

**MARK SCHEME for the May/June 2009 question paper
for the guidance of teachers**

7110 PRINCIPLES OF ACCOUNTS

7110/02

Paper 2 (Structured), maximum raw mark 120

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

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1	(a)	Book of original entry	Debit	Credit	Effect on profit
	(ii)	Sales Journal	(1) Sallis \$1650	(1) Sales \$1650	(1) +\$700 (1)
	(iii)	Purchase Returns Journal	(1) Evans & Co \$325	(1) Purchase Returns \$325	(1) Nil (1)
	(iv)	Cash Book	(1) Bank \$1455 Discount Allowed \$45(1)	(1) G.Black \$1500	(1) -\$45 (1)
	(v)	General Journal	(1) Disposal \$600	(1) Profit and Loss \$600	(1) +\$600 (1)

[17]

- (b) (i) An invoice is:
 An official demand for payment (1)
PLUS (1) for developing a further characteristic
 It details the goods or services delivered
 Will be sent to customers for sales or received from creditors for purchases
 Will be recorded in the sales journal or purchases journal
 Details the terms of payment

- (ii) A credit note is:
 An advice that the debtors account will be credited (1)
PLUS (1) for developing a further characteristic
 Used when sales have been made but the goods are returned as incorrect or defective
 Recorded in the sales returns journal or purchase returns journal [4]

[Total: 21]

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- 2 (a) (i) Error of omission (1)
- (ii) Error of commission (1)
- (iii) Error of principle (1)
- (iv) Error of reversal (1) [4]

(b)		Dr	Cr	
		\$	\$	
(i)	Purchases	2 000		(1)
	A Morston		2 000	(1)
(ii)	T Cley	650		(1)
	C Tilley		650	(1)
(iii)	Motor vehicle expenses	500		(1)
	Motor vehicle		500	(1)
(iv)	L Staithe	380		(1)
	Discount allowed		190	(1)
	Discount received		190	(1)

[9]

(c)		\$	
	Original net profit	14 670	
	Plus		
	Discount allowed	190	(1of)
	Discount received	<u>190</u>	(1of)
		15 050	
	Less		
	Purchases	2 000	(1)
	Motor expenses	<u>500</u>	(1)
	Revised net profit	12 550	(1of)

(Alternative presentation accepted) [5]

[Total: 18]

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3 (a)	Single time	120hrs × \$5	=	\$600	
	Time and a half	12 hrs × \$7.5	=	\$90	
	Double time	6 hrs × \$10	=	\$60	
				<u>\$750</u>	(2)
	Less tax and social security 40%			<u>\$300</u>	(2of)
	Wages payable			\$450	(1of)
					[5]

(b)	Journal				
		Dr	Cr		
		\$	\$		
	Wages	815			(1of)
	Sundry creditors/Manager		450		(1of)
	Tax and social security		365		(1of)
					[3]

(c) Cafe Trading account for the month ended 30 April 2009

	\$	\$	
Sales 9 850 + 770		10 620	(1)
Opening stock	1 700		
Purchases			
4 320 – 1 830 + 1 470	<u>3 960</u>		(2)
	5 660		
Closing stock	<u>1 230</u>		(1)
		<u>4 430</u>	
		6 190	
Less			
Wages	815		(2)
Repairs to fixtures	165		(1)
Depreciation on fixtures	<u>50</u>		(1)
		1 030	
Profit on refreshments		<u>5 160</u>	(1of)
		<u>10 620</u>	

(Alternative presentation accepted) **[9]**

(d) Points may include;	
Receipts and payments	Income and expenditure
Contains all receipts and payments of cash	Contains income and expenses relating to the period
Contains capital receipts and payments	Contains depreciation of capital items
Has a balance of cash	Identifies surplus/deficit for period
No adjustments made to expenditure	Expenditure paid adjusted to that incurred

2 marks per difference × 2

(Accept other valid points)

[4]

[Total: 21]

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- 4 (a) Possible differences;
- | | |
|--|---|
| Partnership | Limited Company |
| Partners have unlimited liability | Limited Company has limited liability to the extent of the capital invested |
| Partnership limited in ability to raise capital | Limited Company generally has wider sources for funds |
| Partnership managed by owners | Limited Company owners employ a Board of Directors to manage the business |
| Partners can make drawings throughout the period | Shareholders cannot make drawings |
- 2 marks per difference × 2**
(Accept other valid points) [4]

(b) Bell and Hayward Appropriation Account

	\$		\$
Net profit			20 500
Interest on drawings:			
Bell	240	(1)	
Hayward	<u>800</u>	(1)	
			<u>1 040</u>
			21 540
Interest on capital:			
Bell	2 850	(2)	
Hayward	1 200	(1)	
Salary – Hayward	12 000	(1)	
Share of profit:			
Bell	2 745	(1of)	If correct split and no aliens
Hayward	<u>2 745</u>	(1of)	
			<u>21 540</u>

(Alternative presentation accepted) [8]

(c) Hayward – Current account

	\$		\$	
Balance b/d	1 500		Interest on capital	1 200
Interest on drawings	800	(1)of	Salary	12 000
Drawings	20 000		Share of profit	2 745
			Balance c/d	<u>6 355</u>
	<u>22 300</u>			<u>22 300</u>
Balance b/d	6 355	(1)of		

[4]

(d) (i) $\frac{\text{COGS}}{\text{Average stock}} = \frac{240\,000\ (1)}{16\,000\ (1)} = 15\ \text{Times}\ (2)$ [4]

(ii) $\frac{\text{Gross profit} \times 100}{\text{Sales}} = \frac{60\,000\ (1) \times 100}{300\,000\ (1)} = 20\% (2)$ [4]

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(e) Possible reasons:

- 1 Prices have been reduced to increase sales volume
Advertising increased sales volume
- 2 Regulation of prices to increase sales required
Gross profit
The cost of goods sold was increased as a result of higher purchase prices charged by suppliers

2 marks per reason × 2

(Accept other valid reasons)

[4]

[Total: 28]

5 (a) Sue Searle – Trading and Profit and Loss Account for the year ended 31 March 2009

Sales	\$		\$	
			95 800	(1)
Opening stock	10 780	(1)		
Purchases 48 340		(1)		
Carriage In <u>3 800</u>		(2)		
	52 140			
Purchase Ret. <u>(960)</u>		(1)		
	<u>51 180</u>			
	61 960			
Closing stock <u>12 600</u>		(1)		
Cost of sales			<u>49 360</u>	
Gross profit			46 440	(1)
Plus				
Discount received 5 300		(1)		
Decrease in PDD <u>190</u>		(1)		
			<u>5 490</u>	
			51 930	
Less				
Motor vehicle wages 9 200		(1)		
Motor vehicle expenses 5 200		(1)		
Motor vehicle deprec. 800		(1)		
Premises depreciation 1 200		(1)		
Rent, ins. 7 700 – 450 7 250		(1)		
Light, heat 4 950 + 130 5 080		(1)		
General and marketing 6 200				
Loan interest <u>2 400</u>		(1)		
			37 330	
Net profit			<u>14 600</u>	(1)
			<u>51 930</u>	

(Alternative presentation accepted)

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(b) Balance Sheet at 31 March 2009

	\$	\$
<u>Fixed assets</u>		
	Cost	Deprec
	Book value	
Premises	60 000 – 13 200	46 800 (1of)
Motor van	20 000 – 16 000	<u>4 000</u> (1of)
		50 800
<u>Current assets</u>		
Stock		12 600 (1)
Debtors	18 500 (1)	
less PDD	<u>370</u> (1)	
		18 130
Prepaid insurance		450 (1)
Cash		<u>270</u> (1)
		31 450
<u>Current liabilities</u>		
Creditors		9 750 (1)
Accruals (2 400 + 130)		2 530 (2)
Bank overdraft		<u>1 680</u> (1)
		13 960
Working Capital		<u>17 490</u>
		68 290
<u>Long term liabilities</u>		
Bank loan		<u>30 000</u> (1)
		<u>38 290</u>
Financed by:		
Capital		35 000
Net profit		<u>14 600</u> (1of)
		49 600
Drawings		<u>11 310</u> (1)
		<u>38 290</u>

(Alternative presentation accepted)

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[Total: 32]

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ASSESSMENT GRID

Question	Syllabus Reference	A: Knowledge with Understanding	B: Analysis	C: Evaluation	Total Marks
1(a)	1.2,1.4	9	4	4	17
1(b)	1.3	4			4
2(a)	1.8,2.3	4			4
2(b)	1.6,2.3	3	6		9
2(c)	3.1		5		5
3(a)	5.2		5		5
3(b)	5.2	2	1		3
3(c)	4.3		9		9
3(d)	4.3	4			4
4(a)	4.2,4.5	4			4
4(b)	4.2		8		8
4(c)	4.2		4		4
4(d)	6.1			8	8
4(e)	6.1			4	4
5(a)	4.1,3.1		15	3	18
5(b)	4.1,3.2		13	1	14
Total		30	70	20	120
Percentage (%)		25	58	17	
Specification (%)		25	55	20	100