

MARK SCHEME for the October/November 2015 series

7110 PRINCIPLE OF ACCOUNTS

7110/22

Paper 2 (Structured), maximum raw mark 120

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1 (a)

Cash Book (Bank Columns)

Date	Details	\$	Date	Details	\$
Oct 1	Balance b/d	705	Oct 1	Bank charges	35 (1)
				Ng	150 (1)
				YJ Electric	250 (1)
		—		Balance c/d	<u>270</u>
		<u>705</u>			<u>705</u>
Oct 1	Balance b/d	270 (1of)			

[4]

(b)

Bank Reconciliation Statement at 1 October 2015

	\$	\$	
Balance as per bank statement		1358	
Plus			
Amounts not yet credited:			
Sampson		<u>625</u> (1)	
		1983	
Less			
Cheques not yet presented:			
Yang Stores	849	(1)	
Lam	364	(1)	
Xevera	<u>500</u>	(1)	
		<u>1713</u>	
Balance as per cash book		<u><u>270</u></u> (1)of	

[5]

(c) (i) Sales ledger (1)

(ii) Sales invoice (1)

[2]

(d)

Izzat account

Date	Details	\$	Date	Details	\$
Oct 1	Balance b/d	750 (1)	Oct 6	Sales returns	280 (1)
5	Sales	1440 (1)	21	Bank	800 (1)
		—	22	Bad debt	<u>1110</u> (1of)
		<u>2190</u>			<u>2190</u>

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(e)

General Journal

Date		Dr \$	Cr \$
Oct 22	Bad debt	1110 (1)of	
	Izzat		1110 (1)of
	Balance owing written off as irrecoverable (1)		

[3]

- (f) Large storage capacity
Accuracy/reduction in errors
Speed of processing/timely info/less time consuming
Security of data
To prepare the trial balance
To prepare financial statements/income statement/balance sheet
To prepare exception reports

3 points × (1)

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[Total: 22]

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2 (a)

Sales ledger control account

Date	Details	\$	Date	Details	\$
Aug 1	Balance b/d	27 520	Aug 31	Sales returns	1 700 (1)
31	Sales	32 400 (1)		Bank	40 150 (1)
	Interest charged	600 (1)		Discount allowed	780 (1)
				Bad debts	2 900 (1)
		_____		Balance c/d	<u>14 990</u> (1)
		<u>60 520</u>			<u>60 520</u>
Sept 1	Balance b/d	14 990 (1of)			

[8]

(b)

Error	Type of error
1	<i>Omission</i>
2	Principle (1)
3	Reversal (1)
4	Commission (1)

[3]

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(c)

General journal

Details	Dr \$	Cr \$
Tong	560 (1)	
Sales		560 (1)
Sales	800 (1)	
Disposal of fixtures and fittings		800 (1)
Discount allowed	112 (1)	
R Biggs		112 (1)
Mia	75 (1)	
Mason		75 (1)

[8]

- (d) Used as a balancing figure when the trial balance does not balance (1)
 Enables draft financial statement to be prepared (1)
 Assist/help in correction of errors (1)
Max 1

[1]

[Total: 20]

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3 (a)

Fairview Manufacturing
Manufacturing Account for the year ended 31 October 2015

	\$	\$		
Inventory 1 November 2014	108 000			
Purchases of raw materials	486 000			
Carriage in on raw materials	<u>18 000</u>		(1)	
	612 000			
Inventory 31 October 2015	<u>(94 000)</u>			
Cost of raw materials consumed	518 000		(1of)+w no aliens	
Factory wages (295 000 + 9000)	304 000		(1)	
Direct packaging	<u>33 000</u>		(1)	
Prime cost	855 000		(1)w +of if no aliens	
Factory overheads:				
Indirect packaging	22 000	(1)		
Rent	24 000	(1)		
Management salaries	75 600	(1)		
Indirect expenses	8 500		(1)	
Depreciation – Factory equipment	<u>35 000</u>		(1)	
		<u>165 100</u>		
		1 020 100	(1)of	
Work in progress at:				
1 November 2014	84 300			
31 October 2015	<u>(81 400)</u>			
		<u>2 900</u>	(1)	
Cost of production/Factory cost		<u>1 023 000</u>	(1of) +w	[13]

(b)

	\$	\$		
Time worked: 140 @ \$6		840	(1)	
28 @ \$7.50		<u>210</u>	(1)	
		1050		
Less Tax and social security	250			
Pension contribution	<u>60</u>			
	<u>(310)</u>	(1)		
Net pay	<u>740</u>	(1of)		
				[4]

(c) Pay slip (1)

[1]

[Total: 18]

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4 (a)

	Workings	Answer
Inventory at 1 August 2014	Cost of goods sold 285 000 (1) + 65 000 – 295 000	\$55 000 (1)
Rate of inventory turnover	$\frac{285\,000}{(55\,000 + 65\,000)/2} \}$ (1)	4.75 times (1of)
Expenses paid for the year ended 31 July 2015	Gross profit 95 000 (1) – Profit (35 000) Expenses 60 000 (1) Less accrued (8000) (1)	\$52 000 (1of)
Working capital ratio (current ratio)	$\frac{65\,000 + 42\,000 + 13\,000}{52\,000 + 8000} \}$ (1)	2:1 (1)
Quick ratio (acid test ratio)	$\frac{42\,000 + 13\,000}{52\,000 + 8000} \}$ (1)	0.92:1 (1)

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(b)

Proposal	Working capital (Increase, decrease, no effect)	Amount \$
1 Sell excess non-current assets for \$4000	<i>Increase</i>	4000
2 Sell old inventory costing \$15 000, for \$9000 cash	Decrease (1)	6000 (1)
3 Allow a trade receivable 5% cash discount for early payment of a debt of \$10 000	Decrease (1)	500 (1)
4 Pay expenses accrued of \$8000	No effect (1)	Nil (1)
5 Bring additional capital into the business, motor vehicle \$5000 and cash \$1000	Increase (1)	1000 (1)

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[Total: 20]

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5 (a)

Ning
Income Statement for the year ended 30 September 2015

	\$	\$	
Revenue		248 200	
Less Sales returns		<u>(7 850)</u>	
		240 350	(1)
Inventory 1 October 2014	20 450		
Purchases	104 750		
Carriage inwards	<u>3 400</u>		(1)
	128 600		(1)
Less Inventory 30 September 2015	<u>(17 300)</u>		
Cost of sales		<u>(111 300)</u>	(1)
Gross profit		129 050	(1) of no aliens
Discount received	8 250		(1)
Commission received	<u>5 900</u>		(1)
		<u>14 150</u>	
		143 200	
Less expenses:			
Advertising (10 800 (1)–900 (1))*	9 900		
Distribution (17 200 (1) + 2600 (1))*	19 800		
Electricity	4 230		(1)
Wages and salaries	35 000		(1)
Insurance	5 000		(1)
Loss on disposal	2 270		(1)
Depreciation: Leasehold	4 000		(1)
Computer equipment	13 000		(1)
Fixtures and fittings	3 000		(1)
Bank loan interest			
(3000 (1) + 1000 (1))*	4 000		(2)
Bad debts	6 400		(1)
Increase in Provision			
for doubtful debts	<u>400</u>		(2)
		<u>(107 000)</u>	
Profit for the year		<u>36 200</u>	

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* must be netted for 2nd mark

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(b)

Ning
Statement of Financial Position at 30 September 2015

Assets	Cost	Accumulated Depreciation	Book Value	
Non-current assets	\$	\$	\$	
Leasehold premises	80 000	24 000	56 000	(1 of)
Computer equipment	75 000	36 000	39 000	(1 of)
Fixtures and fittings	<u>30 000</u>	<u>20 500</u>	<u>9 500</u>	(1 of)
	<u>185 000</u>	<u>80 500</u>	104 500	
Current assets				
Inventory		17 300	(1)	
Trade receivables	38 000	(1)		
Less Provision for doubtful debts	<u>1 900</u>	36 100	(1 of)	
Other receivables		<u>900</u>	(1)	
			<u>54 300</u>	
Total assets			<u>158 800</u>	
Capital and liabilities				
Capital	50 000	(1)		
Plus Profit for the year	<u>36 200</u>	(1) of		
	86 200			
Less Drawings	<u>(25 000)</u>	(1)		
			61 200	
Non-current liability (1)				
8% Bank loan			40 000	(1)
Current liabilities				
Trade payables	38 700	(1)		
Other payables (1000 (1) + 2600 (1))	3 600			
8% Bank loan	10 000	(1)		
Bank	<u>5 300</u>	(1)		
			<u>57 600</u>	
Total liabilities			<u>158 800</u>	

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[Total: 40]