



2005 Accounting and Finance

Intermediate 1

Finalised Marking Instructions

These Marking Instructions have been prepared by Examination Teams for use by SQA Appointed Markers when marking External Course Assessments.

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Intermediate 1 – Special

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2005 ACCOUNTING AND FINANCE

MARKING CONVENTIONS

CONVENTION	EXPLANATION	MARK(S) ON CANDIDATE PAPER
Extraneous	Item entered which should not be in the answer	-2E
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 Profit & Loss 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

2005 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

		Award Marks Lost	Penalties
(a)	Trading and Profit and Loss Account Heading omitted/incorrect Gross/Net Profit not labelled correctly Gross profit label given only for reasonable conclusion Other items right/wrong Extraneous items	1 1 each 1 each	 -2 (max 4)
(b) (i)	Profit and Loss Appropriation Account If (a) + (b)(i) done as one account award 2 marks for net profit, transfer 1 mark to (b)(i) Share of profits not as given or consequential (2:1) Extraneous items except drawings	 2 each	 -2 once
(ii)	Current Accounts Extraneous items Drawings in both (b)(i) + (ii) If only calculations no accounts/list/reversal	 2	 -2 once
(c)	Award marks as given		

Question 2

		Award Marks Lost	Penalties
(a)	Award marks as per solution		
	Ignore any additional items		
	Complete reversal other than opening balance lose closing balance + divide entry marks by 2	5	
(b)	Heading omitted/incorrect	1	
	Award marks as per solution		
	Do not award correct items which have already been entered in the Bank Account – but +/- if in both		
	No title beside Balance as per Bank Statement	1	
	Do not accept balance on its own		
	Correct entry wrong effect	2	
	If done as an account lose heading awards and label awards	3	
	Balance at end consequential on candidates answer		
(c)	Accept any reasonable explanation		
	Standing order only	1	
	Partial answer	1	

Question 3

		Award Marks Lost	Penalties
(a)	Award marks as given – right/wrong Wrong formula Accept answers rounded up to whole numbers (i)/(ii)/(v) no % (iii) Accept 6 times/5 times for 4 marks each if times missing (iv) If 2 or 3 given	2 each	-1 once -1 once -1 once
(b)	Accept any reasonable explanation (i) NOT increased sales (ii) not have a sale		

Question 4

		Award Marks Lost	Penalties
(a)	Award marks as given right/wrong – either totals or component parts Balance not correct or consequential on Issues/Receipts entered Award marks either to the quantity \times unit price or to the total values	1	
(b)	Award marks as given right/wrong Value of Output units and value not as given or consequential on balance after waste If candidates copy out the table may gain marks for input totals + balance of units after waste	1	
(c)	Accept any reasonable explanation NOT payslip		

Question 5

		Award Marks Lost	Penalties
(a)	Award marks as given right/wrong If any Departmental totals not correct or consequential on apportioned overheads	1	
(b)	Award marks as given right/wrong/consequential Final totals not correct or consequential on departmental totals/apportioned canteen costs If one total incorrect/canteen total included	2 1	
(c)	Award marks as given right/wrong or consequential on totals from (b)		
(d)	Accept any reasonable answer		

Question 6

		Award Marks Lost	Penalties
(a)	Award marks as given right/wrong Commission calculated on Receipts for each month rather than actual sales Shop fittings Feb 2500 Mar 2500 No attempt at totalling/calculating opening balance in February/March If no clear attempt made to distinguish between receipts + payments treat all as best option either receipts or payments	1 each -1	-4
(b)	Accept any reasonable answer Accept loan once only		

[END OF MARKING INSTRUCTIONS]

2005 Accounting and Finance

Intermediate 1 – Solutions

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2005 Accounting and Finance

Intermediate 1

Solutions

Question 1

(a) Trading and Profit and Loss Account for year ended 31 December 2004 **1**

Sales				160,000	1
Opening Stock		24,000	1		
Add Purchases	80,000	1			
Less Purchase Returns	<u>5,000</u>	1	<u>75,000</u>		
			99,000		
Less Closing Stock			<u>18,000</u>	1	
COST OF GOODS SOLD			<u>81,000</u>	1	
GROSS PROFIT	1		<u>79,000</u>	1	
Add Income			<u>3,000</u>	1	
			82,000		
Less Expenses			<u>42,000</u>	1	
NET PROFIT	1		<u>40,000</u>	1	

(13)

(b) (i) Profit and Loss Appropriation Account for the year ended 31 December 2004

Net Profit				40,000	1
Less Salary – Laura				<u>25,000</u>	1
RESIDUAL PROFIT				<u>15,000</u>	
Share of profit: Hannah		10,000	2		
Laura		<u>5,000</u>	2	<u>15,000</u>	

(6)

(ii) Current Account – Hannah

	Dr	Cr	Bal		
Balance			20,000	Cr	1
Share of Profit		10,000	1	30,000	Cr
Drawings	12,000	1		18,000	Cr

Current Account – Laura

	Dr	Cr	Bal		
Balance			15,000	Cr	1
Share of Profit		5,000	1	20,000	Cr
Salary		25,000	1	45,000	Cr
Drawings	18,000	1		27,000	Cr

(7)

(c)

Ordinary shares	}	OR shares		
Preference shares				
Debentures			2 each	

(4)

(30)

Question 2

(a) Bank Account

	Dr	Cr	Bal
Balance			630.67 2
Bank Charges		30.40 2	600.27
Credit Transfer – J King	100.50 2		700.77
Standing Order – Insurance		129.34 2	571.43
Interest	50.10 2		621.53 1

(11)

(b) Bank Reconciliation Statement of M Graham as at 31 March 2005 1

Updated bank balance			621.53 1
ADD Cheques not presented:			
L Morris		36.39 2	
K Lesley		<u>25.00 2</u>	<u>61.39</u>
			682.92
LESS Amounts not paid in:			
Cash takings		130.00 2	
Cheque from L Hillman		<u>28.58 2</u>	<u>158.58</u>
BANK STATEMENT BALANCE 1			<u>524.34 2</u>

(13)

OR

Bank Reconciliation Statement of M Graham as at 31 March 2005 1

BANK STATEMENT BALANCE 1			524.34 2
LESS Cheques not presented:			
L Morris		36.39 2	
K Lesley		<u>25.00 2</u>	<u>61.39</u>
			462.95
ADD Amounts not paid in:			
Cash takings		130.00 2	
Cheque from L Hillman		<u>28.58 2</u>	<u>158.58</u>
Updated bank balance			<u>621.53 1</u>

(13)

- (c)
- SO – Standing Order⁽¹⁾, fixed regular payment 2
 - Interest received on the balance in the bank/paid on overdraft 2
 - Charges for services given by the bank 2 (6)
 - Charge when overdrawn (30)

Question 3

		2003		2004	
(a)					
(i)	Gross Profit/Sales	25%	2	33.3%	2
(ii)	Net Profit/Sales	10%	2	16.7%	2
(iii)	Average Stock OS+CS/2	£2,500	2	£4,000	2
	Cost of Goods Sold/Average Stock	6 times	2	5 times	2
(iv)	Current assets: Current liabilities	2:1	2	3:1	2
(v)	Net Profit/Capital Invested	4%	2	8.3%	2
					(24)
(b)	(i) Gross Profit Ratio	Find cheaper suppliers Increase selling price			2
	(ii) Net Profit Ratio	Reduce expenses/individual expenses eg wages			2
	(iii) Rate of Stock Turnover	Buy in smaller quantities Offer discount for purchases Advertise Improve stock management			2
					(6)
					(30)

Question 4

Part A

Date	Details	Receipts	Issues	Balance
01 Dec	Balance			$\frac{1}{100 @ £2} = £200$ or £200 1
02 Dec	To Personnel Dept		$\frac{1}{40 @ £2} = £80$ or 1	$\frac{1}{60 @ £2} = £120$ or £120 1
06 Dec	To Accounts Dept		$\frac{1}{50 @ £2} = £100$ or 1	$\frac{1}{10 @ £2} = £20$ or £20 1
13 Dec	Fyffe plc	$\frac{1}{150 @ £2.20} = £330$ or 1		$\frac{1}{10 @ £2} = £20$ $\frac{1}{150 @ £2.20} = £330$ or £350
22 Dec	To Sales Dept		$\frac{2}{10 @ £2} = £20$ or 2 $\frac{2}{30 @ £2.20} = £66$ or 2	$\frac{1}{120 @ £2.20} = £264$ or £264 1+1 closing value (14)

Part B

Pulping Account

	INPUTS		OUTPUTS	BALANCE
Materials	200 kg	£5	1,000	1,000
Wages			2,000	3,000
Overheads			1,500	4,500 1
Waste			20 1	4,500
Transfer to Sieving			180 1	0
			0 1	
			25 1	
			4,500 1	

Sieving Account

	INPUTS		OUTPUTS	BALANCE
From Pulping	180	25	4,500	4,500
Wages			1,000	5,500
Overheads			800	6,300 1
Waste			30 1	6,300
Transfer to Warehouse			150 1	0
			0 1	
			42 1	
			6,300 1	

(12)

Part C

Clock Cards 2
Time Cards/sheets 2
Attendance Cards 2
Job Sheets 2

Any 2

(4)
(30)

Question 5

(a) Overhead Analysis Sheet

		X		Y		Z		Canteen	
Heating	Floor Space	5,000	1	7,000	1	8,000	1	5,000	1
Rent	Floor Space	10,000	1	14,000	1	16,000	1	10,000	1
Supervision	Number of Employees	3,000	1	7,000	1	15,000	1	5,000	1
Insurance	Value of Machinery	2,000	1	2,000	1	1,000	1		
DEPT TOTALS		20,000		30,000		40,000		20,000	1 for line (16)

(b) Canteen		4,000	1	4,000	1	12,000	1		
		24,000		34,000		52,000			2 for line (5)

(c) Direct Labour Hours		X		Y		Z			
		£12	1	£10	1	£10	1		(3)

(d)	To calculate stock values								
	To calculate wages								
	To prepare job cost statements								
	To prepare process costs								
	To prepare overhead analysis								
	To calculate break even point								
	To forecast costs								
	To prepare (cash) budgets	Any 3 – 2 marks each							(6)

(30)

Question 6**Izzy Khan****(a) Cash Budget for January – March 2006**

	January		February		March	
Opening Balance	20,000	1	18,788		10,530	
Add: Receipts						
Cash Sales	2,250	1	3,700	1	4,100	1
Credit Sales					4,300	1
	2,250		3,700		8,400	
Payments						
Purchases			6,000	1	7,000	1
Insurance	200	1	200	1	250	1
Wages	2,000		2,000		2,000	1 for line
Commission	262	2	358	2	452	2
Shop Fittings			2,250	1	2,250	1
Drawings	500		500		500	1 for line
Rent	500	1	650	1	650	1
	3,462		11,958		13,102	
Closing Balance	18,788		10,530		5,828	1

(24)**(b) Bank Loan/Any other sort of loan - once only**

Bank Overdraft

Invest Additional Capital/personal savings

Hire Purchase

Leasing

Partner

Any 3 x 2

(6)**(30)**

[END OF MARKING INSTRUCTIONS]