**Question 10**

**PART A**

The following figures are available from the ledger of Joe Stern’s sole trader business on   
31 December Year 3:

**£000**

Purchases 80

Sales Revenue 200

Sales Revenue Returns 20

Purchase Returns 10

Premises 200

Vehicles 40

Inventory 5

Trade Payables 35

Trade Receivables 31

Salaries 45

Rent Received 20

Advertising 8

Cash & Cash Equivalents (24)

Bank Loan 40

Equity ?

1. Prepare a Trial Balance for Joe Stern as at 31 December Year 3. **17**
2. State **two** reasons why a trial balance is prepared. **2**

**PART B**

During the month of May, the following transactions take place in Amber Hall’s firm:

1. Paid rent of £2,000 by cheque
2. Amber put an additional £10,000 of her own money into the firm
3. Bought goods on credit from Supply Zone worth £2,000 plus VAT of £350
4. State both the account(s) and amounts, to be debited and credited for each   
   transaction. You should lay your answer out as follows: **8**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Transaction No** | **Account(s) to be DEBITED** | **Amount** | **Account(s) to be CREDITED** | **Amount** |  |

1. **(i)** State **one** reason why cash discount is offered to customers. **1**

**(ii)** State **one** reason why trade discount is offered to customers. **1**

**(iii)** Supply Zone send Amber a monthly document detailing **all** the transactions between them that month. State the name of this document. **1**

**Total marks (30)**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **10**  **PART A**  **(a) (i)** | **Trial Balance of Joe Stern as at 31 December Year 3**  **£000** **£000**  Purchases 80 **(1)**  Sales Revenue 200 **(1)**  Sales Revenue Returns 20 **(1)**  Purchase Returns 10 **(1)**  Premises 200 **(1)**  Vehicles 40 **(1)**  Inventory 5 **(1)**  Trade Payables 35 **(1)**  Trade Receivables 31 **(1)**  Salaries 45 **(1)**  Rent Received 20 **(1)**  Advertising 8 **(1)**  Bank Overdraft 24 **(1)**  Bank Loan 40 **(1)**  Equity 100 **(2)**  **429** **429** **(1)** | **17** | **1 mark** for capital in Cr column and  **1 mark** for Equity being consequentially correct.  If errors elsewhere mean the missing capital figure is a Dr and candidate puts it on Dr side, only give **1 mark** for correct calculation.  For total mark, both must be arithmetically correct. They don’t necessarily have to equal each other. |
| **10 (b)** | To check the accuracy of the ledgers.  To check there is no arithmetic errors.  To see if the Dr & Cr sides agree (Dr = Cr)/check the double entry.  To allow final accounts to be prepared. | **2** | Accept any **two** appropriate reasons for **1 mark** each.  Accept any other relevant answer. |

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| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **10**  **PART B**  **(a)** | |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **No** | **Dr** | **Amount** |  | **Cr** | **Amount** |  |  | | 1 | Rent | 2,000 | **(1)** | Bank | 2,000 | **(1)** |  | | 2 | Bank | 10,000 | **(1)** | Equity | 10,000 | **(1)** |  | | 3 | Purchases | 2,000 | **(1)** | Trade Payable — Supply Zone | 2,350 | **(2)** |  | |  | VAT | 350 | **(1)** |  |  |  |  | | **8** |  |
| **10**  **(b) (i)** | To encourage prompt payment of goods.  To allow the retailer to make a profit. | **1** | **1 mark** for an appropriate reason. |
| **10**  **(b) (ii)** | To encourage bulk purchases.  To encourage loyalty.  To bring in new customers.  To allow people **in the same trade** to make a profit. | **1** | **1 mark** for an appropriate reason. |
| **10**  **(b) (iii)** | Statement (of account). | **1** |  |