

2003 Accounting & Finance

Intermediate 1

Finalised Marking Instructions

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Intermediate 1 – Special

Finalised Marking Instructions

2003 ACCOUNTING AND FINANCE

MARKING CONVENTIONS

CONVENTION	EXPLANATION	MARK(S) ON CANDIDATE PAPER
Extraneous	Item entered which should not be in the answer	-1E
Consequential	If a figure in a question is wrong, any further calculations are awarded marks if correct, as a consequence of using that figure	C
Nomenclature	The details in an account are wrong/missing	-1N
Dates	The date for an entry is wrong/missing	-1D
Complete Reversal	All the ledger entries are made the wrong way round The question is marked as if correct and then the total mark is divided by 2	R eg Total Mark = 12 Divided by 2 Mark awarded = 6
Plus/Minus Rule	If an entry is shown correctly it is awarded the mark (+). If the same entry then appears again in another part of the question the mark is deducted (-) ie no mark is gained and there is no penalty	eg Correct entry £60,000 Sales in the Trading Account Mark awarded 1 (+-) Wrong entry £60,000 Sales also entered in the Balance Sheet Mark deducted -1 (+-)
Penalty	The answers given are more than required (4 given instead of 3) and one of them is wrong. A heading is wrong/missing from a final account. The answer is correct but not given in the format requested. ie question asks for an account or a statement	-1P

2003 ACCOUNTING AND FINANCE

INTERMEDIATE 1

SPECIAL INSTRUCTIONS

- 1 Assess pencil figures and workings. If the script is predominantly in pencil mark it and then refer it to the Principal Assessor.
- 2 A maximum of 10% of marks gained on any individual question may be deducted for untidy work and poor style. This penalty should only be applied in exceptional circumstances.
- 3 Work which has been deleted gains no marks even if it is correct. Exceptional cases may be drawn to the attention of the Principal Assessor.
- 4 Consequential errors **MUST NOT** be penalised, subject to the marking instructions for each question.
- 5 Mark workings whether or not they are incorporated in the final answer. Deduct a penalty of 1 mark per question for working which is not incorporated in the final answer.
- 6 Incorrect figures, supported by adequate workings – award marks for any correct operations performed.
- 7 Extraneous items – **SEE INSTRUCTIONS FOR SPECIFIC QUESTIONS.**
- 8 Indicate awards given for each item. Subtotals for sections and encircled final total should be clearly indicated and easy to check.

Question 1

R Adam

			Award Marks Lost	Penalties
(a)		Amount incorrect or in wrong column. Capital not correct/consequential on candidates answer No totals lose capital award	½ each ½ ½	
(b)	(i)	Date incorrect/missing Unit price incorrectly entered Costs wrong/not consequential Total omitted/wrong/not consequential/unless implied in Net Goods Value Trade Discount not 20% of Total Net Goods Value not candidate's Total Less candidate's Discount VAT not 17.5% of Candidates Net Goods Value Total Cost not Candidate's Net Goods Value plus Candidate's VAT	½ ½ each ½ ½ ½ ½	-½ once
	(ii)	Account names incorrect Amounts not correct/consequential on candidate's figures from their Invoice Wrong account name lose award Extraneous accounts (>3) eg discount received/allowed returns out, R Adam If treated as purchases award VAT + Imne + Sons; marks consequentially	½ each ½ each 1 each 1	-1 max

Question 2

Pauline Anderson

			Award Marks Lost	Penalties
(a)		Heading omitted/incorrect	½	
		Award marks as per marking scheme		
		Expenses not correctly totalled/consequential on candidate's expenses		-½
		Net profit not labelled correctly	½	
		Expenses added deliberately lose Net Profit awards and apply a penalty	1	-1
		Extraneous items – Balance Sheet items/Depreciation of fixtures and fittings		-3 max
		Expenses added lose Net Profit award	1	
(b)		Award marks as per marking scheme		
		Depreciation incorrect/not consequential on candidate's depreciation in the Profit and Loss Account	½	
		Candidate's depreciation not deducted from the 'Van (at cost)'	½	
		Net Assets/Capital at 31 December missing	½	
		Extraneous items – Profit and Loss items		-1
		Ignore fixtures and fittings depreciation as consequential from P & L A/C		-3 max

Question 3

Hannah Holdings

			Award Marks Lost	Penalties
(a)		Award 1 mark for each formula 100% missing in A/B/E	 $\frac{1}{2}$	
(b)		Award 1 mark for each correct year If only one year given then award following marks: 2000 – 2 marks 2001 – 1 mark 2002 – 2 marks		
(c)		Award 1 mark for each reasonable explanation Reason repeated	 1	

Question 4

Caitlin and Rosie Jones

			Award Marks Lost	Penalties
(a)		Opening balance in July/August not June/July's closing balance	½ each	
		Cash Sales incorrect/omitted	½ each	
		Credit Sales incorrect/omitted	½ each	
		Purchases incorrect/omitted	½ each	
		If Drawings entered as £400 in all months	½	
		If any rent figure is incorrect/missing	½	
		Figure for tools right/wrong	1	
		Closing Bank Balances missing/not correct/consequential on candidates entries		-½ once
		If Cash Budget is split into 2 parts but then payments added award marks and apply penalty		-3
		If list of figures not dealt with assume all receipts and mark accordingly		
	Advertising calculated but treated incorrectly/not treated	½ each		
(b)		Accept any reasonable answer		

Question 6

Glenurie Swimming Club

			Award Marks Lost	Penalties
(a)		Mark as per Solution		
		Profit label missing	½	
		If combined account with no attempt to find the Swim Shop Profit lose Trading A/C marks & Profit entry in I & E A/C	3½	
(b)		Any Income and Expenditure item included in the Trading Account lose award marks in (b)	½ each	
		Profit on Swim Shop incorrect/not consequential on candidate's answer to (a)	½	
		Accept Christmas party ticket receipts less expenses £30 in Income section for 1 mark		
		Accept Jumble Sale Receipts less Purchase of Tea and Biscuits and Hire of Hall £725 for 1½ marks		
		If profit on party/jumble sale calculated correctly in working note but not transferred/transferred incorrectly to I & E A/C		-½ each
		Surplus label missing	½	
		If candidate's do a Swimshop Trading Account and enter a profit in the income and expenditure account and then enter any Trading Account item again lose profit award and apply penalty	½	-1 once
		If profit not transferred from the Trading A/C and Trading A/C items entered in the I & E A/C	½	
(c)		Extraneous items eg equipment in (a) or (b)		-1 once
		Accept any reasonable answer		

[END OF MARKING INSTRUCTIONS]

2003 Accounting & Finance

Intermediate 1 – Solutions

Finalised Marking Instructions

2003 Accounting and Finance

Intermediate 1

Solutions

(a)

TRIAL BALANCE ON 31 DECEMBER 2002

	Dr £	Cr £	
Sales		12,450	½
Rent	3,000		½
Cash	500		½
Purchases Returns		400	½
Debtors	2,950		½
Purchases	8,000		½
Fixtures and Fittings	7,000		½
Stock	2,500		½
Creditors		3,000	½
Sales Returns	300		½
Bank Overdraft		12,700	½
Drawings	5,100		½
Discount Received		600	½
Wages	5,800		½
Heat and Light	1,200		½
Capital		7,200	½
	36,350	36,350	8

(b) (i)

Date: Exam Date ½
2 June 2003

Quantity	Description	Unit price	Cost	
20	Colour Cartridges	33.00	660.00	½
8	Ink Cartridges	17.50	140.00	½
			800.00	½
	Less Trade Discount		160.00	½
	Net Goods Value		640.00	½
	Add VAT @ 17.5%		112.00	½
	Total Cost		752.00	½ 4

(b) (ii)

Account Name	Amount to be Debited	Amount to be Credited
Imrie and Sons ½	£752.00 ½	
Sales ½		£640.00 ½
VAT ½		£112.00 ½

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If:

Account Name	Amount to be Debited	Amount to be Credited
Imrie and Sons ½		£752.00 ½
Purchases 0	£640.00 0	
VAT ½	£112.00 ½	

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Question 2

Profit and Loss Account for year ending 31 December 2002

				½	
Gross profit			34,200	½	
ADD Rent Received			<u>800</u>	½	
			35,000		
LESS Expenses					
Wages		8,000		½	
Heat and Light	3,400			½	
Add Owing	<u>500</u>	3,900		½	
Insurance	1,400			½	
Less Prepayment	<u>300</u>	1,100		½	
Commission Paid		500		½	
Depreciation		<u>2,000</u>	15,500	½	
NET PROFIT	½		<u>19,500</u>	½	6

BALANCE SHEET AS AT 31 DECEMBER 2002

				½	
	COST	DEPN	BOOK VALUE	½	
Premises	90,000		90,000	½	
Van (at cost)	20,000	2,000	18,000	1½(½ each entry)	
Fixtures and Fittings (at cost)	<u>3,700</u>		<u>3,700</u>	½	
	113,700	2,000	111,700		
Add Current Assets					
Stock		2,300		½	
Debtors		4,200		½	
Prepaid Insurance		300		½	
Bank		4,300		½	
Cash		<u>550</u>		½	
		11,650			
Less Current Liabilities					
Creditors	2,700			½	
Heat and Light Due	<u>500</u>	3,200		½	
Working Capital			<u>8,450</u>	½	
Net Assets			<u>120,150</u>	½ both totals	
FINANCED BY					
Capital			115,000	½	
Add Net Profit			<u>19,500</u>	½	
			134,500		
Less Drawings			<u>14,350</u>	½	
Capital at 31 Dec			<u>120,150</u>	½	9

Question 3

- (a) A – $\frac{\text{Gross profit} \times 100\%}{\text{Sales}}$ 1
- B – $\frac{\text{Net profit} \times 100\%}{\text{Sales}}$ 1
- C – $\frac{\text{Cost of Goods Sold}}{\text{Average Stock } ((\text{Opening Stock} + \text{Closing Stock}) / 2)}$ 1
- D – Current Assets: Current Liabilities 1
- E – $\frac{\text{Net profit} \times 100\%}{(\text{Opening}) \text{ Capital (Employed)}}$ 1
- (b) A – 2002 1
- B – 2000 1
- C – 2001 1
- D – 2000 1
- E – 2002 1
- (c) A Buy goods from cheaper suppliers
Increase the price of goods sold
Buy in bulk to gain discounts 1 max
- B Reduce expenses
Buy goods from cheaper suppliers
Increase the price of goods sold
Buy in bulk to gain discounts 1 max
- C Advertise to increase sales
Special promotions
Buy smaller quantities
Sell more stock 1 max
- D Reduce Current Liabilities
Increase the bank account
Increase Current Assets 1 max
- E Reduce Expenses
Buy goods from cheaper suppliers
Increase the price of goods sold
Buy in bulk to gain discounts
Increase profits 1 max

(15)

Question 4

(a)	June	July	August	
Opening Balance	6,000 ½	7,360 ½	8,320 ½	
Add Receipts				
Cash Sales	1,200 ½	1,340 ½	1,260 ½	
Credit Sales	4,560 ½	4,420 ½	3,620 ½	
	11,760	13,120	13,200	
Less Payments				
Purchases	3,400 ½	3,300 ½	3,670 ½	
Drawings	800	800	800	1 for line (½ for 400)
Rent	150	150	150	1 for line
Advertising	50 1	150 1	100 1	
Tools		400	400	1 for line
	4,400	4,800	5,120	
Closing Balance	7,360	8,320	8,080	

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(b)

Share the workload
 More capital than a sole trader
 More ideas
 Share costs/losses
 Easier to take holidays

3

Question 5

(a)

Bank Account	Dr	Cr	Balance	
Bank Balance			13,381 ½	
Interest	25 1		13,406	
Dividend Rec	115 1		13,521	
Direct Debit		120 1	13,401	
Charges		55 1	13,346 ½	5

(b)

BANK RECONCILIATION STATEMENT OF AMY SPILLER AS AT 31 MAY 2003 ½

Updated bank balance		13,346	½	
ADD Cheques not presented:				
L Baker	129		1	
F James	36		1	
M Livingstone	315	480	1	
		<u>13,826</u>		
Less Cheques not paid in:				
Cash Sales		2,598	1	
BANK STATEMENT BALANCE		<u>11,228</u>	1	6

(c)

SO – Standing Order, (½) fixed regular payment			1 max	
DD – Direct Debit, (½) regular payment which can vary			1 max	
Interest received on the balance in the bank			1	
Cash withdrawn from the bank from the cash machine			1	4
				15

Question 6

(a)

TRADING ACCOUNT FOR THE SWIM SHOP FOR 31 MARCH 2003

Takings for the Swim Shop		1,500	½
Opening Stock	400		½
Add Purchases for the Swim Shop	<u>700</u>		½
	1,100		
Less Closing Stock	<u>500</u>	600	½
Profit on Swim Shop ½		<u>900</u>	½

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(b)

INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDING 31 MARCH 2003 ½

Subscriptions received from members		17,300	½
Profit on Swim Shop		900	½
Christmas party ticket receipts		160	½
Jumble Sale receipts		850	½
Grant received from the Swimming Association		<u>500</u>	½
		19,710	
Less Expenditure			
Insurance	1,500		½
Less prepayment	<u>300</u>	1,200	½
Pool Hire	12,400		½
Add amount due	<u>1,000</u>	13,400	½
Payment to swimming coaches		2,000	½
Christmas party expenses		130	½
Prizes for the club gala		240	½
Purchase of Tea and Biscuits for Jumble Sale		70	½
Hire of Hall for Jumble Sale		55	½
Judges course and exam		50	½
Treasurers Honorarium		100	½
Depreciation on equipment		200	½
Surplus for year ½		<u>17,445</u>	½
		<u>2,265</u>	½

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(c)

Fundraising		
Loan Received from the bank		2
Lottery Funding/Grant		
Donations		
Sponsorship		15

Profit on Christmas Party

Ticket Receipts		160	
Expenses		<u>130</u>	
		<u>30</u>	1

Profit from Jumble Sale

Receipts			850	
Less	Tea and Biscuits	70		
	Hire of Hall	55	<u>125</u>	
			<u>725</u>	1½

[END OF MARKING INSTRUCTIONS]