**Question 12**

**PART A**

The following figures for Jody Mudd relate to the year ending 31 December Year 2:

**£000**

Purchases 40

Sales Revenue 72

Inventory at 1 Jan Year 2 10

Inventory at 31 Dec Year 2 5

Finance Costs Paid 3

Finance Costs Due 1

Carriage Out 2

Depreciation on Equipment for the Year 10

Discount Received 9

Rent Paid 6

Other Operating Expenses 4

1. Using the figures above prepare the Income Statement for the year ended   
   31 December Year 2 for Jody Mudd. **11**

The following additional figures are available for Jody Mudd as at December Year 2:

**£000**

Opening Equity 133

Trade Payables 18

Trade Receivables 30

Drawings 17

Cash 20

Bank Loan 40

Bank Overdraft 10

Equipment (at cost) 200

Depreciation of Equipment 50

(Provision at the start of the year)

1. Using the relevant information above, along with figures from (a), prepare the Statement of Financial Position of Jody Mudd as at 31 December Year 2. **14**
2. State three duties of a financial accountant. **3**
3. The discount that Jody received was a cash discount. State two reasons why a business may offer a cash discount. **2**

**Total marks (30)**

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| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **12**  **(a)** | |  |  |  |  |  | | --- | --- | --- | --- | --- | | Income statement of Jody Mudd for the year ended 31 December Year 2: | | | | | |  | **£000** | **£000** |  | | Sales Revenue |  | 72 | **(1)** | | Cost of Sales: |  |  |  | | Opening Inventory | 10 |  | **(1)** | | Purchases | 40 |  | **(1)** | |  | 50 |  |  | | Closing Inventory | 5 |  | **(1)** | |  |  | 45 |  | | **Gross Profit** |  | **27** |  | | Expenses: |  |  |  | | Depreciation: Equipment | 10 |  | **(1)** | | Other Operating Expenses | 4 |  | **(1)** | | Rent | 6 |  | **(1)** | | Carriage Out | 2 |  | **(1)** | | Finance Costs (3 + 1) | 4 |  | **(1)** | |  |  | (26) |  | |  |  | 1 |  | | Add Other Income: |  |  |  | | Discount Received |  | 9 | **(1)** | | **Profit for the Year** |  | **10** |  | |  |  |  |  | | Arithmetic and layout |  |  | **(1)** | |  |  |  |  | |  |  |  |  | | **11** | Mark as per solution.  **Arithmetic and layout mark**  For this mark, candidates need:   * correct account name (must have date and year, no need for Jody Mudd) * the following headings:   —Gross Profit  —Profit for the Year   * an acceptable layout * correct arithmetic throughout |

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| **Question** | **Expected answer(s)** | | **Max mark** | | **Additional guidance** |
| **12**  **(b)** | |  |  |  |  |  | | --- | --- | --- | --- | --- | | Statement of Financial Position of Jody Mudd as at 31 Dec Yr 2 | | | | | |  | | | | | |  | **£000** | **£000** | **£000** |  | | **Non-current Assets** |  |  |  |  | | Equipment | 200 | 60 | 140 | **(2)** | |  |  |  |  |  | | **Current Assets:** |  |  |  |  | | Inventory |  | 5 |  | **(1)** | | Trade Receivables |  | 30 |  | **(1)** | | Cash & Cash Equivalents  (20 − 10) |  | 10 |  | **(2)** | |  |  | 45 |  |  | | **Current Liabilities:** |  |  |  |  | | Trade Payables | 18 |  |  | **(1)** | | Finance Costs Payable | 1 |  |  | **(1)** | |  |  | (19) |  |  | | Working Equity |  |  | 26 |  | | Net Assets Employed |  |  | 166 |  | |  |  |  |  |  | | **Non-current Liabilities** |  |  |  |  | | 10% loan |  |  | (40) | **(1)** | |  |  |  |  |  | | **Net Assets** |  |  | **126** |  | |  |  |  |  |  | | **Equity** |  |  |  |  | | Opening Equity |  |  | 133 | **(1)** | | Profit for the Year |  |  | 10 | **(1)** | |  |  |  | 143 |  | | Less Drawings |  |  | 17 | **(1)** | | **Closing Equity** |  |  | **126** |  | |  |  |  |  |  | | Arithmetic and layout |  |  |  | **(1)** | | No extraneous |  |  |  | **(1)** | | | **14** | | Equipment — if only this year’s depreciation is used or only the existing provision is used, give only **1 mark**.  Needs whole line for full marks. If only NBV shown, max **1 mark**.  Equity can be in any order. Has to be correct treatment to get marks.  **Arithmetic and layout mark**  For this mark, candidates need:   * correct account name (must have date and year, no need for Jody Mudd) * the following headings:   —Non-current Assets  —Current Assets  —Current Liabilities  —Non-current Liabilities  —Equity   * an acceptable layout * correct arithmetic throughout   If any other figures from part (a) other than the necessary figures, no extraneous mark. |
| **Question** | **Expected answer(s)** | **Max mark** | | **Additional guidance** | |
| **12**  **(c)** | Responses could include:   * to record all financial transactions in the ledger accounts * to prepare the final accounts — income statement and statement of financial position, petty cash statement * to analyse the accounts using ratios, calculating ratios * to report on accounts to the owners/managing director * to check accounts for mistakes, fraud, etc   Any three for **1 mark** each. | **3** | | Mark as per solution.  Accept any other relevant answer. | |
| **12**  **(d)** | Responses could include:   * to ensure prompt payment (within the time mentioned in the invoice) * to help their cash flow * to help the liquidity of the business   Any two for **1 mark** each. | **2** | | Mark as per solution.  Accept any other relevant answer. | |