

2005 Accounting and Finance

Standard Grade – Foundation

Finalised Marking Instructions

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

2005 Accounting and Finance

Standard Grade – Foundation Special

Finalised Marking Instructions

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2005 Standard Grade – Accounting and Finance

Foundation Paper

Special Instructions

Question 1

(a) Award marks as per solution

If £5 is included for bank interest in November lose award for Total Cash In

If £25 is included for Charity in November lose award for Total Cash Out

(i) November Closing Balance may be consequential
However not consequential in Opening Balance is not included in calculation.

(ii) December Opening Balance, Total Cash In, Total Cash Out and Closing Balance may be consequential

(b) Mark as per solution

(c) Mark as per solution

(d) Mark as per solution

(e) Right or wrong.
If 4 boxes ticked
If 5 boxes ticked

(f) Mark as per solution

| Award Marks Lost | Penalties |
|-------------------------|------------------|
| | |
| | 2 6 |

Question 2

(a) Mark as per solution

(b) Mark as per solution

Accept signature anywhere on cheque
After 'Pay' accept name and amount in either order
Counterfoil in consequential on cheque
Any item wrong or missing

(c) Mark as per solution

(d) Right or wrong. If wrong
If more than one box ticked

(e) Right or wrong. If wrong
If more than one box ticked

| Award Marks Lost | Penalties |
|---------------------|-----------|
| lose award | |
| lose award | 2 once |
| lose award | 2 once |

Question 3

(a) Award marks as per solution

Any entry wrong/missing

Ignore balances

Complete reversal: ½ marks available (**max 7**)

If one entry correct – mark as per solution

Lifestyle Shoes Account

Accept:

2 April

Purchases £400.00 (1)

VAT £70.00 (1)

14 April

Purchases Return £200.00 (1)

VAT £35.00 (1)

Classic Shoes plc Account

Accept: Purchases £90.00 (1)

VAT £15.75 (1)

Any extra entries

| Award Marks Lost | Penalties |
|------------------|-------------|
| lose award | 1 each time |

Question 3 continued

(b) Mark as per solution

Put marks on purple sheet – unless candidate has answered on question paper. Put a line through boxes on question paper.

If answered on both, and different, mark both and award best.

Balances consequential on ledger accounts – but take what they have even if wrong.

Totals consequential – must be arithmetically correct to receive award.

Balance in wrong column
(unless consequential on ledger accounts)

(c) Right or wrong. If wrong
If 3 boxes ticked
If 4 boxes ticked

(d) Right or wrong. If wrong
If 3 boxes ticked
If 4 boxes ticked

(e) Right or wrong. If wrong
If more than one box ticked

(f) Right or wrong. If wrong
If 3 boxes ticked
If 4 boxes ticked

| Award Marks Lost | Penalties |
|------------------|--------------|
| | |
| 1 each time | |
| lose award | 2 2 twice |
| lose award | 2 2 twice |
| lose award | 2 once |
| lose award | 2 2 twice |

Question 4

(a) Mark as per solution

(b) Mark as per solution

(c) Right or wrong. If wrong
If 4 boxes ticked
If 5 boxes ticked
If 6 boxes ticked

(d) Right or wrong. If wrong
If more than one box ticked

(e) Right or wrong. If wrong
If more than one box ticked

(f) Right or wrong. If wrong
If more than one box ticked

| Award Marks Lost | Penalties |
|---------------------|-------------|
| | |
| 2 each time | 2 4 6 |
| 2 | 2 once |
| 2 | 2 once |
| 2 | 2 once |

Question 6

(a) Mark as per solution

Depreciation added to cost of Equipment –
lose award for Net Value

Equipment (NV) deducted from Premises –
lose award for Fixed Asset total

Current Liabilities added to Current Assets –
lose award for Working Capital

Working Capital deducted from Fixed Asset Total –
lose award for total

Balance Sheet total consequential.

(b) (i) Mark as per solution

If only final answer given - correct – accept
- wrong

One part must be correct to gain final award

Final answer may be consequential

(ii) Mark as per solution

If only final answer given - correct – accept
- wrong

One part must be correct to gain final award

Final answer may be consequential

(c) Right or wrong. If wrong
If 3 boxes ticked
If all 4 boxes ticked

(d) Right or wrong. If wrong
If 5 boxes ticked
If all 6 boxes ticked

(e) Mark as per solution

| Award Marks Lost | Penalties |
|---------------------|--------------|
| 1 | |
| 1 | |
| 1 | |
| 3 | |
| 3 | |
| lose award | 2 2 twice |
| lose award | 2 8 |
| | |

Standard Grade Accounting and Finance

2005 Foundation Level Paper – Analysis of Questions

| Question | Marks | Element | Extended GRC | |
|----------|-------|---------|--------------|---|
| 1 | (a) | 16 | HI | c |
| | (b) | 2 | KU | f |
| | (c) | 2 | KU | f |
| | (d) | 2 | KU | f |
| | (e) | 6 | KU | b |
| | (f) | 2 | KU | e |
| 2 | (a) | 2 | KU | c |
| | (b) | 8 | HI | a |
| | (c) | 2 | KU | d |
| | (d) | 2 | KU | c |
| | (e) | 2 | KU | c |
| 3 | (a) | 14 | HI | b |
| | (b) | 8 | HI | b |
| | (c) | 4 | KU | f |
| | (d) | 4 | KU | f |
| | (e) | 2 | KU | e |
| | (f) | 4 | KU | d |
| 4 | (a) | 2 | KU | d |
| | (b) | 2 | KU | d |
| | (c) | 6 | KU | f |
| | (d) | 2 | KU | d |
| | (e) | 2 | KU | d |
| | (f) | 2 | KU | d |
| 5 | (a) | 24 | HI | c |
| | (b) | 2 | KU | a |
| | (c) | 2 | KU | a |
| | (d) | 10 | KU | a |
| 6 | (a) | 4 | HI | c |
| | (b) | 6 | HI | d |
| | (c) | 4 | KU | e |
| | (d) | 8 | KU | b |
| | (e) | 2 | KU | e |

Marks Distribution

| Element | Extended GRC | | | | | | Total Marks | |
|---------|--------------|----|----|----|----|----|-------------|----|
| | A | B | C | D | E | F | | |
| KU | 14 | 14 | 12 | 16 | 10 | 14 | = | 80 |
| HI | 8 | 22 | 44 | 6 | | | = | 80 |

Total : 160

[END OF MARKING INSTRUCTIONS]

2005 Accounting and Finance

Standard Grade – Foundation Solutions

Finalised Marking Instructions

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Marks

| KU | HI |
|----|----|
| | |

1. (a) Gemma Finch prepares a Cash Budget for her personal use.

On the following page:

- (i) complete her Cash Budget for November to find the closing balance;
- (ii) for the month of December enter the opening balance and the figures below to complete the Cash Budget.

| | |
|------------------|-------|
| | £ |
| Food | 100 |
| Bank Interest | 5 |
| Entertainment | 125 |
| Charity | 25 |
| TV Licence | 15 |
| Mortgage Payment | 142 |
| Salary | 1,500 |
| Mobile Phone | 36 |
| Transport Costs | 58 |

Marks

| | |
|----|----|
| KU | HI |
|----|----|

1. (a) (continued)

Cash Budget of Gemma Finch

| | November | | December | |
|------------------|----------|-----------------------|----------|-------------------------|
| | £ | £ | £ | £ |
| OPENING BALANCE | | 50 | | 878 (1) |
| Cash In: | | | | |
| Salary | | 1,300 | | 1,500 (1) |
| Bank Interest | | — | | 5 (1) |
| Total Cash In | | <u>1,350</u> (1) | | <u>2,383</u> (1) |
| Cash Out: | | | | |
| Food | 150 | | 100 | (1) |
| Entertainment | 125 | | 125 | (1) |
| Charity | — | | 25 | (1) |
| TV License | 15 | | 15 | (1) |
| Mortgage | 142 | | 142 | (1) |
| Mobile Phone | 5 | | 36 | (1) |
| Transport | 35 | | 58 | (1) |
| Total Cash Out | | <u>472</u> (1) | | <u>501</u> (1) |
| CLOSING BALANCE | | <u><u>878</u></u> (1) | | <u><u>1,882</u></u> (1) |

16

Marks

| | |
|----|----|
| KU | HI |
|----|----|

3. (a) From the information in the **Document Pack provided for use with Question 3(a)**, complete the ledger accounts below.

Ledger of Sam's Shoes

| Account Name <u>Purchases</u> | | Number <u>1</u> | | | | | |
|-------------------------------|-------------------|-----------------|-------------------|----|---|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| 2005 | | £ | p | £ | p | £ | p |
| 2 April | Lifestyle Shoes | 400 | 00 ⁽¹⁾ | | | 400 | 00 |
| 8 April | Classic Shoes plc | 90 | 00 ⁽¹⁾ | | | 490 | 00 |
| | | | | | | | |
| | | | | | | | |

| Account Name <u>VAT</u> | | Number <u>2</u> | | | | | |
|-------------------------|-------------------|-----------------|-------------------|----|-------------------|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| 2005 | | £ | p | £ | p | £ | p |
| 2 April | Lifestyle Shoes | 70 | 00 ⁽¹⁾ | | | 70 | 00 |
| 8 April | Classic Shoes plc | 15 | 75 ⁽¹⁾ | | | 85 | 75 |
| 14 April | Lifestyle Shoes | | | 35 | 00 ⁽¹⁾ | 50 | 75 |
| | | | | | | | |
| | | | | | | | |

| Account Name <u>Lifestyle Shoes</u> | | Number <u>3</u> | | | | | |
|-------------------------------------|-----------------------|-----------------|-------------------|-----|-------------------|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| 2005 | | £ | p | £ | p | £ | p |
| 1 April | Balance | | | 500 | 00 ⁽⁰⁾ | 500 | 00 |
| 2 April | Purchases/VAT | | | 470 | 00 ⁽²⁾ | 970 | 00 |
| 14 April | Purchases Returns/VAT | 235 | 00 ⁽²⁾ | | | 735 | 00 |
| | | | | | | | |
| | | | | | | | |

Marks

| | |
|----|----|
| KU | HI |
|----|----|

3. (a) (continued)

| Account Name | | <u>Purchases Returns</u> | | Number | | 4 | |
|--------------|-----------------|--------------------------|---|--------|-------------------|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| 2005 | | £ | p | £ | p | £ | p |
| 14 April | Lifestyle Shoes | | | 200 | 00 ⁽¹⁾ | 200 | 00 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| Account Name | | <u>Classic Shoes plc</u> | | Number | | 5 | |
|--------------|---------------|--------------------------|-------------------|--------|-------------------|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| 2005 | | £ | p | £ | p | £ | p |
| 8 April | Purchases/VAT | | | 105 | 75 ⁽²⁾ | 105 | 75 |
| 28 April | Bank | 50 | 00 ⁽¹⁾ | | | 55 | 75 |
| | | | | | | | |
| | | | | | | | |

| Account Name | | <u>Bank</u> | | Number | | 6 | |
|--------------|-------------------|-------------|-------------------|--------|-------------------|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| 2005 | | £ | p | £ | p | £ | p |
| 1 April | Balance | 500 | 00 ⁽⁰⁾ | | | 500 | 00 |
| 28 April | Classic Shoes plc | | | 50 | 00 ⁽¹⁾ | 450 | 00 |
| | | | | | | | |
| | | | | | | | |

14

Marks

| KU | HI |
|----|----|
| | |
| | |
| | |
| | |
| | |

3. (continued)

(b) Use the accounts that you have completed in (a) to complete the Trial Balance for Sam's Shoes.

Trial Balance for Sam's Shoes as at 30 April 2005

| | Dr £ | Cr £ |
|-------------------|-------------------|-------------------|
| Purchases | 490.00 (1) | |
| VAT | 50.75 (1) | |
| Lifestyle Shoes | | 735.00 (1) |
| Purchases Returns | | 200.00 (1) |
| Classic Shoes plc | | 55.75 (1) |
| Bank | £ 450.00 (1) | £ |
| | <u>990.75 (1)</u> | <u>990.75 (1)</u> |

8

(c) Which **2** statements are true about buying goods on credit?
Tick (✓) the **2** correct boxes.

| | |
|---|-------------------------------------|
| This is another name for buying on hire purchase. | <input type="checkbox"/> |
| Cash must be paid immediately. | <input type="checkbox"/> |
| Goods do not have to be paid for at the time of purchase. | <input checked="" type="checkbox"/> |
| Cash discount may be given for prompt payment. | <input checked="" type="checkbox"/> |

4

Marks

| KU | HI |
|----|----|
| | |
| 4 | |
| | |
| 2 | |
| | |
| 4 | |
| | |

3. (continued)

- (d) Which **2** statements are true of **trade discount**?
Tick (✓) the **2** correct boxes.

| | |
|---|---|
| Given to customers who buy goods in bulk. | ✓ |
| Given to regular customers. | ✓ |
| Given when payment is due. | |
| Is recorded in the ledger accounts. | |

- (e) Under which Balance Sheet heading should you record **Debtors**?
Tick (✓) the correct box.

| | |
|---------------------|---|
| Fixed Assets | |
| Current Assets | ✓ |
| Current Liabilities | |
| Financed by | |

- (f) Two of the following statements are true of a **Trial Balance**.
Tick (✓) the **2** correct boxes.

| | |
|---|---|
| It is used to check the accuracy of the ledger accounts. | ✓ |
| It is used to show the value of the business. | |
| It is used to prepare the Trading and Profit and Loss Accounts. | ✓ |
| It is used to calculate how much is in the bank. | |

Marks

| | |
|----|----|
| KU | HI |
|----|----|

4. The following are the updated Bank Account and Bank Reconciliation Statement of Monica Ali as at 30 April 2005.

| Account Name: Bank | | | | | | | |
|---------------------------|---------------------------------|-------|----|----|----|---------|----|
| Date | Details | Dr | | Cr | | Balance | |
| | | £ | p | £ | p | £ | p |
| 2005 | | | | | | | |
| 30 April | Balance | 2,000 | 00 | | | 2,000 | 00 |
| | Direct Debit —BT | | | 85 | 00 | 1,915 | 00 |
| | Standing Order— Scottish Gas | | | 58 | 00 | 1,857 | 00 |

Bank Reconciliation Statement of Monica Ali as at 30 April 2005

| | £ | £ |
|---|-------|-----------|
| Balance as per updated Bank Account | | 1,857.00 |
| Add: cheques paid out but not yet presented | | |
| Keenan Malik | 22.00 | |
| Owen Meany | 33.00 | |
| | <hr/> | |
| | | 55.00 |
| | | <hr/> |
| | | 1,912.00 |
| Less: items paid in but not yet credited | | |
| Madox Ford plc | | 46.00 |
| | | <hr/> |
| Balance as per Bank Statement | | £1,866.00 |
| | | <hr/> |

Marks

| KU | HI |
|----|----|
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |
| | |

4. (continued)

- (a) How much money did Monica Ali have in her Bank Account **before** she updated it?

£2,000

2

- (b) Give **one** reason why the Bank Account balance can be different from the Bank Statement balance.

Delays in cheque use; errors; items not recorded by firm eg D.D. Direct debit (1) on own

2

- (c) Which **3** statements are true of a standing order?
Tick (✓) the **3** correct boxes.

(ANY ONE)

| | |
|--|---|
| The amount is paid at a set time each week or month. | ✓ |
| The amount is fixed. | ✓ |
| You can have more than one standing order. | ✓ |
| You must be a plc to use standing orders. | |
| A cheque must be sent with the standing order. | |
| Using standing orders is very time consuming. | |

6

- (d) Tick (✓) the correct box to explain why the standing order is in the updated Bank Account.

| | |
|--|---|
| It had been deducted in the Bank Statement but not the Bank Account. | ✓ |
| It must be recorded twice in the Bank Account. | |
| It has to be recorded here for the following month. | |

2

- (e) Tick (✓) the correct box to explain the meaning of “cheques paid out but not yet presented”.

| | |
|---|---|
| Monica Ali had received these cheques but had not paid them into the Bank. | |
| Keenan Malik and Owen Meany had received the cheques but had not paid them into the Bank. | ✓ |
| The Bank had paid both cheques for Monica Ali. | |

2

Marks

4. (continued)

(f) Tick (✓) the correct box to explain the purpose of a Bank Reconciliation Statement.

| | |
|---|---|
| To check if the Bank Account balances. | |
| To calculate if the Bank has made a profit. | |
| To explain any difference between the Bank Account and Bank Statement balances. | ✓ |
| To record any small items of expenditure in the Bank Statement. | |

2

| KU | HI |
|----|----|
| | |
| | |
| | |

5. (a) From the following information and the notes of Rowling plc, you are required to complete the Trading, Profit & Loss and Appropriation Account for the year ended 30 April 2005.

Marks

| KU | HI |
|----|----|
| | |

| | £000 |
|----------------------------------|------|
| Sales | 950 |
| Debenture Interest | 14 |
| Rent | 2 |
| Opening Stock | 4 |
| Unappropriated Profit—1 May 2004 | 3 |
| Depreciation of Furniture | 2 |
| Sales Returns | 10 |
| Salaries | 54 |
| Closing Stock | 3 |
| Purchases | 200 |

| Notes: | £000 |
|-------------------------------|------|
| • Ordinary Share Dividend | 45 |
| • Preference Share Dividend | 10 |
| • Transfer to General Reserve | 3 |

Marks

| KU | HI |
|----|----|
| | |

5. (a) (continued)

Trading, Profit & Loss and Appropriation Account of Rowling plc for the year ended 30 April 2005

| | £000 | | £000 | |
|---|------|------------|------------|------------|
| Sales | | | 950 | (1) |
| Sales Returns | | | 10 | (1) |
| Net Sales | | | 940 | (1) |
| Opening Stock | 4 | (1) | | |
| Purchases | 200 | (1) | | |
| | 204 | (1) | | |
| Closing Stock | 3 | (1) | | |
| Cost of Goods Sold | | | 201 | (1) |
| Gross Profit | | (1) | 739 | (1) |
| Debenture Interest | 14 | (1) | | |
| Rent | 2 | (1) | | |
| Salaries | 54 | (1) | | |
| Depreciation of Furniture | 2 | (1) | 72 | (1) |
| Net Profit | | (1) | 667 | (1) |
| Unappropriated Profit at 1 May 2004 | | | 3 | (1) |
| | | | 670 | (1) |
| Ordinary Share Dividend | 45 | (1) | | |
| Preference Share Dividend | 10 | (1) | | |
| Transfer to General Reserve | 3 | (1) | 58 | (1) |
| Unappropriated Profit as at 30 April 2005 | | | £ 612 | (1) |

24

| Marks | KU | HI |
|-------|----|----|
| | | |
| 2 | | |
| | | |
| 2 | | |
| | | |
| 10 | | |
| | | |

5. (continued)

(b) Who owns Rowling plc?

The shareholders. shareholders (2)/members (-1P)

(c) The letters plc stand for “public limited company”.
Tick (✓) the correct box for the meaning of the word “limited”.

| | |
|---|---|
| The company can only have Ordinary Shareholders. | |
| The shareholders only lose the capital they have invested. | ✓ |
| The maximum number of shareholders is 50,000. | |
| Each shareholder can only receive a fixed amount of profit. | |

(d) Tick (✓) the correct box to show whether **each** of the following statements is True or False of a plc.

| | True | False |
|--|------|-------|
| Considerable expansion is possible. | ✓ | |
| Decisions may take longer. | ✓ | |
| The Directors propose the amount of Ordinary Dividend. | ✓ | |
| Drawings are shown in the Balance Sheet of a plc. | | ✓ |
| Preference shareholders receive a fixed dividend. | ✓ | |

| Marks | KU | HI |
|-------|----|----|
| | | |
| 3 | | |
| 3 | | |
| 4 | | |
| 8 | | |
| 2 | | |

6. (continued)

(b) From the Balance Sheet of G Elliot calculate:

(i) The Current Ratio

$$\begin{aligned}
 &= \text{Current Assets} \quad : \quad \text{Current Liabilities} \\
 &= \text{21,300 (1)} \quad : \quad \text{10,325 (1)} \\
 &= \text{2.06/2/2.1} \quad : \quad \text{1 (1)}
 \end{aligned}$$

(ii) The Return on Capital Invested

$$\frac{\text{Net Profit}}{\text{Opening Capital}} \times \frac{100}{1} = \frac{\text{12,000 (1)}}{\text{53,000 (1)}} \times \frac{100}{1} = \text{22.6/22/23 (1)} \%$$

(c) It would be useful to compare the above ratios with **2** of the following. Tick (✓) the **2** correct boxes.

| | |
|-------------------------|---|
| Last year's ratios | ✓ |
| Stock ratios | |
| Ratios of similar firms | ✓ |
| Trading ratios | |

(d) G Elliot is a sole trader. Which of the following statements are true of sole traders? Tick (✓) the **4** correct boxes.

| | |
|---|---|
| More than one person can work in the business. | ✓ |
| The owner receives all the profits. | ✓ |
| The owner is known as a shareholder. | |
| Personal assets as well as capital may be lost. | ✓ |
| Capital for expansion is limited. | ✓ |
| A partnership agreement is essential. | |

(e) Explain what effect a net loss would have on Elliot's capital.

It will decline. Not lose some (0)

[END OF MARKING INSTRUCTIONS]