

The maximum mark for this paper is 80.

SPECIMEN

INSTRUCTIONS TO EXAMINERS

Own Figure Rule ('of')

Where 'of' is indicated, a figure which is incorrect solely because of an error in an earlier part of the question may be awarded the appropriate marks as if it were correct.

Quality of Written Communication

The rubric states:

**In these two questions/sub-questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.*

4% of the paper marks are available for rewarding *Quality of Written Communication*, as follows:

Levels of Response for *Numerical Questions*

Level	Mark	Description
2	2	Almost all account headings, terms and balances are included appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included though not always adhering to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
–	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for *Narrative Questions*

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
–	0	Responses which fail to achieve the standard required for Level 1.

Question Number	Answer	Max Mark																																																																																																																				
1*	<p><u>Scarlett</u> <u>Trading and Profit and Loss Account for the year ended 31 December 2006</u></p> <table> <tr> <td>Sales</td> <td></td> <td>356,000</td> <td></td> </tr> <tr> <td>Sales returns</td> <td></td> <td>8,000</td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>348,000</u></td> <td>[1]</td> </tr> <tr> <td>Opening stock</td> <td>20,500</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td><u>173,000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td>193,500</td> <td></td> <td>[1]</td> </tr> <tr> <td>Drawings</td> <td>6,000</td> <td></td> <td>[1]</td> </tr> <tr> <td>Purchase returns</td> <td><u>4,000</u></td> <td></td> <td>[1]</td> </tr> <tr> <td></td> <td>183,500</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td><u>16,500</u></td> <td></td> <td>[1]</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td><u>167,000</u></td> <td>[1]</td> </tr> <tr> <td>Gross Profit</td> <td></td> <td>181,000</td> <td></td> </tr> <tr> <td>Discounts received</td> <td></td> <td>1,000</td> <td>[1]</td> </tr> <tr> <td>Commission received</td> <td></td> <td><u>2,750</u></td> <td>[2]</td> </tr> <tr> <td></td> <td></td> <td>184,750</td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td>900</td> <td></td> <td>[1]</td> </tr> <tr> <td>Carriage outwards</td> <td>1,500</td> <td></td> <td>[1]</td> </tr> <tr> <td>Motor expenses</td> <td>10,000</td> <td></td> <td>[1]</td> </tr> <tr> <td>Salaries (31,500 + 600)</td> <td>32,100</td> <td></td> <td>[2]</td> </tr> <tr> <td>General expenses (28,350 - 450 - 3,000)</td> <td>24,900</td> <td></td> <td>[3]</td> </tr> <tr> <td>Insurance</td> <td>7,000</td> <td></td> <td>[1]</td> </tr> <tr> <td>Loan interest (2,750 + 250)</td> <td>3,000</td> <td></td> <td>[2]</td> </tr> <tr> <td>Bad debts</td> <td>150</td> <td></td> <td>[1]</td> </tr> <tr> <td>Provision for doubtful debts</td> <td>50</td> <td></td> <td>[2]</td> </tr> <tr> <td>Depreciation premises</td> <td>2,100</td> <td></td> <td>[1]</td> </tr> <tr> <td>Depreciation motor vehicles</td> <td>10,500</td> <td></td> <td>[1]</td> </tr> <tr> <td>Depreciation office equipment</td> <td><u>2,800</u></td> <td></td> <td>[2]</td> </tr> <tr> <td></td> <td></td> <td><u>95,000</u></td> <td></td> </tr> <tr> <td>Net Profit</td> <td></td> <td><u>89,750</u></td> <td></td> </tr> </table>	Sales		356,000		Sales returns		8,000				<u>348,000</u>	[1]	Opening stock	20,500			Purchases	<u>173,000</u>				193,500		[1]	Drawings	6,000		[1]	Purchase returns	<u>4,000</u>		[1]		183,500			Closing stock	<u>16,500</u>		[1]	Cost of sales		<u>167,000</u>	[1]	Gross Profit		181,000		Discounts received		1,000	[1]	Commission received		<u>2,750</u>	[2]			184,750		Discounts allowed	900		[1]	Carriage outwards	1,500		[1]	Motor expenses	10,000		[1]	Salaries (31,500 + 600)	32,100		[2]	General expenses (28,350 - 450 - 3,000)	24,900		[3]	Insurance	7,000		[1]	Loan interest (2,750 + 250)	3,000		[2]	Bad debts	150		[1]	Provision for doubtful debts	50		[2]	Depreciation premises	2,100		[1]	Depreciation motor vehicles	10,500		[1]	Depreciation office equipment	<u>2,800</u>		[2]			<u>95,000</u>		Net Profit		<u>89,750</u>		
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1* cont'd	<p><u>Balance Sheet as at 31 December 2006</u></p> <p><u>Fixed Assets</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Premises</td> <td style="width: 20%; text-align: right;">92,400</td> <td style="width: 20%;"></td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;">31,500</td> <td></td> </tr> <tr> <td>Office equipment</td> <td style="text-align: right;">16,200</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">140,100</td> <td style="text-align: right;">[2][1of]</td> </tr> </table> <p><u>Current Assets</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Stock</td> <td style="width: 20%; text-align: right;">16,500</td> <td style="width: 20%; text-align: right;">[1]</td> </tr> <tr> <td>Debtors (15,000 – 300)</td> <td style="text-align: right;">14,700</td> <td style="text-align: right;">[2]</td> </tr> <tr> <td>General expenses prepaid</td> <td style="text-align: right;">450</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Commission receivable owing</td> <td style="text-align: right;">250</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">8,900</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">40,800</td> <td></td> </tr> </table> <p><u>Current Liabilities</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Creditors</td> <td style="width: 20%; text-align: right;">13,300</td> <td style="width: 20%; text-align: right;">[1]</td> </tr> <tr> <td>Loan interest accrued</td> <td style="text-align: right;">250</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>Salaries accrued</td> <td style="text-align: right;">600</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td>10% Loan</td> <td style="text-align: right;">15,000</td> <td style="text-align: right;">[1]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">29,150</td> <td></td> </tr> </table> <p>Working capital</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 20%; text-align: right;">11,650</td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">151,750</td> <td></td> </tr> </table> <p><u>Long Term Liabilities</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">10% Loan</td> <td style="width: 20%; text-align: right;">15,000</td> <td style="width: 20%; text-align: right;">[1]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">136,750</td> <td></td> </tr> </table> <p><u>Financed by:</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Capital</td> <td style="width: 20%; text-align: right;">60,000</td> <td style="width: 20%; text-align: right;">[1]</td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;">89,750</td> <td style="text-align: right;">[1of]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">149,750</td> <td></td> </tr> <tr> <td>Drawings (7,000 + 6,000)</td> <td style="text-align: right;">13,000</td> <td style="text-align: right;">[2]</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">136,750</td> <td></td> </tr> </table> <p>NB Up to an additional two marks can be awarded for the candidate's quality of written communication (numerical responses)</p> <p style="text-align: right;">Total Marks</p>	Premises	92,400		Motor vehicles	31,500		Office equipment	16,200			140,100	[2][1of]	Stock	16,500	[1]	Debtors (15,000 – 300)	14,700	[2]	General expenses prepaid	450	[1]	Commission receivable owing	250	[1]	Bank	8,900	[1]		40,800		Creditors	13,300	[1]	Loan interest accrued	250	[1]	Salaries accrued	600	[1]	10% Loan	15,000	[1]		29,150			11,650			151,750		10% Loan	15,000	[1]		136,750		Capital	60,000	[1]	Net Profit	89,750	[1of]		149,750		Drawings (7,000 + 6,000)	13,000	[2]		136,750		[46]
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Question Number	Answer				Max Mark
2(a)	Machinery				
	Bal b/d 255,000 [1]	Disposal 90,000 [1]			
		Bal c/d 165,000 [1]			
	<u>255,000</u>	<u>255,000</u>			
	Provision for depreciation Machinery				
	Disposal 66,000 [1]	Bal b/d 95,000 [1]			
	Bal c/d [1] 48,500	Profit and Loss 19,500 [2](1of)			
	<u>114,500</u>	<u>114,500</u>			
	(16,500 + 3,000 = 19,500)				
	Disposal of Machinery				
Machinery 90,000 [1]	Depn Machinery 66,000 [1]				
	Bank 16,000 [1]				
	Profit & Loss [1] 8,000 [1]				
<u>90,000</u>	<u>90,000</u>				
Office Equipment					
Bal b/d 110,000 [1]	Bal c/d 146,000 [1]				
Bank 36,000 [1]					
<u>146,000</u>	<u>146,000</u>				
Provision for depreciation Office Equipment					
50,800 [1]	Bal b/d 38,000 [1]				
	Profit and Loss 12,800 [1]				
<u>50,800</u>	<u>50,800</u>				
(11,000 + 1,800 = 12,800)					
2(b)*	<p>Straight line is easy to calculate and therefore less chance of any error. It provides an equal amount of depreciation each year to be charged to the profit and loss account. It is useful for assets that reduce in value evenly throughout their life. An appropriate method for Office Equipment.</p> <p>Straight line may not be appropriate for Machinery as it does not lose value evenly throughout its life.</p> <p>Reducing balance may be a more appropriate method for Machinery, as it should be used for assets that have a heavier fall in value in the earlier years and less in later years, low repairs and maintenance in the early years which will increase in later years.</p> <p><i>2 x 3 marks</i></p> <p><i>1 for point plus up to 2 for development</i></p> <p>NB Up to an additional two marks can be awarded for the candidate's quality of written communication (narrative responses)</p>				[8]

Question Number	Answer	Max Mark
2(c)	<p>Depreciation does not provide funds for replacement of an asset, there is no movement of cash. It is a book-keeping entry, debit profit and loss, credit provision for depreciation.</p> <p>Depreciation is an application of the accruals concept, it is matched with the benefit a fixed asset provides over a period. It spreads the cost over the useful life of the asset.</p> <p><i>2 x 3 marks</i> <i>1 for point plus up to 2 for development</i></p>	<p>[6]</p> <p>Total Marks [34]</p>
Paper Total		[80]

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Assessment Objectives Grid (includes QWC)

Question	AO1	AO2	AO3	Total
1*	18	28	10	46
2(a)	6	6	8	20
2(b)*	0	2	6	8
2(c)	0	0	6	6
Totals	24	36	20	80

* Includes QWC

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