



2013 Accounting and Finance

Standard Grade Foundation - Solutions

Finalised Marking Instructions

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Marks	
KU	HI
6	
2	
2	
2	
4	

1. (continued)

- (b) Identify the 3 accounts which would be used to record this invoice in the ledger of Linda's Pets. Tick (✓) the correct boxes.

Linda's Pets	
K & G Fitzpatrick	✓ (2)
VAT	✓ (2)
Sales	✓ (2)
Purchases	

- (c) State which of the above accounts would be used by both Linda's Pets and K & G Fitzpatrick for this transaction.

VAT (2)

- (d) K & G Fitzpatrick had to return some of the goods mentioned on the invoice. Give a possible reason for the return of goods.

Damaged (2), Wrong size (2), Wrong colour (2)

- (e) Name the document that Linda's Pets would send to K & G Fitzpatrick when the goods are returned.

Credit note (2)

- (f) Linda's Pets, operates as a sole trader. State which 2 of the following sources of finance would allow the business to expand. Tick (✓) the correct boxes.

Loan from family	✓ (2)
Increase subscriptions	
Owner's savings	✓ (2)
Issue debentures	

2. (b) State why A Dunn allowed Computer World plc a discount on April 6.

Because Computer World plc paid promptly or within a certain time. (2)

- (c) State the term that Computer World plc would use to describe A Dunn **before** they had paid him. Tick (✓) the correct box.

Debtor	
Lender	
Creditor	✓ (2)
Bankrupt	

- (d) State what the letters VAT stand for.

Value Added Tax (2)

- (e) State which **2** sources of finance are only available to a plc. Tick (✓) the **2** correct boxes.

Bank Loan	
Debenture	✓ (2)
Shares	✓ (2)
Mortgage	

Marks	
KU	HI
2	
2	
2	
4	

3. (continued)

(b) State whether each of the following costs of holding the Annual Ceilidh Dance is **fixed** or **variable**. Tick (✓) the correct box.

Cost	Fixed	Variable
Hire of hall	✓ (2)	
Meal		✓ (2)
Refreshments		✓ (2)
Payment to Ceilidh Band	✓ (2)	

(c) State who owns Dunblane Cricket Club.

The Members (2), Subscribers(2)

(d) State whether the following are **True** or **False** of a not-for-profit organisation. Tick (✓) the correct box.

	True	False
A profit is called a Deficit		✓ (2)
An AGM is held every year	✓ (2)	
Accounts do not need to be kept		✓ (2)

Marks	
KU	HI
8	
2	
6	

Marks	
KU	HI
6	
8	

4. (continued)

- (b) The following types of error could have occurred even though the Trial Balance still balances.

Compensating Error
Error of Commission

Error of Omission
Error of Principle

Using the above, identify the type of error being described – the first has been done for you.

Description	Type of Error
An invoice fell down the back of a cabinet and was not recorded	<i>Omission (0)</i>
Sales on credit to A Green were credited in the Sales account but debited M Green's account	Commission (2)
The repairs of a vehicle were debited in the Vehicle account instead of the Repairs account	Principle (2)
Two or more errors have cancelled each other out	Compensating (2)

- (c) Frank operates as a Sole Trader and is considering going into Partnership with Shazia Anwar. Indicate whether each of the following is an advantage or a disadvantage of being in a partnership. Tick (✓) the correct box.

	Advantage	Disadvantage
Partners share profits		✓ (2)
Partners can bring in more capital	✓ (2)	
Partners may disagree about the business		✓ (2)
Partners can take holidays more easily	✓ (2)	

Marks	
KU	HI
8	
2	
2	

5. (continued)

(b) Alpha plc have issued both Ordinary and Preference Shares. Tick (✓) the correct box to indicate whether each of the following statements refers to Ordinary or Preference Shares.

	Ordinary	Preference
These shareholders can vote at the AGM	✓ (2)	
These shareholders receive a dividend dependant on the profits	✓ (2)	
These shareholders are paid their dividend first		✓ (2)
In the event of bankruptcy these shareholders are paid back last	✓ (2)	

(c) State what the letters “plc” stand for.

Public Limited Company (2)

(d) Who do the shareholders elect to run the plc on their behalf?

MD (1) CEO (1) BOD (2)

Marks	
KU	HI
2	
2	
4	
4	

6. (continued)

- (b) Bob Dane and Jim Poodle run similar businesses to Sam Lab. Their ratios for last year were as follows.

Business	Working Capital	Return on Capital Employed
Bob Dane	1.8 : 1	40%
Jim Poodle	1.2 : 1	32%

- (i) Identify who will be able to pay off their debts more easily. Tick (✓) the correct box.

Bob Dane	✓ (2)
Jim Poodle	

- (ii) State who has the better Return on Capital Employed. Tick (✓) the correct box.

Bob Dane	✓ (2)
Jim Poodle	

- (c) Sam Lab could also calculate his Gross Profit Ratio. Identify which 2 pieces of information he would need to do this. Tick (✓) the correct boxes.

Opening Stock	
Capital	
Gross Profit	✓ (2)
Purchases	
Sales	✓ (2)

- (d) Name 2 other ratios that Sam Lab could calculate.

Net Profit % (2) Expense % (2)
 Rate of Stock Turnover (2) Acid Test (2)

[END OF MARKING INSTRUCTIONS]