**Question 27**

1. The following information was taken from the ledger of Jill Wilson on 31 December   
   Year 3:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **£000** |  |  | **£000** |
| Purchases | 100 |  | Bank Loan | 25 |
| Sales Revenue | 150 |  | Heat and Light | 15 |
| Wages | 8 |  | Trade Receivables | 50 |
| Trade Payables | 45 |  | Property | 80 |
| Rent Received | 5 |  | Opening Inventory | 5 |
| Drawings | 20 |  | Discount Allowed | 2 |
| Sales Revenue Returns | 30 |  | Equity | ? |

1. Prepare a Trial Balance for Jill Wilson as at 31 December Year 3. **16**
2. Outline two differences between Trade Receivables and Trade Payables. **2**

1. Godel’s summarised Income Statement for the year ended 30 April Year 4 is shown below:

|  |  |
| --- | --- |
|  | **£** |
| Sales Revenue | 50,000 |
| Less Cost of Sales | 20,000 |
| Gross Profit | 30,000 |
| Less Expenses | 8,000 |
| Profit for the Year | 22,000 |

For Year 5 the following information is available:

* It is anticipated that Sales Revenue will increase by 10%.
* The Gross Profit ratio will be the same as Year 4.
* £5,000 will be received from renting out property.
* Existing Year 4 expenses will increase by 25%.
* If Sales Revenue is above £50,000, a bonus of 10% on the amount over   
  £50,000 will be paid to the employees.
* A £2,000 Bank Loan will be taken at the start of the year, with interest of 8% per   
  annum.

1. Using the above information, prepare Godel’s estimated Income Statement   
    for the year ended 30 April Year 5. **10**
2. State two uses of accounting ratios. **2**

**Total marks 30**

|  |  |  |  |
| --- | --- | --- | --- |
| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| **27**  **(a) (i)** | **Trial Balance of Jill Wilson as at 30 April Year 5**  **£000** **£000**  Purchases 100 **(1)**  Sales Revenue 150 **(1)**  Wages 8 **(1)**  Trade Payables 45 **(1)**  Rent Received 5 **(1)**  Drawings 20 **(1)**  Sales Revenue Returns 30 **(1)**  Bank Loan 25 **(1)**  Heat and Light 15 **(1)**  Trade Receivables 50 **(1)**  Property 80 **(1)**  Opening Inventory 5 **(1)**  Discount Allowed 2 **(1)**  Equity 85 **(2)**  **310** **310** **(1)** | **16** | Award **1 mark** for equity in Cr column and **1 mark** for equity being consequentially correct.  If errors elsewhere mean the missing equity figure is a Dr and candidate puts it on Dr side, only award **1 mark** for correct calculation.  For totals mark to be awarded, both must be arithmetically correct. They don’t necessarily have to equal each other. |
| **27 (a) (ii)** | Trade Receivables are people or businesses we have sold goods on credit to and Trade Payables are people or businesses we have purchased goods on credit from. **(1)**  Trade Receivables owe us money whereas with Trade Payables, we owe them money. **(1)**  Trade Payables are shown in the Statement of Financial Position as a Current Asset whereas Trade Payables are shown as a Current Liability. **(1)** | **2** | Must make two valid comparisons to gain full marks.  Must demonstrate a true comparison in order to gain a mark. Both points outlined must be clear.    Award **1 mark** per comparison point.  Accept any other suitable response. |

| **Question** | **Expected answer(s)** | **Max mark** | **Additional guidance** |
| --- | --- | --- | --- |
| **27**  **(b) (i)** | |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Estimated Income Statement of Godel for year ended 30 April Year 5** | | | | | | Sales Revenue |  | 55,000 | **(1)** | | Less Cost of Sales |  | 22,000 | **(1)** | | Gross Profit |  | 33,000 | **(2)** | | Less |  |  |  | | Expenses | 10,000 |  | **(1)** | | Bonus | 500 |  | **(1)** | | Finance Costs | 160 |  | **(1)** | |  |  | 10,660 |  | |  |  | 22,340 |  | | Add Rent Received |  | 5,000 | **(1)** | | Profit for the Year |  | 27,340 |  |   All arithmetic correct **(1)**  Correct heading and no extraneous **(1)** | **10** | Watch for consequentiality.  If Sales, Cost of Sales and Gross Profit are the same as the question — **no marks awarded.**  If Gross Profit is not 60% of Sales — **only award 1 mark**.  Check Gross Profit before Cost of Sales, as Cost of Sales is consequential on Gross Profit.  Gross Profit is consequential on Sales Revenue.  Gross Profit or Profit for the Year label missing — **do not award 1 mark** for correct heading.  Rent received deducted — **do not award 1 mark.**  Extraneous item — Bank loan in expenses.  Sales bonus is consequential on sales. |
| **27(b) (ii)** | * to compare to previous years **(1)** * to compare to (similar) businesses **(1)** * to compare to industry average **(1)** * to identify strengths/weaknesses **(1)** * to see if the business is efficient **(1)** * to aid planning **(1)** * to show potential investor/banks/suppliers **(1)** * to see how well the business is doing **(1)**   Also, accept uses of particular ratios. | **2** | Any two for **1 mark** each. |