**Question 22**

1. Using the information given below, make the necessary entries in the ledger  
    accounts of Crathes Crafts, a sole trader business.

**Ledger balances at 1 March**

|  |  |  |
| --- | --- | --- |
| Bank | £850 | Cr |
| Office Equipment | £3,500 |  |

|  |  |
| --- | --- |
| March 5 | Bought goods on credit from R Cook — £250 plus VAT. |
| March 12 | Paid for repairs to office equipment by cheque — £150 plus VAT. |
| March 21 | Bought new printers on credit from DB Office Supplies — £960 plus VAT. |
| March 28 | A faulty printer worth £320 plus VAT was returned to DB Office Supplies. |
| March 30 | Paid R Cook a cheque for £270 in full settlement of the amount owing from the transaction on 5 March after taking up a 10% cash discount.  An electronic credit note was received by Crathes Crafts to account for the amount of VAT that was included on the original invoice from 5 March that now no longer needs to be paid. |

**24**

1. As well as preparing an Income Statement, the owner of Crathes Crafts prepares   
   a Cash Budget. Outline the importance of both to the efficient running of the   
   business. **4**
2. Name two errors which would not be discovered by the preparation of a Trial   
   Balance. **2**

**Total marks 30**

| **Question** | **Expected answer(s)** | **Max mark** | | **Additional guidance** |
| --- | --- | --- | --- | --- |
| **22 (a)** | **R Cook Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  |  | Dr |  | Cr |  | Balance | | Mar 5 | Purchases & VAT |  |  | 300 | **(1)** | 300 Cr | | Mar 30 | Bank | 270 | **(1)** |  |  | 30 Cr | |  | VAT | 5 | **(1)** |  |  | 25 Cr | |  | Discount Received | 25 | **(1)** |  |  | 0 |   **Bank Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 1 | Balance |  |  | 850 | **(1)\*** | 850 Cr | | Mar 12 | Repairs & VAT |  |  | 180 | **(1)** | 1,030 Cr | | Mar 30 | R Cook |  |  | 270 | **(1)** | 1,300 Cr |   **Office Equipment Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 1 | Balance | 3,500 | **\*** |  |  | 3,500 Dr | | Mar 21 | DB Office Supplies | 960 | **(1)** |  |  | 4,460 Dr | | Mar 28 | DB Office Supplies |  |  | 320 | **(1)** | 4,140 Dr |   **Purchases Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 5 | R Cook | 250 | **(1)** |  |  | 250 Dr |   **VAT Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 5 | R Cook | 50 | **(1)** |  |  | 50 Dr | | Mar 12 | Bank | 30 | **(1)** |  |  | 80 Dr | | Mar 21 | DB Office Supplies | 192 | **(1)** |  |  | 272 Dr | | Mar 28 | DB Office Supplies |  |  | 64 **(1)** |  | 208 Dr | | Mar 30 | R Cook |  |  | 5 **(1)** |  | 203 Dr |   **Repairs Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 12 | Bank | 150 | **(1)** |  |  | 150 dr | | **24** | | **1 mark for BOTH opening balances correct.**  **R Cook Account**  Can show entry on Mar 5 as two separate entries of £250 and £50.  If an entry of £300 with nomenclature of bank **AND** candidate has applied the discount and VAT adjustment in the ledgers, award **3 marks** for entry and **do not award 1 mark** for nomenclature.  If an entry of £300 with nomenclature of bank **AND** candidate has not applied the discount and VAT adjustment in the ledgers, award **0 marks.**  Accept discount for nomenclature on Mar 30 (not discount allowed).  **Bank Account**  Accept bank overdraft account.  Accept separate bank/bank overdraft.  12 March repairs £150 and VAT £30, award **1 mark**.  30 March — accept £300 as consequential, if £300 in bank account and no discount applied.  **Office Equipment Account**  If 21 March treated as purchases — **do not award 1 mark** in purchases account only.  On 28 March — accept entries in purchases returns, VAT and DB Office Supplies, **ONLY** if 21 March treated as purchases.  Accept entries in 21 Mar and 28 Mar with a printer account. |
| **22 (a) cont.** | **DB Office Supplies Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 12 | Office Equip & VAT |  |  | 1,152 **(1)** |  | 1,152 Cr | | Mar 28 | Office Equip & VAT | 384 | **(1)** |  |  | 768 Cr |   **Discount Received Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 30 | R Cook |  |  | 25 **(1)** |  | 25 Cr |   All dates correct **(1)**  All account names correct **(2)**  All nomenclature correct **(2)** | |  | **Repairs Account**  If 12 March debited to equipment — **do not award 1 mark** in repairs account only.  **PLUS** additional marks for the following:  **1 mark** for all dates correct.  **2 marks** if all account names are correct,  **1 mark** if at least half account names are correct and **0 marks** if less than half of the account names are correct.  **2 marks** if all nomenclature is correct,  **1 mark** if at least half nomenclature is correct and **0 marks** if less than half of the nomenclature is correct.  Do not penalise nomenclature if consequential on transaction.  Accept any reasonable nomenclature.  If extra entries for a transaction — apply +/− rule.  Mark nameless accounts or wrongly named accounts if identifiable by its figures.  Ignore balances other than opening balances.  If opening balances for bank and office equipment not entered in Dr or Cr column, check subsequent balance before awarding one mark for opening balance. |
| **22 (b)** | **Income statement**   * Calculates profit/loss. * Is an indicator of profitability. * Allows the business to compare with past performance. * Is required for tax purposes. * Shows total expenses.   **Any two for 1 mark each**  **Cash budget**   * Is an indicator of liquidity/cash position/cash inflows and outflows. * Indicates if the business will have sufficient funds to cover short-term debts. * Indicates if the business will have sufficient funds to purchase assets. * Indicates if the business will have to arrange overdraft/loan facilities. * Allows the business to set targets/goals/plan for future/forecast.   **Any two for 1 mark each** | **4** | | Accept any other reasonable answer. |
| **22 (c)** | Error of Principle  Complete Reversal  Error of Omission  Error of Commission  Compensating Error  Error of Original Entry  **Any two for 1 mark each** | **2** | |  |