
Answers

Section A

1	D	6	C	11	C	16	A
2	B	7	B	12	B	17	D
3	A	8	A	13	D	18	B
4	B	9	B	14	B	19	B
5	C	10	B	15	C	20	A

Workings

9	Ledger balance	£76,961	Total listing	£81,649
	Standing order	(£1,606)		(£1,606)
	Invoice			(£4,688)
	Corrected totals	£75,355		£75,355

12	Cost of stock		£38,750
	Cost of damaged goods	£3,660	
	Selling price	£1,500	
	Repairs	(£450)	
	Net realisable value	<u>£1,050</u>	
	Write down		<u>£2,610</u>
	Stock value		<u><u>£36,140</u></u>

18	Profit	£16,000		
	Salary	(£8,000)		
	Residual profit	<u>£8,000</u>	Albert 3/5	£4,800

20 Debtors

	£		£
Opening balance	16,528	Cash	29,860
b.f. Sales	29,197	Closing balance	<u>15,865</u>
	<u>45,725</u>		<u>45,725</u>

Section B

Marks

- 1 (a)** The main purpose of a trial balance is to provide a basic check on the accuracy of postings. The trial balance checks the accuracy of postings by confirming whether the total value of the debit balances equals the total value of the credit balances. 1
- 1
- 2**
- (b)** A bad debt is an amount which evidence shows cannot be collected. It is therefore written off by a debit entry (charge) to the profit and loss account and a credit entry to the debtors account. 1
- A doubtful debt is a debt which evidence suggests may not be collected. 1
- While the potential cost is recognised by a debit entry in the profit and loss account, the debt remains in the debtors account. Therefore the credit entry is made in the provision for doubtful debts account. 1
- 1
- 4**
- (c)** Accounting policies are the basic rules which are used to reflect transactions in the final accounts. (NB FRS 18 expands this point by referring to ‘principles, bases, conventions and practices’ as well as rules.) 2
- 2**
- (d)** Both a debit and credit entry are used to reflect the dual aspect of each transaction. This means that the firm is affected in two equal but opposite ways by each transaction. 2
- For example, if goods for resale are bought for cash, the firm has been affected as follows: 1
- 1
- Purchases have increased – therefore a debit entry is required
- Cash has reduced – therefore a credit entry is required
- 4**
- (e)** The asset register and the physical presence of assets may be different due to:
- the purchase of an asset not yet recorded in the register
 - an asset sold, but not removed from the register
 - an asset stolen
 - an error in the entries in the register
- 1 mark per valid point, to a MAXIMUM of 3
- 3**
- 2 (a)** The following corrections must be made, with the resulting balances as shown:
- | | | Revised balance |
|-------------------------------|------|------------------------|
| (i) Debit Carriage inwards | £264 | £1,238 Dr |
| Credit Returns inwards | £264 | £111 Dr |
| (ii) Debit Sales | £90 | £90,470 Cr |
| Credit Debtors | £90 | £12,790 Dr |
| (iii) Debit Telephone | £297 | £1,150 Dr |
| Credit Creditors and accruals | £297 | £6,858 Cr |
- Three errors: for each account correctly identified: $\frac{1}{2} \times 2 = 1$
 for each balance correctly calculated: $\frac{1}{2} \times 2 = 1$
 = 3 errors x 2 marks 6
- 6**

		£	£	Marks
(b) (i)	Sales	from (a) above	90,470	1/2
		less Returns inward	111	1/2
			<hr/>	
			90,359	
Cost of Sales	Opening stock		12,560	1/2
	Purchases		72,674	1/2
	Carriage inwards		1,238	1/2
			<hr/>	
			86,472	
	Closing stock		11,875	1/2
			<hr/>	
			74,597	
			<hr/>	
			15,762	
Gross Profit Expenses	Telephone	1,150		1/2
	Wages	4,684		1/2
	Rent	3,200		1/2
	Stationery	382		1/2
	Travel	749		1/2
	General Expenses	753		1/2
				<hr/>
			10,918	
			<hr/>	
			4,844	1/2
			<hr/>	
	Net Profit			
				7
(ii)				£
	Opening capital		30,217	1/2
	Profit		4,844	1/2
	Drawings		(12,500)	1/2
			<hr/>	
	Closing balance		22,561	1/2
			<hr/>	
				2
3 (a)	Machine traded in			
			£	
	Cost		35,000	1/2
	Accumulated depreciation (W1)		20,664	1
			<hr/>	
	NBV		14,336	
	Proceeds		14,000	1/2
			<hr/>	
	Loss		336	1
			<hr/>	
				3
	W1 Cost £35,000	Depreciation Year 1	£7,000 (€35,000 x 20%)	
		Year 2	£5,600 (€28,000 x 20%)	
		Year 3	£4,480 (€22,400 x 20%)	
		Year 4	£3,584 (€17,920 x 20%)	
(b)	Cost of assets		£155,900	1/2
	Accumulated depreciation:			
	Opening balance (€140,900 – €94,570)		£46,330	1/2
	eliminated		£(20,664)	1/2
			<hr/>	
	Balance before current year charge		£25,666	
			<hr/>	
	NBV = £130,234 (€155,900 – £25,666)			
	Depreciation = NBV x 20% = charge		£26,047	1/2
			<hr/>	
				2

(c) (i) Machinery Cost Account			
	£		£
Balance brought forward	140,900	Disposal account (cost)	35,000
Disposal account (proceeds)	14,000		
Creditors	36,000	Balance carried forward	155,900
	<u>190,900</u>		<u>190,900</u>

1/2 mark per entry
Account balanced off
Narratives for entries

2 1/2
1/2
1

4

(ii) Accumulated Depreciation Account			
	£		£
Disposal account	20,664	Balance brought forward	46,330
Balance carried forward	51,713	Depreciation charge account	26,047
	<u>72,377</u>		<u>72,377</u>

1/2 mark per entry
Narratives for entries

2
1

3

(d) Depreciation	£26,047		
Loss	£336		
Total	<u>£26,383</u>		1

(e) Fixed Assets			
Cost		£155,900	
Accumulated depreciation (£25,666 + £26,047)		£51,713	
Net book value		<u>£104,187</u>	1
Current liabilities			
Creditors		£36,000	1

2

Note to candidates: In parts (a), (b), (d) and (e) marks were awarded for other valid methods of calculation.

4 (a) Debtors control account			
	£		£
Balance as given	39,982	(ii) Discount omitted	9
(vi) Invoice error	178	(iii) Credit note:	
		remove error	120
		correct entry	120
		(v) Direct payment	325
		Corrected balance	39,586
	<u>40,160</u>		<u>40,160</u>

Mark allocation:
Opening/closing balances 1/2 mark each x 2
Correcting entries 1 mark each x 5

1
5

6

	£	Marks
(b)		
Total of listing as given	39,614	
(i) Invoice omitted	288	
(ii) Discount omitted	(9)	
(iii) Credit note	(240)	
(iv) Addition error	27	
(vii) Credit balance	(94)	
	<hr/>	
	39,586	
	<hr/> <hr/>	
Mark allocation:		
Total of listing as given		1
Errors corrected 1 mark each x 5		5
Total agreed to balance on ledger account		1
		<hr/>
		7
(c) The corrected ledger account balance of £39,586 will be reported as a Current Asset		1
		1
		<hr/>
		2