



PRINCIPLES OF ACCOUNTS

7110/22

Paper 2 Structured

May/June 2017

MARK SCHEME

Maximum Mark: 120

Published

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This document consists of **13** printed pages.

PUBLISHED

Question	Answer								Marks																																																																
1(a)	Delun account								5																																																																
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Question	Answer	Marks
1(f)	A record of all transactions Detailed record of each customer, supplier, expense or income. Reference can easily be made to the detail in each account. Financial statements can be prepared at regular intervals. The profit can be ascertained. Aid management and decisions can be made. 2 points × (1) mark	2
	Total:	20

Question	Answer	Marks																																																																								
2(a)	Provides total of debtors and creditors Assists the location of errors / identifies errors Checks arithmetical accuracy A deterrent against fraud Checks the efficiency of staff Calculates sales and purchases Accept other relevant points <div style="text-align: right;">2 points × (1)</div>	2																																																																								
2(b)	<p style="text-align: center;">Sales ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td></td> <td>2017</td> <td></td> <td></td> <td></td> </tr> <tr> <td>March 1</td> <td>Balance b/d</td> <td>36 000</td> <td>(1)</td> <td>March 31</td> <td>Bank</td> <td>53 800</td> <td>(1)</td> </tr> <tr> <td></td> <td>Sales</td> <td>51 270</td> <td>(1)</td> <td></td> <td>Sales returns</td> <td>1 750</td> <td>(1)</td> </tr> <tr> <td>March 31</td> <td>Bank</td> <td>2 080</td> <td>(1)</td> <td></td> <td>Discount allowed</td> <td>950</td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Bad debt</td> <td>1 450</td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td><u>31 400</u></td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td><u>89 350</u></td> <td></td> <td></td> <td></td> <td><u>89 350</u></td> <td></td> </tr> <tr> <td>April 1</td> <td>Balance b/d</td> <td>31 400</td> <td>(1)of</td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		2017				2017				March 1	Balance b/d	36 000	(1)	March 31	Bank	53 800	(1)		Sales	51 270	(1)		Sales returns	1 750	(1)	March 31	Bank	2 080	(1)		Discount allowed	950	(1)						Bad debt	1 450	(1)						Balance c/d	<u>31 400</u>	(1)			<u>89 350</u>				<u>89 350</u>		April 1	Balance b/d	31 400	(1)of					9
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2(c)	<p style="text-align: center;">Provision for doubtful debts account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> <th>Date</th> <th>Details</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>2017</td> <td></td> <td></td> <td></td> <td>2016</td> <td></td> <td></td> <td></td> </tr> <tr> <td>March 31</td> <td>Income statement</td> <td>(1)</td> <td>330</td> <td>(1)of</td> <td>April 1</td> <td>Balance b/d</td> <td>1900</td> <td>(1)</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td></td> <td>1570</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td><u>1900</u></td> <td></td> <td></td> <td><u>1900</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>2017</td> <td>Balance b/d</td> <td>1570</td> <td>(1)of</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>April 1</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$		Date	Details	\$		2017				2016				March 31	Income statement	(1)	330	(1)of	April 1	Balance b/d	1900	(1)		Balance c/d		1570								<u>1900</u>			<u>1900</u>						2017	Balance b/d	1570	(1)of					April 1				4															
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2(d)	Prudence (1) Accruals(matching) (1)	1																		
2(e)	<p style="text-align: center;">General journal</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">Dr</th> <th style="text-align: center;">Cr</th> </tr> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Bad debts</td> <td style="text-align: center;">750 (1)</td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: center;">500 (1)</td> <td></td> </tr> <tr> <td>Horner</td> <td></td> <td style="text-align: center;">1250 (1)</td> </tr> <tr> <td colspan="3">Horner declared bankrupt, received \$500, in full settlement of \$1 250 debt (1)</td> </tr> </tbody> </table>		Dr	Cr		\$	\$	Bad debts	750 (1)		Bank	500 (1)		Horner		1250 (1)	Horner declared bankrupt, received \$500, in full settlement of \$1 250 debt (1)			4
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3(e)	<p>Individual decisions cannot be made Jointly and severally liable for actions taken Possibility of disputes and disagreements</p> <p>Accept other valid points</p>	2																																				
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4(a)(i)	$\frac{\text{Gross profit}}{\text{Revenue}} \times 100 = \frac{36\,000}{200\,000} \text{ (1)} \times 100 = 18\% \text{ (1)}$	2
4(a)(ii)	$\frac{\text{Cost of sales}}{\text{Average inventory}} = \frac{164\,000}{(11\,000 + 9\,500) / 2} \text{ (1)} = 16 \text{ times (1)}$	2
4(a)(iii)	$\frac{\text{Profit of the year}}{\text{Capital Employed}} \times 100 = \frac{14\,000 \text{ (1)}}{50\,000 + 20\,000} \times 100 = 20\% \text{ (1)}$	2
4(b)(i)	<p>Irfan may have reduced selling prices Irfan may have to pay more for purchases / cost of sales Other valid points accepted</p> <p style="text-align: right;">2 points × (1)</p>	2
4(b)(ii)	<p>The rate of inventory turnover has increased / increased sales / sales promotion / increased demand Inventory has been controlled / decreased Other valid points accepted</p> <p style="text-align: right;">2 points × (1)</p>	2
4(b)(iii)	<p>Capital employed may have reduced as the loan is repaid / reduced Expenses have been controlled, reduced increasing the profit for the year Increased profits Other valid points accepted</p> <p style="text-align: right;">2 points × (1)</p>	2

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Buildings maintenance	25 000	(1)																																																																																																
Rent	12 000	(1)																																																																																																
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Depreciation -machinery	<u>22 500</u>	(1)																																																																																																
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At 1 May 2016	23 000																																																																																																	
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Cost of production (1)		<u>430 800</u>	(1)of																																																																																															

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Question	Answer	Marks																																																																																																
5(b)	<p style="text-align: center;">Income Statement for the year ended 30 April 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 15%; text-align: right;">\$</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">755 000</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Inventory of finished goods 1 May 2016</td> <td style="text-align: right;">37 000</td> <td></td> <td></td> </tr> <tr> <td>Cost of production</td> <td style="text-align: right;">430 800</td> <td></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Purchases of finished goods</td> <td style="text-align: right;">135 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>602 800</u></td> <td></td> <td></td> </tr> <tr> <td>Inventory of finished goods 30 April 2017</td> <td style="text-align: right;">(41 500)</td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(561 300)</u></td> <td style="text-align: right;">(1of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">193 700</td> <td style="text-align: right;">(1)w+ of</td> </tr> <tr> <td>Decrease in provision for doubtful debts</td> <td></td> <td style="text-align: right;">500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent receivable</td> <td></td> <td style="text-align: right;">3 300</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>197 500</u></td> <td></td> </tr> <tr> <td>Less expenses:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Buildings maintenance</td> <td style="text-align: right;">6 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Administration salaries</td> <td style="text-align: right;">71 400</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">12 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">4 900</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Selling expenses (18 500 – 1 400)</td> <td style="text-align: right;">17 100</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Other operating expenses</td> <td style="text-align: right;">32 300</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation – fixtures and fittings</td> <td style="text-align: right;">2 300</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">3 100</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(149 100)</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>48 400</u></td> <td style="text-align: right;">(1)w+of</td> </tr> </tbody> </table>		\$	\$		Revenue		755 000		Less				Inventory of finished goods 1 May 2016	37 000			Cost of production	430 800		(1of)	Purchases of finished goods	135 000		(1)		<u>602 800</u>			Inventory of finished goods 30 April 2017	(41 500)			Cost of sales		<u>(561 300)</u>	(1of)	Gross profit		193 700	(1)w+ of	Decrease in provision for doubtful debts		500	(1)	Rent receivable		3 300	(1)			<u>197 500</u>		Less expenses:				Buildings maintenance	6 000		(1)	Administration salaries	71 400		(1)	Rent	12 000		(1)	Insurance	4 900		(1)	Selling expenses (18 500 – 1 400)	17 100		(1)	Other operating expenses	32 300		(1)	Depreciation – fixtures and fittings	2 300		(1)	Bad debts	3 100		(1)			<u>(149 100)</u>		Profit for the year		<u>48 400</u>	(1)w+of	15
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Question	Answer				Marks
5(c)	Statement of Financial Position at 30 April 2017				10
	Non-current assets Factory machinery Fixtures and fittings Current assets Inventory Raw materials Work in progress Finished goods Trade receivables (63 100 – 3100) Less Provision for doubtful debts Other receivables Bank (9 700 – 5 000) Financed by: Capital Profit for the year Drawings Current liabilities Trade payables Other payables	Cost \$ 120 000 23 000 <u>143 000</u> 60 000 <u>(3 000)</u> 57 000 1 400 <u>4 700</u> 150 000 48 400 <u>198 400</u> (45 000) 59 000 <u>2 500</u>	Accumulated Net book Depreciation \$ 52 500 14 800 <u>67 300</u> 16 500 18 100 <u>41 500</u> 76 100 57 000 1 400 <u>4 700</u> 150 000 48 400 <u>198 400</u> (45 000) 59 000 <u>2 500</u>	value \$ 67 500 8 200 <u>75 700</u> (1)of (1)of (1)All three (1) (1)of (1) (1) 139 200 <u>214 900</u> 153 400 (1)of (1) (1) 61 500 <u>214 900</u>	

Question	Answer	Marks
	Total:	40