

2003 Accounting & Finance

Intermediate 2

Finalised Marking Instructions

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Intermediate 2 – 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

Question 1 continued

			Award Marks Lost	Penalties
		<p>The following figures must have their label attached in order to gain the ½ mark:</p> <ul style="list-style-type: none"> Cost of Goods Sold Gross profit Net profit (before tax) P and L appropriation balance b/f – must be after 86 P and L appropriation balance c/f <p>NB Gross Profit, Net Profit before tax, and Profit and Loss a/c Balance c/f are consequential on candidate's answers</p> <p>Balance Sheet (9 marks)</p> <p>There is no award for heading BUT If heading omitted/wrong (ie for year ended)</p> <p>If item under wrong heading – lose award but NO PENALTIES</p> <p>If item in two sections apply the +/- rule</p> <p>Extraneous items (ie revenue a/c items)</p> <p>ALL items to which marks have been awarded are worth ½ mark Do not accept Provision for Doubtful Debts as Current Liabilities</p> <p>WATCH FOR CONSEQUENTIALITY IN THE FOLLOWING FIGURES:</p> <ul style="list-style-type: none"> Vehicles – NBV Accruals Proposed dividends Profit and Loss a/c balance <p>All other items are right or wrong ie If figure wrong/omitted/wrong effect BUT Ordinary/preference shares must state either the number or value of the shares</p> <p>Ordinary shares must be first or last item Debentures must be last item</p>	<p>½ each</p> <p>½ each</p> <p>½</p> <p>½</p>	<p>- ½</p> <p>- 1 each (max - 2)</p>

Question 2

M Rae

			Award Marks Lost	Penalties
(a)	Heading omitted/wrong ie as at			- ½ once
	<u>Cost of RM Consumed</u> All entries are worth ½ mark If entry omitted/wrong figure/wrong effect		½ each	
	Cost of RM consumed not labelled/not consequentially correct		½	
	(No penalties for stocks finished goods/work in progress - lose awards) Any other item included in Cost of RM Consumed gains its award (½ mark) but loses Cost RM Consumed award and receives penalty of – 1		½	- 1
	<u>Prime Cost</u> Both the entries relating to wages are worth ½ mark each If entry omitted/wrong figure/wrong effect		½ each	
	Prime Cost not labelled		½	
	Any entry other than wages gains its award (½ or 1 mark) but loses Prime Cost award and receives penalty of – 1		½	- 1
	If items subtracted from Cost RM Consumed gain item award but lose Prime Cost award		½ each	
	<u>Factory Overheads</u> Rent and rates: award ½ mark for 220 or any other wrong answer less than 220		½	
	Repairs to Factory Machinery not 48		½	
	Indirect Factory Expenses not 27		½	
	Accrual not 3/not added/omitted		½	
	Factory power not 74		½	
	Insurance and Lighting and Heating : mark as Rent and Rates above			
	Depreciation on Plant and Machinery, Indirect Factory Labour, WIP (start) and WIP (end) : Any figure wrong/omitted/wrong effect		½ each	
	Any direct costs entered in Factory Overheads gain their own award (because lost PC award) but receive penalty of – 1			- 1
	Factory overheads subtracted If says add but then subtracts – arithmetic slip			-2 - ½

Question 2 continued

			Award Marks Lost	Penalties
(b)		Factory Cost of Finished Goods wrong/not consequential/not labelled	½	
		Extraneous items ie profit and loss a/c or balance sheet items		- 1 (max - 2)
		Sales entered in Manufacturing a/c and used :		
		Lose factory cost award and penalty – 1	½	- 1
		and lose sales award	½	
		All items are worth ½ mark		
	Any item wrong/omitted/wrong effect	½ each		
	Gross profit must be labelled to gain ½ mark			
	Purchases RM entered treat as +/-			

Question 4

Mohammed and Sons

			Award Marks Lost	Penalties
(a)		No heading/omitted/wrong		- 1/2
		Award 1/2 mark each to the sales and op stock figures Either figure wrong/omitted	1/2 each	
		Gross profit, Net profit, closing stock and Admin Expenses are right/wrong ie no consequentiality Any figure wrong/omitted	1 each	
		Other figures to which marks are allocated are consequential on other figures Any figure wrong/omitted/not consequential	1 each	
		AWARD full marks for answer based on closing stock of £50,000 ie Purchases £235,000		
(b)	(i)	1 1/2 marks allocated to correct formula/figures and 1/2 mark to final answer BUT		
	(ii)	wrong formula = 0 Answer in weeks/months	2 1/2	
(c)		Mark as per (b) above		
		Must be "times" for 1/2 mark		
		Note: use of £50,000 (a) results in Creditors payment of 73 days and Rate of Stock turnover of 5 times		

Question 5

Wilson Ltd

			Award Marks Lost	Penalties
(a)	(i)	Labour hours required per unit wrong/omitted	½ each	
	(ii)	Total variable cost per unit wrong/omitted for any of three products	½	
	(iii)	Contribution per unit not Selling Price less candidate's answer to (a) (ii)	1 each	
	(iv)	Contribution per labour hour not candidate's answer to (a) (iii) divided by candidate's answer to (a) (i)	1 each	
(b)	(i)	Order of production not consequential on (a) (iv)	1	
	(ii)	Labour hours allocated to A and C not 6,000 multiplied by answer in (a) (i) If candidate's answers in (a) lead to situation where labour hours are not a limiting factor then award ½ each to first two allocations of labour hours but do not give 1 mark to the final allocation or to the resultant contribution. If production is 6,000 of each with no calculation of hours lose 2 marks in (ii) and 1 mark in (iii) Labour hours allocated to B not 40,000 less sum of hours allocated to A and C Watch for consequential wrong order	½ each	
	(iii)	Hours not answer to (b) (ii) or Contribution per hour not answer to (a) (iv)	1 each	
	(iv)	Total contribution not sum of answers to (b) (iii) Fixed costs omitted/not deducted Arithmetic slip	½ ½	- ½ each

Question 6

Angus plc

			Award Marks Lost	Penalties
(a)		<p>The following overheads correctly apportioned are awarded 2 marks per line:</p> <p>Buildings Maintenance Supervision Heating and Lighting Factory administration</p> <p>Deduct ½ mark each for any single figure wrongly calculated up to max 2 for each line</p> <p>Machinery insurance correctly apportioned is awarded 1 mark for the line</p> <p>Deduct ½ mark each for any single figure wrongly calculated up to max 1 for the line</p> <p>Power and Indirect materials correctly apportioned/allocated are awarded ½ mark per line</p> <p>Any single figure wrong in line</p> <p>If % used to apportion causing approximation in figures give awards</p>	<p>½ each</p> <p>½ each</p> <p>½</p>	- 1 once
(b)		<p>Each figure correctly re-apportioned is awarded ½ mark</p> <p>Each figure wrong/omitted</p> <p>Totals for three production cost centres omitted</p>	<p>½ each</p> <p>½</p>	
(c)		<p>Right or wrong</p>		

Question 7

Griffin Ltd

			Award Marks Lost	Penalties
	(i)	Basic wage not 40 x £8/omitted	½ each	
	(ii)	Overtime hours not actual hours less 40 Hours not multiplied by 1.5 x £8 Arith slip	½ each ½ each	- ½
	(iii)	TA Regular not units produced times 4 TA Large not units produced times 6 Not totalled	½ each ½ each	- ½
	(iv)	Not answer to (iii) less actual hours	1 each	
	(v)	Not answer to (iv) times £4 If answer to (iv) is wrong number of hours saved, give marks to consequential bonus. If answer to (iv) is 0 hours saved for Rick/Kris then 0 mark for bonus of 0 If time saved not shown but bonus calculated correctly, award 3 marks for implied correct time saved but penalise - ½ for not showing.	1 each	
	(vi)	Not sum of (i), (ii) and (v)	½ each	

Question 8

Fraser and Thorne Ltd

			Award Marks Lost	Penalties	
(a)	(i)	Answer is right or wrong	1		
	(ii)	Material cost per unit wrong/omitted	1		
		Labour cost per unit wrong/omitted	1		
		Variable overhead per unit omitted/wrong/not consequential on (a) (i)	½		
	(iii)	Sales per unit wrong/omitted	1		
		Contribution per unit not £5 or consequential	1		
	(iv)	B/E units not 3,600 or consequential	1		
		B/E value not £144,000 or consequential	1		
		Contribution per unit not answer to (a) (iii) and/or Not multiplied by 8,000	} 1 ½		
	Fixed costs not £18,000/omitted/not deducted	½			
	(v)	<u>Alternative Solution</u>			
		Units beyond B/E wrong/omitted	1		
		Above units not multiplied by answer in (a) (iii)	1		
		(vi)	Total contribution required not £38,000	2	
Not divided by answer to (a) (iii)			1½		
<u>Alternative Solution</u>					
Profit £20,000 and B/E 3,600 units are both required for 2 marks					
£20,000 divided by 5 or consequential gets 1½ marks					
(b)	Additional contribution per month not £5,000 or consequential	1			
	Months required not 3 or consequential	1			
	Arithmetic slips		- ½ each		

Question 9

			Award Marks Lost	Penalties
(a)	(i)	Award 1 mark for each document		
	(ii)	Award 1 mark for each item in Articles (max 2) Award 1 mark for each item in Memorandum (max 2)		
(b)		Award 1 mark for each source plus one mark for each feature ie max 2 marks for each source		
(c)		Award 1 mark to each correct answer		

Question 10

			Award Marks Lost	Penalties
		Award max 3 marks to each pair chosen Award 1 mark per valid point Award marks for valid points not listed in solution		

Question 11

			Award Marks Lost	Penalties
(a)		Receipts Award 1 mark for each valid item (max 3)		
		Payments Award 1 mark for each valid item (max 3)		
(b)		Shortfall Award 1 mark for each valid action (max 2)		
		Surplus Award 1 mark for each valid action (max 2)		
(c)		Award 1 mark for each line (max 2)		
(d)		Award 1 mark for each input (max 3)		

Question 12

			Award Marks Lost	Penalties
(a)		Award max 1 mark for each valid point Max 1 for each level		
(b)		Award ½ mark for each item (max 2)		
(c)	(i)	FIFO Award ½ mark for each valid comment max 1½ LIFO Award ½ mark for each valid comment max 1½		
	(ii)	Award 1 mark to FIFO And 1 mark to explanation		
	(iii)	Award 1 mark to LIFO And ½ mark to each valid point of explanation (max 1)		
	(iv)	Award 1 mark for each type (max 3)		

[END OF SPECIAL INSTRUCTIONS]

2003 Accounting & Finance

Intermediate 2 – Solutions

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Intermediate 2

Solutions

Question 1

Trading, Profit and Loss a/c for year ended 31 March 2003

	£000s	£000s	£000s	
Sales			1400	(½)
Less: Cost of Goods Sold				
Opening Stock		175		(½)
Purchases		<u>830</u>		(½)
		1005		
Less: Closing Stock		<u>160</u>	<u>845</u>	(½)
Gross profit			555	(½)
Less:				
Rates	100	(½)		
Add: accrued	<u>8</u>	(½)	108	
Selling expenses	40	(½)		
Less: prepaid	<u>11</u>	(½)	29	
Wages and salaries		275		(½)
Bad debts		12		(½)
Increase in provision for doubtful debts		1		(1)
Debenture interest		10		(½)
Depreciation: vehicles		9		(½)
			<u>444</u>	
Net Profit before tax			111	(½)
Corporation tax			<u>25</u>	(½)
Net Profit after tax			86	
Less: Transfer to General Reserve		15		(½)
Proposed Ordinary Dividend		<u>32</u>	<u>47</u>	(½)
			39	
Balance b/f			<u>75</u>	(½)
Balance c/f			<u>114</u>	(½)

(11)

Question 1 (continued)

Balance Sheet as at 31 March 2003

	£000s		£000s	£000s	
	Cost		Agg Dep	NBV	
Fixed Assets					
Premises	600			600	(½)
Vehicles	45		24	<u>21</u>	(½)
				621	
Current Assets					
Stock			160		(½)
Debtors	300	(½)			
Less: Provision for Doubtful Debts	<u>9</u>	(½)	291		
Prepayments			<u>11</u>		(½)
			462		
Less: Current Liabilities					
Creditors	60	(½)			
VAT	48	(½)			
Accruals (8+10) (½ each = 1)	18				
Corporation Tax due	25	(½)			
Proposed Dividends	32	(½)			
Bank overdraft	61	(½)	<u>244</u>	<u>218</u>	
				839	
Less: 10% Debentures				<u>100</u>	(½)
				<u>739</u>	
Capital and Reserves					
Ordinary Shares of £1 each				400	(½)
General Reserve			210		(½)
Add: transfer			<u>15</u>	225	
Profit and Loss a/c				<u>114</u>	(½)
				<u>739</u>	

(9)

Question 2 (a)

Manufacturing A/c for year ended 31 March 2003

	£000s		£000s		£000s	
Stock RM (start)			35	(½)		
Purchases of RM	1150	(½)				
Returns of RM	<u>25</u>	(½)	1125			
Carriage on RM			<u>60</u>	(½)		
			1220			
Less: stock RM (end)			<u>29</u>	(½)		
<u>Cost RM Consumed</u>					1191	(½)
Production Wages			470	(½)		
Add: accrued			<u>22</u>	(½)	<u>492</u>	
<u>Prime Cost</u>					1683	(½)
<u>Factory Overheads</u>						
Rent and Rates (90%)			198	(1)		
Repairs to Factory Machinery			48	(½)		
Indirect Factory Expenses	27	(½)				
Add: accrued	<u>3</u>	(½)	30			
Factory Power			74	(½)		
Insurance			88	(1)		
Lighting and Heating (4/5)			56	(1)		
Depreciation on Plant and Machinery			70	(½)		
Indirect Factory Labour			28	(½)		
Add: work-in-progress (start)	54	(½)				
Less: work-in-progress (end)	<u>56</u>	(½)	<u>(2)</u>			
Factory cost of finished goods					<u>590</u>	
					<u>2273</u>	(½)

(12)

Question 2 (b)

Trading a/c for year ended 31 March 2003

	£000s		£000s	
Sales			2500	(½)
Less: Cost of Sales				
Stock FG (start)		86	(½)	
Cost of FG Produced		<u>2273</u>	(½)	
		2359		
Less : stock FG (end)		<u>90</u>	(½)	<u>2269</u> (½)
Gross Profit				<u>231</u> (½)

(3)

Question 3 (a)

	£	
Net Profit	24000	
1 Add: drawings wrongly treated as expense	<u>3000</u>	(1)
	27000	
2 Add: depreciation wrong figure	<u>500</u>	(1)
	27500	
3 Less: sales returns omitted	<u>300</u>	(1)
	27200	
4 Less: office stationery treated as asset	<u>100</u>	(1)
	27100	
5 Add: discount received omitted	<u>500</u>	(1)
Correct Net Profit	<u><u>27600</u></u>	(5)

Question 3 (b)

Profit and Loss Appropriation a/c for year ending 31 December 2002

	£		£	
Corrected Net Profit			27600	(½)
Less: interest on capital:				
Lawson	1750	(½)		
Johnston	1000	(1)		
Salary: Lawson	6000	(½)		
Johnston	<u>10000</u>	(½)	<u>18750</u>	
Residual profit:			8850	(½)
Share of Profit:				
Lawson	5900	(1)		
Johnston	2950	(1)	<u><u>8850</u></u>	

Question 3 (c)

Current a/c (Lawson)

	Dr	Cr	Bal	
Balance b/f			2400	(DR) (½)
Interest on Capital		1750 (½)	650	
Salary		6000 (½)	5350	(CR)
Share of Profit		5900 (½)	11250	
Drawings	9600 (½)		1650	(½)

Question 4 (a)

Workings

GP	25% x £300,000	£75,000
NP	10% x £300,000	£30,000
Admin exp	5% x £300,000	£15,000
Total exp	£75,000 - £30,000	£45,000
Dis exp	£45,000 - £15,000	£30,000
Clos stock	£40,000 + £10	£40,010
COGS	£300,000 - £75,000	£225,000
Purch + stock	£225,000 + £40,010	£265,010
Purchases	£265,010 - £40,000	£225,010

Trading and Profit and Loss a/c for year ended 31.3.2003

	£		£	
Sales			300,000	(½)
less – Cost of sales				
Opening stock	40,000	(½)		
Purchases	<u>225,010</u>	(1)		
	265,010	(1)		
less: Closing stock	<u>40,010</u>	(1)	<u>225,000</u>	(1)
Gross profit			75,000	(1)
Administrative expenses	15,000	(1)		
Distribution expenses	<u>30,000</u>	(1)	<u>45,000</u>	
Net profit			<u>30,000</u>	(1)
				(9)

Question 4 (b) (i)

Debtors collection period $\frac{50,000}{300,000} \times 365 = 61 \text{ days}$ (2)

Creditors payment period $\frac{47,000}{225,010} \times 365 = 76 \text{ days}$ (2)

Question 4 (c)

Rate of stock turnover $\frac{225,000}{40,005} = 5.6 \text{ times}$ (2)

Question 5 (a)

	A	B	C	
	£	£	£	
(i) Labour hours per unit	£12/£6 = 2 hours (½)	£15/£6 = 2.5 hours (½)	£18/£6 = 3 hours (½)	
(ii) Total variable cost per unit	£30	£30	£33 (½) for line	
(iii) Total variable cost per unit	£30	£30	<u>£33</u>	
Selling price per unit	<u>£47</u>	<u>£50</u>	<u>£60</u>	
Contribution per unit	£17 (1)	£20 (1)	£27 (1)	
(iv) Contribution per labour hour	£17/2 (1) = £8.50	£20/2.5 (1) = £8	£27/3 (1) = £9	(8)

Question 5 (b)

(i) Order of production	2 nd	3 rd	1 st (1)	
(ii) Labour hours allocated	6000 x 2 12,000 (½)	40,000 – 30,000 10,000 (1)	6000 x 3 18,000 (½)	
(iii) Contribution	12,000 x £8.5 £102,000 (1)	10,000 x £8 £80,000 (1)	18,000 x £9 £162,000 (1)	
(iv) Total contribution	£344,000 (½)			
Less fixed costs	<u>£150,000</u> (½)			
Profit	<u>£194,000</u>			(7)

Question 6 (a)

Overheads	Cost £	Basis	W £	D £	C £	QC £	C £
Building maintenance	66,000	Area	22,000	11,000	22,000	6,600	4,400 (2)
Supervision	160,000	Empl	64,000	32,000	40,000	8,000	16,000 (2)
Machinery insurance	28,000	Value	16,000	10,000	2,000		
Heating and lighting	24,000	Area	8,000	4,000	8,000	2,400	1,600 (2)
Power	40,000	%	24,000	8,000	8,000		
Factory administration	80,000	Empl	32,000	16,000	20,000	4,000	8,000 (2)
Indirect materials	25,000	Alloc	<u>7,500</u>	<u>6,500</u>	<u>3,000</u>	<u>2,000</u>	<u>6,000</u> (½)
			173,500	87,500	103,000	23,000	36,000
							(10)

Question 6 (b)

Overheads	Cost £	Basis	W £	D £	C £	QC £	C £
(i) Canteen	36,000	Empl	<u>16,000</u>	<u>8,000</u>	<u>10,000</u>	<u>2,000</u>	<u>(36,000)</u> (2)
			189,500	95,500	113,000	25,000	
(ii) Quality control	25,000	%	<u>12,500</u>	<u>7,500</u>	<u>5,000</u>	(25,000)	(1½)
			<u>202,000</u>	<u>103,000</u>	<u>118,000</u>		(4)

Question 6 (c)

Indirect materials (1)

Question 7

	Rick	Bill	Kris	
(i) Basic wage	40 x £8 £320	40 x £8 £320	40 x £8 £320	(1½)
(ii) Overtime earnings	(½) (½) 3 x (1.5 x £8) £36	(½) (½) 5 x (1.5 x £8) £60	(½) (½) 6 x (1.5 x £8) £72	(3)
(iii) Time allowed:				
Regular	6 x 4 hours 24 hours	8 x 4 hours 32 hours	5 x 4 hours 20 hours	(1½)
Large	4 x 6 hours 24 hours	2 x 6 hours 12 hours	5 x 6 hours 30 hours	(1½)
Total time allowed	48 hours	44 hours	50 hours	
(iv) Time saved	48 – 43 5 hours	44 – 45 nil	50 – 46 4 hours	(3)
(v) Bonus	5 x £4 £20	nil	4 x £4 £16	(3)
(vi) Gross wages	£320 £36 £20	£320 £60 nil	£320 £72 £16	
	<hr/> £376	<hr/> £380	<hr/> £408	(1½)
				(15)

Question 8 (a)

(i)	Variable overhead cost per unit	$\frac{£42,000}{6000}$ = £7		(1)
(ii)	Total variable cost per unit			
	Material	$\frac{£48,000}{6000}$ (1)	£8	
	Labour	$\frac{£120,000}{6000}$ (1)	£20	
	Variable overhead		£7 (1/2)	
			<hr/>	
			£35	(2 1/2)
(iii)	Selling price per unit	$\frac{£240,000}{6000}$ (1)	£40	
	Contribution per unit	$£40 - £35$ (1)	£5	(2)
(iv)	Break-even point (units)	$\frac{£18,000}{£5}$ (1)	3,600	
	Break-even point (£)	$3,600 \times £40$ (1)	£144,000	(2)
(v)	Contribution (8000)	$8000 \times £5$	£40,000 (1 1/2)	
	Less: fixed costs		£18,000 (1/2)	
	Profit		<hr/>	
			£22,000	(2)
(vi)	Fixed costs	£18,000	OR	
	Profit	£20,000		
	Contribution required	<hr/>	$\frac{20,000 + 3600}{5}$ (2)	
		£38,000 (2)	= 7600	(3 1/2)
	Units required	$\frac{£38,000}{£5}$ (1 1/2)		
		= 7600		

Question 8 (b)

Additional contribution per month	$1000 \times £5$ (1)		
	£5,000		
Months required	$\frac{£15,000}{£5,000}$ (1)		
	3 months		(2)

Question 9

- (a) (i) Articles of Association (1)
Memorandum of Association (1)
- (ii) Articles: allotment of shares/raising capital
holding meetings
shareholders' rights
power/remuneration of directors
dividends
borrowing power **1 each max 2**
- Memo: name
location of registered office
statement of limited liability
details of authorised capital
objects of company **1 each max 2**
- (b) Ordinary shares (1) carry vote
last to be paid dividend
no limit on dividend
not normally repaid **1 each max 1**
- Preference shares (1) fixed rate of dividend
paid before ordinary dividend
may be cumulative
may be redeemable **1 each max 1**
- Debentures long term loan
fixed rate of interest
may be secured on assets
not owners **1 each max 1**
- (c) (i) Capital account 1
(ii) Current account 1
(iii) Reserve/Profit and Loss account 1

Question 10

- (a) Inwards relates to sales and should be deducted
Outwards relates to purchases and should be deducted
both should be entered in Trading a/c
caused by wrong goods, faulty goods, damaged goods etc
leads to issue of credit notes **1 each max 3**
- (b) Capital Expenditure:
lasts for several accounting periods
relates to fixed assets
entered in balance sheet
requires depreciation process to spread cost over lifetime
examples – purchase of buildings, fixtures, vehicles etc. (1 max) **1 each max 3**
- Revenue Expenditure:
consumed within one accounting period
running expenses of business
dealt with in Trading, Profit and Loss a/c
examples – wages, rent, insurance etc. (1 max)
- (c) Discount allowed given to credit customers
if they pay within fixed period
expense in profit and loss a/c **1 each max 3**
- Discount received obtained from credit suppliers
if we pay within fixed period
gain in profit and loss a/c
- (d) RM stocks held by manufacturing business
entered in manufacturing a/c
part of cost of raw materials consumed **1 each max 3**
- FG stocks held by any retail business
entered in Trading a/c
part of cost of sale
- (e) Fixed assets required to enable business to run
held for several accounting periods
cost spread over lifetime
by process of depreciation
examples **1 each max 3**
- Current assets constantly changing
as result of trading cycle
examples ie stock, debtors, bank, cash
crucial for liquidity

(f) Carriage inwards expense of transporting purchases
treated as cost in Trading a/c
added to purchases

1 each max 3

Carriage outwards delivery cost of sales
treated as cost in Profit and Loss a/c

Question 11

- (a) (i) cash sales, sales
receipts from debtors, credit sales
sales of assets
issue of shares
loans received
bank interest received **1 each max 3**
- (ii) payment to creditors, purchases, cost of materials
wages
overheads
purchase of assets
dividends
bank interest paid **1 each max 3**
- (b) shortfall
cut back on expenditure
arrange loan/overdraft
defer payments
issue capital
cheaper supplier/debtors to pay earlier/large credit from suppliers/sell surplus
assets **1 each max 2**
- surplus
bring forward expenditure
purchase investments
pay out profits to owners
repay loans **1 each max 2**
- (c) sales
fixed costs
total costs
variable costs **1 each max 2**
- (d) Raw materials
Direct wages
Direct expenses
Overheads **1 each max 3**

Question 12

- (a) maximum stock level
highest possible level of stock
assumes minimum usage
assumes fastest delivery of order (1)
- minimum stock level
lowest possible level of stock
assumes maximum usage
assumes slowest delivery of order (1)
- re-order level
point at which order for more material is sent to supplier
assumes average consumption
assumes average delivery time (1)
- (b) Description of item
Code for item
Receipts
Issues
Balance
Date
Values/Prices (1/2) each max 2
- (c) (i) FIFO
Assumes that where stock comprises of units bought in different batches,
the earliest price will be used until that batch is finished and then the
price of the next batch will be used and so on. (1/2) each max 1 1/2
- LIFO
Assumes that where stock comprises of units bought in different batches,
the latest price will be used until that batch is finished and then the price
of the previous batch will be used and so on. (1/2) each max 1 1/2
- (ii) FIFO (1) to avoid risk of deterioration, obsolescence (1)
- (iii) LIFO (1) because assumption is that most highly recently received and
therefore highest price items have been issued, leaving older,
cheaper items. (1/2) each max 1
- (iv) Raw materials (1)
Work-in-Progress (1)
Finished Goods (1)

[END OF MARKING INSTRUCTIONS]