
PRINCIPLES OF ACCOUNTS**7110/22**

Paper 2 Structured

May/June 2018

MARK SCHEME

Maximum Mark: 120

Published

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.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2018 series for most Cambridge IGCSE™, Cambridge International A and AS Level and Cambridge Pre-U components, and some Cambridge O Level components.

IGCSE™ is a registered trademark.

This document consists of **9** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks																																																												
1(a)	<p style="text-align: center;">Bank account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 15%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 15%;">\$</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2018</td> <td></td> <td></td> </tr> <tr> <td>May 1</td> <td>Balance b/d</td> <td>350</td> <td>May 1</td> <td>Christan (R/D)</td> <td>120 (1)</td> </tr> <tr> <td></td> <td>Dividend received</td> <td>150 (1)</td> <td></td> <td>West Gas</td> <td>80 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Bank charges</td> <td>75 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td><u>225</u></td> </tr> <tr> <td></td> <td></td> <td><u>500</u></td> <td></td> <td></td> <td><u>500</u></td> </tr> <tr> <td>May 1</td> <td>Balance b/d</td> <td>225 (1)OF</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2018			2018			May 1	Balance b/d	350	May 1	Christan (R/D)	120 (1)		Dividend received	150 (1)		West Gas	80 (1)					Bank charges	75 (1)					Balance c/d	<u>225</u>			<u>500</u>			<u>500</u>	May 1	Balance b/d	225 (1)OF																5
Date	Details	\$	Date	Details	\$																																																									
2018			2018																																																											
May 1	Balance b/d	350	May 1	Christan (R/D)	120 (1)																																																									
	Dividend received	150 (1)		West Gas	80 (1)																																																									
				Bank charges	75 (1)																																																									
				Balance c/d	<u>225</u>																																																									
		<u>500</u>			<u>500</u>																																																									
May 1	Balance b/d	225 (1)OF																																																												
1(b)	<p style="text-align: center;">Nuri Bank Reconciliation Statement at 30 April 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 40%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">\$</td> <td style="width: 30%;"></td> </tr> <tr> <td>Balance on bank statement</td> <td></td> <td></td> <td></td> <td>400 credit</td> </tr> <tr> <td>Add Amounts not yet credited</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Sofia Cheque 873</td> <td></td> <td style="text-align: right;">245 (1)</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Cash sales</td> <td></td> <td style="text-align: right;">300 (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">545</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">945</td> </tr> <tr> <td>Less Cheques not yet presented</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Jegan Cheque 270</td> <td></td> <td style="text-align: right;">570 (1)</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Nuri Cheque 272</td> <td></td> <td style="text-align: right;">150 (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">720</td> </tr> <tr> <td>Balance on cash book</td> <td></td> <td></td> <td></td> <td>225 debit (1)OF</td> </tr> </tbody> </table>		\$		\$		Balance on bank statement				400 credit	Add Amounts not yet credited					Sofia Cheque 873		245 (1)			Cash sales		300 (1)							545					945	Less Cheques not yet presented					Jegan Cheque 270		570 (1)			Nuri Cheque 272		150 (1)							720	Balance on cash book				225 debit (1)OF	5
	\$		\$																																																											
Balance on bank statement				400 credit																																																										
Add Amounts not yet credited																																																														
Sofia Cheque 873		245 (1)																																																												
Cash sales		300 (1)																																																												
				545																																																										
				945																																																										
Less Cheques not yet presented																																																														
Jegan Cheque 270		570 (1)																																																												
Nuri Cheque 272		150 (1)																																																												
				720																																																										
Balance on cash book				225 debit (1)OF																																																										
1(c)	The bank has declined payment / dishonoured cheque (1) because the drawer (Christan) has insufficient funds in the bank or the cheque was incorrectly drafted. (1)	2																																																												

Question	Answer	Marks																																																												
1(d)	<p style="text-align: center;">George account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>April</td> <td></td> <td></td> <td>April</td> <td></td> <td></td> </tr> <tr> <td>10</td> <td>Sales</td> <td>400</td> <td>22</td> <td>Sales returns/in</td> <td>68 (1)</td> </tr> <tr> <td>20</td> <td>Sales</td> <td>425 (1)</td> <td>23</td> <td>Bank</td> <td>390</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Discount allowed (1)</td> <td>10 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>30</td> <td>Balance c/d</td> <td><u>357</u></td> </tr> <tr> <td></td> <td></td> <td><u>825</u></td> <td></td> <td></td> <td><u>825</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>May</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1</td> <td>Balance b/d</td> <td>357 (1)OF</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	April			April			10	Sales	400	22	Sales returns/in	68 (1)	20	Sales	425 (1)	23	Bank	390					Discount allowed (1)	10 (1)				30	Balance c/d	<u>357</u>			<u>825</u>			<u>825</u>							May						1	Balance b/d	357 (1)OF				5
Date	Details	\$	Date	Details	\$																																																									
April			April																																																											
10	Sales	400	22	Sales returns/in	68 (1)																																																									
20	Sales	425 (1)	23	Bank	390																																																									
				Discount allowed (1)	10 (1)																																																									
			30	Balance c/d	<u>357</u>																																																									
		<u>825</u>			<u>825</u>																																																									
May																																																														
1	Balance b/d	357 (1)OF																																																												
1(e)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Account</th> <th>Subdivision of the ledger</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>General (1)</td> </tr> <tr> <td>George</td> <td>Sales/Trade receivables (1)</td> </tr> <tr> <td>Drawings</td> <td>General (1)</td> </tr> </tbody> </table>	Account	Subdivision of the ledger	Sales	General (1)	George	Sales/Trade receivables (1)	Drawings	General (1)	3																																																				
Account	Subdivision of the ledger																																																													
Sales	General (1)																																																													
George	Sales/Trade receivables (1)																																																													
Drawings	General (1)																																																													

Question	Answer	Marks
2(a)	Error 1 Original entry (1) Error 2 Reversal (1) Error 3 Principle (1) Error 4 Commission (1)	4
2(b)	For all four errors there was double entry with a debit and credit entry (1) of equal value. (1)	2

Question	Answer			Marks																																								
2(c)	<p style="text-align: center;">General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">Debit \$</th> <th style="width: 20%; text-align: center;">Credit \$</th> </tr> </thead> <tbody> <tr> <td>Winchester</td> <td style="text-align: center;">450 (1)</td> <td></td> </tr> <tr> <td>Sales</td> <td></td> <td style="text-align: center;">450 (1)</td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: center;">120 (1)</td> <td></td> </tr> <tr> <td>Bloom</td> <td></td> <td style="text-align: center;">120 (1)</td> </tr> <tr> <td>Computer expenses</td> <td style="text-align: center;">900 (1)</td> <td></td> </tr> <tr> <td>Computer</td> <td></td> <td style="text-align: center;">900 (1)</td> </tr> <tr> <td>Filton</td> <td style="text-align: center;">420 (1)</td> <td></td> </tr> <tr> <td>Stilson</td> <td></td> <td style="text-align: center;">420 (1)</td> </tr> </tbody> </table>				Debit \$	Credit \$	Winchester	450 (1)		Sales		450 (1)	Discount allowed	120 (1)		Bloom		120 (1)	Computer expenses	900 (1)		Computer		900 (1)	Filton	420 (1)		Stilson		420 (1)	8													
	Debit \$	Credit \$																																										
Winchester	450 (1)																																											
Sales		450 (1)																																										
Discount allowed	120 (1)																																											
Bloom		120 (1)																																										
Computer expenses	900 (1)																																											
Computer		900 (1)																																										
Filton	420 (1)																																											
Stilson		420 (1)																																										
2(d)	<p style="text-align: center;">Statement of Corrected Profit for the year ended 31 March 2018</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;">Error</th> <th style="width: 45%;"></th> <th style="width: 15%; text-align: center;">Increase \$</th> <th style="width: 15%; text-align: center;">Decrease \$</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td></td> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: center;">6 800</td> </tr> <tr> <td style="text-align: center;">1</td> <td>Sales on credit to Winchester, \$830, had been recorded in the sales journal as \$380.</td> <td style="text-align: center;">450 (1)</td> <td></td> <td></td> </tr> <tr> <td style="text-align: center;">2</td> <td>Discount allowed to Bloom, \$60, had been credited in the discount allowed account and debited in Bloom's account.</td> <td></td> <td style="text-align: center;">120 (1)</td> <td></td> </tr> <tr> <td style="text-align: center;">3</td> <td>Computer expenses, \$900, had been recorded in the computer account.</td> <td></td> <td style="text-align: center;">900 (1)</td> <td></td> </tr> <tr> <td style="text-align: center;">4</td> <td>A purchase of goods from Stilson, \$420, had been posted to the account of Filton.</td> <td style="text-align: center;">No Effect (1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">450</td> <td style="text-align: center;">1 020</td> <td style="text-align: center;">(570)</td> </tr> <tr> <td></td> <td>Revised profit for the year</td> <td></td> <td></td> <td style="text-align: center;">6 230 (2)/(1)OF</td> </tr> </tbody> </table>			Error		Increase \$	Decrease \$			Profit for the year			6 800	1	Sales on credit to Winchester, \$830, had been recorded in the sales journal as \$380.	450 (1)			2	Discount allowed to Bloom, \$60, had been credited in the discount allowed account and debited in Bloom's account.		120 (1)		3	Computer expenses, \$900, had been recorded in the computer account.		900 (1)		4	A purchase of goods from Stilson, \$420, had been posted to the account of Filton.	No Effect (1)					450	1 020	(570)		Revised profit for the year			6 230 (2)/(1)OF	6
Error		Increase \$	Decrease \$																																									
	Profit for the year			6 800																																								
1	Sales on credit to Winchester, \$830, had been recorded in the sales journal as \$380.	450 (1)																																										
2	Discount allowed to Bloom, \$60, had been credited in the discount allowed account and debited in Bloom's account.		120 (1)																																									
3	Computer expenses, \$900, had been recorded in the computer account.		900 (1)																																									
4	A purchase of goods from Stilson, \$420, had been posted to the account of Filton.	No Effect (1)																																										
		450	1 020	(570)																																								
	Revised profit for the year			6 230 (2)/(1)OF																																								

Question	Answer	Marks																																										
3(a)	$1\ 820\ (1) - 75 + 60(1) - 50 + 45\ (1) = 1\ 800\ (1)\ \text{OF}$ Accept alternative presentations	4																																										
3(b)	<p style="text-align: center;">W Sports Club Sports Clothing Shop Income Statement for the year ended 30 April 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">\$</td> </tr> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">2 600</td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">400</td> <td></td> </tr> <tr> <td>Purchases (1 400 + 140 (1) – 200(1))</td> <td style="text-align: right;">1 340</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">1 740</td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;">(550)</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1 190</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">1 410</td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> </tr> <tr> <td>Rent (1 150 + 100) × 20%</td> <td style="text-align: right;">250 (1)</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">900 } (1) Both</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">130 }</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right; border-top: 1px solid black;">1 280</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">130 (1)OF + W</td> </tr> </table>		\$	\$	Revenue		2 600	Opening inventory	400		Purchases (1 400 + 140 (1) – 200(1))	1 340			1 740		Less Closing inventory	(550)		Cost of sales		1 190	Gross profit		1 410	Expenses			Rent (1 150 + 100) × 20%	250 (1)		Wages	900 } (1) Both		General expenses	130 }				1 280	Profit for the year		130 (1)OF + W	5
	\$	\$																																										
Revenue		2 600																																										
Opening inventory	400																																											
Purchases (1 400 + 140 (1) – 200(1))	1 340																																											
	1 740																																											
Less Closing inventory	(550)																																											
Cost of sales		1 190																																										
Gross profit		1 410																																										
Expenses																																												
Rent (1 150 + 100) × 20%	250 (1)																																											
Wages	900 } (1) Both																																											
General expenses	130 }																																											
		1 280																																										
Profit for the year		130 (1)OF + W																																										
3(c)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">\$</td> </tr> <tr> <td>Ticket sales</td> <td></td> <td style="text-align: right;">1 080</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Catering</td> <td style="text-align: right;">600</td> <td></td> </tr> <tr> <td>Other payables</td> <td style="text-align: right;">250</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">180</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">(1) 1 030</td> <td></td> </tr> <tr> <td>Profit</td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">50 (1)OF</td> </tr> </table>		\$	\$	Ticket sales		1 080	Less			Catering	600		Other payables	250		Wages	180			(1) 1 030		Profit		50 (1)OF	2																		
	\$	\$																																										
Ticket sales		1 080																																										
Less																																												
Catering	600																																											
Other payables	250																																											
Wages	180																																											
	(1) 1 030																																											
Profit		50 (1)OF																																										
3(d)	<p style="text-align: center;">W Sports Club Income and Expenditure Account for the year ended 30 April 2018</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">\$</td> <td style="width: 20%; text-align: right;">\$</td> </tr> <tr> <td>Income</td> <td></td> <td></td> </tr> <tr> <td>Subscriptions</td> <td style="text-align: right;">1 800 OF</td> <td></td> </tr> <tr> <td>Profit on sports clothing</td> <td style="text-align: right;">130 OF</td> <td></td> </tr> <tr> <td>Profit on special event</td> <td style="text-align: right;">50 OF</td> <td></td> </tr> <tr> <td>Other income</td> <td style="text-align: right;">1 250 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">3 230 (1) OF all four</td> <td></td> </tr> <tr> <td>Less Expenditure</td> <td></td> <td></td> </tr> <tr> <td>Wages (1 500 – 900 – 180)</td> <td style="text-align: right;">420 (1)</td> <td></td> </tr> <tr> <td>General expenses (1 900 – 130)</td> <td style="text-align: right;">1 770 (1)</td> <td></td> </tr> <tr> <td>Rent (1 150 + 100) × 80%</td> <td style="text-align: right;">1 000 (1 OF)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">300 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">3 490</td> <td></td> </tr> <tr> <td>Deficit</td> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">260 (1)OF</td> </tr> </table> <p>Alternative presentation accepted</p>		\$	\$	Income			Subscriptions	1 800 OF		Profit on sports clothing	130 OF		Profit on special event	50 OF		Other income	1 250 (1)			3 230 (1) OF all four		Less Expenditure			Wages (1 500 – 900 – 180)	420 (1)		General expenses (1 900 – 130)	1 770 (1)		Rent (1 150 + 100) × 80%	1 000 (1 OF)		Depreciation	300 (1)			3 490		Deficit		260 (1)OF	7
	\$	\$																																										
Income																																												
Subscriptions	1 800 OF																																											
Profit on sports clothing	130 OF																																											
Profit on special event	50 OF																																											
Other income	1 250 (1)																																											
	3 230 (1) OF all four																																											
Less Expenditure																																												
Wages (1 500 – 900 – 180)	420 (1)																																											
General expenses (1 900 – 130)	1 770 (1)																																											
Rent (1 150 + 100) × 80%	1 000 (1 OF)																																											
Depreciation	300 (1)																																											
	3 490																																											
Deficit		260 (1)OF																																										
3(e)	W Sports Club has received the payment but must provide the service in a future period (1). The requirement to provide the service in a future period is a liability (1).	2																																										

Question	Answer	Marks																																									
4(a)(i)	Current liabilities \$2 000 + \$6 000 = 8 000 × 2.5 = Current assets \$20 000 (1) Current assets \$20 000 – 8 500 = inventory \$11 500 (1)	2																																									
4(a)(ii)	Assets 25 000 + 8 500 + 11 500 of = 45 000 (1) OF Liabilities 20 000 + 2 000 + 6 000 = 28 000 + Bank loan 17 000 (1) OF = 45 000	2																																									
4(b)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 40%;">Workings</th> <th style="width: 30%;">30 April 2018</th> </tr> </thead> <tbody> <tr> <td>Quick ratio (acid test ratio)</td> <td>$\frac{8500}{2000 + 6000} = \frac{8500}{8000}$ { (1)</td> <td>1.06:1 (1)OF</td> </tr> <tr> <td>Profit for the year to capital employed</td> <td>$\frac{7400}{20000 + 17000} \times 100$ { (1)of</td> <td>20.00% (1)OF</td> </tr> </tbody> </table>		Workings	30 April 2018	Quick ratio (acid test ratio)	$\frac{8500}{2000 + 6000} = \frac{8500}{8000}$ { (1)	1.06:1 (1) OF	Profit for the year to capital employed	$\frac{7400}{20000 + 17000} \times 100$ { (1)of	20.00% (1) OF	4																																
	Workings	30 April 2018																																									
Quick ratio (acid test ratio)	$\frac{8500}{2000 + 6000} = \frac{8500}{8000}$ { (1)	1.06:1 (1) OF																																									
Profit for the year to capital employed	$\frac{7400}{20000 + 17000} \times 100$ { (1)of	20.00% (1) OF																																									
4(c)(i)	<p>Comment: The quick ratio has deteriorated (1) OR but is still at the accepted level of 1:1 (1)</p> <p>Reason: Trade payables / inventory have increased. Bank overdraft caused by higher expenses/purchase of non-current assets.</p> <p>(1) x 1 reason</p> <p>Accept other valid reasons (1)</p>	4																																									
4(c)(ii)	<p>Comment: Profit to the year to capital employed has improved (1)</p> <p>Reason: Lower expenses/higher profit Lower non-current liabilities Increased drawings</p> <p>(1) x 1 reason</p> <p>Accept other valid reasons.</p>																																										
4(d)	<table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th rowspan="2">Proposal</th> <th colspan="3">Working capital (current ratio)</th> <th colspan="3">Profit for the year to capital employed</th> </tr> <tr> <th>increase</th> <th>decrease</th> <th>no effect</th> <th>increase</th> <th>decrease</th> <th>no effect</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>✓</td> <td></td> <td></td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>2</td> <td>✓(1)</td> <td></td> <td></td> <td>✓(1)</td> <td></td> <td></td> </tr> <tr> <td>3</td> <td></td> <td>✓(1)</td> <td></td> <td></td> <td>✓(1)</td> <td></td> </tr> <tr> <td>4</td> <td></td> <td></td> <td>✓(1)</td> <td></td> <td></td> <td>✓(1)</td> </tr> </tbody> </table>	Proposal	Working capital (current ratio)			Profit for the year to capital employed			increase	decrease	no effect	increase	decrease	no effect	1	✓					✓	2	✓(1)			✓(1)			3		✓(1)			✓(1)		4			✓(1)			✓(1)	6
Proposal	Working capital (current ratio)			Profit for the year to capital employed																																							
	increase	decrease	no effect	increase	decrease	no effect																																					
1	✓					✓																																					
2	✓(1)			✓(1)																																							
3		✓(1)			✓(1)																																						
4			✓(1)			✓(1)																																					

Question	Answer	Marks
4(e)	Narrows the effect of difference and variation in accounting practice with other businesses Improves comparability to other businesses Improves reliability of financial statements Improves understandability of financial statements (1) x 1 reason Accept other valid points.	2

Question	Answer	Marks																																																																																																						
5(a)	<p style="text-align: center;">Boris Income Statement for the year ended 30 April 2018</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">\$</th> <th style="width: 20%; text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">419 000</td> </tr> <tr> <td>Returns</td> <td></td> <td style="text-align: right;"><u>(7 800)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">411 200 (1)</td> </tr> <tr> <td>Inventory 1 May 2017</td> <td style="text-align: right;">28 900</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchases (242 000 + 4 000)</td> <td style="text-align: right;">246 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>2 500</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">277 400</td> <td></td> </tr> <tr> <td>Returns</td> <td style="text-align: right;">(6 200)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Goods drawings</td> <td style="text-align: right;"><u>(4 500)</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">266 700</td> <td></td> </tr> <tr> <td>Inventory 30 April 2018</td> <td style="text-align: right;"><u>(22 500)</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(244 200) (1)</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">167 000</td> </tr> <tr> <td>Plus</td> <td></td> <td></td> </tr> <tr> <td>Rent receivable</td> <td></td> <td style="text-align: right;"><u>9 000 (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">176 000</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Disposal</td> <td style="text-align: right;">7 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bank loan interest (2 400 + 1 200)</td> <td style="text-align: right;">3 600</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Administration expenses</td> <td style="text-align: right;">30 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carriage (11 500 – 2 500)</td> <td style="text-align: right;">9 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Water and electricity</td> <td style="text-align: right;">12 400</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">51 600</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Advertising expenses (24 000 – 6 000)</td> <td style="text-align: right;">18 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">17 400</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation:</td> <td></td> <td></td> </tr> <tr> <td>Premises</td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Computers equipment</td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Fixtures</td> <td style="text-align: right;">1 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">2 400</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Increase in provision for doubtful debts</td> <td style="text-align: right;"><u>500</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(160 400)</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>15 600</u></td> </tr> </tbody> </table>		\$	\$	Revenue		419 000	Returns		<u>(7 800)</u>			411 200 (1)	Inventory 1 May 2017	28 900	(1)	Purchases (242 000 + 4 000)	246 000	(1)	Carriage inwards	<u>2 500</u>	(1)		277 400		Returns	(6 200)	(1)	Goods drawings	<u>(4 500)</u>	(1)		266 700		Inventory 30 April 2018	<u>(22 500)</u>	(1)	Cost of sales		<u>(244 200) (1)</u>	Gross profit		167 000	Plus			Rent receivable		<u>9 000 (1)</u>			176 000	Less			Disposal	7 500	(1)	Bank loan interest (2 400 + 1 200)	3 600	(1)	Administration expenses	30 000	(1)	Carriage (11 500 – 2 500)	9 000	(1)	Water and electricity	12 400	(1)	Wages and salaries	51 600	(1)	Advertising expenses (24 000 – 6 000)	18 000	(1)	General expenses	17 400	(1)	Depreciation:			Premises	2 000	(1)	Computers equipment	5 000	(1)	Fixtures	1 000	(1)	Bad debts	2 400	(1)	Increase in provision for doubtful debts	<u>500</u>	(1)			<u>(160 400)</u>	Profit for the year		<u>15 600</u>	22
	\$	\$																																																																																																						
Revenue		419 000																																																																																																						
Returns		<u>(7 800)</u>																																																																																																						
		411 200 (1)																																																																																																						
Inventory 1 May 2017	28 900	(1)																																																																																																						
Purchases (242 000 + 4 000)	246 000	(1)																																																																																																						
Carriage inwards	<u>2 500</u>	(1)																																																																																																						
	277 400																																																																																																							
Returns	(6 200)	(1)																																																																																																						
Goods drawings	<u>(4 500)</u>	(1)																																																																																																						
	266 700																																																																																																							
Inventory 30 April 2018	<u>(22 500)</u>	(1)																																																																																																						
Cost of sales		<u>(244 200) (1)</u>																																																																																																						
Gross profit		167 000																																																																																																						
Plus																																																																																																								
Rent receivable		<u>9 000 (1)</u>																																																																																																						
		176 000																																																																																																						
Less																																																																																																								
Disposal	7 500	(1)																																																																																																						
Bank loan interest (2 400 + 1 200)	3 600	(1)																																																																																																						
Administration expenses	30 000	(1)																																																																																																						
Carriage (11 500 – 2 500)	9 000	(1)																																																																																																						
Water and electricity	12 400	(1)																																																																																																						
Wages and salaries	51 600	(1)																																																																																																						
Advertising expenses (24 000 – 6 000)	18 000	(1)																																																																																																						
General expenses	17 400	(1)																																																																																																						
Depreciation:																																																																																																								
Premises	2 000	(1)																																																																																																						
Computers equipment	5 000	(1)																																																																																																						
Fixtures	1 000	(1)																																																																																																						
Bad debts	2 400	(1)																																																																																																						
Increase in provision for doubtful debts	<u>500</u>	(1)																																																																																																						
		<u>(160 400)</u>																																																																																																						
Profit for the year		<u>15 600</u>																																																																																																						

Question	Answer			Marks		
5(b)	Boris Statement of Financial Position at 30 April 2018			18		
		Cost	Accumulated Depreciation		NBV	
	Non-current assets	\$	\$		\$	
	Premises	100 000	–		66 000	34 000 (1) of
	Computer equipment	40 000	–		20 000	20 000 (1) of
	Fixtures and fittings	10 000	–		5 500	4 500 (1) of
		<u>150 000</u>			<u>91 500</u>	<u>58 500 (1) of</u>
	Current assets					
	Inventory		22 500			(1)
	Trade receivables					
	(37 400 – 2 400)	35 000				(1)
	Less:					
	Provision for doubtful debts	<u>(1 400)</u>				(1) of
			33 600			(1) of
	Other receivables		6 000			(1) of
	Bank (4 000 (1) – 1 000 (1))		<u>3 000</u>			
	Total assets				<u>65 100</u>	
					<u>123 600</u>	
	Capital at 1 May 2017		50 000			
	Profit for the year		<u>15 600</u>			
			65 600			
	Drawings (20 700 (1) + 4 500 (1))		<u>(25 200)</u>			
					40 400	(1) of
	Non-current Liabilities					
	8% Bank loan				60 000	(1)
Current liabilities						
Trade payables (19 000 (1) + 3 000 (1))	22 000					
Other payables	<u>1 200</u>			(1) of		
			<u>23 200</u>			
			<u>123 600</u>			
Suitable alternative layouts accepted						