

# Mark Scheme (Results)

## January 2010

GCE

GCE Accounting (6001/01)

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## Section A

| Question Number                      | Answer   | Mark              |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|--------------------------------------|--|-------------------|---|---|--|--------------------------------|--|-------|--|----------------------------|---------------|--|--|--|--------|--|--|--------------------------------|--|--------------|--|--------------------------------|--------|--|---|----------------------------------|----------------|--|---|---------------------|--|-----------|--|--------------------|--|--|--|----------------------------|--------|--|--|------|--------|--|---|-------------------------|--------|--|--|-----------------------------------|---------------|--|---|--|--|-----------------|--|--|--|---------|--|-------------------|--|--|--|------------|-------|--|--|------------------|-----------------|--|--|--|--|------------------|--|-----------------------------|--|------------------|--|--|---|---|--|-------|--|---------|---|---------------|--------|--|--|--------------------|----------------|--|--|-----|--|---------|--|---------------|---------------|--|--|---------------|---------|--|--|-----|--|--|--|--------------|--|--------|--|-----------------|--|--------------|--|--|--|--------|--|---------------------------|--------|--|---|-----------------------|--------|--|---|------|-------|--|---|------------------------------|-------|--|---|-------------------------|--------|--|---|--------------------------------------|--------------|--|---|--|--|---------------|--|------------|--|-------------------|--|--|
| 1(a)                                 | <p>(i)</p> <p style="text-align: center;"><b>Manufacturing Account for the year ended 31 December 2009</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Opening stock of raw materials</td> <td></td> <td style="text-align: right;">4 700</td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;"><u>72 500</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">77 200</td> <td></td> <td></td> </tr> <tr> <td>Closing stock of raw materials</td> <td></td> <td style="text-align: right;"><u>3 750</u></td> <td></td> </tr> <tr> <td>Cost of raw Materials Consumed</td> <td style="text-align: right;">73 450</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Production wages 109 200 + 3 850</td> <td style="text-align: right;"><u>113 050</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td><b>PRIME COST</b> ✓</td> <td></td> <td style="text-align: right;">186 500 ✓</td> <td></td> </tr> <tr> <td>Factory overheads:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary- Production manager</td> <td style="text-align: right;">25 000</td> <td></td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">14 400</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Sundry factory expenses</td> <td style="text-align: right;">31 700</td> <td></td> <td></td> </tr> <tr> <td>Depreciation- Plant and machinery</td> <td style="text-align: right;"><u>13 600</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>84 700</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">271 200</td> <td></td> </tr> <tr> <td>Work in progress:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>1 Jan 2009</td> <td style="text-align: right;">9 200</td> <td></td> <td></td> </tr> <tr> <td>31 December 2009</td> <td style="text-align: right;"><u>(14 000)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(4 800)</u> ✓</td> <td></td> </tr> <tr> <td><b>COST OF PRODUCTION</b> ✓</td> <td></td> <td style="text-align: right;"><u>266 400</u> ✓</td> <td></td> </tr> </tbody> </table> <p>(ii)</p> <p style="text-align: center;"><b>Trading and Profit and Loss Account</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">350 000</td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">25 600</td> <td></td> <td></td> </tr> <tr> <td>Cost of production</td> <td style="text-align: right;"><u>266 400</u></td> <td></td> <td></td> </tr> <tr> <td>✓OF</td> <td></td> <td style="text-align: right;">292 000</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>30 400</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">261 600</td> <td></td> <td></td> </tr> <tr> <td>✓OF</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">88 400</td> <td></td> </tr> <tr> <td>Decrease in PDD</td> <td></td> <td style="text-align: right;"><u>440</u> ✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">88 840</td> <td></td> </tr> <tr> <td>Office wages 33 450 - 750</td> <td style="text-align: right;">32 700</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Salary office manager</td> <td style="text-align: right;">17 500</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">3 600</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Carriage outwards 3800 - 650</td> <td style="text-align: right;">3 150</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Bad debts 8 100 + 4 000</td> <td style="text-align: right;">12 100</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Depreciation - Fixtures and fittings</td> <td style="text-align: right;"><u>3 900</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>72 950</u></td> <td></td> </tr> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;"><u>15 890</u> ✓OF</td> <td></td> </tr> </tbody> </table> |                   | £ | £ |  | Opening stock of raw materials |  | 4 700 |  | Purchases of raw materials | <u>72 500</u> |  |  |  | 77 200 |  |  | Closing stock of raw materials |  | <u>3 750</u> |  | Cost of raw Materials Consumed | 73 450 |  | ✓ | Production wages 109 200 + 3 850 | <u>113 050</u> |  | ✓ | <b>PRIME COST</b> ✓ |  | 186 500 ✓ |  | Factory overheads: |  |  |  | Salary- Production manager | 25 000 |  |  | Rent | 14 400 |  | ✓ | Sundry factory expenses | 31 700 |  |  | Depreciation- Plant and machinery | <u>13 600</u> |  | ✓ |  |  | <u>84 700</u> ✓ |  |  |  | 271 200 |  | Work in progress: |  |  |  | 1 Jan 2009 | 9 200 |  |  | 31 December 2009 | <u>(14 000)</u> |  |  |  |  | <u>(4 800)</u> ✓ |  | <b>COST OF PRODUCTION</b> ✓ |  | <u>266 400</u> ✓ |  |  | £ | £ |  | Sales |  | 350 000 | ✓ | Opening stock | 25 600 |  |  | Cost of production | <u>266 400</u> |  |  | ✓OF |  | 292 000 |  | Closing stock | <u>30 400</u> |  |  | Cost of sales | 261 600 |  |  | ✓OF |  |  |  | Gross profit |  | 88 400 |  | Decrease in PDD |  | <u>440</u> ✓ |  |  |  | 88 840 |  | Office wages 33 450 - 750 | 32 700 |  | ✓ | Salary office manager | 17 500 |  | ✓ | Rent | 3 600 |  | ✓ | Carriage outwards 3800 - 650 | 3 150 |  | ✓ | Bad debts 8 100 + 4 000 | 12 100 |  | ✓ | Depreciation - Fixtures and fittings | <u>3 900</u> |  | ✓ |  |  | <u>72 950</u> |  | Net profit |  | <u>15 890</u> ✓OF |  |  |
|                                      | £  | £                 |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Opening stock of raw materials       |  | 4 700             |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Purchases of raw materials           | <u>72 500</u>  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      | 77 200   |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Closing stock of raw materials       |  | <u>3 750</u>      |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Cost of raw Materials Consumed       | 73 450   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Production wages 109 200 + 3 850     | <u>113 050</u>   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| <b>PRIME COST</b> ✓                  |  | 186 500 ✓         |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Factory overheads:                   |  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Salary- Production manager           | 25 000   |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Rent                                 | 14 400   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Sundry factory expenses              | 31 700   |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Depreciation- Plant and machinery    | <u>13 600</u>  |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      |  | <u>84 700</u> ✓   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      |  | 271 200           |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Work in progress:                    |  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| 1 Jan 2009                           | 9 200  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| 31 December 2009                     | <u>(14 000)</u>  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      |  | <u>(4 800)</u> ✓  |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| <b>COST OF PRODUCTION</b> ✓          |  | <u>266 400</u> ✓  |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      | £  | £                 |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Sales                                |  | 350 000           | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Opening stock                        | 25 600   |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Cost of production                   | <u>266 400</u>   |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| ✓OF                                  |  | 292 000           |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Closing stock                        | <u>30 400</u>  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Cost of sales                        | 261 600  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| ✓OF                                  |  |                   |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Gross profit                         |  | 88 400            |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Decrease in PDD                      |  | <u>440</u> ✓      |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      |  | 88 840            |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Office wages 33 450 - 750            | 32 700   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Salary office manager                | 17 500   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Rent                                 | 3 600  |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Carriage outwards 3800 - 650         | 3 150  |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Bad debts 8 100 + 4 000              | 12 100   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Depreciation - Fixtures and fittings | <u>3 900</u>   |                   | ✓ |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
|                                      |  | <u>72 950</u>     |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |
| Net profit                           |  | <u>15 890</u> ✓OF |   |   |  |                                |  |       |  |                            |               |  |  |  |        |  |  |                                |  |              |  |                                |        |  |   |                                  |                |  |   |                     |  |           |  |                    |  |  |  |                            |        |  |  |      |        |  |   |                         |        |  |  |                                   |               |  |   |  |  |                 |  |  |  |         |  |                   |  |  |  |            |       |  |  |                  |                 |  |  |  |  |                  |  |                             |  |                  |  |  |   |   |  |       |  |         |   |               |        |  |  |                    |                |  |  |     |  |         |  |               |               |  |  |               |         |  |  |     |  |  |  |              |  |        |  |                 |  |              |  |  |  |        |  |                           |        |  |   |                       |        |  |   |      |       |  |   |                              |       |  |   |                         |        |  |   |                                      |              |  |   |  |  |               |  |            |  |                   |  |  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 1(b)            | <b>Balance Sheet as at 31 December 2009</b>                |      |
|                 | £      £      £  |      |
|                 | <u>Fixed assets</u>  |      |
|                 | Plant and machinery      68 000 45 600 22 400 ✓OF          |      |
|                 | Fixtures and fittings      26 000 11 000 <u>15 000</u> ✓OF |      |
|                 | 37 400   |      |
|                 | <u>Current assets</u>                                      |      |
|                 | Stock: raw materials      3 750      ✓                     |      |
|                 | WIP      14 000      ✓                                     |      |
|                 | Finished goods <u>30 400</u> ✓                             |      |
|                 | 48 150   |      |
|                 | Debtors      41 000      ✓                                 |      |
|                 | less PDD <u>2 460</u> ✓OF                                  |      |
|                 | 38 540      ✓  |      |
|                 | Staff loan      750      ✓                                 |      |
|                 | Prepaid expenses <u>650</u> ✓                              |      |
|                 | 88 090   |      |
|                 | <u>Current liabilities</u>                                 |      |
|                 | Creditors      36 000      ✓                               |      |
|                 | Accrued expenses      3 850      ✓                         |      |
|                 | Bank overdraft <u>5 350</u> ✓                              |      |
|                 | 45 200      ✓  |      |
|                 | Net current assets <u>42 890</u>                           |      |
|                 | <u>80 290</u>  |      |
|                 | Financed by:   |      |
|                 | Capital      85 000  |      |
|                 | Net profit <u>15 890</u>                                   |      |
|                 | 100 890  |      |
|                 | Drawings <u>20 600</u>                                     |      |
|                 | <u>80 290</u> ✓OF  |      |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| 1(c)            | Cost of producing one calculator                |            |
|                 | $\frac{266\,400}{111\,000} = \text{£}2.40$ ✓✓OF |            |
|                 |   | <b>(2)</b> |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| 1(d)            | (i) Fixed costs are constant for a period of time and do not vary in the short term with the level of output. ✓✓<br>Semi-fixed costs contain both a fixed and a variable element. The variable element varying with the level of output. ✓✓ |            |
|                 | (ii) Examples: Fixed: Rent, Production managers salary, Depreciation on plant ✓<br>Semi-fixed: Sundry factory expenses ✓  |            |
|                 |   | <b>(6)</b> |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 1(e)            | <p>Valid answers may include:</p> <p>For acceptance of the answer</p> <ul style="list-style-type: none"> <li>• Cheaper manufacturing cost greater profit</li> <li>• Loss of manufacturing responsibility</li> <li>• Can concentrate on marketing product</li> </ul> <p>Against acceptance of the offer</p> <ul style="list-style-type: none"> <li>• Loss of manufacturing independence</li> <li>• Prices may rise later</li> <li>• Supply placed in the hands of another manufacturer</li> <li>• Social aspects on community with closure of plant</li> <li>• discussion of exchange rate and/or import issues</li> </ul> <p>✓✓ per point in favour (max 2 points) and ✓✓ per point against (max 2 points)</p> | (8)  |

(Total 52 marks)

| Question Number                                    | Answer   | Mark  |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
|--|--|-------|------|---|--|----------------------|-------|--|--|--|--|-------|--|-----------------------------------|--|-----|--|-------|--|-----|---|-----------------------|-------|--|--|----------|--|-------|---|-----------|-------|--|--|----------|--|-------|---|---------------|-----|--|--|-------|--|-----|---|---------------|-------|--|--|----------|--|-------|---|---------------|--------|--|------|--|
| 2(a)(i)  | <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>Raihan/Creditor<br/>✓</td> <td style="text-align: right;">3 500</td> <td></td> <td></td> </tr> <tr> <td>Purchase returns/Trading account/Gross profit<br/>✓</td> <td></td> <td style="text-align: right;">3 500</td> <td></td> </tr> <tr> <td>Trading account/Gross profit<br/>✓</td> <td></td> <td style="text-align: right;">500</td> <td></td> </tr> <tr> <td>Stock</td> <td></td> <td style="text-align: right;">500</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>General expenses<br/>✓</td> <td style="text-align: right;">1 870</td> <td></td> <td></td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">1 870</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Rent<br/>✓</td> <td style="text-align: right;">1 500</td> <td></td> <td></td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">1 500</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Suspense<br/>✓</td> <td style="text-align: right;">300</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td></td> <td style="text-align: right;">300</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Salaries<br/>✓</td> <td style="text-align: right;">1 600</td> <td></td> <td></td> </tr> <tr> <td>Suspense</td> <td></td> <td style="text-align: right;">1 600</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Disposal<br/>✓</td> <td style="text-align: right;">14 000</td> <td></td> <td style="text-align: center;">(18)</td> </tr> </tbody> </table> |       | £    | £ |  | Raihan/Creditor<br>✓ | 3 500 |  |  | Purchase returns/Trading account/Gross profit<br>✓ |  | 3 500 |  | Trading account/Gross profit<br>✓ |  | 500 |  | Stock |  | 500 | ✓ | General expenses<br>✓ | 1 870 |  |  | Suspense |  | 1 870 | ✓ | Rent<br>✓ | 1 500 |  |  | Suspense |  | 1 500 | ✓ | Suspense<br>✓ | 300 |  |  | Wages |  | 300 | ✓ | Salaries<br>✓ | 1 600 |  |  | Suspense |  | 1 600 | ✓ | Disposal<br>✓ | 14 000 |  | (18) |  |
|  | £  | £     |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Raihan/Creditor<br>✓                               | 3 500  |       |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Purchase returns/Trading account/Gross profit<br>✓ |  | 3 500 |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Trading account/Gross profit<br>✓                  |  | 500   |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Stock  |  | 500   | ✓    |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| General expenses<br>✓                              | 1 870  |       |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Suspense   |  | 1 870 | ✓    |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Rent<br>✓  | 1 500  |       |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Suspense   |  | 1 500 | ✓    |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Suspense<br>✓                                      | 300  |       |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Wages  |  | 300   | ✓    |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Salaries<br>✓                                      | 1 600  |       |      |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Suspense   |  | 1 600 | ✓    |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |
| Disposal<br>✓                                      | 14 000   |       | (18) |   |  |                      |       |  |  |  |  |       |  |                                   |  |     |  |       |  |     |   |                       |       |  |  |          |  |       |   |           |       |  |  |          |  |       |   |               |     |  |  |       |  |     |   |               |       |  |  |          |  |       |   |               |        |  |      |  |

|  |   |       |        |   |
|--|---|-------|--------|---|
|  | Motor vehicles                              |       | 14 000 |   |
|  | ✓   |       |        |   |
|  | Provision for depreciation - Motor vehicles | 6 300 |        |   |
|  | ✓   |       |        |   |
|  | Disposal                                    |       | 6 300  | ✓ |
|  | Bank  | 4 000 |        |   |
|  | ✓   |       |        |   |
|  | Disposal                                    |       | 4 000  | ✓ |

| Question Number | Answer  | Mark |                  |              |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |
|-----------------|---|------|------------------|--------------|---|--|-------------|-------|---|------------------|-------|-------|-----|---|------|-------|--|-------|--|----------|---|------------|--|---|--|--|--|--------------|--|--|--------------|-----|
| 2(a)(ii)        | Suspense account<br><table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Balance b/d</td> <td style="text-align: right;">4 670</td> <td>✓</td> <td>General expenses</td> <td style="text-align: right;">1 870</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">300</td> <td>✓</td> <td>Rent</td> <td style="text-align: right;">1 500</td> </tr> <tr> <td></td> <td style="text-align: right;">_____</td> <td></td> <td>Salaries</td> <td style="text-align: right;">1</td> </tr> <tr> <td><u>600</u></td> <td></td> <td>✓</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>4 970</u></td> <td></td> <td></td> <td style="text-align: right;"><u>4 970</u></td> </tr> </table> |      | £                |              | £ |  | Balance b/d | 4 670 | ✓ | General expenses | 1 870 | Wages | 300 | ✓ | Rent | 1 500 |  | _____ |  | Salaries | 1 | <u>600</u> |  | ✓ |  |  |  | <u>4 970</u> |  |  | <u>4 970</u> | (5) |
|                 | £   |      | £                |              |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |
| Balance b/d     | 4 670   | ✓    | General expenses | 1 870        |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |
| Wages           | 300   | ✓    | Rent             | 1 500        |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |
|                 | _____   |      | Salaries         | 1            |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |
| <u>600</u>      |   | ✓    |                  |              |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |
|                 | <u>4 970</u>  |      |                  | <u>4 970</u> |   |  |             |       |   |                  |       |       |     |   |      |       |  |       |  |          |   |            |  |   |  |  |  |              |  |  |              |     |

| Question Number              | Answer  | Mark   |         |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
|------------------------------|---|--------|---------|----|---|--|--------------|--|--|---------|---|---------|--|--|--------|--|-------|--------|--|--|---|----------|--------|--|--|---|------|--|--------|--|---|------------------|--------|--|--|---|-----------------------|--------|--|--------|---|------|--|--------|--|---|-------|--------|--|--|---|---------------|--|--|--|--|----------------|--------|--|--|---|------------------|--------|--|--|--|------------------------------|--|--|--|--|----------------|--|--|-------|--|---|--|--|--|--|------------------|--|--|-------|--|----------|--------------|--|-------|----|--|---------|--|---------|--|------|
| 2(b)                         | <p style="text-align: center;"><b>Trial Balance as at 30 November 2009</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right;">173 000</td> <td>✓</td> </tr> <tr> <td>Capital</td> <td></td> <td></td> <td style="text-align: right;">36 000</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">39 100</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">81 600</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Rent</td> <td></td> <td style="text-align: right;">17 000</td> <td></td> <td>✓</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">13 570</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Debtors and Creditors</td> <td style="text-align: right;">21 300</td> <td></td> <td style="text-align: right;">13 000</td> <td>✓</td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: right;">12 100</td> <td></td> <td>✓</td> </tr> <tr> <td>Stock</td> <td style="text-align: right;">18 500</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Fixed assets:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Motor vehicles</td> <td style="text-align: right;">16 000</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>    Office furniture</td> <td style="text-align: right;">18 000</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Provisions for depreciation:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Motor vehicles</td> <td></td> <td></td> <td style="text-align: right;">9 700</td> <td></td> </tr> <tr> <td>    ✓</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>    Office furniture</td> <td></td> <td></td> <td style="text-align: right;">9 170</td> <td></td> </tr> <tr> <td>Disposal</td> <td style="text-align: right;"><u>3 700</u></td> <td></td> <td style="text-align: right;">_____</td> <td>✓✓</td> </tr> <tr> <td></td> <td style="text-align: right;">240 870</td> <td></td> <td style="text-align: right;">240 870</td> <td></td> </tr> </table> |        | £       |    | £ |  | Gross profit |  |  | 173 000 | ✓ | Capital |  |  | 36 000 |  | Wages | 39 100 |  |  | ✓ | Salaries | 81 600 |  |  | ✓ | Rent |  | 17 000 |  | ✓ | General expenses | 13 570 |  |  | ✓ | Debtors and Creditors | 21 300 |  | 13 000 | ✓ | Bank |  | 12 100 |  | ✓ | Stock | 18 500 |  |  | ✓ | Fixed assets: |  |  |  |  | Motor vehicles | 16 000 |  |  | ✓ | Office furniture | 18 000 |  |  |  | Provisions for depreciation: |  |  |  |  | Motor vehicles |  |  | 9 700 |  | ✓ |  |  |  |  | Office furniture |  |  | 9 170 |  | Disposal | <u>3 700</u> |  | _____ | ✓✓ |  | 240 870 |  | 240 870 |  | (12) |
|                              | £   |        | £       |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Gross profit                 |   |        | 173 000 | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Capital                      |   |        | 36 000  |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Wages                        | 39 100  |        |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Salaries                     | 81 600  |        |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Rent                         |   | 17 000 |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| General expenses             | 13 570  |        |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Debtors and Creditors        | 21 300  |        | 13 000  | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Bank                         |   | 12 100 |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Stock                        | 18 500  |        |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Fixed assets:                |   |        |         |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Motor vehicles               | 16 000  |        |         | ✓  |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Office furniture             | 18 000  |        |         |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Provisions for depreciation: |   |        |         |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Motor vehicles               |   |        | 9 700   |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| ✓                            |   |        |         |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Office furniture             |   |        | 9 170   |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
| Disposal                     | <u>3 700</u>  |        | _____   | ✓✓ |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |
|                              | 240 870   |        | 240 870 |    |   |  |              |  |  |         |   |         |  |  |        |  |       |        |  |  |   |          |        |  |  |   |      |  |        |  |   |                  |        |  |  |   |                       |        |  |        |   |      |  |        |  |   |       |        |  |  |   |               |  |  |  |  |                |        |  |  |   |                  |        |  |  |  |                              |  |  |  |  |                |  |  |       |  |   |  |  |  |  |                  |  |  |       |  |          |              |  |       |    |  |         |  |         |  |      |

| Question Number | Answer  | Mark   |         |  |   |              |         |        |      |  |  |  |         |  |
|-----------------|---|--------|---------|--|---|--------------|---------|--------|------|--|--|--|---------|--|
| 2(c)            | <p style="text-align: center;"><b>Profit and Loss Account for the year ending 30 November 2009</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;">170 000</td> <td style="text-align: center;">+3 500</td> <td style="text-align: right;">-500</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">173 000</td> </tr> </table> |        | £       |  | £ | Gross profit | 170 000 | +3 500 | -500 |  |  |  | 173 000 |  |
|                 | £   |        | £       |  |   |              |         |        |      |  |  |  |         |  |
| Gross profit    | 170 000   | +3 500 | -500    |  |   |              |         |        |      |  |  |  |         |  |
|                 |   |        | 173 000 |  |   |              |         |        |      |  |  |  |         |  |

|  |                         |        |        |        |                |    |
|--|-------------------------|--------|--------|--------|----------------|----|
|  | Less                    |        |        |        |                |    |
|  | Wages                   | 39 400 | -300   | 39 100 |                | ✓  |
|  | Salaries                |        | 80 000 | +1 600 | 81 600         |    |
|  |                         |        |        |        |                | ✓  |
|  | Rent                    | 15 500 | +1 500 |        | 17 000         |    |
|  |                         |        |        |        |                | ✓  |
|  | General expenses        | 11 700 | +1 870 |        | 13 570         |    |
|  |                         |        |        |        |                | ✓  |
|  | Depreciation:           |        |        |        |                |    |
|  | Motor vehicles          | 2 400  | +2 100 |        | 4 500          |    |
|  |                         |        |        |        |                | ✓✓ |
|  | Office furniture        |        |        |        | 2 700          |    |
|  |                         |        |        |        |                | ✓  |
|  | Loss on sale of vehicle |        |        |        | <u>3 700</u>   |    |
|  |                         |        |        |        |                | ✓✓ |
|  |                         |        |        |        | <u>162 170</u> |    |
|  | Net profit              |        |        |        | <u>11 830</u>  |    |

(9)

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 2(d)            | <p>Valid answers may include:</p> <p>In favour of the proposition</p> <ul style="list-style-type: none"> <li>The trial balance ensures that there is a debit and a credit of equal value.</li> <li>It provides 'prima facie' evidence of accuracy.</li> </ul> <p>Against the proposition</p> <ul style="list-style-type: none"> <li>If an account is debited and another credited the trial balance will not detect an error</li> <li>There are errors that cannot be detected by the trial balance e.g omission, commission, principle, compensation etc</li> <li>Does not locate the actual error</li> </ul> <p>✓✓ per point in favour (max 2 points) and ✓✓ per point against (max 2 points)</p> | (8)  |

(Total 52 marks)

| Question Number | Answer  | Mark            |               |                 |             |       |         |         |  |        |  |  |   |               |        |        |          |           |        |        |          |  |
|-----------------|---|-----------------|---------------|-----------------|-------------|-------|---------|---------|--|--------|--|--|---|---------------|--------|--------|----------|-----------|--------|--------|----------|--|
| 3(a)            | <p><b>Departmental Trading and Profit and loss account for the year ending 31 December 2009</b></p> <table> <thead> <tr> <th></th> <th>Plumbing<br/>£</th> <th>Electrical<br/>£</th> <th>Timber<br/>£</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td>110 000</td> <td>148 000</td> <td></td> </tr> <tr> <td>96 000</td> <td></td> <td></td> <td>✓</td> </tr> <tr> <td>Opening stock</td> <td>14 000</td> <td>16 700</td> <td>18 200 ✓</td> </tr> <tr> <td>Purchases</td> <td>58 000</td> <td>65 000</td> <td>55 000 ✓</td> </tr> </tbody> </table> |                 | Plumbing<br>£ | Electrical<br>£ | Timber<br>£ | Sales | 110 000 | 148 000 |  | 96 000 |  |  | ✓ | Opening stock | 14 000 | 16 700 | 18 200 ✓ | Purchases | 58 000 | 65 000 | 55 000 ✓ |  |
|                 | Plumbing<br>£   | Electrical<br>£ | Timber<br>£   |                 |             |       |         |         |  |        |  |  |   |               |        |        |          |           |        |        |          |  |
| Sales           | 110 000   | 148 000         |               |                 |             |       |         |         |  |        |  |  |   |               |        |        |          |           |        |        |          |  |
| 96 000          |   |                 | ✓             |                 |             |       |         |         |  |        |  |  |   |               |        |        |          |           |        |        |          |  |
| Opening stock   | 14 000  | 16 700          | 18 200 ✓      |                 |             |       |         |         |  |        |  |  |   |               |        |        |          |           |        |        |          |  |
| Purchases       | 58 000  | 65 000          | 55 000 ✓      |                 |             |       |         |         |  |        |  |  |   |               |        |        |          |           |        |        |          |  |

|                              |        |        |           |      |
|------------------------------|--------|--------|-----------|------|
| Goods for extension          |        |        | (5 000) £ |      |
|                              | 72 000 | 81 700 | 68 200    |      |
| Closing stock                | 12 800 | 14 300 | 21 100 £  |      |
| Cost of Sales                | 59 200 | 67 400 | 47 100 £  |      |
| Gross profit                 | 50 800 | 80 600 | 48 900    |      |
| Less                         |        |        |           |      |
| Wages                        | 18 000 | 27 000 | 35 000 ££ |      |
| Manager salary               | 6 000  | 10 000 | 14 000 ££ |      |
| Administration expenses      | 4 655  | 5 320  | 3 325 ££  |      |
| Rent, heat and light         | 2 550  | 2 125  | 3 825 ££  |      |
| Vehicle running expenses     | 4 000  | 4 000  | 12 000 ££ |      |
| Depreciation:                |        |        |           |      |
| Premises                     | 900    | 750    | 1 350 £££ |      |
| Equipment                    | 2 250  | 2 250  | 4 500 £££ |      |
| Delivery vehicle             | 640    | 640    | 1 920 £££ |      |
| Provision for doubtful debts | 250    | 90     | 700 £££   |      |
|                              | 39 245 | 52 175 | 76 620    |      |
| Net profit                   | 11 555 | 28 425 | (27 720)  | (28) |
|                              | 50 800 | 82 600 | 48 900    |      |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 3(b)(i)         | The extent of doubtful debts within the debtors balance cannot be ascertained with certainty. ££ Therefore, a reasonable assessment is made of the potential future loss in the period in which the debtors were obtained. ££ | (4)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 3(b)(ii)        | The accruals concept matches income and expenditure for a period of time. ££ The sales for the period must be matched with the cost of those sales and not just the purchases for the period. ££ | (4)  |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 3(b)(iii)       | The extension will provide a new facility for the business for many years; ££ is not primarily for resale and enhances, not repairs, an existing fixed asset (premises). ££ | (4)  |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 3(b)(iv)        | Staff work in a single department ££ and therefore their wages can be identified to a specific department. ££ | (4)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 3(c)            | Valid answers may include:<br>In favour of closure <ul style="list-style-type: none"> <li>Losses are not sustainable in the long term</li> </ul> |      |



|  |   |            |
|--|---|------------|
|  | <ul style="list-style-type: none"><li>• Opportunity to replace with a department which is profitable</li><li>• Improved use of resources</li></ul> Against closure <ul style="list-style-type: none"><li>• Complementary nature of department in providing a service to builders</li><li>• Fixed costs will be redistributed to other two departments</li><li>• Cost and social cost of making staff redundant</li></ul> <p>✓✓ per point in favour (max 2 points) and ✓✓ per point against (max 2 points)</p> | <b>(8)</b> |
|--|---|------------|

**(Total 52 marks)**

## Section B

| Question Number | Answer  | Mark  |  |
|-----------------|---|---|--|
| 4(a)            | <b>2009</b>   | <b>2008</b>   |  |
|                 | (i) Gross profit to sales %<br><i>∫∫</i>  | $\frac{120\,000}{400\,000} \times 100 = 30\% \quad \text{∫∫}$             | $\frac{95\,000}{380\,000} \times 100 = 25\% \quad \text{∫∫}$           |
|                 | (ii) Stock turnover<br><i>∫∫</i>  | $\frac{280\,000}{32\,500} = 8.6 \text{ times} \quad \text{∫∫}$            | $\frac{285\,000}{37\,500} = 7.6 \text{ times} \quad \text{∫∫}$         |
|                 | (iii) Debtors collection period<br>$\frac{400\,000}{120\,000} \times 365 = 52.8 \text{ days} \quad \text{∫∫}$ | $\frac{40\,000}{400\,000} \times 365 = 36.5 \text{ days} \quad \text{∫∫}$ | $\frac{55}{380\,000} \times 365 = 5.2 \text{ days} \quad \text{∫∫}$    |
|                 | (iv) Return on capital employed<br>$\frac{35\,000}{120\,000 + 25\,000} \times 100 = 3.4\% \quad \text{∫∫}$    | $\frac{35\,000}{150\,000 + 25\,000} \times 100 = 20\% \quad \text{∫∫}$    | $\frac{5\,000}{100\,000 + 40\,000} \times 100 = 3.7\% \quad \text{∫∫}$ |
|                 | (v) Liquid (acid test)<br><i>∫∫</i>   | $\frac{85\,000 - 35\,000}{30\,000} = 1.67:1 \quad \text{∫∫}$              | $\frac{100\,000 - 40\,000}{85\,000} = 0.70:1 \quad \text{∫∫}$          |
|                 |   | <b>(20)</b>   |  |

| Question Number | Answer  | Mark       |
|-----------------|---|------------|
| 4(b)(i)         | The liquidity position is deteriorating and is falling below the benchmark of 0.7-1.0:1. <i>∫∫</i> OF | <b>(2)</b> |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| 4(b)(ii)        | Valid answers may include: <ul style="list-style-type: none"> <li>• Dispose of fixed assets for cash.</li> <li>• Reduce drawings in cash</li> <li>• Introduce more capital in cash/bank</li> <li>• Extend long term loans if possible</li> <li>• Increase stock turnover/reduce stock</li> <li>• Reduce payment period from debtors</li> </ul><br><i>∫∫</i> per point x3 | <b>(6)</b> |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 4(c)            | Valid answers may include: <p>Points for:</p> <ul style="list-style-type: none"> <li>• Ratios provide accepted yardsticks against which to measure the business.</li> <li>• Trends can be identified.</li> </ul> <p>Points against:</p> |      |

|  |  |            |
|--|--|------------|
|  | <ul style="list-style-type: none"><li>• Ratios do not show the skill of the workforce or Management.</li><li>• Ratios do not show the strength of the demand for the product.</li></ul> <p>✓✓ for one point in favour and ✓✓ for one point against</p> | <b>(4)</b> |
|--|--|------------|

**(Total 32 marks)**

| Question Number              | Answer  | Mark |   |  |  |                             |         |   |  |                            |        |  |   |                              |        |  |   |  |         |   |  |     |
|------------------------------|---|------|---|--|--|-----------------------------|---------|---|--|----------------------------|--------|--|---|------------------------------|--------|--|---|--|---------|---|--|-----|
| 5(a)(i)                      | <p>Total salary and wage cost:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">£</td> <td></td> <td></td> </tr> <tr> <td>Partners (40 000 + 25%) x 2</td> <td>100 000</td> <td>✓</td> <td></td> </tr> <tr> <td>Juniors (16 000 + 25%) x 3</td> <td>60 000</td> <td></td> <td>✓</td> </tr> <tr> <td>Administrator (12 000 + 25%)</td> <td>15 000</td> <td></td> <td>✓</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">175 000</td> <td>✓</td> <td></td> </tr> </table> |      | £ |  |  | Partners (40 000 + 25%) x 2 | 100 000 | ✓ |  | Juniors (16 000 + 25%) x 3 | 60 000 |  | ✓ | Administrator (12 000 + 25%) | 15 000 |  | ✓ |  | 175 000 | ✓ |  | (4) |
|                              | £   |      |   |  |  |                             |         |   |  |                            |        |  |   |                              |        |  |   |  |         |   |  |     |
| Partners (40 000 + 25%) x 2  | 100 000   | ✓    |   |  |  |                             |         |   |  |                            |        |  |   |                              |        |  |   |  |         |   |  |     |
| Juniors (16 000 + 25%) x 3   | 60 000  |      | ✓ |  |  |                             |         |   |  |                            |        |  |   |                              |        |  |   |  |         |   |  |     |
| Administrator (12 000 + 25%) | 15 000  |      | ✓ |  |  |                             |         |   |  |                            |        |  |   |                              |        |  |   |  |         |   |  |     |
|                              | 175 000   | ✓    |   |  |  |                             |         |   |  |                            |        |  |   |                              |        |  |   |  |         |   |  |     |

| Question Number            | Answer  | Mark |     |  |  |                            |         |  |    |                |        |   |  |  |         |  |     |     |
|----------------------------|---|------|-----|--|--|----------------------------|---------|--|----|----------------|--------|---|--|--|---------|--|-----|-----|
| 5(a)(ii)                   | <p>Total cost:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">£</td> <td></td> <td></td> </tr> <tr> <td>Total salary and wage cost</td> <td>175 000</td> <td></td> <td>OF</td> </tr> <tr> <td>Other expenses</td> <td>35 000</td> <td>✓</td> <td></td> </tr> <tr> <td></td> <td style="border-top: 1px solid black;">210 000</td> <td></td> <td>✓OF</td> </tr> </table> |      | £   |  |  | Total salary and wage cost | 175 000 |  | OF | Other expenses | 35 000 | ✓ |  |  | 210 000 |  | ✓OF | (2) |
|                            | £   |      |     |  |  |                            |         |  |    |                |        |   |  |  |         |  |     |     |
| Total salary and wage cost | 175 000   |      | OF  |  |  |                            |         |  |    |                |        |   |  |  |         |  |     |     |
| Other expenses             | 35 000  | ✓    |     |  |  |                            |         |  |    |                |        |   |  |  |         |  |     |     |
|                            | 210 000   |      | ✓OF |  |  |                            |         |  |    |                |        |   |  |  |         |  |     |     |

| Question Number             | Answer  | Mark    |                 |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
|-----------------------------|---|---------|-----------------|---------|--|--|--------|--|--|---|---|--|--|--------|--------|---|----------|----------------|--------|---|---------|---------------|--------------|---|----------------|--|--------|--|--------|-----------------------------|--------------|----|-----------------|--|--------------|--|-----|----------|--|--|--|----------------|----------|---|------------|-------------|--------------|--|-----|----------|--|--|--|--|-----|--|-----|------|
| 5(a)(iii)                   | <p>Hourly rate:</p> <table style="margin-left: 40px;"> <tr> <td></td> <td></td> <td style="text-align: center;">Partner</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">Junior</td> <td></td> <td></td> </tr> <tr> <td>£</td> <td>£</td> <td></td> <td></td> </tr> <tr> <td>Salary</td> <td>40 000</td> <td>✓</td> <td>16 000 ✓</td> </tr> <tr> <td>On costs (25%)</td> <td>10 000</td> <td>✓</td> <td>4 000 ✓</td> </tr> <tr> <td>Administrator</td> <td><u>3 000</u></td> <td>✓</td> <td><u>3 000</u> ✓</td> </tr> <tr> <td></td> <td>53 000</td> <td></td> <td>23 000</td> </tr> <tr> <td>Divided by chargeable hours</td> <td><u>1 000</u></td> <td>✓✓</td> <td><u>1 150</u> ✓✓</td> </tr> <tr> <td></td> <td>£53 per hour</td> <td></td> <td>£20</td> </tr> <tr> <td>per hour</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Other expenses</td> <td><u>7</u></td> <td>✓</td> <td><u>7</u> ✓</td> </tr> <tr> <td>Hourly rate</td> <td>£60 per hour</td> <td></td> <td>£27</td> </tr> <tr> <td>per hour</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>✓OF</td> <td></td> <td>✓OF</td> </tr> </table> |         |                 | Partner |  |  | Junior |  |  | £ | £ |  |  | Salary | 40 000 | ✓ | 16 000 ✓ | On costs (25%) | 10 000 | ✓ | 4 000 ✓ | Administrator | <u>3 000</u> | ✓ | <u>3 000</u> ✓ |  | 53 000 |  | 23 000 | Divided by chargeable hours | <u>1 000</u> | ✓✓ | <u>1 150</u> ✓✓ |  | £53 per hour |  | £20 | per hour |  |  |  | Other expenses | <u>7</u> | ✓ | <u>7</u> ✓ | Hourly rate | £60 per hour |  | £27 | per hour |  |  |  |  | ✓OF |  | ✓OF | (14) |
|                             |   | Partner |                 |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
|                             | Junior  |         |                 |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| £                           | £   |         |                 |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| Salary                      | 40 000  | ✓       | 16 000 ✓        |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| On costs (25%)              | 10 000  | ✓       | 4 000 ✓         |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| Administrator               | <u>3 000</u>  | ✓       | <u>3 000</u> ✓  |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
|                             | 53 000  |         | 23 000          |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| Divided by chargeable hours | <u>1 000</u>  | ✓✓      | <u>1 150</u> ✓✓ |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
|                             | £53 per hour  |         | £20             |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| per hour                    |   |         |                 |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| Other expenses              | <u>7</u>  | ✓       | <u>7</u> ✓      |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| Hourly rate                 | £60 per hour  |         | £27             |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
| per hour                    |   |         |                 |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |
|                             | ✓OF   |         | ✓OF             |         |  |  |        |  |  |   |   |  |  |        |        |   |          |                |        |   |         |               |              |   |                |  |        |  |        |                             |              |    |                 |  |              |  |     |          |  |  |  |                |          |   |            |             |              |  |     |          |  |  |  |  |     |  |     |      |

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 5(b)            | <p>Valid answers may include:</p> <ul style="list-style-type: none"> <li>• Promoting the business</li> <li>• Undertaking own administration</li> <li>• Interviewing staff</li> <li>• Meeting potential clients</li> <li>• Travelling time</li> <li>• Illness</li> </ul> <p>✓✓ per point x 4</p> | (8)  |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 5(c)            | <p>Valid answers may include:</p> <p>Points for:</p> <ul style="list-style-type: none"> <li>• Service industry best suited to charging by hour</li> <li>• Charging method is seen as fair by clients</li> <li>• Simple to calculate from job sheets</li> </ul> <p>Points against:</p> <ul style="list-style-type: none"> <li>• Work can be of varying complexity justifying a different charge.</li> <li>• Method does not take account of the ability of the client to pay.</li> </ul> <p>∩∩ for one point in favour and ∩∩ for one point against</p> | (4)  |

(Total 32 marks)

| Question Number | Answer  | Mark |
|-----------------|---|------|
| 6(a)            | <ul style="list-style-type: none"> <li>• Goodwill is an intangible asset</li> <li>• Determining an actual valuation is difficult.</li> <li>• Concept of money measurement</li> <li>• Prudent to write off</li> <li>• Brought into business only on purchase or sale</li> <li>• Recommended by Partnership act/law to be written off</li> </ul> <p>∩∩ x 2 points</p> | (4)  |

| Question Number      | Answer  | Mark          |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
|----------------------|---|---------------|--------|---|--|------------|--|--------|--|------|--|--|--|----------------------|--|--|--|-------|-------|--|--|-----|--|------------|--|--|--|-------|---|--------|--|--------------|---|--|--|--|--------|------------------|--|--|--|-------|--|-------|--------|----------------|--|--|--|-----|--|--------------|--------|-------------|--|--|--|--|--|---------------|--|------|
| 6(b)(i)              | <p><b>Appropriation Account for the year ended 30 November 2009</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">£</td> <td style="text-align: right;">£</td> <td></td> </tr> <tr> <td>Net profit</td> <td></td> <td style="text-align: right;">21 000</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on capital:</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Chong</td> <td style="text-align: right;">1 200</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">Dey</td> <td></td> <td style="text-align: right;"><u>800</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2 000</td> <td style="text-align: right;">∩</td> </tr> <tr> <td>Salary</td> <td></td> <td style="text-align: right;"><u>7 000</u></td> <td style="text-align: right;">∩</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">12 000</td> </tr> <tr> <td>Share of profit:</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Chong</td> <td></td> <td style="text-align: right;">7 200</td> <td style="text-align: right;">∩OF if</td> </tr> <tr> <td>correct split/</td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Dey</td> <td></td> <td style="text-align: right;"><u>4 800</u></td> <td style="text-align: right;">∩OF no</td> </tr> <tr> <td>alien items</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>12 000</u></td> <td></td> </tr> </table> |               | £      | £ |  | Net profit |  | 21 000 |  | Less |  |  |  | Interest on capital: |  |  |  | Chong | 1 200 |  |  | Dey |  | <u>800</u> |  |  |  | 2 000 | ∩ | Salary |  | <u>7 000</u> | ∩ |  |  |  | 12 000 | Share of profit: |  |  |  | Chong |  | 7 200 | ∩OF if | correct split/ |  |  |  | Dey |  | <u>4 800</u> | ∩OF no | alien items |  |  |  |  |  | <u>12 000</u> |  | (18) |
|                      | £   | £             |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Net profit           |   | 21 000        |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Less                 |   |               |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Interest on capital: |   |               |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Chong                | 1 200   |               |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Dey                  |   | <u>800</u>    |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
|                      |   | 2 000         | ∩      |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Salary               |   | <u>7 000</u>  | ∩      |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
|                      |   |               | 12 000 |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Share of profit:     |   |               |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Chong                |   | 7 200         | ∩OF if |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| correct split/       |   |               |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| Dey                  |   | <u>4 800</u>  | ∩OF no |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
| alien items          |   |               |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |
|                      |   | <u>12 000</u> |        |   |  |            |  |        |  |      |  |  |  |                      |  |  |  |       |       |  |  |     |  |            |  |  |  |       |   |        |  |              |   |  |  |  |        |                  |  |  |  |       |  |       |        |                |  |  |  |     |  |              |        |             |  |  |  |  |  |               |  |      |

| Question Number | Answer  | Mark          |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|-----------------|---|---------------|---------------|----------|-----------------|---------------|---------------|----------|-----------|----------|-------|--------|--|---|-------------|--------|--------|---|--|--|--|--|--|----------|-------|-----|--|--|--|--|--|--|--------|--|--|--|--|--|--|--|--|--|--|--|--|-------|--|---|--|--|--|--|--|--|-------------|--|---------------|---------------|--|-----------------|--------------|--------------|--|-----|--|--|--|--|--|--|--|--|--|--|---------------|---------------|--|--|---------------|---------------|--|----------|--------|--------|--------|----|-------------|--------|--------|--|------|--|--|--|--|--|--|--|--|------|--------|--|--|---|-----------------|--|--|----|--------|--|--|--|--|--|--|--|--|-------------|--|---------------|---------------|-----|----------|---------------|---------------|--|-------|--|--|--|--|--|--|--|--|--|--|---------------|---------------|--------|--|---------------|---------------|----|-----|--|--|--|--|--|--|--|--|--|--|--|--|--|-------------|--------|----|--|------------|--|--|--|--|--|--|--|--|------|
| 6(b)(ii)        | <p style="text-align: center;"><b>Capital accounts</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Chong<br/>£</th> <th style="text-align: center;">Dey<br/>£</th> <th style="text-align: center;">Elva<br/>£</th> <th></th> <th style="text-align: center;">Chong<br/>£</th> <th style="text-align: center;">Dey<br/>£</th> <th style="text-align: center;">Elva<br/>£</th> </tr> </thead> <tbody> <tr> <td>Drawings</td> <td style="text-align: right;">8 000</td> <td style="text-align: right;">14 500</td> <td></td> <td style="text-align: center;">/</td> <td>Balance b/d</td> <td style="text-align: right;">30 000</td> <td style="text-align: right;">20 000</td> <td style="text-align: center;">/</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Interest</td> <td style="text-align: right;">1 200</td> <td style="text-align: right;">800</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td>Salary</td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>7 000</td> <td></td> <td style="text-align: center;">/</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td></td> <td style="text-align: right;"><u>30 400</u></td> <td style="text-align: right;"><u>18 100</u></td> <td></td> <td>Share of profit</td> <td style="text-align: right;"><u>7 200</u></td> <td style="text-align: right;"><u>4 800</u></td> <td></td> </tr> <tr> <td>/OF</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>38 400</u></td> <td style="text-align: right;"><u>32 600</u></td> <td></td> <td></td> <td style="text-align: right;"><u>38 400</u></td> <td style="text-align: right;"><u>32 600</u></td> <td></td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">24 000</td> <td style="text-align: right;">24 000</td> <td style="text-align: right;">12 000</td> <td style="text-align: center;">//</td> <td>Balance b/d</td> <td style="text-align: right;">30 400</td> <td style="text-align: right;">18 100</td> <td></td> </tr> <tr> <td>/ OF</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">15 000</td> <td></td> <td></td> <td style="text-align: center;">/</td> <td>Capital Intro'd</td> <td></td> <td></td> <td style="text-align: right;">25</td> </tr> <tr> <td>000 //</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td></td> <td style="text-align: right;"><u>27 400</u></td> <td style="text-align: right;"><u>18 100</u></td> <td style="text-align: center;">/OF</td> <td>Goodwill</td> <td style="text-align: right;"><u>36 000</u></td> <td style="text-align: right;"><u>24 000</u></td> <td></td> </tr> <tr> <td>___ /</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>66 400</u></td> <td style="text-align: right;"><u>42 100</u></td> <td style="text-align: center;">25 000</td> <td></td> <td style="text-align: right;"><u>66 400</u></td> <td style="text-align: right;"><u>42 100</u></td> <td style="text-align: right;">25</td> </tr> <tr> <td>000</td> <td></td> <td></td> <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>Balance b/d</td> <td style="text-align: right;">27 400</td> <td style="text-align: right;">18</td> <td></td> </tr> <tr> <td>100 13 000</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table> |               | Chong<br>£    | Dey<br>£ | Elva<br>£       |               | Chong<br>£    | Dey<br>£ | Elva<br>£ | Drawings | 8 000 | 14 500 |  | / | Balance b/d | 30 000 | 20 000 | / |  |  |  |  |  | Interest | 1 200 | 800 |  |  |  |  |  |  | Salary |  |  |  |  |  |  |  |  |  |  |  |  | 7 000 |  | / |  |  |  |  |  |  | Balance c/d |  | <u>30 400</u> | <u>18 100</u> |  | Share of profit | <u>7 200</u> | <u>4 800</u> |  | /OF |  |  |  |  |  |  |  |  |  |  | <u>38 400</u> | <u>32 600</u> |  |  | <u>38 400</u> | <u>32 600</u> |  | Goodwill | 24 000 | 24 000 | 12 000 | // | Balance b/d | 30 400 | 18 100 |  | / OF |  |  |  |  |  |  |  |  | Bank | 15 000 |  |  | / | Capital Intro'd |  |  | 25 | 000 // |  |  |  |  |  |  |  |  | Balance c/d |  | <u>27 400</u> | <u>18 100</u> | /OF | Goodwill | <u>36 000</u> | <u>24 000</u> |  | ___ / |  |  |  |  |  |  |  |  |  |  | <u>66 400</u> | <u>42 100</u> | 25 000 |  | <u>66 400</u> | <u>42 100</u> | 25 | 000 |  |  |  |  |  |  |  |  |  |  |  |  |  | Balance b/d | 27 400 | 18 |  | 100 13 000 |  |  |  |  |  |  |  |  | (13) |
|                 | Chong<br>£  | Dey<br>£      | Elva<br>£     |          | Chong<br>£      | Dey<br>£      | Elva<br>£     |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| Drawings        | 8 000   | 14 500        |               | /        | Balance b/d     | 30 000        | 20 000        | /        |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|                 |   |               |               |          | Interest        | 1 200         | 800           |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|                 |   |               |               |          | Salary          |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|                 |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| 7 000           |   | /             |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| Balance c/d     |   | <u>30 400</u> | <u>18 100</u> |          | Share of profit | <u>7 200</u>  | <u>4 800</u>  |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| /OF             |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|                 |   | <u>38 400</u> | <u>32 600</u> |          |                 | <u>38 400</u> | <u>32 600</u> |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| Goodwill        | 24 000  | 24 000        | 12 000        | //       | Balance b/d     | 30 400        | 18 100        |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| / OF            |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| Bank            | 15 000  |               |               | /        | Capital Intro'd |               |               | 25       |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| 000 //          |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| Balance c/d     |   | <u>27 400</u> | <u>18 100</u> | /OF      | Goodwill        | <u>36 000</u> | <u>24 000</u> |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| ___ /           |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|                 |   | <u>66 400</u> | <u>42 100</u> | 25 000   |                 | <u>66 400</u> | <u>42 100</u> | 25       |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| 000             |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
|                 |   |               |               |          | Balance b/d     | 27 400        | 18            |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |
| 100 13 000      |   |               |               |          |                 |               |               |          |           |          |       |        |  |   |             |        |        |   |  |  |  |  |  |          |       |     |  |  |  |  |  |  |        |  |  |  |  |  |  |  |  |  |  |  |  |       |  |   |  |  |  |  |  |  |             |  |               |               |  |                 |              |              |  |     |  |  |  |  |  |  |  |  |  |  |               |               |  |  |               |               |  |          |        |        |        |    |             |        |        |  |      |  |  |  |  |  |  |  |  |      |        |  |  |   |                 |  |  |    |        |  |  |  |  |  |  |  |  |             |  |               |               |     |          |               |               |  |       |  |  |  |  |  |  |  |  |  |  |               |               |        |  |               |               |    |     |  |  |  |  |  |  |  |  |  |  |  |  |  |             |        |    |  |            |  |  |  |  |  |  |  |  |      |

| Question Number                          | Answer  | Mark     |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
|--|---|----------|---------------|---|---------------------|--|--|--------------------|--------|--|------------------|--|-------|------------------|---------------|--|--|--|----------|-----------------------|--|--|------------------------|--------|---|-------------------------|--|--------|---|------------------|------------|--|--|--|--------|--|--|------|--|--|--|----------------------------|--|--|--|----------------------------|--------|---|--|------------------|-----|--|--|--|--------------|--|--|--|---|---|--------|--------------------|--|--|---------------|--|--|--|---------------|--------------|--|--|--|--|
| 6(b)(iii)                                | <p style="text-align: center;"><b>Chong, Dey and Elva Balance Sheet as at 1 December 2009</b></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td><u>Fixed assets</u></td> <td></td> <td></td> </tr> <tr> <td>Land and buildings</td> <td style="text-align: right;">30 000</td> <td></td> </tr> <tr> <td>Delivery vehicle</td> <td></td> <td style="text-align: right;">6 000</td> </tr> <tr> <td>Office equipment</td> <td style="text-align: right;"><u>11 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">47 000 /</td> </tr> <tr> <td><u>Current assets</u></td> <td></td> <td></td> </tr> <tr> <td>Stock (13 150 + 8 200)</td> <td style="text-align: right;">21 350</td> <td style="text-align: center;">/</td> </tr> <tr> <td>Debtors (6 250 + 4 000)</td> <td></td> <td style="text-align: right;">10 250</td> <td style="text-align: center;">/</td> </tr> <tr> <td>Prepaid expenses</td> <td style="text-align: right;"><u>600</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">32 200</td> <td></td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td><u>Current Liabilities</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Creditors (13 750 + 3 200)</td> <td style="text-align: right;">16 950</td> <td style="text-align: center;">/</td> <td></td> </tr> <tr> <td>Accrued expenses</td> <td style="text-align: right;">750</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft (2 000 + 10 000 - 15 000)</td> <td style="text-align: right;"><u>3 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">/</td> <td style="text-align: center;">/</td> <td style="text-align: right;">20 700</td> </tr> <tr> <td>Net current assets</td> <td></td> <td></td> <td style="text-align: right;"><u>11 500</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>58 500</u></td> </tr> <tr> <td>Financed by:</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> |          | £             | £ | <u>Fixed assets</u> |  |  | Land and buildings | 30 000 |  | Delivery vehicle |  | 6 000 | Office equipment | <u>11 000</u> |  |  |  | 47 000 / | <u>Current assets</u> |  |  | Stock (13 150 + 8 200) | 21 350 | / | Debtors (6 250 + 4 000) |  | 10 250 | / | Prepaid expenses | <u>600</u> |  |  |  | 32 200 |  |  | Less |  |  |  | <u>Current Liabilities</u> |  |  |  | Creditors (13 750 + 3 200) | 16 950 | / |  | Accrued expenses | 750 |  |  | Bank overdraft (2 000 + 10 000 - 15 000) | <u>3 000</u> |  |  |  | / | / | 20 700 | Net current assets |  |  | <u>11 500</u> |  |  |  | <u>58 500</u> | Financed by: |  |  |  |  |
|  | £   | £        |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| <u>Fixed assets</u>                      |   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Land and buildings                       | 30 000  |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Delivery vehicle                         |   | 6 000    |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Office equipment                         | <u>11 000</u>   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
|  |   | 47 000 / |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| <u>Current assets</u>                    |   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Stock (13 150 + 8 200)                   | 21 350  | /        |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Debtors (6 250 + 4 000)                  |   | 10 250   | /             |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Prepaid expenses                         | <u>600</u>  |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
|  | 32 200  |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Less                                     |   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| <u>Current Liabilities</u>               |   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Creditors (13 750 + 3 200)               | 16 950  | /        |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Accrued expenses                         | 750   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Bank overdraft (2 000 + 10 000 - 15 000) | <u>3 000</u>  |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
|  | /   | /        | 20 700        |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Net current assets                       |   |          | <u>11 500</u> |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
|  |   |          | <u>58 500</u> |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |
| Financed by:                             |   |          |               |   |                     |  |  |                    |        |  |                  |  |       |                  |               |  |  |  |          |                       |  |  |                        |        |   |                         |  |        |   |                  |            |  |  |  |        |  |  |      |  |  |  |                            |  |  |  |                            |        |   |  |                  |     |  |  |  |              |  |  |  |   |   |        |                    |  |  |               |  |  |  |               |              |  |  |  |  |

|  |          |               |       |               |
|--|----------|---------------|-------|---------------|
|  | Capital: |               |       |               |
|  | Chong    | 27 400        |       |               |
|  | Dey      | 18 100        |       |               |
|  | Elva     | <u>13 000</u> | _____ |               |
|  |          |               |       | <u>58 500</u> |
|  | JOF      |               |       |               |
|  |          |               |       | (7)           |

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 6(c)            | <p>Valid points may include:</p> <p>In favour</p> <ul style="list-style-type: none"> <li>• Additional capital</li> <li>• Additional skills and expertise</li> <li>• Additional person to share workload</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Profits shared by more partners</li> <li>• Higher level of profit required to maintain income level of original partners</li> <li>• Possible source of disagreement of business development</li> </ul> <p>// for one point in favour and // for one point against</p> | (4)  |

(Total 32 marks)

| Question Number | Answer   | Mark |
|-----------------|--|------|
| 7(a)            | Lower of cost or resale value // less costs/expenses of placing the goods in a condition for sale // | (4)  |

| Question Number     | Answer   | Mark |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
|---------------------|--|------|---|--|---------------------|-----------|--|----------------|----------|--|------------------|------------------|--|--|--------|--|-----------------|------------------|--|-----------|-----------|--|-----|
| 7(b)(i)             | <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 70%;"></td><td style="text-align: right;">£</td><td></td></tr> <tr><td>Purchases: Payments</td><td style="text-align: right;">79 000 //</td><td></td></tr> <tr><td style="padding-left: 20px;">Cash purchases</td><td style="text-align: right;">2 800 //</td><td></td></tr> <tr><td style="padding-left: 20px;">Creditors 17 Nov</td><td style="text-align: right;"><u>14 700 //</u></td><td></td></tr> <tr><td style="padding-left: 40px;"></td><td style="text-align: right;">96 500</td><td></td></tr> <tr><td style="padding-left: 20px;">Creditors 1 Nov</td><td style="text-align: right;"><u>12 500 //</u></td><td></td></tr> <tr><td style="padding-left: 20px;">PURCHASES</td><td style="text-align: right;">84 000 //</td><td></td></tr> </table> |      | £ |  | Purchases: Payments | 79 000 // |  | Cash purchases | 2 800 // |  | Creditors 17 Nov | <u>14 700 //</u> |  |  | 96 500 |  | Creditors 1 Nov | <u>12 500 //</u> |  | PURCHASES | 84 000 // |  | (6) |
|                     | £  |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
| Purchases: Payments | 79 000 //  |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
| Cash purchases      | 2 800 //   |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
| Creditors 17 Nov    | <u>14 700 //</u>   |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
|                     | 96 500   |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
| Creditors 1 Nov     | <u>12 500 //</u>   |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |
| PURCHASES           | 84 000 //  |      |   |  |                     |           |  |                |          |  |                  |                  |  |  |        |  |                 |                  |  |           |           |  |     |

| Question Number | Answer | Mark |
|-----------------|--------|------|
| 7(b)(ii)        | £      |      |

|  |                 |                 |            |
|--|-----------------|-----------------|------------|
|  | Sales: Receipts | 117 400 //      |            |
|  | Debtors 17 Nov  | <u>19 250 /</u> |            |
|  |                 | 136 650         |            |
|  | Debtors 1 Nov   | <u>16 650 /</u> |            |
|  | SALES           | 120 000 //      | <b>(6)</b> |

| Question Number  | Answer  | Mark  |                         |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
|------------------|---|-------|-------------------------|--|------|------|--|--|--|---------------|--------|--|---|-----------|---------------|--|------|--|--------|--|--|---------------|---------------|--|------|---------------|--------|--|------|--------------|---------------|--|-------------------------|--|----------------|--|--|--|
| <b>7(b)(iii)</b> | <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Sales</td> <td style="width: 20%; text-align: right;">120 000</td> <td style="width: 20%;"></td> <td style="width: 30%; text-align: right;">//OF</td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">14 700</td> <td></td> <td style="text-align: right;">/</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>84 000</u></td> <td></td> <td style="text-align: right;">//OF</td> </tr> <tr> <td></td> <td style="text-align: right;">98 700</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>18 700</u></td> <td></td> <td style="text-align: right;">//OF</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">80 000</td> <td></td> <td style="text-align: right;">//OF</td> </tr> <tr> <td>Gross profit</td> <td style="text-align: right;"><u>40 000</u></td> <td></td> <td style="text-align: right;">// OF (if 1/3 of sales)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>120 000</u></td> <td></td> <td></td> </tr> </table> <p style="text-align: right; margin-right: 100px;">//</p> <p>Projected closing stock £18 700 less remaining stock £4 850 = Insurance claim £13 850</p> | Sales | 120 000                 |  | //OF | Less |  |  |  | Opening stock | 14 700 |  | / | Purchases | <u>84 000</u> |  | //OF |  | 98 700 |  |  | Closing stock | <u>18 700</u> |  | //OF | Cost of sales | 80 000 |  | //OF | Gross profit | <u>40 000</u> |  | // OF (if 1/3 of sales) |  | <u>120 000</u> |  |  |  |
| Sales            | 120 000   |       | //OF                    |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
| Less             |   |       |                         |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
| Opening stock    | 14 700  |       | /                       |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
| Purchases        | <u>84 000</u>   |       | //OF                    |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
|                  | 98 700  |       |                         |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
| Closing stock    | <u>18 700</u>   |       | //OF                    |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
| Cost of sales    | 80 000  |       | //OF                    |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
| Gross profit     | <u>40 000</u>   |       | // OF (if 1/3 of sales) |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |
|                  | <u>120 000</u>  |       |                         |  |      |      |  |  |  |               |        |  |   |           |               |  |      |  |        |  |  |               |               |  |      |               |        |  |      |              |               |  |                         |  |                |  |  |  |

| Question Number | Answer   | Mark       |
|-----------------|--|------------|
| <b>7(c)</b>     | <p>Valid points may include:</p> <p>In favour:</p> <ul style="list-style-type: none"> <li>• Although the valuation does not comply with the historic cost concept it does comply with the prudence (conservatism) concept as the stock is valued at a level which identifies that there has been a loss on stock which has been prudently 'written off' by the revised valuation.</li> </ul> <p>Against</p> <ul style="list-style-type: none"> <li>• Stock is normally valued at cost using the historic cost method. If the stock has been damaged and its' value is below the original cost the normal historic cost concept cannot apply but the prudence concept will apply.</li> </ul> <p>// for one point in favour and // for one point against</p> | <b>(4)</b> |

(Total 32 marks)



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