**Question 1**

1. Using the information given below, make the necessary entries in the ledger accounts of Campbell Ross.

**Ledger Balances at 1 March**

|  |  |  |
| --- | --- | --- |
| Bank | £1,310 |  |
| VAT | £95 | cr |
| Trade Receivables :  Smith & Jones  P Gordon | £280  £180 |  |

|  |  |
| --- | --- |
| March 5 | Withdrew £250 from the bank for office use. |
| March 11 | Received a cheque from P Gordon for £162, in full settlement of his account after he took up a 10% cash discount.  A credit note was issued to P Gordon to account for the amount of VAT that was included on the original invoice that now no longer needs to be paid. The VAT total on the original invoice was £30. |
| March 17 | Withdrew £340 from the bank for own use. |
| March 25 | Smith & Jones were declared bankrupt. They were able to pay 60p in the £ by cheque; the remainder is to be written off as a bad debt. |
| March 30 | S Kennedy bought goods on credit from Campbell Ross costing £270 plus VAT. |

**25**

1. Campbell Ross is concerned about bad debts. Suggest a way in which future bad debts could be dealt with and state **one** way this would be shown in the financial statements.

**3**

1. At the end of each financial year, Campbell Ross calculates depreciation. Give **two** benefits to a firm which result from calculating depreciation. **2**

**Total marks (30)**

| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| --- | --- | --- | --- |
| **1 (a)** | **Bank Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | |  |  | Dr |  | Cr |  | Balance | | Mar 1 | Balance | 1,310 | **\*** |  |  | 1,310 dr | | Mar 5 | Cash |  |  | 250 | **(1)** | 1,060 dr | | Mar 11 | P Gordon | 162 | **(1)** |  |  | 1,222 dr | | Mar 17 | Drawings |  |  | 340 | **(1)** | 882dr | | Mar 25 | Smith & Jones | 168 | **(1)** |  |  | 1,050 dr |   **Smith & Jones**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 1 | Balance | 280 | **\*** |  |  | 280 dr | | Mar 25 | Bank |  |  | 168 | **(2)** | 112 dr | | Mar 25 | Bad Debts |  |  | 112 | **(1)** |  |   **P Gordon**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 1 | Balance | 180 | **\*** |  |  | 180 dr | | Mar 11 | Bank |  |  | 162 | **(1)** | 18 dr | |  | VAT |  |  | 3 | **(1)** | 15 dr | |  | Discount Allowed |  |  | 15 | **(1)** | - |   **Drawings Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 17 | Bank | 340 | **(1)** |  |  | 340 dr |   **Cash Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 5 | Bank | 250 | **(1)** |  |  | 250 dr |   **Discount (Allowed) Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 11 | P Gordon | 15 | **(1)** |  |  | 15 dr | | **25** | **Smith & Jones Account**  If bank account entry is any other figure than £168, award **1 mark**.  Bad debts are consequential on bank figure. If no bank account entry is made and full £280 treated as bad debts, award consequential marks.  **P Gordon Account**  If candidate has one entry — bank and discount £180 — accept for **1 mark**, or bank and discount £177 — accept for  **2 marks**, providing nomenclature indicates a discount. If nomenclature is bank £180/£177 — no award (but accept consequentially in bank account).  **Drawings Account**  If labelled Campbell Ross account — do not give 1 ‘account names’ mark.  **Discount (Allowed) Account**  If labelled discount account — accept. If labelled discount received — do not give 1 ‘account names’ mark.  **S Kennedy Account**  Can show sales revenue and VAT separately for **1 mark** each. |
| **1 (a) (cont.)** | **Bad Debts Account**  Dr Cr Balance   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 25 | Smith & Jones | 112 | **(1)** |  |  | 112 dr |   **Sales Revenue Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 30 | S Kennedy |  |  | 270 | **(1)** | 270 cr |   **VAT Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 1 | Balance |  |  | 95 | **\*** | 95 cr | | Mar 11 | P Gordon | 3 | **(1)** |  |  | 92 cr | | Mar 30 | S Kennedy |  |  | 54 | **(1)** | 146 cr |   **S Kennedy Account**   |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Mar 30 | Sales Rev & VAT | 324 | **(2)** |  |  | 324 dr |   All dates correct **(1)**  All account names correct **(2)**  All nomenclature correct **(2)**  \* ALL correct opening balances **(1)** |  | **Sales Revenue Account**  If candidate has treated as purchases (according to account name), then do not give mark for £270 in both purchases account and S Kennedy account. VAT of £54 is consequential in both VAT account and S Kennedy account.  **PLUS** additional marks for the following:  **1 mark** for ALL correct opening balances  **1 mark** for all dates correct  **2 marks** if all account names are correct  **1 mark** if at least half account names are correct  **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  **0 marks** if less than half of the nomenclature is correct  Do not penalise nomenclature, if consequential on transaction. |
| **1 (b)** | **Any** **ONE** **— 1 mark**   * Campbell Ross can create a provision for bad debts. * Set aside some of the profit. * Reduce the profit by an amount, calculated by taking a % of the figure for trade receivables.   **Any ONE — 2 marks**   * The provision will be an expense in the income statement. * Reduce the profit for the year in the income statement. * Deducted from trade receivables in statement of financial position. * Reduce current assets in the statement of financial position. * Reduce working capital in the statement of financial position. * Reduce balancing totals in the statement of financial position. | **3** | Do not accept ‘bad debts’ or ‘discount’.  Only accept ‘profit’ — don’t accept ‘money’.  Must indicate the financial statement for both marks. |
| **1 (c)** | **Any TWO — 1 mark each**   * Non-current assets are shown at a more realistic value in the statement of financial position (shown at net book value). * It spreads the cost of the asset over its lifetime and not just in the trading year of purchase. * Gives a more realistic profit figure for the year. * Helps them take account of wear and tear, obsolescence, etc. | **2** | Only accept reasons for depreciation once. |