MARK SCHEME for the May/June 2006 question paper

7110 PRINCIPLES OF ACCOUNTS

7110/02

Paper 2

maximum raw mark 100

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which Examiners were initially instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began. Any substantial changes to the mark scheme that arose from these discussions will be recorded in the published *Report on the Examination*.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes must be read in conjunction with the question papers and the *Report on the Examination*.

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Page 2	Mark Scheme	Syllabus	Paper
	GCE O Level – May/June 2006	7110	02

1 (a)

Dr		Cash	<u>Kylie Jo</u> Book (ba	<u>hnson</u> nk columns)		Cr	
2006		\$	<u>2001 (24</u>	2006		\$	
April 30	Balance b/d	460		April 30	Bank charges	50	(1)
April 30	Nancy Tan	80	(1)	April 30	Insurance	32	(1)
		<u>540</u>		April 30	Balance c/d	<u>458</u> 540	(1)
May 1	Balance b/d	458	(1 of)				

+ 1 for dates including year [6]

(b)	<u>Ky</u>	/lie Joh	nson			
	Bank Reconciliation	on State	ment as	s at 30 A	<u>pril 2006</u>	
		\$		\$		
	Balance as per cash book (1)			458	(1 of)	
	Add: unpresented cheque	140	(1)			
	unrecorded transfer	<u>125</u>	(1)	<u>265</u> 723		
				723		
	Less: uncredited deposit			<u>400</u>	(1)	
	Balance as per bank statement (1)			323	(1)	
	Allow alternative format					[7]
(c)	(i) A bank overdraft is recorded as	a credi	t baland	ce (1) in t	the bank account. (1)	[2]

(ii) Recorded as a debit balance (1) on a loan account. (1) The bank/cash account would be credited with the amount paid to Kylie. (1) [max 2]

[Total marks for Question 1: 17]

Page 3	Mark Scheme	Syllabus	Paper
	GCE O Level – May/June 2006	7110	02

2 (a)

		Sands	s Socia	<u>al Club</u>			
Dr		<u>Subscri</u>	ptions	<u>account</u>	Cr		
2005		\$		2005		\$	
May 1	Balance b/d	150	(1)	May 1	Balance b/d	210	(1)
2006				2005-2006			
April 30	Balance c/d	75	(1)	various	Bank	1625	(1)
April 30	I & E Account	1610	(1)				
		1835	. ,			1835	
				2006			
				May 1	Balance b/d	75	

Accept three-column format including headings Debit and Credit and opening and closing balances.

(b)	Profit made on sale of refreshments			
Sales	\$	\$ 4620		
Opening stock	270			
Purchases	3250			
	3520			
Closing stock	330	3190		
Profit on sale of refreshment	ts	1430 (2)		

Accept any presentation

(c)	Receipts and	Payments Acco	unt for the year ended 30 April	2006
	Balance b/d Subscriptions Sale of refreshments Balance b/d	\$ 790 1625 (1 of) 4620 (1) <u>7035</u> 840	Purchase of refreshments Rent Insurance Sundry expenses Balance c/d	\$ 3250 (1) 1200 (1) 240 (1) 1505 (2)/(1 of) <u>840</u> 7035
	(NB. Award own figure only	[7]		

(d) The subscriptions figure in the Receipts and Payments Account represents the total amount received for subscriptions in the period (1) for the current and other periods. (1)

It is the cash amount received during the year. (1)

The subscriptions figure in the Income and Expenditure Account represents subscriptions for the year covered by the account. (1)

The subscriptions are matched to the year of membership. (1)

Members can pay for the year and also in arrears and advance. (1) [max 2]

[Total marks for Question 2: 18]

[5]

[2]

[max 2]

(ii) Statement of affairs as at 30 April 2006 Fixed assets 44 000 Capital 17 000 (2)/(1 of) Less: depreciation $\frac{29000}{15000}$ Long-term liabilities 4 000 (1) Current assets $\frac{15000}{30000}$ Current liabilities $\frac{9000}{30000}$ (NB. Award own figure only if no alien items present) (c) Calculation of profit for the year ended 30 April 2006 S Opening capital 22 000 (1 of) Profit for the year $\frac{3000}{25000}$ (1 of) fino aliens included Less: drawings $\frac{8000}{10}$ (1 of) Current assets $\frac{15000}{100}$ (1 of) Accept alternative presentation (d) (i) Working capital at 1 May 2005 Current assets \$16 000 - Current liabilities \$10 000 = \$6000 (1) Working capital at 30 April 2006 Current assets \$15 000 - Current liabilities \$9000 = \$6000 (1) Working capital is the same at each date. (1) This is despite the fact current assets and current liabilities are less at 30 April 2006. Long-term funding: Long-term fund	Pag	Page 4 Mark Scheme Syllabus			bus Paper				
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The cost of fixed assets has increased by \$8000. (1) Depreciation of fixed assets has increased significantly. (1)			Lor The ear Thi	Long term liabilities have increased in the year. (1) The owner has withdrawn \$8000 (1) an amount in excess of the profit earned for the year. (1) This reduces the funds for reinvestment in the business. (1)					[max 3]
This is financed by the increased loan (1) and retained funds. (1) Most of the fixed assets will be fully depreciated in another year. (1) The business has insufficient funds to replace the fixed assets. (1) [m			The De Thi Mo	e cost of fixed ass preciation of fixed is is financed by the ost of the fixed ass	assets has increa ne increased loan (ets will be fully de	sed significantly. ((1) and retained fu preciated in anothe	nds. (1) er year. (1)		[max 4]
[Total marks for Question 3						[T	otal marks f	or Questio	n 3: 25]

Page 5	Mark Scheme	Syllabus	Paper
	GCE O Level – May/June 2006	7110	02

	\$	Revenue	Revenue	Capital
		income	expenditure	expenditure
Wages	18 600		√ (1)	
Fixtures and fittings	24 500			√ (1)
Investment income	900	√ (1)		

[3]

(b) Profits would be increased (1) by \$42 000. (1)

[2] [Total marks for Question 4: 5]

5 (a)

Wall and Fence								
Trading and Profit and Loss Account and Appropriation Account								
for the year ended 30 April 2006								
	\$		\$					
Opening stock	9 600 (1	1) Sales	264 300 (1)					
Purchases	<u>121 200</u> (1							
	130 800							
Less: closing stock	<u> 10 100 (</u> 1	1)						
Cost of goods sold	120 700							
Gross profit c/d	143 600		264 200					
	264 300		264 300					
Rent, rates and insurance	14 600 (1	1) Gross profit b/	d 143 600 (1 of)					
Wages and salaries	·	, ,						
[43 700 (1) + 3700 (1)]	47 400							
Motor expenses	22 900 (1	,						
Provision for doubtful debts	580 (1	1)						
Provision for depreciation: motor vehicles	11 520 (2	2)						
Net profit c/d	46 600	2)						
	143 600		143 600					
Partnership salary – Fence	10 600 (1	1) Net profit b/d	46 600 (1 of)					
Interest on capital – Wall	4 000 (1	,						
Interest on capital – Fence	2 000 (1	1)						
Share of profit:	20.000	1 of) if no allow item						
Wall Fence	20 000 (1 10 000 (1	•	-					
I EIICE	46 600	proportions	46 600					
	+0 000	proportions	10 000					

Accept any recognisable layout

[18]

Page 6	Mark Scheme	Syllabus	Paper	
	GCE O Level – May/June 2006	7110	02	

(b)			Balance :	<u>Sheet as at 30 April 2006</u>				
	Accu	umulated						
Fixed Assets		Depreciation	NBV		Wall	Fence		
	\$	\$	\$		\$	\$	\$	
Land and buildings	110 600	-	110 600 (1)	Capital Accounts	80 000	40 000	120 000	(1) split
Motor vehicles	48 000	<u>30 720</u> (1 of)	<u>17 280(1 of)</u>					between
	158 600	30 720	127 880	Current Accounts				partners
Current Assets				Balance as at 1 May 2005	12 600	13 300		
Stock		10 100 (1)		Interest on capital	4 000 (1 of)	2 000 (1 of)		
Debtors	29 000 (1)			Partnership salary	-	10 600 (1)		
Less: provision				Share of profits	<u>20 000</u> (1 of)	<u>10 000</u> (1 of)		
for doubtful debts	<u>580</u> (1 of)	28 420			36 600	35 900		
Bank		<u>9 400</u> (1)	47 920	Less: drawings	<u>12 800</u> (1)	<u>16 300</u> (1)		
				Balance as at 30 April 2006	23 800	19 600	43 400	
							163 400	
				Current Liabilities				
				Creditors		8 700 (1)		
				Accrued wages and salaries		3 700 (1)	12 400	
			175 800				175 800	
							-	

Accept any recognisable layout Accept also current accounts in account form outside the Balance Sheet providing totals included in the Balance Sheet

[Total marks for Question 5: 35]

[17]