	Answer	Marks																																																			
3(a)(i)	Aishah $20\,000 + 8\,000 + 9\,000 + 6\,700 + 7\,100 = 50\,800 - 4\,000 = 46\,800$	(1) 1																																																			
3(a)(ii)	Bolin $7\,500 + 4\,500 + 5\,200 = 17\,200 - 2\,150 - 3\,750 = 11\,300$	(1) 1																																																			
3(b)	<p style="text-align: center;">Aishah and Bolin Statement of Financial Position at 1 May 2016</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>Non-current assets</td> <td></td> <td></td> </tr> <tr> <td>Motor vehicle</td> <td style="text-align: right;">8 000</td> <td></td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>7 500</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">15 500 (1)</td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> </tr> <tr> <td>Inventory (9000 + 4500)</td> <td style="text-align: right;">13 500</td> <td></td> </tr> <tr> <td>Trade receivables (6700 + 5200)</td> <td style="text-align: right;">11 900</td> <td></td> </tr> <tr> <td>Bank (7100 – 3750)</td> <td style="text-align: right;"><u>3 350 (1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>28 750 (1o/f)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>44 250</u></td> </tr> <tr> <td>Capital – Aishah 46 800 – 12 000 (1)</td> <td style="text-align: right;">34 800</td> <td></td> </tr> <tr> <td>Bolin 11 300 – 8 000 (1)</td> <td style="text-align: right;"><u>3 300</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">38 100</td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Trade payables (4 000 + 2 150)</td> <td></td> <td style="text-align: right;"><u>6 150 (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>44 250</u></td> </tr> </tbody> </table>		\$	\$	Non-current assets			Motor vehicle	8 000		Fixtures and fittings	<u>7 500</u>				15 500 (1)	Current assets			Inventory (9000 + 4500)	13 500		Trade receivables (6700 + 5200)	11 900		Bank (7100 – 3750)	<u>3 350 (1)</u>				<u>28 750 (1o/f)</u>			<u>44 250</u>	Capital – Aishah 46 800 – 12 000 (1)	34 800		Bolin 11 300 – 8 000 (1)	<u>3 300</u>				38 100	Current liabilities			Trade payables (4 000 + 2 150)		<u>6 150 (1)</u>			<u>44 250</u>	6
	\$	\$																																																			
Non-current assets																																																					
Motor vehicle	8 000																																																				
Fixtures and fittings	<u>7 500</u>																																																				
		15 500 (1)																																																			
Current assets																																																					
Inventory (9000 + 4500)	13 500																																																				
Trade receivables (6700 + 5200)	11 900																																																				
Bank (7100 – 3750)	<u>3 350 (1)</u>																																																				
		<u>28 750 (1o/f)</u>																																																			
		<u>44 250</u>																																																			
Capital – Aishah 46 800 – 12 000 (1)	34 800																																																				
Bolin 11 300 – 8 000 (1)	<u>3 300</u>																																																				
		38 100																																																			
Current liabilities																																																					
Trade payables (4 000 + 2 150)		<u>6 150 (1)</u>																																																			
		<u>44 250</u>																																																			
3(c)(i)	The value of the business over and above the net value (1) of the tangible assets and liabilities. (1)	2																																																			
3(c)(ii)	Location Customer loyalty Reputation Quality of goods or service Skills and efficiency of workforce Large customer base Accept other valid points	3 3 points · (1)																																																			

Question	Answer	Marks																																																												
3(d)	<p style="text-align: center;">Aishah and Bolin Appropriation Account for the year ended 30 April 2017</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: center;">\$</td> <td style="width: 20%;"></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: right;">27 400</td> <td></td> </tr> <tr> <td>Plus Interest on drawings</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Aishah</td> <td style="text-align: right;">420</td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td> Bolin</td> <td style="text-align: right;"><u>180</u></td> <td style="text-align: right;">(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>600</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">28 000</td> <td></td> </tr> <tr> <td>Less Salary – Bolin</td> <td></td> <td></td> <td style="text-align: right;"><u>12 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">16 000</td> <td></td> </tr> <tr> <td>Share of profit</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> Aishah</td> <td></td> <td></td> <td style="text-align: right;">9 600</td> <td style="text-align: right;">(1)of</td> </tr> <tr> <td> Bolin</td> <td></td> <td></td> <td style="text-align: right;"><u>6 400</u></td> <td style="text-align: right;">(1)of</td> </tr> </table>		\$		\$		Profit for the year			27 400		Plus Interest on drawings					Aishah	420	(1)			Bolin	<u>180</u>	(1)						<u>600</u>					28 000		Less Salary – Bolin			<u>12 000</u>	(1)				16 000		Share of profit					Aishah			9 600	(1)of	Bolin			<u>6 400</u>	(1)of	5
	\$		\$																																																											
Profit for the year			27 400																																																											
Plus Interest on drawings																																																														
Aishah	420	(1)																																																												
Bolin	<u>180</u>	(1)																																																												
			<u>600</u>																																																											
			28 000																																																											
Less Salary – Bolin			<u>12 000</u>	(1)																																																										
			16 000																																																											
Share of profit																																																														
Aishah			9 600	(1)of																																																										
Bolin			<u>6 400</u>	(1)of																																																										
3(e)	<p>Individual decisions cannot be made Jointly and severally liable for actions taken Possibility of disputes and disagreements</p> <p>Accept other valid points</p>	2																																																												
	Total:	20																																																												

PUBLISHED

Question	Answer	Marks
4(a)(i)	$\frac{\text{Gross profit}}{\text{Revenue}} \cdot 100 = \frac{36\,000}{200\,000} \text{ (1)} \cdot 100 = 18\% \text{ (1)}$	2
4(a)(ii)	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \frac{164\,000}{(11\,000 + 9\,500) / 2} \text{ (1)} = 16 \text{ times (1)}$	2
4(a)(iii)	$\frac{\text{Profit of the year}}{\text{Capital Employed}} \cdot 100 = \frac{14\,000 \text{ (1)}}{50\,000 + 20\,000} \cdot 100 = 20\% \text{ (1)}$	2
4(b)(i)	<p>Irfan may have reduced selling prices Irfan may have to pay more for purchases / cost of sales Other valid points accepted</p> <p style="text-align: right;">2 points · (1)</p>	2
4(b)(ii)	<p>The rate of inventory turnover has increased / increased sales / sales promotion / increased demand Inventory has been controlled / decreased Other valid points accepted</p> <p style="text-align: right;">2 points · (1)</p>	2
4(b)(iii)	<p>Capital employed may have reduced as the loan is repaid / reduced Expenses have been controlled, reduced increasing the profit for the year Increased profits Other valid points accepted</p> <p style="text-align: right;">2 points · (1)</p>	2

Question	Answer	Marks																																										
4(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th data-bbox="658 213 779 264"></th> <th colspan="3" data-bbox="779 213 1205 264">Profit for the year</th> <th colspan="3" data-bbox="1205 213 1615 264">Return on capital employed</th> </tr> <tr> <th data-bbox="658 264 779 347"></th> <th data-bbox="779 264 920 347">increase</th> <th data-bbox="920 264 1070 347">decrease</th> <th data-bbox="1070 264 1205 347">no effect</th> <th data-bbox="1205 264 1350 347">increase</th> <th data-bbox="1350 264 1496 347">decrease</th> <th data-bbox="1496 264 1615 347">no effect</th> </tr> </thead> <tbody> <tr> <td data-bbox="658 347 779 399">1</td> <td></td> <td></td> <td style="text-align: center;">✓</td> <td></td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td data-bbox="658 399 779 450">2</td> <td style="text-align: center;">✓ (1)</td> <td></td> <td></td> <td style="text-align: center;">✓ (1)</td> <td></td> <td></td> </tr> <tr> <td data-bbox="658 450 779 501">3</td> <td></td> <td style="text-align: center;">✓ (1)</td> <td></td> <td></td> <td style="text-align: center;">✓ (1)</td> <td></td> </tr> <tr> <td data-bbox="658 501 779 552">4</td> <td></td> <td></td> <td style="text-align: center;">✓ (1)</td> <td style="text-align: center;">✓ (1)</td> <td></td> <td></td> </tr> </tbody> </table>		Profit for the year			Return on capital employed				increase	decrease	no effect	increase	decrease	no effect	1			✓		✓		2	✓ (1)			✓ (1)			3		✓ (1)			✓ (1)		4			✓ (1)	✓ (1)			6
	Profit for the year			Return on capital employed																																								
	increase	decrease	no effect	increase	decrease	no effect																																						
1			✓		✓																																							
2	✓ (1)			✓ (1)																																								
3		✓ (1)			✓ (1)																																							
4			✓ (1)	✓ (1)																																								
4(d)	Proposal 5 Consistency (1) Proposal 6 Prudence or Accrual (matching) (1)	2																																										
	Total:	20																																										

Question	Answer	Marks																																																																																																
5(a)	<p style="text-align: center;">Wang Manufacturing Manufacturing Account for the year ended 30 April 2017</p> <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>Raw materials inventory 1 May 2016</td> <td style="text-align: right;">18 200</td> <td></td> <td></td> </tr> <tr> <td>Purchases of raw material</td> <td style="text-align: right;">210 00</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>0</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">228 20</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>0</u></td> <td></td> <td></td> </tr> <tr> <td>Raw materials inventory 30 April 2017</td> <td style="text-align: right;">(16 500)</td> <td></td> <td></td> </tr> <tr> <td>Cost of raw materials consumed</td> <td></td> <td style="text-align: right;">211 700</td> <td style="text-align: right;">(1) w+f</td> </tr> <tr> <td>Manufacturing wages (102 000 +2 500)</td> <td></td> <td style="text-align: right;">104 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Direct factory expenses</td> <td></td> <td style="text-align: right;"><u>8 800</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Prime cost (1)</td> <td></td> <td style="text-align: right;">325 000</td> <td style="text-align: right;">(1)of</td> </tr> <tr> <td>Factory overheads:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Factory management salaries</td> <td style="text-align: right;">36 500</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Buildings maintenance</td> <td style="text-align: right;">25 000</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">4 900</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Depreciation -machinery</td> <td style="text-align: right;"><u>22 500</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>100 900</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">425 900</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Work in progress:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>At 1 May 2016</td> <td style="text-align: right;">23 000</td> <td></td> <td></td> </tr> <tr> <td>At 30 April 2017.</td> <td style="text-align: right;"><u>(18 100)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>4 900</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of production (1)</td> <td></td> <td style="text-align: right;"><u>430 800</u></td> <td style="text-align: right;">(1)of</td> </tr> </tbody> </table>		\$	\$		Raw materials inventory 1 May 2016	18 200			Purchases of raw material	210 00	(1)			<u>0</u>				228 20				<u>0</u>			Raw materials inventory 30 April 2017	(16 500)			Cost of raw materials consumed		211 700	(1) w+f	Manufacturing wages (102 000 +2 500)		104 500	(1)	Direct factory expenses		<u>8 800</u>	(1)	Prime cost (1)		325 000	(1)of	Factory overheads:				Factory management salaries	36 500	(1)		Buildings maintenance	25 000	(1)		Rent	12 000	(1)		Insurance	4 900	(1)		Depreciation -machinery	<u>22 500</u>	(1)				<u>100 900</u>				425 900	(1of)	Work in progress:				At 1 May 2016	23 000			At 30 April 2017.	<u>(18 100)</u>					<u>4 900</u>	(1)	Cost of production (1)		<u>430 800</u>	(1)of	15
	\$	\$																																																																																																
Raw materials inventory 1 May 2016	18 200																																																																																																	
Purchases of raw material	210 00	(1)																																																																																																
	<u>0</u>																																																																																																	
	228 20																																																																																																	
	<u>0</u>																																																																																																	
Raw materials inventory 30 April 2017	(16 500)																																																																																																	
Cost of raw materials consumed		211 700	(1) w+f																																																																																															
Manufacturing wages (102 000 +2 500)		104 500	(1)																																																																																															
Direct factory expenses		<u>8 800</u>	(1)																																																																																															
Prime cost (1)		325 000	(1)of																																																																																															
Factory overheads:																																																																																																		
Factory management salaries	36 500	(1)																																																																																																
Buildings maintenance	25 000	(1)																																																																																																
Rent	12 000	(1)																																																																																																
Insurance	4 900	(1)																																																																																																
Depreciation -machinery	<u>22 500</u>	(1)																																																																																																
		<u>100 900</u>																																																																																																
		425 900	(1of)																																																																																															
Work in progress:																																																																																																		
At 1 May 2016	23 000																																																																																																	
At 30 April 2017.	<u>(18 100)</u>																																																																																																	
		<u>4 900</u>	(1)																																																																																															
Cost of production (1)		<u>430 800</u>	(1)of																																																																																															

PUBLISHED

Question	Answer	Marks																																																																								
5(b)	<p style="text-align: center;">Income Statement for the year ended 30 April 2017</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>Revenue</td> <td></td> <td style="text-align: right;">755 000</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Inventory of finished goods 1 May 2016</td> <td style="text-align: right;">37 000</td> <td></td> </tr> <tr> <td>Cost of production</td> <td style="text-align: right;">430 800</td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Purchases of finished goods</td> <td style="text-align: right;"><u>135 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">602 800</td> <td></td> </tr> <tr> <td>Inventory of finished goods 30 April 2017</td> <td style="text-align: right;"><u>(41 500)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(561 300)</u> (1of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">193 700 (1)w+ of</td> </tr> <tr> <td>Decrease in provision for doubtful debts</td> <td></td> <td style="text-align: right;">500 (1)</td> </tr> <tr> <td>Rent receivable</td> <td></td> <td style="text-align: right;"><u>3 300</u> (1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">197 500</td> </tr> <tr> <td>Less expenses:</td> <td></td> <td></td> </tr> <tr> <td>Buildings maintenance</td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Administration salaries</td> <td style="text-align: right;">71 400</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">4 900</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Selling expenses (18 500 – 1 400)</td> <td style="text-align: right;">17 100</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Other operating expenses</td> <td style="text-align: right;">32 300</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation – fixtures and fittings</td> <td style="text-align: right;">2 300</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;"><u>3 100</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(149 100)</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>48 400</u> (1)w+of</td> </tr> </tbody> </table>		\$	\$	Revenue		755 000	Less			Inventory of finished goods 1 May 2016	37 000		Cost of production	430 800	(1of)	Purchases of finished goods	<u>135 000</u>	(1)		602 800		Inventory of finished goods 30 April 2017	<u>(41 500)</u>		Cost of sales		<u>(561 300)</u> (1of)	Gross profit		193 700 (1)w+ of	Decrease in provision for doubtful debts		500 (1)	Rent receivable		<u>3 300</u> (1)			197 500	Less expenses:			Buildings maintenance	6 000	(1)	Administration salaries	71 400	(1)	Rent	12 000	(1)	Insurance	4 900	(1)	Selling expenses (18 500 – 1 400)	17 100	(1)	Other operating expenses	32 300	(1)	Depreciation – fixtures and fittings	2 300	(1)	Bad debts	<u>3 100</u>	(1)			<u>(149 100)</u>	Profit for the year		<u>48 400</u> (1)w+of	15
	\$	\$																																																																								
Revenue		755 000																																																																								
Less																																																																										
Inventory of finished goods 1 May 2016	37 000																																																																									
Cost of production	430 800	(1of)																																																																								
Purchases of finished goods	<u>135 000</u>	(1)																																																																								
	602 800																																																																									
Inventory of finished goods 30 April 2017	<u>(41 500)</u>																																																																									
Cost of sales		<u>(561 300)</u> (1of)																																																																								
Gross profit		193 700 (1)w+ of																																																																								
Decrease in provision for doubtful debts		500 (1)																																																																								
Rent receivable		<u>3 300</u> (1)																																																																								
		197 500																																																																								
Less expenses:																																																																										
Buildings maintenance	6 000	(1)																																																																								
Administration salaries	71 400	(1)																																																																								
Rent	12 000	(1)																																																																								
Insurance	4 900	(1)																																																																								
Selling expenses (18 500 – 1 400)	17 100	(1)																																																																								
Other operating expenses	32 300	(1)																																																																								
Depreciation – fixtures and fittings	2 300	(1)																																																																								
Bad debts	<u>3 100</u>	(1)																																																																								
		<u>(149 100)</u>																																																																								
Profit for the year		<u>48 400</u> (1)w+of																																																																								

Question	Answer				Marks	
5(c)	Statement of Financial Position at 30 April 2017				10	
	Non-current assets	Cost	Accumulated Net book Depreciation	value		
		\$	\$	\$		
	Factory machinery	120 000	52 500	67 500		(1)of
	Fixtures and fittings	23 000	14 800	8 200		(1)of
		<u>143 000</u>	<u>67 300</u>	75 700		
	Current assets					
	Inventory					
	Raw materials		16 500			
	Work in progress		18 100			
	Finished goods		41 500			
			<u>76 100</u>			(1)All
						three
	Trade receivables					(1)
	(63 100 – 3100)	60 000				
	Less Provision for doubtful debts	<u>(3 000)</u>				
			57 000			(1)of
	Other receivables		1 400			(1)
	Bank (9 700 – 5 000)		4 700			(1)
				<u>139 200</u>		
			<u>214 900</u>			
Financed by:						
Capital		150 000				
Profit for the year		48 400				
		<u>198 400</u>				
Drawings		<u>(45 000)</u>				
			153 400	(1)of		
Current liabilities						
Trade payables		59 000		(1)		
Other payables		2 500		(1)		
			<u>61 500</u>			
			<u>214 900</u>			

Question	Answer	Marks
	Total:	40