

Mark Scheme (Results)

January 2013

GCE Accounting (6001/01)

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## 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.

| Question Number                       | Answer  | Mark             |         |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
|---------------------------------------|---|------------------|---------|---------|--|---------------|---------|--|---|-----------------|--|---------|---|------|---------|--|---|---------------------------|--|---------|---|---------------------------------------|-------|--|---|------|--|-------|---|-----------------|---------|--|---|------|--|---------|---|--|--|------------------|--|------------|
| <b>1(a)(i)</b>                        | <p style="text-align: center;">Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; width: 20%;">Dr<br/>£</th> <th style="text-align: center; width: 20%;">Cr<br/>£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Shop premises</td> <td style="text-align: right;">250 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Global Property</td> <td></td> <td style="text-align: right;">250 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">200 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>6% Bank loan – Ascot bank</td> <td></td> <td style="text-align: right;">200 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Arrangement fee expenses/Bank charges</td> <td style="text-align: right;">4 250</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;">4 250</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Global Property</td> <td style="text-align: right;">250 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;">250 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><b>MAX 6 x ✓</b></td> <td></td> </tr> </tbody> </table> |                  | Dr<br>£ | Cr<br>£ |  | Shop premises | 250 000 |  | ✓ | Global Property |  | 250 000 | ✓ | Bank | 200 000 |  | ✓ | 6% Bank loan – Ascot bank |  | 200 000 | ✓ | Arrangement fee expenses/Bank charges | 4 250 |  | ✓ | Bank |  | 4 250 | ✓ | Global Property | 250 000 |  | ✓ | Bank |  | 250 000 | ✓ |  |  | <b>MAX 6 x ✓</b> |  | <b>(6)</b> |
|                                       | Dr<br>£   | Cr<br>£          |         |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Shop premises                         | 250 000   |                  | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Global Property                       |   | 250 000          | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Bank                                  | 200 000   |                  | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| 6% Bank loan – Ascot bank             |   | 200 000          | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Arrangement fee expenses/Bank charges | 4 250   |                  | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Bank                                  |   | 4 250            | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Global Property                       | 250 000   |                  | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
| Bank                                  |   | 250 000          | ✓       |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |
|                                       |   | <b>MAX 6 x ✓</b> |         |         |  |               |         |  |   |                 |  |         |   |      |         |  |   |                           |  |         |   |                                       |       |  |   |      |  |       |   |                 |         |  |   |      |  |         |   |  |  |                  |  |            |

| Question Number      | Answer  | Mark          |                       |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
|----------------------|---|---------------|-----------------------|-------------------|---------------|--|---------|---------|--------|--------|---|------|--|--|--|--|-------------------|-------|-------|-----|--|----------------|---------|--------|--------|--|--------------------|---------|---------|--------|-----------------|--|---------|--------|--------|--|-------------------|---------|---------|---------|--|---------------|---------|--------|--------|---------|-------|--------|--------|--------|---|--|---------|--------|--------|--|----------------------|--------|--------|--------|-------------------|--|----------------|---------------|---------------|--|------------|
| <b>1(a)(ii)</b>      | <p style="text-align: center;">Organic Farm Shop<br/>Departmental Trading Account for the year ended 31 December 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 35%;"></th> <th style="text-align: center; width: 20%;">Green<br/>Grocery<br/>£</th> <th style="text-align: center; width: 20%;">Bakery<br/>£</th> <th style="text-align: center; width: 20%;">The Café<br/>£</th> <th style="width: 5%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">190 000</td> <td style="text-align: right;">96 000</td> <td style="text-align: right;">81 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">8 150</td> <td style="text-align: right;">4 700</td> <td style="text-align: right;">850</td> <td></td> </tr> <tr> <td>Plus Purchases</td> <td style="text-align: right;">126 000</td> <td style="text-align: right;">60 500</td> <td style="text-align: right;">40 250</td> <td></td> </tr> <tr> <td>Internal transfers</td> <td style="text-align: right;">(5 700)</td> <td style="text-align: right;">(4 300)</td> <td style="text-align: right;">10 000</td> <td style="text-align: right;">✓✓(✓ per entry)</td> </tr> <tr> <td></td> <td style="text-align: right;">128 450</td> <td style="text-align: right;">60 900</td> <td style="text-align: right;">51 100</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(9 450)</td> <td style="text-align: right;">(3 600)</td> <td style="text-align: right;">(1 100)</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">119 000</td> <td style="text-align: right;">57 300</td> <td style="text-align: right;">50 000</td> <td style="text-align: right;">✓✓(✓of)</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">32 000</td> <td style="text-align: right;">21 000</td> <td style="text-align: right;">16 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">151 000</td> <td style="text-align: right;">78 300</td> <td style="text-align: right;">66 000</td> <td></td> </tr> <tr> <td>Trading/Gross profit</td> <td style="text-align: right;">39 000</td> <td style="text-align: right;">17 700</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">✓of(if no aliens)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>190 000</u></td> <td style="text-align: right;"><u>96 000</u></td> <td style="text-align: right;"><u>81 000</u></td> <td></td> </tr> </tbody> </table> <p>Note: Transfers must be stated before Trading/Gross profit for the marks.</p> |               | Green<br>Grocery<br>£ | Bakery<br>£       | The Café<br>£ |  | Revenue | 190 000 | 96 000 | 81 000 | ✓ | Less |  |  |  |  | Opening inventory | 8 150 | 4 700 | 850 |  | Plus Purchases | 126 000 | 60 500 | 40 250 |  | Internal transfers | (5 700) | (4 300) | 10 000 | ✓✓(✓ per entry) |  | 128 450 | 60 900 | 51 100 |  | Closing inventory | (9 450) | (3 600) | (1 100) |  | Cost of sales | 119 000 | 57 300 | 50 000 | ✓✓(✓of) | Wages | 32 000 | 21 000 | 16 000 | ✓ |  | 151 000 | 78 300 | 66 000 |  | Trading/Gross profit | 39 000 | 17 700 | 15 000 | ✓of(if no aliens) |  | <u>190 000</u> | <u>96 000</u> | <u>81 000</u> |  | <b>(8)</b> |
|                      | Green<br>Grocery<br>£   | Bakery<br>£   | The Café<br>£         |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Revenue              | 190 000   | 96 000        | 81 000                | ✓                 |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Less                 |   |               |                       |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Opening inventory    | 8 150   | 4 700         | 850                   |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Plus Purchases       | 126 000   | 60 500        | 40 250                |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Internal transfers   | (5 700)   | (4 300)       | 10 000                | ✓✓(✓ per entry)   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
|                      | 128 450   | 60 900        | 51 100                |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Closing inventory    | (9 450)   | (3 600)       | (1 100)               |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Cost of sales        | 119 000   | 57 300        | 50 000                | ✓✓(✓of)           |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Wages                | 32 000  | 21 000        | 16 000                | ✓                 |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
|                      | 151 000   | 78 300        | 66 000                |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
| Trading/Gross profit | 39 000  | 17 700        | 15 000                | ✓of(if no aliens) |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |
|                      | <u>190 000</u>  | <u>96 000</u> | <u>81 000</u>         |                   |               |  |         |         |        |        |   |      |  |  |  |  |                   |       |       |     |  |                |         |        |        |  |                    |         |         |        |                 |  |         |        |        |  |                   |         |         |         |  |               |         |        |        |         |       |        |        |        |   |  |         |        |        |  |                      |        |        |        |                   |  |                |               |               |  |            |

| Question Number                        | Answer   | Mark          |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
|--|--|---------------|---|---|------------------------------|--|--------|--------|--|--------|----------|--|---------------|--|--|------------|----------------|--|--|------------------|--------|---|---------------------|-------|---|--|-------|---|----------------------|-------|----|------------------------------|-------|----|--------------------------|-------|---|-----------------------|-------|----|----------|-----|---|-----------------|-----|---|----------------------|-------|---|---------------|--------------|----|--|--|---------------|---------------------|--|---------------|-------------|
| <b>1(a)(iii)</b>                       | <p style="text-align: center;">Statement of Comprehensive Income for the year ended 31 December 2012</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>Trading profit: Greengrocery</td> <td></td> <td style="text-align: right;">39 000</td> </tr> <tr> <td style="padding-left: 20px;">Bakery</td> <td></td> <td style="text-align: right;">17 700</td> </tr> <tr> <td style="padding-left: 20px;">The Café</td> <td></td> <td style="text-align: right;"><u>15 000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">71 700 ✓of</td> </tr> <tr> <td>Less Expenses:</td> <td></td> <td></td> </tr> <tr> <td>Manager's salary</td> <td style="text-align: right;">18 350</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Electricity and gas</td> <td style="text-align: right;">9 820</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>General running expenses (2 750 - 250)</td> <td style="text-align: right;">2 500</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Rent (8 100 + 1 800)</td> <td style="text-align: right;">9 900</td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Refurbishment - redecoration</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Depreciation - Equipment</td> <td style="text-align: right;">3 600</td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">Fixtures and fittings</td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Bad debt</td> <td style="text-align: right;">800</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Increase in PDD</td> <td style="text-align: right;">160</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Loan arrangement fee</td> <td style="text-align: right;">4 250</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;"><u>1 000</u></td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>57 380</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>14 320</u></td> </tr> </tbody> </table> |               | £ | £ | Trading profit: Greengrocery |  | 39 000 | Bakery |  | 17 700 | The Café |  | <u>15 000</u> |  |  | 71 700 ✓of | Less Expenses: |  |  | Manager's salary | 18 350 | ✓ | Electricity and gas | 9 820 | ✓ | General running expenses (2 750 - 250) | 2 500 | ✓ | Rent (8 100 + 1 800) | 9 900 | ✓✓ | Refurbishment - redecoration | 5 000 | ✓✓ | Depreciation - Equipment | 3 600 | ✓ | Fixtures and fittings | 2 000 | ✓✓ | Bad debt | 800 | ✓ | Increase in PDD | 160 | ✓ | Loan arrangement fee | 4 250 | ✓ | Loan interest | <u>1 000</u> | ✓✓ |  |  | <u>57 380</u> | Profit for the year |  | <u>14 320</u> | <b>(16)</b> |
|  | £  | £             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Trading profit: Greengrocery           |  | 39 000        |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Bakery                                 |  | 17 700        |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| The Café                               |  | <u>15 000</u> |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
|  |  | 71 700 ✓of    |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Less Expenses:                         |  |               |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Manager's salary                       | 18 350   | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Electricity and gas                    | 9 820  | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| General running expenses (2 750 - 250) | 2 500  | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Rent (8 100 + 1 800)                   | 9 900  | ✓✓            |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Refurbishment - redecoration           | 5 000  | ✓✓            |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Depreciation - Equipment               | 3 600  | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Fixtures and fittings                  | 2 000  | ✓✓            |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Bad debt                               | 800  | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Increase in PDD                        | 160  | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Loan arrangement fee                   | 4 250  | ✓             |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Loan interest                          | <u>1 000</u>   | ✓✓            |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
|  |  | <u>57 380</u> |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |
| Profit for the year                    |  | <u>14 320</u> |   |   |                              |  |        |        |  |        |          |  |               |  |  |            |                |  |  |                  |        |   |                     |       |   |  |       |   |                      |       |    |                              |       |    |                          |       |   |                       |       |    |          |     |   |                 |     |   |                      |       |   |               |              |    |  |  |               |                     |  |               |             |

| Question Number                                     | Answer   | Mark                   |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|---|--|------------------------|-------------------|------------------------|------------|--|---|---|---|---------------------------|--|--|--|---------------|---------|---|-----------|-----------|--------|--------|-----------|-----------------------|---------------|--------------|-------------------|--|----------------|---------------|---------|-----------------------|--|--|--|-----------------------------------|--|--------|---|----------------------------------|----------|--|--|----------|--------------------|--|--|--|--|--------|--|-------------------|--|------------|---|--|--|--|---------------|--|--|--|----------------|--|--|---|---|----------------------------|--|--|--|-----------------|--|--------|--|---------------------|--|---------------|--|--|--|--------|--|---------------|--|---------------|--|--|--|--|------------|----------------------------|--|--|--|----------------|--|--------|---|------------------------------------|--|-------|--|---|--|---------------|---------|--|--|--|--------|--------------------------------|--|--|--|---|--|--|------------------|--|--|--|----------------|-------------|
| <b>1(a)(iv)</b>                                     | <p style="text-align: center;">Statement of Financial Position at 31 December 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Aggregate Depreciation</th> <th style="text-align: center;">Carry over</th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Non-current assets</u></td> </tr> <tr> <td>Shop premises</td> <td style="text-align: right;">250 000</td> <td style="text-align: center;">-</td> <td style="text-align: right;">250 000 ✓</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">11 600</td> <td style="text-align: right;">8 400 ✓of</td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>20 000</u></td> <td style="text-align: right;"><u>4 000</u></td> <td style="text-align: right;"><u>16 000</u> ✓of</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>290 000</u></td> <td style="text-align: right;"><u>15 600</u></td> <td style="text-align: right;">274 400</td> </tr> <tr> <td colspan="4"><u>Current assets</u></td> </tr> <tr> <td>Inventory (9 450 + 3 600 + 1 100)</td> <td></td> <td style="text-align: right;">14 150</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Trade receivables (32 000 – 800)</td> <td style="text-align: right;">31 200 ✓</td> <td></td> <td></td> </tr> <tr> <td>Less PDD</td> <td style="text-align: right;"><u>(1 560)</u> ✓of</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">29 640</td> <td></td> </tr> <tr> <td>Other receivables</td> <td></td> <td style="text-align: right;"><u>250</u></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>44 040</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>318 440</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> </tr> <tr> <td colspan="4"><u>Equity and Capital:</u></td> </tr> <tr> <td>Opening capital</td> <td></td> <td style="text-align: right;">60 000</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>14 320</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">74 320</td> <td></td> </tr> <tr> <td>Less drawings</td> <td></td> <td style="text-align: right;"><u>16 800</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">57 520 ✓of</td> </tr> <tr> <td colspan="4"><u>Current liabilities</u></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">46 870</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Other payables (1 000 ✓ + 1 800 ✓)</td> <td></td> <td style="text-align: right;">2 800</td> <td></td> </tr> <tr> <td>Bank overdraft (43 000 + 200 000 – 250 000 – 4 250)</td> <td></td> <td style="text-align: right;"><u>11 250</u></td> <td style="text-align: center;">✓✓(✓of)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">60 920</td> </tr> <tr> <td colspan="4"><u>Non-current liabilities</u></td> </tr> <tr> <td>6% Bank loan (Repayable 30 November 2022)</td> <td></td> <td></td> <td style="text-align: right;"><u>200 000</u> ✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>318 440</u></td> </tr> </tbody> </table> <p>Note: Bank can be a current asset of but <b>not</b> £43 000.</p> |                        | Cost              | Aggregate Depreciation | Carry over |  | £ | £ | £ | <u>Non-current assets</u> |  |  |  | Shop premises | 250 000 | - | 250 000 ✓ | Equipment | 20 000 | 11 600 | 8 400 ✓of | Fixtures and fittings | <u>20 000</u> | <u>4 000</u> | <u>16 000</u> ✓of |  | <u>290 000</u> | <u>15 600</u> | 274 400 | <u>Current assets</u> |  |  |  | Inventory (9 450 + 3 600 + 1 100) |  | 14 150 | ✓ | Trade receivables (32 000 – 800) | 31 200 ✓ |  |  | Less PDD | <u>(1 560)</u> ✓of |  |  |  |  | 29 640 |  | Other receivables |  | <u>250</u> | ✓ |  |  |  | <u>44 040</u> |  |  |  | <u>318 440</u> |  |  | £ | £ | <u>Equity and Capital:</u> |  |  |  | Opening capital |  | 60 000 |  | Profit for the year |  | <u>14 320</u> |  |  |  | 74 320 |  | Less drawings |  | <u>16 800</u> |  |  |  |  | 57 520 ✓of | <u>Current liabilities</u> |  |  |  | Trade payables |  | 46 870 | ✓ | Other payables (1 000 ✓ + 1 800 ✓) |  | 2 800 |  | Bank overdraft (43 000 + 200 000 – 250 000 – 4 250) |  | <u>11 250</u> | ✓✓(✓of) |  |  |  | 60 920 | <u>Non-current liabilities</u> |  |  |  | 6% Bank loan (Repayable 30 November 2022) |  |  | <u>200 000</u> ✓ |  |  |  | <u>318 440</u> | <b>(14)</b> |
|   | Cost   | Aggregate Depreciation | Carry over        |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   | £  | £                      | £                 |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| <u>Non-current assets</u>                           |  |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Shop premises                                       | 250 000  | -                      | 250 000 ✓         |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Equipment   | 20 000   | 11 600                 | 8 400 ✓of         |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Fixtures and fittings                               | <u>20 000</u>  | <u>4 000</u>           | <u>16 000</u> ✓of |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   | <u>290 000</u>   | <u>15 600</u>          | 274 400           |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| <u>Current assets</u>                               |  |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Inventory (9 450 + 3 600 + 1 100)                   |  | 14 150                 | ✓                 |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Trade receivables (32 000 – 800)                    | 31 200 ✓   |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Less PDD  | <u>(1 560)</u> ✓of   |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  | 29 640                 |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Other receivables                                   |  | <u>250</u>             | ✓                 |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  |                        | <u>44 040</u>     |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  |                        | <u>318 440</u>    |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  | £                      | £                 |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| <u>Equity and Capital:</u>                          |  |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Opening capital                                     |  | 60 000                 |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Profit for the year                                 |  | <u>14 320</u>          |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  | 74 320                 |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Less drawings                                       |  | <u>16 800</u>          |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  |                        | 57 520 ✓of        |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| <u>Current liabilities</u>                          |  |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Trade payables                                      |  | 46 870                 | ✓                 |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Other payables (1 000 ✓ + 1 800 ✓)                  |  | 2 800                  |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| Bank overdraft (43 000 + 200 000 – 250 000 – 4 250) |  | <u>11 250</u>          | ✓✓(✓of)           |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  |                        | 60 920            |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| <u>Non-current liabilities</u>                      |  |                        |                   |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
| 6% Bank loan (Repayable 30 November 2022)           |  |                        | <u>200 000</u> ✓  |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |
|   |  |                        | <u>318 440</u>    |                        |            |  |   |   |   |                           |  |  |  |               |         |   |           |           |        |        |           |                       |               |              |                   |  |                |               |         |                       |  |  |  |                                   |  |        |   |                                  |          |  |  |          |                    |  |  |  |  |        |  |                   |  |            |   |  |  |  |               |  |  |  |                |  |  |   |   |                            |  |  |  |                 |  |        |  |                     |  |               |  |  |  |        |  |               |  |               |  |  |  |  |            |                            |  |  |  |                |  |        |   |                                    |  |       |  |   |  |               |         |  |  |  |        |                                |  |  |  |   |  |  |                  |  |  |  |                |             |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>1(b)</b>     | <p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> <li>• Will have ownership control of premises without having to seek landlord's permission for renovations</li> <li>• Security of tenure guaranteed</li> <li>• An investment for the long term future of the business as property tends to rise in price</li> <li>• Savings in rent</li> </ul> <p>Points against:</p> <ul style="list-style-type: none"> <li>• Major capital outlay</li> <li>• Converts a healthy cash balance into an overdraft</li> <li>• The interest on the loan is greater than the rent</li> <li>• Capital employed increases and return decreases</li> <li>• Responsible for maintenance of the premises</li> <li>• More depreciation</li> <li>• More bank interest</li> <li>• Burden of a bank loan</li> </ul> <p>√√ per valid point x 4 points. MAX 2 points for and MAX two points against.</p> <p>Note: do <b>NOT</b> accept</p> <ul style="list-style-type: none"> <li>• More non-current assets</li> <li>• Increased profit</li> <li>• More payment for utilities</li> </ul> | <b>(8)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>2(a)</b>     | Accrued income ✓✓. A debit balance on the Rent Receivable Account means that Arpen is owed rent ✓✓ by a tenant who is therefore a debtor of the business. ✓✓ <b>MAX 4 x ✓</b> | <b>(4)</b> |

| Question Number | Answer  | Mark         |                   |                            |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |
|-----------------|---|--------------|-------------------|----------------------------|--|---|-----------|-------------|-----|-------------|----------------------------|--------|------|-------|--|-------------|------------|------|------------|--|-----|--|--|--------------|--|--------------|-----------|-------------|-------|-------------------|--|------------|
| <b>2(b) (i)</b> | <p style="text-align: center;">Sundry Expenses Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">£</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">£</td> </tr> <tr> <td>1 January</td> <td>Balance b/d</td> <td style="text-align: right;">600</td> <td>31 December</td> <td>Income Statement ✓ 1 550 ✓</td> </tr> <tr> <td>14 May</td> <td>Bank</td> <td style="text-align: right;">500 ✓</td> <td></td> <td>Balance c/d</td> </tr> <tr> <td>30 October</td> <td>Bank</td> <td style="text-align: right;"><u>900</u></td> <td></td> <td style="text-align: right;">450</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2 000</u></td> <td></td> <td style="text-align: right;"><u>2 000</u></td> </tr> <tr> <td>1 January</td> <td>Balance b/d</td> <td style="text-align: right;">450 ✓</td> <td colspan="2">✓of (if on debit)</td> </tr> </table> |              |                   | £                          |  | £ | 1 January | Balance b/d | 600 | 31 December | Income Statement ✓ 1 550 ✓ | 14 May | Bank | 500 ✓ |  | Balance c/d | 30 October | Bank | <u>900</u> |  | 450 |  |  | <u>2 000</u> |  | <u>2 000</u> | 1 January | Balance b/d | 450 ✓ | ✓of (if on debit) |  | <b>(4)</b> |
|                 |   | £            |                   | £                          |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |
| 1 January       | Balance b/d   | 600          | 31 December       | Income Statement ✓ 1 550 ✓ |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |
| 14 May          | Bank  | 500 ✓        |                   | Balance c/d                |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |
| 30 October      | Bank  | <u>900</u>   |                   | 450                        |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |
|                 |   | <u>2 000</u> |                   | <u>2 000</u>               |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |
| 1 January       | Balance b/d   | 450 ✓        | ✓of (if on debit) |                            |  |   |           |             |     |             |                            |        |      |       |  |             |            |      |            |  |     |  |  |              |  |              |           |             |       |                   |  |            |

| Question Number | Answer  | Mark         |             |                           |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
|-----------------|---|--------------|-------------|---------------------------|--|---|-----------|-------------|-----|-------------|--------------------------|-----------|------|-----|--|--|---------|------|-------|--|--|-----------|------|-----|--|--|-------------|-------------|--------------|--|--|--|--|--------------|--|--------------|--|--|--|-----------|-------------|--|--|--|--|---------------------------|------------|
| <b>2(b)(ii)</b> | <p style="text-align: center;">Premises Repairs Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">£</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">£</td> </tr> <tr> <td>1 January</td> <td>Balance b/d</td> <td style="text-align: right;">250</td> <td>31 December</td> <td>Income Statement 2 815 ✓</td> </tr> <tr> <td>8 January</td> <td>Bank</td> <td style="text-align: right;">450</td> <td></td> <td></td> </tr> <tr> <td>1 April</td> <td>Bank</td> <td style="text-align: right;">900 ✓</td> <td></td> <td></td> </tr> <tr> <td>18 August</td> <td>Bank</td> <td style="text-align: right;">875</td> <td></td> <td></td> </tr> <tr> <td>31 December</td> <td>Balance c/d</td> <td style="text-align: right;"><u>340 ✓</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2 815</u></td> <td></td> <td style="text-align: right;"><u>2 815</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 January</td> <td>Balance b/d</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">340 ✓of<br/>(if on credit)</td> </tr> </table> |              |             | £                         |  | £ | 1 January | Balance b/d | 250 | 31 December | Income Statement 2 815 ✓ | 8 January | Bank | 450 |  |  | 1 April | Bank | 900 ✓ |  |  | 18 August | Bank | 875 |  |  | 31 December | Balance c/d | <u>340 ✓</u> |  |  |  |  | <u>2 815</u> |  | <u>2 815</u> |  |  |  | 1 January | Balance b/d |  |  |  |  | 340 ✓of<br>(if on credit) | <b>(4)</b> |
|                 |   | £            |             | £                         |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
| 1 January       | Balance b/d   | 250          | 31 December | Income Statement 2 815 ✓  |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
| 8 January       | Bank  | 450          |             |                           |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
| 1 April         | Bank  | 900 ✓        |             |                           |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
| 18 August       | Bank  | 875          |             |                           |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
| 31 December     | Balance c/d   | <u>340 ✓</u> |             |                           |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
|                 |   | <u>2 815</u> |             | <u>2 815</u>              |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
|                 |   |              | 1 January   | Balance b/d               |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |
|                 |   |              |             | 340 ✓of<br>(if on credit) |  |   |           |             |     |             |                          |           |      |     |  |  |         |      |       |  |  |           |      |     |  |  |             |             |              |  |  |  |  |              |  |              |  |  |  |           |             |  |  |  |  |                           |            |

| Question Number  | Answer  | Mark         |            |   |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
|------------------|---|--------------|------------|---|--|---|-----------|-------------|-----|------------|-----------|-------------|------------------|---------|---------|-----------|--|-------------|--------------|--|---------|--|--|--------------|--|-----|--|--|--|-----------|-------------|--|--|--|--|---|------------|
| <b>2(b)(iii)</b> | <p style="text-align: center;">Rent Receivable Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;"></td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">£</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: center;">£</td> </tr> <tr> <td>1 January</td> <td>Balance b/d</td> <td style="text-align: right;">300</td> <td>6 February</td> <td>Bank/cash</td> </tr> <tr> <td>31 December</td> <td>Income Statement</td> <td style="text-align: right;">1 600 ✓</td> <td>26 June</td> <td>Bank/cash</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>200 ✓</u></td> <td></td> <td style="text-align: right;">1 200 ✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2 100</u></td> <td></td> <td style="text-align: right;">900</td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 January</td> <td>Balance b/d</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>2 100</u><br/>200 ✓of<br/>(if on credit)</td> </tr> </table> |              |            | £   |  | £ | 1 January | Balance b/d | 300 | 6 February | Bank/cash | 31 December | Income Statement | 1 600 ✓ | 26 June | Bank/cash |  | Balance c/d | <u>200 ✓</u> |  | 1 200 ✓ |  |  | <u>2 100</u> |  | 900 |  |  |  | 1 January | Balance b/d |  |  |  |  | <u>2 100</u><br>200 ✓of<br>(if on credit) | <b>(4)</b> |
|                  |   | £            |            | £   |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
| 1 January        | Balance b/d   | 300          | 6 February | Bank/cash                                 |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
| 31 December      | Income Statement  | 1 600 ✓      | 26 June    | Bank/cash                                 |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
|                  | Balance c/d   | <u>200 ✓</u> |            | 1 200 ✓                                   |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
|                  |   | <u>2 100</u> |            | 900                                       |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
|                  |   |              | 1 January  | Balance b/d                               |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |
|                  |   |              |            | <u>2 100</u><br>200 ✓of<br>(if on credit) |  |   |           |             |     |            |           |             |                  |         |         |           |  |             |              |  |         |  |  |              |  |     |  |  |  |           |             |  |  |  |  |   |            |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>2(c)</b>     | <p>(i) Prudence – ✓✓ losses should be charged as soon as they are identified. The depreciation on machinery will be high in the early years not evenly spread over the life of the asset.</p> <p>(ii) Consistency – ✓✓ when a method of depreciation is chosen for a non-current asset this should be consistently applied over the life of the asset to ensure that the accounts are not distorted.</p> | <b>(4)</b> |



| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>2(d)</b>     | Capital expenditure – <u>purchase or enhancement of non-current assets</u> . ✓✓<br>Revenue expenditure – <u>day to day expenses</u> which will be used within an accounting year. ✓✓ | <b>(4)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>2(e)</b>     | Machine installation – Capital expenditure ✓✓<br>Annual machine insurance – Revenue expenditure ✓✓ | <b>(4)</b> |

| Question Number                        | Answer  | Mark                                   |           |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|--|---|--|-----------|-------|---|--|--|------|--------------|--|--|--|--|--------|---|--|-----------------------------------|--|--|--|--|--|-----------------------|-------|---|--|--|----------------------------|--------------|---|--|--|--|--------|---|--|------------|-----------------------|-------|---|--|--|--------------------------|-------|-----------|--|------------|
| <b>2(f)(i)</b><br><b>2(f)(ii)</b>      | <p style="text-align: right;">£</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Depreciation charged (straight line) –</td> <td style="width: 10%;">2010</td> <td style="width: 15%; text-align: right;">6 800</td> <td style="width: 10%; text-align: center;">✓</td> <td style="width: 25%;"></td> </tr> <tr> <td></td> <td>2011</td> <td style="text-align: right;"><u>6 800</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">13 600</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td colspan="5">Depreciation (reducing balance) –</td> </tr> <tr> <td></td> <td>2010 (36 000-0) x 25%</td> <td style="text-align: right;">9 000</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td></td> <td>2011 (36 000 -9 000) x 25%</td> <td style="text-align: right;"><u>6 750</u></td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">15 750</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>Adjustment</td> <td>Increase in provision</td> <td style="text-align: right;">2 150</td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td></td> <td>Depreciation charge 2012</td> <td style="text-align: right;">7 463</td> <td style="text-align: center;">✓ ✓ (✓of)</td> <td></td> </tr> </table> <p>Working 2012 charge – (36 000 + 9 600- 15 750) x 25% = £7 463</p> <p>Note: if adjustment £2 150 stated award 6 x ✓ without reviewing workings.</p> | Depreciation charged (straight line) – | 2010      | 6 800 | ✓ |  |  | 2011 | <u>6 800</u> |  |  |  |  | 13 600 | ✓ |  | Depreciation (reducing balance) – |  |  |  |  |  | 2010 (36 000-0) x 25% | 9 000 | ✓ |  |  | 2011 (36 000 -9 000) x 25% | <u>6 750</u> | ✓ |  |  |  | 15 750 | ✓ |  | Adjustment | Increase in provision | 2 150 | ✓ |  |  | Depreciation charge 2012 | 7 463 | ✓ ✓ (✓of) |  | <b>(8)</b> |
| Depreciation charged (straight line) – | 2010  | 6 800                                  | ✓         |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|  | 2011  | <u>6 800</u>                           |           |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|  |   | 13 600                                 | ✓         |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
| Depreciation (reducing balance) –      |   |  |           |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|  | 2010 (36 000-0) x 25%   | 9 000                                  | ✓         |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|  | 2011 (36 000 -9 000) x 25%  | <u>6 750</u>                           | ✓         |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|  |   | 15 750                                 | ✓         |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
| Adjustment                             | Increase in provision   | 2 150                                  | ✓         |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |
|  | Depreciation charge 2012  | 7 463                                  | ✓ ✓ (✓of) |       |   |  |  |      |              |  |  |  |  |        |   |  |                                   |  |  |  |  |  |                       |       |   |  |  |                            |              |   |  |  |  |        |   |  |            |                       |       |   |  |  |                          |       |           |  |            |

| Question Number              | Answer   | Mark              |               |  |   |             |        |             |        |                              |              |  |  |  |               |  |               |             |        |                   |  |            |
|------------------------------|--|-------------------|---------------|--|---|-------------|--------|-------------|--------|------------------------------|--------------|--|--|--|---------------|--|---------------|-------------|--------|-------------------|--|------------|
| <b>2(g)(i)</b>               | <p style="text-align: center;">Machinery Account</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: 40%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">36 000</td> <td>Balance c/d</td> <td style="text-align: right;">45 600</td> </tr> <tr> <td>Bank (of if £12 000 or less)</td> <td style="text-align: right;"><u>9 600</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>45 600</u></td> <td></td> <td style="text-align: right;"><u>45 600</u></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">45 600</td> <td>✓of (if on debit)</td> <td></td> </tr> </table> |                   | £             |  | £ | Balance b/d | 36 000 | Balance c/d | 45 600 | Bank (of if £12 000 or less) | <u>9 600</u> |  |  |  | <u>45 600</u> |  | <u>45 600</u> | Balance b/d | 45 600 | ✓of (if on debit) |  | <b>(3)</b> |
|                              | £  |                   | £             |  |   |             |        |             |        |                              |              |  |  |  |               |  |               |             |        |                   |  |            |
| Balance b/d                  | 36 000   | Balance c/d       | 45 600        |  |   |             |        |             |        |                              |              |  |  |  |               |  |               |             |        |                   |  |            |
| Bank (of if £12 000 or less) | <u>9 600</u>   |                   |               |  |   |             |        |             |        |                              |              |  |  |  |               |  |               |             |        |                   |  |            |
|                              | <u>45 600</u>  |                   | <u>45 600</u> |  |   |             |        |             |        |                              |              |  |  |  |               |  |               |             |        |                   |  |            |
| Balance b/d                  | 45 600   | ✓of (if on debit) |               |  |   |             |        |             |        |                              |              |  |  |  |               |  |               |             |        |                   |  |            |

| Question Number | Answer  | Mark                            |                   |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |
|-----------------|---|---------------------------------|-------------------|--|---|--|--|-------------|------------|--|--|---------------------------------|-----------|-------------|---------------|-------------|-----------------|--|---------------|-------------|-------------------|--|--|--|----------------|------------|
| <b>2(g)(ii)</b> | <p style="text-align: center;">Machinery – Provision for Depreciation account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;"></td> <td style="width: 20%; text-align: center;">£</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">£</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">13 600 ✓of</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Income Statement-<br/>Adjustment</td> <td style="text-align: right;">2 150 ✓of</td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>23 213</u></td> <td style="text-align: right;">2012 charge</td> <td style="text-align: right;"><u>7 463</u> ✓✓</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>23 213</u></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;"><u>23 213</u> ✓of</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">(if on credit)</td> </tr> </table> <p>Note: If Balance b/d stated as £15 750 award ✓✓ (£13 600 + £2 150)<br/>If charge to income statement £9 613 award ✓✓✓ (£2 150 + £7 463)</p> |                                 | £                 |  | £ |  |  | Balance b/d | 13 600 ✓of |  |  | Income Statement-<br>Adjustment | 2 150 ✓of | Balance c/d | <u>23 213</u> | 2012 charge | <u>7 463</u> ✓✓ |  | <u>23 213</u> | Balance b/d | <u>23 213</u> ✓of |  |  |  | (if on credit) | <b>(5)</b> |
|                 | £   |                                 | £                 |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |
|                 |   | Balance b/d                     | 13 600 ✓of        |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |
|                 |   | Income Statement-<br>Adjustment | 2 150 ✓of         |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |
| Balance c/d     | <u>23 213</u>   | 2012 charge                     | <u>7 463</u> ✓✓   |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |
|                 | <u>23 213</u>   | Balance b/d                     | <u>23 213</u> ✓of |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |
|                 |   |                                 | (if on credit)    |  |   |  |  |             |            |  |  |                                 |           |             |               |             |                 |  |               |             |                   |  |  |  |                |            |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>2(h)</b>     | <p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> <li>• Greater depreciation will be charged in the early years which reflects the situation with machinery</li> <li>• Carry over value will be closer to market value resulting in more accurate financial statement value.</li> <li>• Evens out total cost of ownership when repair costs are added to depreciation.</li> <li>• Provides a more realistic book value</li> </ul> <p>Points against:</p> <ul style="list-style-type: none"> <li>• Distorts profit calculation</li> <li>• Not consistent with previous practice.</li> <li>• Not appropriate if machine used equally from year to year</li> </ul> <p>✓✓ per valid point x 4 points. MAX 2 points for and MAX two points against.</p> <p><b>NOT</b></p> <ul style="list-style-type: none"> <li>• Difficult to calculate</li> <li>• Time consuming</li> <li>• Costly</li> </ul> | <b>(8)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>3(a)(i)</b>  | <p>Realisation – Profit is regarded as having been earned when the <u>goods are passed to the customer and he incurs liability</u> for them. ✓✓</p> <p>Breach- The sale or return has not realised the profit as the customer has not incurred liability for them. ✓</p> | <b>(3)</b> |

| Question Number  | Answer  | Mark       |
|------------------|---|------------|
| <b>3(a)(ii)</b>  | Accrual (matching)-Net profit is the difference between income and expenditure rather than cash receipts and cash expenditure. <u>Revenues matched with expenses for a period.</u> ✓✓<br><br>Breach-Adjustments for general expenses.✓              | <b>(3)</b> |
| Question Number  | Answer  | Mark       |
| <b>3(a)(iii)</b> | Going concern-Unless it is known to the contrary, it is assumed that the business will exist and <u>operate for an indefinitely long period of time.</u> ✓✓<br>Breach- Charging the full cost of non-current assets to a single accounting period.✓ | <b>(3)</b> |

| Question Number                          | Answer  | Mark            |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
|--|---|-----------------|---------------------------|---|--|---------------------------|--|---------|---|----------------|---------|--|--|-----------------------|----------------|--|--|--|---------|--|--|------------------|--------------|--|---|--|---------|--|--|---|-----------------|--|---------------------------|---------------|--|-----------------|--|--------------|--|--------|--|--------------------|--|--|--|---|--|-----|---|---------------------------------|--|-------|---|-------------------|--|--------------|---|--|--|--------|--|----------------|--|--|--|-------------------|-------|--|---|----------------|-------|--|---|-------|-------|--|---|--|-------|--|--|-------------------------------------|-----|--|---|----------------|--------------|--|---|--|--|-----------------|--|---------------------|--|--------------|--|-------------|
| <b>3(b)</b>                              | <p style="text-align: center;">Xevana – Statement of Comprehensive Income for the year ended 31 December 2012</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>Revenue (110 000 – 2 000)</td> <td></td> <td style="text-align: right;">108 000</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Less Purchases</td> <td style="text-align: right;">103 500</td> <td></td> <td></td> </tr> <tr> <td>Less Purchase returns</td> <td style="text-align: right;"><u>(2 300)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">101 200</td> <td></td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>1 200</u></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">102 400</td> <td></td> <td></td> </tr> <tr> <td>Less Closing inventory (16 000 + 1 600)</td> <td style="text-align: right;"><u>(17 600)</u></td> <td></td> <td style="text-align: center;">✓✓(✓of other than 20 000)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(84 800)</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">23 200</td> <td></td> </tr> <tr> <td>Plus other income:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit on sale of fixtures and fittings</td> <td></td> <td style="text-align: right;">200</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Rent receivable (1 000 + 1 000)</td> <td></td> <td style="text-align: right;">2 000</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;"><u>1 870</u></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">27 270</td> <td></td> </tr> <tr> <td>Less expenses:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">2 400</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">4 000</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">6 000</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>General expenses (4 550 + 470 ✓ – 750 ✓)</td> <td style="text-align: right;">4 270</td> <td></td> <td></td> </tr> <tr> <td>Depreciation: Fixtures and fittings</td> <td style="text-align: right;">400</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;"><u>1 500</u></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(18 570)</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>8 700</u></td> <td></td> </tr> </tbody> </table> <p style="margin-left: 40px;">If discount received is deducted from purchases (103 500 – 1 870) = 101 630 ✓</p> |                 | £                         | £ |  | Revenue (110 000 – 2 000) |  | 108 000 | ✓ | Less Purchases | 103 500 |  |  | Less Purchase returns | <u>(2 300)</u> |  |  |  | 101 200 |  |  | Carriage inwards | <u>1 200</u> |  | ✓ |  | 102 400 |  |  | Less Closing inventory (16 000 + 1 600) | <u>(17 600)</u> |  | ✓✓(✓of other than 20 000) | Cost of sales |  | <u>(84 800)</u> |  | Gross profit |  | 23 200 |  | Plus other income: |  |  |  | Profit on sale of fixtures and fittings |  | 200 | ✓ | Rent receivable (1 000 + 1 000) |  | 2 000 | ✓ | Discount received |  | <u>1 870</u> | ✓ |  |  | 27 270 |  | Less expenses: |  |  |  | Carriage outwards | 2 400 |  | ✓ | Rent and rates | 4 000 |  | ✓ | Wages | 6 000 |  | ✓ | General expenses (4 550 + 470 ✓ – 750 ✓) | 4 270 |  |  | Depreciation: Fixtures and fittings | 400 |  | ✓ | Motor vehicles | <u>1 500</u> |  | ✓ |  |  | <u>(18 570)</u> |  | Profit for the year |  | <u>8 700</u> |  | <b>(14)</b> |
|  | £   | £               |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Revenue (110 000 – 2 000)                |   | 108 000         | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Less Purchases                           | 103 500   |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Less Purchase returns                    | <u>(2 300)</u>  |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
|  | 101 200   |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Carriage inwards                         | <u>1 200</u>  |                 | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
|  | 102 400   |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Less Closing inventory (16 000 + 1 600)  | <u>(17 600)</u>   |                 | ✓✓(✓of other than 20 000) |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Cost of sales                            |   | <u>(84 800)</u> |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Gross profit                             |   | 23 200          |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Plus other income:                       |   |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Profit on sale of fixtures and fittings  |   | 200             | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Rent receivable (1 000 + 1 000)          |   | 2 000           | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Discount received                        |   | <u>1 870</u>    | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
|  |   | 27 270          |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Less expenses:                           |   |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Carriage outwards                        | 2 400   |                 | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Rent and rates                           | 4 000   |                 | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Wages                                    | 6 000   |                 | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| General expenses (4 550 + 470 ✓ – 750 ✓) | 4 270   |                 |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Depreciation: Fixtures and fittings      | 400   |                 | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Motor vehicles                           | <u>1 500</u>  |                 | ✓                         |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
|  |   | <u>(18 570)</u> |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |
| Profit for the year                      |   | <u>8 700</u>    |                           |   |  |                           |  |         |   |                |         |  |  |                       |                |  |  |  |         |  |  |                  |              |  |   |  |         |  |  |   |                 |  |                           |               |  |                 |  |              |  |        |  |                    |  |  |  |   |  |     |   |                                 |  |       |   |                   |  |              |   |  |  |        |  |                |  |  |  |                   |       |  |   |                |       |  |   |       |       |  |   |  |       |  |  |                                     |     |  |   |                |              |  |   |  |  |                 |  |                     |  |              |  |             |

| Question Number             | Answer  | Mark        |                |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
|-----------------------------|---|-------------|----------------|--|---|------------------|---------|-------------|---|-----------------------------|----------|-----------|-----------|-------------------|---------|--|--|-------------|----------------|--|--|--|----------------|-------------|----------------|--|--|--|----------|------------|
| <b>3(c)</b>                 | <p style="text-align: center;">Purchases Ledger Control Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Purchase returns</td> <td style="text-align: right;">2 300 ✓</td> <td>Balance b/d</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Payments to trade creditors</td> <td style="text-align: right;">93 030 ✓</td> <td>Purchases</td> <td style="text-align: right;">103 500 ✓</td> </tr> <tr> <td>Discount received</td> <td style="text-align: right;">1 870 ✓</td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>6 300</u> ✓</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>103 500</u></td> <td>Balance b/d</td> <td style="text-align: right;"><u>103 500</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">6300 ✓of</td> </tr> </tbody> </table> <p>If purchases reduced by discount received (103 500 - 1 870) = 101 630 ✓✓</p> |             | £              |  | £ | Purchase returns | 2 300 ✓ | Balance b/d | - | Payments to trade creditors | 93 030 ✓ | Purchases | 103 500 ✓ | Discount received | 1 870 ✓ |  |  | Balance c/d | <u>6 300</u> ✓ |  |  |  | <u>103 500</u> | Balance b/d | <u>103 500</u> |  |  |  | 6300 ✓of | <b>(6)</b> |
|                             | £   |             | £              |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
| Purchase returns            | 2 300 ✓   | Balance b/d | -              |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
| Payments to trade creditors | 93 030 ✓  | Purchases   | 103 500 ✓      |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
| Discount received           | 1 870 ✓   |             |                |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
| Balance c/d                 | <u>6 300</u> ✓  |             |                |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
|                             | <u>103 500</u>  | Balance b/d | <u>103 500</u> |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |
|                             |   |             | 6300 ✓of       |  |   |                  |         |             |   |                             |          |           |           |                   |         |  |  |             |                |  |  |  |                |             |                |  |  |  |          |            |

| Question Number                       | Answer   | Mark                           |                  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|---------------------------------------|--|--------------------------------|------------------|--------------------------------|-----------------|--|---------------------------|--|--|--|--|----------------|-------|-------|---------|--|-----------------------|--------------|------------|----------------|--|--|---------------|--------------|----------|--|-----------------------|--|--|--|--|-----------|--|--------|--|-------------------------|---------------------------------------|--|--------|--|--|------------------------|--|-------|--|---|--------------------------|--|------------|--|---|--|--|--|---------------|--|--|--|--|---------------|--|----------------------------|--|--|--|--|-----------------|--|--|----------|--|--------------------------|--|--|--------------|--|--|--|--|--------|--|----------|--|--|------------------|--|--|--|--|--------|--|----------------------------|--|--|--|--|----------------|--|-------|--|---------|--------------------------|--|-----|--|---|----------------|--|---------------|--|---|--|--|--|---------------|--|--|--|--|---------------|--|-------------|
| <b>3(d)</b>                           | <p style="text-align: center;">Statement of financial position at 31 December 2012 ✓</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;">Cost<br/>£</th> <th style="width: 15%; text-align: center;">Aggregate<br/>Depreciation<br/>£</th> <th style="width: 15%; text-align: center;">Carry over<br/>£</th> <th style="width: 25%;"></th> </tr> </thead> <tbody> <tr> <td colspan="5"><u>Non-current assets</u></td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;">9 000</td> <td style="text-align: right;">1 500</td> <td style="text-align: right;">7 500 ✓</td> <td></td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>3 800</u></td> <td style="text-align: right;"><u>400</u></td> <td style="text-align: right;"><u>3 400</u> ✓</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12 800</u></td> <td style="text-align: right;"><u>1 900</u></td> <td style="text-align: right;">10 900 ✓</td> <td></td> </tr> <tr> <td colspan="5"><u>Current assets</u></td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">17 600</td> <td></td> <td style="text-align: right;">✓of (other than 20 000)</td> </tr> <tr> <td>Trade receivables (12 870 ✓- 2 000 ✓)</td> <td></td> <td style="text-align: right;">10 870</td> <td></td> <td></td> </tr> <tr> <td>Rent receivables owing</td> <td></td> <td style="text-align: right;">1 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>General expenses prepaid</td> <td></td> <td style="text-align: right;"><u>750</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>30 220</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>41 120</u></td> <td></td> </tr> <tr> <td colspan="5"><u>Equity and Capital:</u></td> </tr> <tr> <td>Opening capital</td> <td></td> <td></td> <td style="text-align: right;">12 000 ✓</td> <td></td> </tr> <tr> <td>Plus Profit for the year</td> <td></td> <td></td> <td style="text-align: right;"><u>8 700</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">20 700</td> <td></td> </tr> <tr> <td>Drawings</td> <td></td> <td></td> <td style="text-align: right;"><u>(4 800)</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">15 900</td> <td></td> </tr> <tr> <td colspan="5"><u>Current liabilities</u></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">6 300</td> <td></td> <td style="text-align: right;">✓✓(✓of)</td> </tr> <tr> <td>General expenses accrued</td> <td></td> <td style="text-align: right;">470</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bank overdraft</td> <td></td> <td style="text-align: right;"><u>18 450</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>25 220</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>41 120</u></td> <td></td> </tr> </tbody> </table> |                                | Cost<br>£        | Aggregate<br>Depreciation<br>£ | Carry over<br>£ |  | <u>Non-current assets</u> |  |  |  |  | Motor vehicles | 9 000 | 1 500 | 7 500 ✓ |  | Fixtures and fittings | <u>3 800</u> | <u>400</u> | <u>3 400</u> ✓ |  |  | <u>12 800</u> | <u>1 900</u> | 10 900 ✓ |  | <u>Current assets</u> |  |  |  |  | Inventory |  | 17 600 |  | ✓of (other than 20 000) | Trade receivables (12 870 ✓- 2 000 ✓) |  | 10 870 |  |  | Rent receivables owing |  | 1 000 |  | ✓ | General expenses prepaid |  | <u>750</u> |  | ✓ |  |  |  | <u>30 220</u> |  |  |  |  | <u>41 120</u> |  | <u>Equity and Capital:</u> |  |  |  |  | Opening capital |  |  | 12 000 ✓ |  | Plus Profit for the year |  |  | <u>8 700</u> |  |  |  |  | 20 700 |  | Drawings |  |  | <u>(4 800)</u> ✓ |  |  |  |  | 15 900 |  | <u>Current liabilities</u> |  |  |  |  | Trade payables |  | 6 300 |  | ✓✓(✓of) | General expenses accrued |  | 470 |  | ✓ | Bank overdraft |  | <u>18 450</u> |  | ✓ |  |  |  | <u>25 220</u> |  |  |  |  | <u>41 120</u> |  | <b>(15)</b> |
|                                       | Cost<br>£  | Aggregate<br>Depreciation<br>£ | Carry over<br>£  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| <u>Non-current assets</u>             |  |                                |                  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Motor vehicles                        | 9 000  | 1 500                          | 7 500 ✓          |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Fixtures and fittings                 | <u>3 800</u>   | <u>400</u>                     | <u>3 400</u> ✓   |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       | <u>12 800</u>  | <u>1 900</u>                   | 10 900 ✓         |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| <u>Current assets</u>                 |  |                                |                  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Inventory                             |  | 17 600                         |                  | ✓of (other than 20 000)        |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Trade receivables (12 870 ✓- 2 000 ✓) |  | 10 870                         |                  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Rent receivables owing                |  | 1 000                          |                  | ✓                              |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| General expenses prepaid              |  | <u>750</u>                     |                  | ✓                              |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       |  |                                | <u>30 220</u>    |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       |  |                                | <u>41 120</u>    |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| <u>Equity and Capital:</u>            |  |                                |                  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Opening capital                       |  |                                | 12 000 ✓         |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Plus Profit for the year              |  |                                | <u>8 700</u>     |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       |  |                                | 20 700           |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Drawings                              |  |                                | <u>(4 800)</u> ✓ |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       |  |                                | 15 900           |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| <u>Current liabilities</u>            |  |                                |                  |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Trade payables                        |  | 6 300                          |                  | ✓✓(✓of)                        |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| General expenses accrued              |  | 470                            |                  | ✓                              |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
| Bank overdraft                        |  | <u>18 450</u>                  |                  | ✓                              |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       |  |                                | <u>25 220</u>    |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |
|                                       |  |                                | <u>41 120</u>    |                                |                 |  |                           |  |  |  |  |                |       |       |         |  |                       |              |            |                |  |  |               |              |          |  |                       |  |  |  |  |           |  |        |  |                         |                                       |  |        |  |  |                        |  |       |  |   |                          |  |            |  |   |  |  |  |               |  |  |  |  |               |  |                            |  |  |  |  |                 |  |  |          |  |                          |  |  |              |  |  |  |  |        |  |          |  |  |                  |  |  |  |  |        |  |                            |  |  |  |  |                |  |       |  |         |                          |  |     |  |   |                |  |               |  |   |  |  |  |               |  |  |  |  |               |  |             |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>3(e)</b>     | <p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> <li>• Provides a framework of consistency in preparing all financial statements</li> <li>• Provides assurance to users about the preparation of the accounts</li> <li>• Can be used internationally to compare business</li> <li>• True and fair view</li> <li>• Meets legal requirements</li> <li>• Profit can be relied upon</li> </ul> <p>Points against:</p> <ul style="list-style-type: none"> <li>• Concepts can be contradictory</li> <li>• Many non-financial aspects of a business are not considered by accounting concepts</li> <li>• Open to wide interpretation</li> </ul> <p>√√ per valid point x 4 points. MAX 2 points for and MAX two points against.</p> <p>Do <b>NOT</b> accept</p> <ul style="list-style-type: none"> <li>• Costly</li> <li>• Time consuming</li> </ul> | <b>(8)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>4(a)</b>     | <p>Profitability is the difference between the income and expenditure√√ for a period of time.</p> <p>The profit is compared with a common yardstick such as revenue or capital employed.√√</p> | <b>(4)</b> |

| Question Number   | Answer   | Mark             |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
|-------------------|--|------------------|---|---|---------|--|---------|------|--|--|-------------------|--------|--|-----------|----------------|--|--|---------|--|-------------------|-----------------|----|---------------|--|------------------|--------------|--|---------------|--|
| <b>4(b)(i)</b>    | <p>Molara – Statement of Comprehensive Income for the year ended 31 December 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">140 000</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">12 000</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>119 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">131 000</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;"><u>(27 000)</u></td> <td style="text-align: right;">√√</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(104 000)</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;"><u>36 000</u></td> </tr> </tbody> </table> |                  | £ | £ | Revenue |  | 140 000 | Less |  |  | Opening inventory | 12 000 |  | Purchases | <u>119 000</u> |  |  | 131 000 |  | Closing inventory | <u>(27 000)</u> | √√ | Cost of sales |  | <u>(104 000)</u> | Gross profit |  | <u>36 000</u> |  |
|                   | £  | £                |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Revenue           |  | 140 000          |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Less              |  |                  |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Opening inventory | 12 000   |                  |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Purchases         | <u>119 000</u>   |                  |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
|                   | 131 000  |                  |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Closing inventory | <u>(27 000)</u>  | √√               |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Cost of sales     |  | <u>(104 000)</u> |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |
| Gross profit      |  | <u>36 000</u>    |   |   |         |  |         |      |  |  |                   |        |  |           |                |  |  |         |  |                   |                 |    |               |  |                  |              |  |               |  |

| Question Number  | Answer   | Mark          |   |   |              |  |        |              |       |    |  |  |          |                     |  |               |            |
|--|--|---------------|---|---|--------------|--|--------|--------------|-------|----|--|--|----------|---------------------|--|---------------|------------|
| <b>4(b)(ii)</b>  | <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>Gross profit</td> <td></td> <td style="text-align: right;">36 000</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">3 000</td> <td style="text-align: right;">✓✓</td> </tr> <tr> <td>Other expenses<br/>(22 000 - 2 000 ✓ + 1 000 ✓) <u>21 000</u></td> <td></td> <td style="text-align: right;">(24 000)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>12 000</u></td> </tr> </tbody> </table> |               | £ | £ | Gross profit |  | 36 000 | Depreciation | 3 000 | ✓✓ | Other expenses<br>(22 000 - 2 000 ✓ + 1 000 ✓) <u>21 000</u> |  | (24 000) | Profit for the year |  | <u>12 000</u> | <b>(6)</b> |
|  | £  | £             |   |   |              |  |        |              |       |    |  |  |          |                     |  |               |            |
| Gross profit   |  | 36 000        |   |   |              |  |        |              |       |    |  |  |          |                     |  |               |            |
| Depreciation   | 3 000  | ✓✓            |   |   |              |  |        |              |       |    |  |  |          |                     |  |               |            |
| Other expenses<br>(22 000 - 2 000 ✓ + 1 000 ✓) <u>21 000</u> |  | (24 000)      |   |   |              |  |        |              |       |    |  |  |          |                     |  |               |            |
| Profit for the year  |  | <u>12 000</u> |   |   |              |  |        |              |       |    |  |  |          |                     |  |               |            |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>4(c)</b>     | $\frac{\text{Profit for the year before Interest}}{\text{Capital} + \text{Long term liabilities}} \times 100 = \frac{12\,000 \text{ OF} + 1\,200 \text{ ✓}}{19\,000 + 15\,000 \text{ ✓}} \times 100 = 38.8\% \text{ ✓ of}$ | <b>(3)</b> |

| Question Number                | Answer  | Mark                           |                    |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
|--------------------------------|---|--------------------------------|--------------------|--------------------------------|--------------------|---------------------------|--------|-------|----------|-----------------------|--|--|--|-----------|--|--------|-----|-------------------|--|-------|---|---------|--|-------|---|------|--|--------------|---|--|--|--|---------------|--|--|--|---------------|---------|--|----------|---|---------------------|--|---------------|--|--|--|--------|--|---------------|--|----------|--------|--------------------------------|--|--|--|------------------|--|--|----------|----------------------------|--|--|--|----------------|--|--------|---|----------|--|--------------|---|--|--|--|---------------|--|--|--|---------------|------------|
| <b>4(d)</b>                    | <p style="text-align: center;">Statement of Financial Position at 31 December 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: right;">Cost<br/>£</th> <th style="width: 20%; text-align: right;">Aggregate<br/>Depreciation<br/>£</th> <th style="width: 20%; text-align: right;">Carry<br/>over<br/>£</th> </tr> </thead> <tbody> <tr> <td><u>Non-current assets</u></td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">3 000</td> <td style="text-align: right;">12 000 ✓</td> </tr> <tr> <td><u>Current assets</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td></td> <td style="text-align: right;">27 000</td> <td style="text-align: right;">✓OF</td> </tr> <tr> <td>Trade receivables</td> <td></td> <td style="text-align: right;">7 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Prepaid</td> <td></td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;"><u>1 000</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>37 000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>49 000</u></td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">£ 19 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>12 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">31 000</td> <td></td> </tr> <tr> <td>Less drawings</td> <td></td> <td style="text-align: right;">( 8 000)</td> <td style="text-align: right;">23 000</td> </tr> <tr> <td><u>Non-current liabilities</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>5 Year bank loan</td> <td></td> <td></td> <td style="text-align: right;">15 000 ✓</td> </tr> <tr> <td><u>Current liabilities</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">10 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Accruals</td> <td></td> <td style="text-align: right;"><u>1 000</u></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>11 000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>49 000</u></td> </tr> </tbody> </table> |                                | Cost<br>£          | Aggregate<br>Depreciation<br>£ | Carry<br>over<br>£ | <u>Non-current assets</u> | 15 000 | 3 000 | 12 000 ✓ | <u>Current assets</u> |  |  |  | Inventory |  | 27 000 | ✓OF | Trade receivables |  | 7 000 | ✓ | Prepaid |  | 2 000 | ✓ | Bank |  | <u>1 000</u> | ✓ |  |  |  | <u>37 000</u> |  |  |  | <u>49 000</u> | Capital |  | £ 19 000 | ✓ | Profit for the year |  | <u>12 000</u> |  |  |  | 31 000 |  | Less drawings |  | ( 8 000) | 23 000 | <u>Non-current liabilities</u> |  |  |  | 5 Year bank loan |  |  | 15 000 ✓ | <u>Current liabilities</u> |  |  |  | Trade payables |  | 10 000 | ✓ | Accruals |  | <u>1 000</u> | ✓ |  |  |  | <u>11 000</u> |  |  |  | <u>49 000</u> | <b>(9)</b> |
|                                | Cost<br>£   | Aggregate<br>Depreciation<br>£ | Carry<br>over<br>£ |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| <u>Non-current assets</u>      | 15 000  | 3 000                          | 12 000 ✓           |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| <u>Current assets</u>          |   |                                |                    |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Inventory                      |   | 27 000                         | ✓OF                |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Trade receivables              |   | 7 000                          | ✓                  |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Prepaid                        |   | 2 000                          | ✓                  |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Bank                           |   | <u>1 000</u>                   | ✓                  |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
|                                |   |                                | <u>37 000</u>      |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
|                                |   |                                | <u>49 000</u>      |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Capital                        |   | £ 19 000                       | ✓                  |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Profit for the year            |   | <u>12 000</u>                  |                    |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
|                                |   | 31 000                         |                    |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Less drawings                  |   | ( 8 000)                       | 23 000             |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| <u>Non-current liabilities</u> |   |                                |                    |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| 5 Year bank loan               |   |                                | 15 000 ✓           |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| <u>Current liabilities</u>     |   |                                |                    |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Trade payables                 |   | 10 000                         | ✓                  |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
| Accruals                       |   | <u>1 000</u>                   | ✓                  |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
|                                |   |                                | <u>11 000</u>      |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |
|                                |   |                                | <u>49 000</u>      |                                |                    |                           |        |       |          |                       |  |  |  |           |  |        |     |                   |  |       |   |         |  |       |   |      |  |              |   |  |  |  |               |  |  |  |               |         |  |          |   |                     |  |               |  |  |  |        |  |               |  |          |        |                                |  |  |  |                  |  |  |          |                            |  |  |  |                |  |        |   |          |  |              |   |  |  |  |               |  |  |  |               |            |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>4(e)(i)</b>  | Current ratio;<br>$\frac{\text{Current assets } 37\,000 \checkmark}{\text{Current liabilities } 11\,000 \checkmark} = 3.4:1 \checkmark \text{ of}$                 | <b>(6)</b> |
| <b>4(e)(ii)</b> | Liquid (acid test) ratio<br>$\frac{37\,000 - 27\,000}{11\,000} = \frac{10\,000}{11\,000} \checkmark = 0.91:1 \checkmark \text{ of}$<br>Note: For of must state :1. |            |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>4(f)</b>     | Valid answers may include:<br>Points for <ul style="list-style-type: none"> <li>The percentage gross profit to sales was achieved</li> <li>The current ratio is very good</li> </ul> Points against: <ul style="list-style-type: none"> <li>She failed to meet her overall profit total</li> <li>Most of the current assets are in stock</li> </ul><br>$\checkmark\checkmark$ per valid point x 2 points. MAX 1 point for and MAX 1 point against. | <b>(4)</b> |

| Question Number                     | Answer   | Mark  |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
|-------------------------------------|--|---|---|--|-------------------------------------|--------|------------------------|---------------------------------|-------|--------------|----------------------------|-------|--------------|----------------------------|-------|--------------|----------------------------------|--------------|--------------|----------------------------|---------------|---|------------|
| <b>5(a)(i)</b>                      | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; width: 10%;">£</td> <td style="width: 30%;"></td> </tr> <tr> <td>Depreciation (100 000-25 000) x 25%</td> <td style="text-align: right;">18 750</td> <td><math>\checkmark\checkmark</math></td> </tr> <tr> <td>Power (2 000 x 75%) x 5 x £0.50</td> <td style="text-align: right;">3 750</td> <td><math>\checkmark</math></td> </tr> <tr> <td>Managers salary (18 000/9)</td> <td style="text-align: right;">2 000</td> <td><math>\checkmark</math></td> </tr> <tr> <td>Cleaners salary (12 000/6)</td> <td style="text-align: right;">2 000</td> <td><math>\checkmark</math></td> </tr> <tr> <td>Heat &amp; light (6 000 x 200/1 000)</td> <td style="text-align: right;"><u>1 200</u></td> <td><math>\checkmark</math></td> </tr> <tr> <td><b>Total overhead cost</b></td> <td style="text-align: right;"><b>27 700</b></td> <td><math>\checkmark\checkmark(\checkmark \text{ of})</math></td> </tr> </table> |   | £ |  | Depreciation (100 000-25 000) x 25% | 18 750 | $\checkmark\checkmark$ | Power (2 000 x 75%) x 5 x £0.50 | 3 750 | $\checkmark$ | Managers salary (18 000/9) | 2 000 | $\checkmark$ | Cleaners salary (12 000/6) | 2 000 | $\checkmark$ | Heat & light (6 000 x 200/1 000) | <u>1 200</u> | $\checkmark$ | <b>Total overhead cost</b> | <b>27 700</b> | $\checkmark\checkmark(\checkmark \text{ of})$ | <b>(8)</b> |
|                                     | £  |   |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
| Depreciation (100 000-25 000) x 25% | 18 750   | $\checkmark\checkmark$                        |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
| Power (2 000 x 75%) x 5 x £0.50     | 3 750  | $\checkmark$                                  |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
| Managers salary (18 000/9)          | 2 000  | $\checkmark$                                  |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
| Cleaners salary (12 000/6)          | 2 000  | $\checkmark$                                  |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
| Heat & light (6 000 x 200/1 000)    | <u>1 200</u>   | $\checkmark$                                  |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |
| <b>Total overhead cost</b>          | <b>27 700</b>  | $\checkmark\checkmark(\checkmark \text{ of})$ |   |  |                                     |        |                        |                                 |       |              |                            |       |              |                            |       |              |                                  |              |              |                            |               |   |            |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>5(a)(ii)</b> | $\frac{\text{Total overhead cost}}{\text{Productive hours}} = \frac{27\,700 \checkmark \text{ of}}{1\,500 \checkmark \checkmark} = \text{£}18.46 \text{ per hour } \checkmark \text{ of}$ | <b>(4)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>5(b)</b>     | Labour productivity is the relationship between the input and the outputs. $\checkmark\checkmark$<br>The measurement is usually the number of units produced per hour. $\checkmark\checkmark$<br>Production made in a specified period $\checkmark\checkmark$<br><br>Do <b>NOT</b> accept : Output produced. | <b>(4)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>5(c)(i)</b>  | Daywork      2 000hrs x £6 = $\frac{\underline{£12\ 000}}{2\ 400\ units} \checkmark$ $\checkmark = £5\ per\ unit \checkmark \checkmark$ | <b>(4)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>5(c)(ii)</b> | Alternative Option 1    = £3 per unit $\checkmark \checkmark$ | <b>(2)</b> |

| Question Number  | Answer  | Mark       |
|------------------|---|------------|
| <b>5(c)(iii)</b> | Alternative Option 2      2 000 hrs x £3.5 =      7 000<br>£1.50 x 3 600 units = <u>5 400</u><br>12 400 $\checkmark$<br>Divided by                              3 600 $\checkmark$ = £3.44 per unit $\checkmark \checkmark$ | <b>(4)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>5(d)</b>     | The most productive is Alternative Option 1 $\checkmark \checkmark$ of | <b>(2)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>5(e)</b>     | Valid answers may include:<br>Points for <ul style="list-style-type: none"> <li>• Greater production</li> <li>• Lower unit costs than at present</li> </ul> Points against: <ul style="list-style-type: none"> <li>• Quality issues</li> <li>• Potential accidents</li> </ul><br>$\checkmark \checkmark$ per valid point x 2 points. MAX 1 point for and MAX 1 point against. | <b>(4)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>6(a)(i)</b>  | A schedule of debtors is a summary of all the debtors sums <u>grouped by age of debt.</u> $\checkmark \checkmark$   | <b>(6)</b> |
| <b>6(a)(ii)</b> | It is presumed that the <u>older the debt the less likely it is to be paid</u> $\checkmark \checkmark$<br>A projected percentage of non-payment for each <u>age category</u> is applied and a total provision estimated $\checkmark \checkmark$ |            |



| Question Number     | Answer   | Mark |    |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
|---------------------|--|------|----|----|--|--|---|---|--|------|-----|--|---|------|--|-----|---|------|-----|--|---|---------------------|--|-----|---|---------------------|-----|--|---|------------------|--|-----|---|------------|
| <b>6(b)</b>         | <p style="text-align: center;">Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center;">Dr</th> <th style="width: 15%; text-align: center;">Cr</th> <th style="width: 30%;"></th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td style="text-align: right;">700</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Kaab</td> <td></td> <td style="text-align: right;">700</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Kaab</td> <td style="text-align: right;">700</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bad debts recovered</td> <td></td> <td style="text-align: right;">700</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bad debts recovered</td> <td style="text-align: right;">700</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Income statement</td> <td></td> <td style="text-align: right;">700</td> <td style="text-align: right;">✓</td> </tr> </tbody> </table> <p style="text-align: right;">Being recovery of bad debt from Kaab written off in July 2011 ✓<br/><b>MAX 5 x ✓</b></p> |      | Dr | Cr |  |  | £ | £ |  | Bank | 700 |  | ✓ | Kaab |  | 700 | ✓ | Kaab | 700 |  | ✓ | Bad debts recovered |  | 700 | ✓ | Bad debts recovered | 700 |  | ✓ | Income statement |  | 700 | ✓ | <b>(5)</b> |
|                     | Dr   | Cr   |    |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
|                     | £  | £    |    |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
| Bank                | 700  |      | ✓  |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
| Kaab                |  | 700  | ✓  |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
| Kaab                | 700  |      | ✓  |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
| Bad debts recovered |  | 700  | ✓  |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
| Bad debts recovered | 700  |      | ✓  |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |
| Income statement    |  | 700  | ✓  |    |  |  |   |   |  |      |     |  |   |      |  |     |   |      |     |  |   |                     |  |     |   |                     |     |  |   |                  |  |     |   |            |

| Question Number | Answer   | Mark               |            |  |   |      |       |                    |       |  |            |  |            |            |
|-----------------|--|--------------------|------------|--|---|------|-------|--------------------|-------|--|------------|--|------------|------------|
| <b>6(c)(i)</b>  | <p style="text-align: center;">Bad Debts Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 50%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Taal</td> <td style="text-align: right;">210 ✓</td> <td>Income statement ✓</td> <td style="text-align: right;">210 ✓</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>210</u></td> <td></td> <td style="text-align: right;"><u>210</u></td> </tr> </tbody> </table> |                    | £          |  | £ | Taal | 210 ✓ | Income statement ✓ | 210 ✓ |  | <u>210</u> |  | <u>210</u> | <b>(3)</b> |
|                 | £  |                    | £          |  |   |      |       |                    |       |  |            |  |            |            |
| Taal            | 210 ✓  | Income statement ✓ | 210 ✓      |  |   |      |       |                    |       |  |            |  |            |            |
|                 | <u>210</u>   |                    | <u>210</u> |  |   |      |       |                    |       |  |            |  |            |            |

| Question Number    | Answer  | Mark          |            |  |   |                    |       |               |       |  |            |  |            |            |
|--------------------|---|---------------|------------|--|---|--------------------|-------|---------------|-------|--|------------|--|------------|------------|
| <b>6(c)(ii)</b>    | <p style="text-align: center;">Bad Debts Recovered Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 50%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Income statement ✓</td> <td style="text-align: right;">700 ✓</td> <td>Bank (Kaab) ✓</td> <td style="text-align: right;">700 ✓</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>700</u></td> <td></td> <td style="text-align: right;"><u>700</u></td> </tr> </tbody> </table> |               | £          |  | £ | Income statement ✓ | 700 ✓ | Bank (Kaab) ✓ | 700 ✓ |  | <u>700</u> |  | <u>700</u> | <b>(4)</b> |
|                    | £   |               | £          |  |   |                    |       |               |       |  |            |  |            |            |
| Income statement ✓ | 700 ✓   | Bank (Kaab) ✓ | 700 ✓      |  |   |                    |       |               |       |  |            |  |            |            |
|                    | <u>700</u>  |               | <u>700</u> |  |   |                    |       |               |       |  |            |  |            |            |

| Question Number  | Answer   | Mark             |                 |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
|------------------|--|------------------|-----------------|--|---|-------------|----------|------|----------|-------|----------|------------------|-------|--|--|-----------|-------|--|--|-------------|-----------------|--|---------------|--|---------------|-------------|----------|------------------|--|------------|
| <b>6(c)(iii)</b> | <p style="text-align: center;">Sales Ledger Control Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 50%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Balance b/d</td> <td style="text-align: right;">23 500 ✓</td> <td>Bank</td> <td style="text-align: right;">32 400 ✓</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">38 000 ✓</td> <td>Discount allowed</td> <td style="text-align: right;">820 ✓</td> </tr> <tr> <td></td> <td></td> <td>Bad debts</td> <td style="text-align: right;">210 ✓</td> </tr> <tr> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>28 070 ✓</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>61 500</u></td> <td></td> <td style="text-align: right;"><u>61 500</u></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">28 070 ✓</td> <td>of (if on debit)</td> <td></td> </tr> </tbody> </table> |                  | £               |  | £ | Balance b/d | 23 500 ✓ | Bank | 32 400 ✓ | Sales | 38 000 ✓ | Discount allowed | 820 ✓ |  |  | Bad debts | 210 ✓ |  |  | Balance c/d | <u>28 070 ✓</u> |  | <u>61 500</u> |  | <u>61 500</u> | Balance b/d | 28 070 ✓ | of (if on debit) |  | <b>(7)</b> |
|                  | £  |                  | £               |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
| Balance b/d      | 23 500 ✓   | Bank             | 32 400 ✓        |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
| Sales            | 38 000 ✓   | Discount allowed | 820 ✓           |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
|                  |  | Bad debts        | 210 ✓           |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
|                  |  | Balance c/d      | <u>28 070 ✓</u> |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
|                  | <u>61 500</u>  |                  | <u>61 500</u>   |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |
| Balance b/d      | 28 070 ✓   | of (if on debit) |                 |  |   |             |          |      |          |       |          |                  |       |  |  |           |       |  |  |             |                 |  |               |  |               |             |          |                  |  |            |

| Question Number  | Answer  | Mark         |                   |  |   |                  |    |              |       |             |              |  |              |  |              |             |       |  |  |  |                   |            |
|------------------|---|--------------|-------------------|--|---|------------------|----|--------------|-------|-------------|--------------|--|--------------|--|--------------|-------------|-------|--|--|--|-------------------|------------|
| <b>6(c)(iv)</b>  | <p style="text-align: center;">Provision for Doubtful Debts 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: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td style="text-align: right;">Income statement</td> <td style="text-align: right;">75</td> <td style="text-align: left;">√Balance b/d</td> <td style="text-align: right;">1 450</td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>1 375</u></td> <td></td> <td style="text-align: right;"><u>1 450</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1 450</u></td> <td style="text-align: left;">Balance b/d</td> <td style="text-align: right;">1 375</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">√of(if on credit)</td> </tr> </table> |              | £                 |  | £ | Income statement | 75 | √Balance b/d | 1 450 | Balance c/d | <u>1 375</u> |  | <u>1 450</u> |  | <u>1 450</u> | Balance b/d | 1 375 |  |  |  | √of(if on credit) | <b>(3)</b> |
|                  | £   |              | £                 |  |   |                  |    |              |       |             |              |  |              |  |              |             |       |  |  |  |                   |            |
| Income statement | 75  | √Balance b/d | 1 450             |  |   |                  |    |              |       |             |              |  |              |  |              |             |       |  |  |  |                   |            |
| Balance c/d      | <u>1 375</u>  |              | <u>1 450</u>      |  |   |                  |    |              |       |             |              |  |              |  |              |             |       |  |  |  |                   |            |
|                  | <u>1 450</u>  | Balance b/d  | 1 375             |  |   |                  |    |              |       |             |              |  |              |  |              |             |       |  |  |  |                   |            |
|                  |   |              | √of(if on credit) |  |   |                  |    |              |       |             |              |  |              |  |              |             |       |  |  |  |                   |            |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>6(d)</b>     | <p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> <li>• Ensures that profit is not overstated</li> <li>• Complies with the prudence concept</li> </ul> <p>Points against:</p> <ul style="list-style-type: none"> <li>• Only an estimate based upon historical experience</li> <li>• Actual bad debts may be significantly different from the estimate</li> </ul> <p>√√ per valid point x 2 points. MAX 1 point for and MAX 1 point against.</p> <p>Do <b>NOT</b> accept:</p> <ul style="list-style-type: none"> <li>• Time consuming</li> </ul> | <b>(4)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>7(a)</b>     | <p>Valid answers may include:</p> <ul style="list-style-type: none"> <li>• Decision to cease trading</li> <li>• Introduction of new partner(s)</li> <li>• Retirement</li> <li>• Death</li> <li>• Action of the courts</li> <li>• To become a limited company</li> <li>• No prospect of profit</li> </ul> <p>2 points x √√</p> | <b>(4)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>7(b)</b>     | <p>Provisions of 1890 Partnership Act</p> <ul style="list-style-type: none"> <li>• Salaries- unless otherwise agreed between the partners <u>no salaries are payable</u> √√</li> <li>• Interest on loans- <u>5% interest is paid to partners on loans over and above agreed capital</u> √√</li> </ul> | <b>(4)</b> |

| Question Number      | Answer   | Mark                        |                  |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
|----------------------|--|-----------------------------|------------------|--|---|----------|----------|----------------|----------|----------------|----------|-----------------------|----------|---------------------|---------|-----------------------|---------|-----------|----------|------|---------|-------------------|----------|------------------------|----------|----------------|---------|-------------------|----------|----------------------|---------|-----------------------------|-----------|--|--|------|------------------|--|----------------|--|----------------|------------|
| <b>7(c)(i)</b>       | <p style="text-align: center;">Dissolution Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Premises</td> <td style="text-align: right;">60 000 ✓</td> <td>Trade payables</td> <td style="text-align: right;">10 000 ✓</td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;">14 000 ✓</td> <td>Premises Highton &amp; Co</td> <td style="text-align: right;">65 000 ✓</td> </tr> <tr> <td>Fixtures &amp; fittings</td> <td style="text-align: right;">9 400 ✓</td> <td>Motor vehicle-Martina</td> <td style="text-align: right;">4 500 ✓</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">18 700 ✓</td> <td style="padding-left: 20px;">Naju</td> <td style="text-align: right;">7 000 ✓</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">12 400 ✓</td> <td>Fixtures and inventory</td> <td style="text-align: right;">21 000 ✓</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">9 800 ✓</td> <td>Trade receivables</td> <td style="text-align: right;">11 700 ✓</td> </tr> <tr> <td>Dissolution expenses</td> <td style="text-align: right;">2 700 ✓</td> <td>Loss on dissolution-Martina</td> <td style="text-align: right;">5 200 ✓of</td> </tr> <tr> <td></td> <td></td> <td style="padding-left: 20px;">Naju</td> <td style="text-align: right;"><u>2 600 ✓of</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>127 000</u></td> <td></td> <td style="text-align: right;"><u>127 000</u></td> </tr> </tbody> </table> <p style="text-align: right;"><b>MAX 9 x ✓</b></p> |                             | £                |  | £ | Premises | 60 000 ✓ | Trade payables | 10 000 ✓ | Motor vehicles | 14 000 ✓ | Premises Highton & Co | 65 000 ✓ | Fixtures & fittings | 9 400 ✓ | Motor vehicle-Martina | 4 500 ✓ | Inventory | 18 700 ✓ | Naju | 7 000 ✓ | Trade receivables | 12 400 ✓ | Fixtures and inventory | 21 000 ✓ | Trade payables | 9 800 ✓ | Trade receivables | 11 700 ✓ | Dissolution expenses | 2 700 ✓ | Loss on dissolution-Martina | 5 200 ✓of |  |  | Naju | <u>2 600 ✓of</u> |  | <u>127 000</u> |  | <u>127 000</u> | <b>(9)</b> |
|                      | £  |                             | £                |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Premises             | 60 000 ✓   | Trade payables              | 10 000 ✓         |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Motor vehicles       | 14 000 ✓   | Premises Highton & Co       | 65 000 ✓         |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Fixtures & fittings  | 9 400 ✓  | Motor vehicle-Martina       | 4 500 ✓          |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Inventory            | 18 700 ✓   | Naju                        | 7 000 ✓          |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Trade receivables    | 12 400 ✓   | Fixtures and inventory      | 21 000 ✓         |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Trade payables       | 9 800 ✓  | Trade receivables           | 11 700 ✓         |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
| Dissolution expenses | 2 700 ✓  | Loss on dissolution-Martina | 5 200 ✓of        |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
|                      |  | Naju                        | <u>2 600 ✓of</u> |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |
|                      | <u>127 000</u>   |                             | <u>127 000</u>   |  |   |          |          |                |          |                |          |                       |          |                     |         |                       |         |           |          |      |         |                   |          |                        |          |                |         |                   |          |                      |         |                             |           |  |  |      |                  |  |                |  |                |            |

| Question Number     | Answer  | Mark              |              |               |               |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
|---------------------|---|-------------------|--------------|---------------|---------------|---------|------|--|---|---|--|---|---|-------------|--|---------|--------------|--------|--------|----------------|-------|---------|-------------|-------|--|---------------------|-------|-----------|--|--|--|-------------|---------------|-------------------|--|--|--|--|---------------|---------------|--|---------------|---------------|------------|
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|                     | Martina   | Naju              |              | Martina       | Naju          |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
|                     | £   | £                 |              | £             | £             |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
| Current a/c         |   | 1 400 ✓           | Balances b/d | 50 000        | 40 000        |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
| Motor vehicles      | 4 500   | 7 000 ✓           | Current a/c  | 4 400         |               |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
| Loss on dissolution | 5 200   | 2 600 ✓of         |              |               |               |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
| <b>Bank</b>         | <u>44 700</u>   | <u>29 000 ✓of</u> |              |               |               |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |
|                     | <u>54 400</u>   | <u>40 000</u>     |              | <u>54 400</u> | <u>40 000</u> |         |      |  |   |   |  |   |   |             |  |         |              |        |        |                |       |         |             |       |  |                     |       |           |  |  |  |             |               |                   |  |  |  |  |               |               |  |               |               |            |

| Question Number        | Answer  | Mark                 |               |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
|------------------------|---|----------------------|---------------|--|---|--------------|----------|--------------|-----|------------------------|--------|-----------|----------|-------------------|----------|------------------|---------|--|--|----------------------|---------|--|--|----------------|---------|--|--|-------------------|------------|--|--|------|---------------|--|---------------|--|---------------|------------|
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|                        | £   |                      | £             |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
| Highton & Co           | 65 000 ✓  | Balances b/d         | 400           |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
| Fixtures and inventory | 21 000  | Bank loan            | 10 000 ✓      |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
| Trade receivables      | 11 700 ✓  | Accrued expenses     | 1 100 ✓       |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
|                        |   | Dissolution expenses | 2 700 ✓       |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
|                        |   | Trade payables       | 9 800 ✓       |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
|                        |   | Capital - Martina    | 44 700 ✓of    |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
|                        |   | Naju                 | <u>29 000</u> |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |
|                        | <u>97 700</u>   |                      | <u>97 700</u> |  |   |              |          |              |     |                        |        |           |          |                   |          |                  |         |  |  |                      |         |  |  |                |         |  |  |                   |            |  |  |      |               |  |               |  |               |            |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| <b>7(d)</b>     | <p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> <li>• Formalises agreement</li> <li>• Terms are clear to all partners which avoids argument</li> <li>• States responsibilities</li> <li>• Profits and losses can be divided in desired ratios.</li> </ul> <p>Points against:</p> <ul style="list-style-type: none"> <li>• Cost and time</li> <li>• Changes more difficult to implement</li> </ul> <p>✓✓ per valid point x 2 points. MAX 1 point for and MAX 1 point against.</p> | <b>(4)</b> |

| Syllabus     |     | ASSESSMENT GRID |           |           |           | TOTAL      |
|--------------|-----|-----------------|-----------|-----------|-----------|------------|
|              |     | AO1             | AO2       | AO3       | AO4       |            |
| Q1           |     |                 |           |           |           |            |
| (a)          | 3   | 15              | 15        | 14        |           | 44         |
| (b)          | 3   |                 |           |           | 8         | 8          |
| Q2           |     |                 |           |           |           |            |
| (a)          | 1   | 4               |           |           |           | 4          |
| (b)          | 1   | 2               | 8         | 2         |           | 12         |
| (c)          | 1   | 4               |           |           |           | 4          |
| (d)          | 1   | 1               | 2         | 1         |           | 4          |
| (e)          | 1   | 4               |           |           |           | 4          |
| (f)          | 1   |                 | 4         | 4         |           | 8          |
| (g)          | 1   | 2               | 4         | 2         |           | 8          |
| (h)          | 1   |                 |           |           | 8         | 8          |
| Q3           |     |                 |           |           |           |            |
| (a)          | 1   | 9               |           |           |           | 9          |
| (b)          | 3   | 4               | 8         | 2         |           | 14         |
| (c)          | 2   | 1               | 4         | 1         |           | 6          |
| (d)          | 3   | 3               | 9         | 3         |           | 15         |
| (e)          | 3   |                 |           |           | 8         | 8          |
| Q4           |     |                 |           |           |           |            |
| (a)          | 5   | 4               |           |           |           | 4          |
| (b)          | 5   |                 | 5         | 4         |           | 9          |
| (c)          | 3   | 3               | 4         | 2         |           | 9          |
| (d)          | 5   |                 | 3         | 3         |           | 6          |
| (e)          | 5   |                 |           |           | 4         | 4          |
| Q5           |     |                 |           |           |           |            |
| (a)          | 4   |                 | 6         | 6         |           | 12         |
| (b)          | 4   | 4               |           |           |           | 4          |
| (c)          | 4   |                 | 5         | 5         |           | 10         |
| (d)          | 4   |                 |           | 2         |           | 2          |
| (e)          | 4   |                 |           |           | 4         | 4          |
| Q6           |     |                 |           |           |           |            |
| (a)          | 1   | 6               |           |           |           | 6          |
| (b)          | 1   | 2               | 2         | 1         |           | 5          |
| (c)          | 1/2 | 6               | 9         | 2         |           | 17         |
| (d)          | 1   |                 |           |           | 4         | 4          |
| Q7           |     |                 |           |           |           |            |
| (a)          | 3   | 4               |           |           |           | 4          |
| (b)          | 3   | 4               |           |           |           | 4          |
| (c)          | 3   | 9               | 9         | 2         |           | 20         |
| (d)          | 3   |                 |           |           | 4         | 4          |
| <b>Marks</b> |     | <b>91</b>       | <b>97</b> | <b>56</b> | <b>40</b> | <b>284</b> |

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