



**2014 Accounting**

**Intermediate 1 – Solutions**

**Finalised Marking Instructions**

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## **General Marking Principles for Accounting Intermediate 1 - Solutions**

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the specific Marking Instructions for each question.

- (a)** Marks for each candidate response must always be assigned in line with these general marking principles and the specific Marking Instructions for the relevant question. If a specific candidate response does not seem to be covered by either the principles or detailed Marking Instructions, and you are uncertain how to assess it, you must seek guidance from your Team Leader/Principal Assessor.
- (b)** Marking should always be positive ie, marks should be awarded for what is correct and not deducted for errors or omissions.

## **GENERAL MARKING ADVICE: Accounting Intermediate 1 - Solutions**

The marking schemes are written to assist in determining the “minimal acceptable answer” rather than listing every possible correct and incorrect answer. The following notes are offered to support Markers in making judgements on candidates’ evidence, and apply to marking both end of unit assessments and course assessments.

2014 Accounting and Finance

Intermediate 1

Solutions

Question 1

PART A

Nora's Boutique

Trading, Profit and Loss Account for year ending 31 December Year 3

	£000		£000		£000	
Sales					30,000	1
Less Sales Returns					<u>2,000</u>	1
					28,000	
<b>Less: Cost of Sales</b>						
Opening Stock			3,850	1		
+Purchases	14,000	1				
+Carriage In	<u>500</u>	1				
	14,500					
-Purchases Returns	<u>1,000</u>	1				
			<u>13,500</u>			
			17,350			
-Closing Stock			<u>5,650</u>	1		
<b>COST OF GOODS SOLD</b>					<u>11,700</u>	
<b>GROSS PROFIT</b>		<b>1 label</b>			<u>16,300</u>	1
<b>Add: Revenues</b>						
+Discount Received					<u>1,600</u>	1
					17,900	
<b>Less: Expenses</b>						
Wages	6,000	1				
+Wages owing	<u>650</u>	2	6,500			
Bad Debts			500	1		
Discount Allowed			800	1		
Insurance			2,500	1		
Carriage Out			300	1		
Heat and Light	3,200	1				
-Heat and Light prepaid	<u>200</u>	2				
			3,000			
Depreciation (Equipment)			<u>150</u>	2		
					<u>13,900</u>	
<b>NET PROFIT</b>		<b>1 label</b>			<u><u>4,000</u></u>	1

(24)


**PART B**

<b>(a)</b>	<b>SO</b>	Standing Order	<b>1</b>
		Fixed regular payment eg insurance premium	<b>1</b> <b>1</b>
		Bank automatically deducts the amount from the bank account and pays the SO	<b>2</b>
		Arranged by the person who is making the payment	<b>2</b>
<b>(b)</b>	<b>DD</b>	Direct Debit	<b>1</b>
		Regular payments, the amount of which can vary eg electricity, telephone	<b>2</b>
		Arranged by the organisation to which the cash transfer is being made	<b>2</b>
<b>(c)</b>	<b>BGC</b>	Bank Giro Credit	<b>1</b>
		Transfer made directly from one account to another	<b>2</b>

**(6)**  
**(30)**

**Question 2**

**PART A**

<h2 style="margin: 0;">CREDIT NOTE</h2> <p style="margin: 5px 0;">Crafty Catering Supplies Plc Lakeside Industrial Estate DUNFERMLINE KY12 8EE  01382 008864</p> 				
Credit Note No: 153		Date: 29 April 2014		<b>1</b>
Vat Reg No: 345 23 15				
To: The Nouveau House Hotel Balmeadie Road EDINBURGH EH12 7RZ				
Quantity	Description	Unit Price (£)	Total (£)	
5	Square Dinner Plates (cracked)	6.00	30.00	<b>1 line</b>
10	Espresso Cups (wrong colour)	4.00	40.00	<b>1 line</b>
			70.00	
	Less Trade Discount (10%)		7.00	<b>2</b>
	NET GOODS VALUE		63.00	
	VAT @ 20%		12.60	<b>2</b>
	TOTAL		75.60	<b>1 (8)</b>

**PART B**

**Suraj Singh**

**Trial balance as at 31 December Year 2**

	<b>£000</b>		<b>£000</b>	
<b>Sales</b>			300	<b>1</b>
<b>Purchases</b>	180	<b>1</b>		
<b>Wages</b>	17	<b>1</b>		
<b>Creditors</b>			55	<b>1</b>
<b>Discount Received</b>			9	<b>1</b>
<b>Drawings</b>	35	<b>1</b>		
<b>Sales Returns</b>	120	<b>1</b>		
<b>Bank Overdraft</b>			11	<b>1</b>
<b>Heat and Light</b>	12	<b>1</b>		
<b>Debtors</b>	60	<b>1</b>		
<b>Equipment</b>	100	<b>1</b>		
<b>Stock (1 January Year 2)</b>	13	<b>1</b>		
<b>Discount Allowed</b>	3	<b>1</b>		
<b>Carriage In</b>	10	<b>1</b>		
<b>Capital</b>			175	<b>2</b>
	<u>£550</u>		<u>£550</u>	

**(16)**

**PART C**

- More capital
- More skills/expertise
- Someone to consult before making decisions
- Easier to take holidays/time off
- Share workload
- Can have limited liability (LLP)

**(Any 3, 2 marks each)**

**(6)**

### Question 3

#### PART A

(a) Skyfall Plc

Profit and Loss Account for year ended 31 December Year 2

	£000	£000	£000	
<b>GROSS PROFIT</b>			100	1
+Revenue			10	1
			<u>110</u>	
<b>Less: Expenses</b>				
Expenses Paid		15		1
Debenture Interest paid	2	1		
+Debenture Interest due	<u>1</u>	<u>2</u>		
		3		
Depreciation (Fixtures)		<u>12</u>		1
			<u>30</u>	
<b>NET PROFIT (before Tax) ✓</b>			80	
-Corporation Tax			<u>20</u>	1
<b>NET PROFIT (after Tax)</b>			60	
+Unappropriated Profit Year 1			<u>10</u>	1
			70	
-Ordinary Share dividend			<u>30</u>	1
<b>UNAPPROPRIATED PROFIT YEAR 2 ✓</b>			<u>40</u>	1

(11)

**(b) Skyfall Plc**  
**Balance Sheet as at 31 December Year 2**

<b>FIXED ASSETS</b>	<b>COST £000</b>	<b>AGG DEP £000</b>	<b>NBV £000</b>	
Premises	350		350	1
Fixtures	120	12	108	1
	<u>470</u>	<u>12</u>	<u>458</u>	
<b>CURRENT ASSETS</b>				
Stock		40		1
Debtors		26		1
Bank		<u>22</u>		1
		88		
<b>CURRENT LIABILITIES</b>				
Creditors	25			1
Debenture Interest due	1			1
Ordinary Share dividend due	30			1
Corporation Tax due	<u>20</u>			1
		<u>76</u>		
Working Capital			<u>12</u>	
			<u>470</u>	
<b>Financed by:</b>				
400,000 Ordinary Shares @ £1 each			400	1
+Unappropriated Profit Year 2			<u>40</u>	1
			440	
10% Debentures			<u>30</u>	1
			<u>470</u>	
			<u><u>470</u></u>	<b>(13)</b>

**PART B**

Gross Profit Ratio **2**  
 Net Profit Ratio **2**  
 Return on Capital Employed **2**

**(6)**  
**(30)**



**Question 4**

**PART A**

**(a) Campbell Plc  
Overhead Analysis Sheet**

Overhead	Basis	Rate	Total	X	Y	Z	Canteen
Heat and Light	Floor Area (sq m)	£0.50	40,000	10,000	7,000	20,000	3,000
Supervision	No of Employees	£900	90,000	27,000	18,000	36,000	9,000
Insurance of Machinery	Value of Machinery (£)	£0.05	10,000	3,000	1,000	6,000	
	<b>DEPARTMENT TOTALS</b>			40,000	26,000	62,000	12,000

**1 line**

**(15)**

**(b)**

Re-apportion Canteen	%		12,000	3,600	2,400	6,000	
	<b>TOTAL DEPARTMENTAL OVERHEADS</b>			43,600	28,400	68,000	

**(3)**

(c)

	X		Y		Z	
<b>TOTAL DEPARTMENTAL OVERHEADS</b>	43,600		28,400		68,000	
<b>Overhead Absorption Rate</b>	43,600/10,000 =£4.36	<b>2</b>	28,400/4,000 =£7.10	<b>2</b>	68,000/16,000 =£4.25	<b>2</b>

(6)

**PART B**

- Clock Cards
- Time Sheets
- Attendance Cards
- Job Sheets
- Payslip
- Clock-in Sheet

**DO NOT ACCEPT** Job Cost Statement

**(Any 3, 2 marks each)**

(6)

(30)

## Question 5

### PART A

Patricia Murphy

Cash Budget for 2 months March and April Year 1

	<b>MARCH</b>		<b>APRIL</b>	
	<b>£</b>		<b>£</b>	
Opening Balance	40,000	<b>1</b>	35,200	<b>1</b>
<b>CASH IN</b>				
Cash Sales	100,000	<b>1</b>	135,000	<b>1</b>
Credit Sales	125,000	<b>1</b>	115,000	<b>1</b>
	<u>265,000</u>		<u>285,200</u>	
<b>CASH OUT</b>				
Purchases	220,000	<b>1</b>	200,000	<b>1</b>
Insurance	800	<b>1</b>	960	<b>2</b>
Wages	5,000		5,000	<b>1 line</b>
Equipment	4,000		4,000	<b>2 line</b>
	<u>229,800</u>		<u>209,960</u>	
Closing Balance	<u>£35,200</u>	<b>1</b>	<u>£75,240</u>	<b>1</b>

(16)

**PART B**

**Spinning Process Account**

	INPUTS			OUTPUTS			BALANCE				
	Qty (Kg)	Price £	Value £	Qty (Kg)	Price £	Value £	Qty (Kg)	Price £	Value £		
Materials	1,500	4	6,000	2			1,500	4	6,000		
Labour			4,500	1					10,500		
Overheads			1,500	1					12,000		
Waste				300	0	0	1,200	1	10	2	12,000
To Weaving				1,200	Or 1	10	Or 2	12,000		0	0
<b>Cost per unit = 12,000/1,200</b> <b>= £10</b>											

(8)

**Alternative Layout**

Spinning Process Account										
Inputs				Outputs						
	Qty (Kg)	Price £	Value £		Qty (Kg)	Price £	Value £			
Materials	1,500	4	6,000	2	Waste	300	0	0	1	
Labour			4,500	1	To Weaving	1,200	1	10	2	12,000
Overheads			1,500	1						
			12,000							12,000

(8)

**PART C**

X C8 =C5+C6+C7 OR =SUM(C5:C7) (2)

Y C9 =C8\*20% OR C8\*20/100 OR C8\*0.20 (2)

Z C10 =C8+C9 OR =SUM(C8:C9) (2)

(30)

**Question 6**

**PART A**

**Briteskyz Plc**

**Stock Record Card**

**Boxes of Fireworks**

Date	Details	Receipts				Issues				Balance			
		Qty	CPU £	Total £		Qty	CPU £	Total £		Qty	CPU £	Total £	
01 Oct	Balance									100	30	3,000	1
03 Oct	Issues to shop				30	30	900	2		70	30	2,100	1
15 Oct	Receipts from supplier – Boomabang plc	60	40	2,400	2					70 60	30 40	2,100 <u>2,400</u> 4,500	1
29 Oct	Issues to shop				70 20	30 40	2,100 800	2 2		40	40	1,600	1

(12)

**PART B**

**Happy Haggis Tours Plc**

(a)  $1,000 \times 50 (1) \times 4 (1) = 200,000$  miles

(2)

**(b) Operating Cost Statement**

	£	
Total Annual Fuel	40,000	1
Maintenance (£20,000 (1) x 4 (1))	80,000	2
Wages ( $6 \times 40 (1) \times 50 (1) \times £12 (1)$ )	144,000	3
Total Annual Insurance	8,000	1
<b>TOTAL COST</b>	<u>272,000</u>	1

(8)

(c)  $272,000/200,000 = £1.36$  (2)

(2)

**PART C**

<b>(a)</b>	<b>Item</b>			
	<b>A</b>	Break-even Point	<b>1</b>	
	<b>B</b>	Total Revenue	<b>1</b>	
	<b>C</b>	Total Cost	<b>1</b>	
	<b>D</b>	Fixed Cost	<b>1</b>	<b>(4)</b>

<b>(b)</b>	<b>Cost</b>	<b>Examples</b>		
	<b>Fixed cost</b>	Rent, Rates, Salary	<b>1</b>	
	<b>Variable cost</b>	Raw Materials, Wages	<b>1</b>	<b>(2)</b>

**(30)**

[END OF MARKING INSTRUCTIONS]



**2014 Accounting**

**Intermediate 1 – Special Instructions**

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- 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.



## 2014 ACCOUNTING

### 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 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
Arithmetic	Arithmetic errors	-1A each

**Question 1**

	<b>NORA'S BOUTIQUE</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
(a)	<b>Trading, Profit and Loss Account</b>		
	Mark as per solution	1 or 2	
	If item in wrong section lose award, no penalty	1 or 2	
	Any item wrong effect	1	
	Gross Profit not labelled	1	
	If wages and/or heat and light adjustments not correctly treated/detached	1	
	If COGS added to net sales, lose GP award	1	
	If NP label missing	1	
	If total expenses not subtracted from GP, lose Net Profit award	1	
	Other items right/wrong	1	
	Extraneous items		-1E once
	<b>PART B</b>		
	Any reasonable answer		

## Question 2

		Award Marks Lost	Penalties
	<p><b>PART A</b></p> <p>If today's date missing/wrong – 29 April 2014</p> <p>If any quantity, description, unit price or total cost wrong/omitted</p> <p>If Trade Discount wrong/not consequential</p> <p>If Trade Discount correctly calculated but added, award 1 for calculation</p> <p>If VAT wrong/not consequential</p> <p>If VAT correctly calculated but subtracted, award 1 for calculation</p> <p>If total wrong/not consequential</p> <p><b>PART B</b></p> <p>Mark as per solution</p> <p>Capital omitted or not consequential</p> <p>Any total omitted or not consequential</p> <p><b>PART C</b></p> <p>Any reasonable advantage</p>	<p>1</p> <p>1 line</p> <p>2</p> <p>1</p> <p>2</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>1</p> <p>2</p> <p>2</p>	<p>-1P once</p>

**Question 3**

	<b>SKYFALL PLC</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
	<b>PART A</b>		
(a)	Mark as per solution	1 or 2	
	If item in wrong section lose award, no penalty	1 or 2	
	Any item wrong effect	1	
	Debenture interest not correctly treated/detached	1	
	Net Profit not labelled		-1P
	If Unappropriated label missing	1	
	Extraneous items		-1E once
(b)	Mark as per solution	1	
	Depreciation, debenture interest, ordinary share dividend, corporation tax and unappropriated profit year 2 not consequential on part (a)	1 each	
	If working capital not added to total fixed assets		-1P
	Debentures must be the final item in the balance sheet	1	
	Items in wrong section	1	
	Extraneous items		-1E once
	<b>PART B</b>		
	Mark as per solution		

**Question 4**

	<b>CAMPBELL PLC</b>	<b>Award Marks Lost</b>	<b>Penalties</b>
	<p><b>PART A</b></p> <p>(a) Mark as per solution – wrong base and/or rate (rate can be implied)</p> <p>Any department total not consequential</p> <p>(b) Figure used will be consequential on candidate's department total from (a), if not</p> <p>Any Total Departmental Overhead wrong/not consequential</p> <p>(c) Any absorption rate wrong or not consequential on candidate's total from (b)</p> <p><b>PART B</b></p> <p>Any reasonable answer</p> <p><b>DO NOT ACCEPT JOB COST STATEMENT</b></p>	<p>4 or 5</p> <p>1 line</p> <p>1 each</p> <p>2 each</p>	<p>-1P each (max 2)</p>

**Question 5**

		<b>Award Marks Lost</b>	<b>Penalties</b>
	<b>PART A</b>		
	If opening balance not £40,000	1	
	Cash sales as per solution, if not	1 each	
	Credit sales as per solution, if not	1 each	
	Purchases as per solution, if not	1 each	
	If insurance not as per solution	1 or 2	
	If wages not as per solution	1 line	
	If equipment not as per solution	2 line	
	If opening balance in April omitted/not consequential	1	
	Any closing balance omitted/not consequential	1	
	<b>PART B</b>		
	Award marks as given right/wrong/consequential		
	Value of output units not as given or consequential on balance after waste	1	
	If cost per kg wrong or not consequential	2	
	If transfer to weaving not in output but cost per unit correctly calculated	1	
	The unit cost must be shown – do not award marks for implied	2	
	Calculation shown for CPU but not consequentially right	1	
	If candidates do T-accounts using the first layout accept		
	<b>PART C</b>		
	Any incorrect formula	2 each	
	Accept 'x' for multiplication in formula		

**Question 6**

		<b>Award Marks Lost</b>	<b>Penalties</b>
	<b>PART A</b> Mark as per solution	1 or 2	
	<b>PART B</b>		
(a)	If not x 4	1	
	If not x 50	1	
(b)	Mark as per solution	1, 2 or 3	
	If total cost incorrect/not consequential/omitted	1	
	If total cost not labelled	1	
(c)	If candidate's answer to part (b) not divided by answer to part (a)	2	
	<b>PART C</b>		
(b)	Any reasonable example		

[END OF MARKING INSTRUCTIONS]