



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

# Mark scheme

# June 2003

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## GCSE

### Accounting

3122

Paper 1F

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## Foundation Tier

3122/1F

1

Total for this question: 6 marks

The following information was taken from the accounting records of J Bells Ltd.

**Sales Journal (Day Book)**

Date 2003	Customer	Goods £	VAT £	Net £
14 May	A Dancer and Co Ltd	2 600	455	3 055

At 1 May 2003, A Dancer and Co Ltd owed J Bells Ltd £4 650 as shown in the account below.

On 18 May 2003, A Dancer and Co Ltd sent a cheque for £4 570 to J Bells Ltd claiming £80 discount.

Using the ledger account below, write up the account for A Dancer and Co Ltd as it would appear in the books of J Bells Ltd, bringing down the balance on 1 June 2003.

**A Dancer and Co Ltd Account**

Date	Details	£	Date	Details	£
1 May 2003	Balance b/d	4 650	18 May 2003	Bank	4 570 (1)
14 May 2003	Sales (1)	3 055 (1)		Discount	80 (1)
			31 May 2003	Balance c/d	3 055 (1)
		<u>7 705</u>			<u>7 705</u>
1 June 2003	Balance b/d	3 055 (1of)			

**2****Total for this question: 8 marks**

The treasurer of a sports club is preparing financial statements to be sent to members. Indicate, by placing a tick (✓) in the appropriate column, where each item should appear.

Item (a) has been completed as an example.

	<b>Item</b>	<b>Bar Trading Account</b>	<b>Income and Expenditure Account</b>	<b>Balance Sheet</b>
(a)	Bank Balance			✓
(b)	Subscriptions for the year		✓	
(c)	Bar Sales	✓		
(d)	Opening bar stock	✓		
(e)	Equipment			✓
(f)	Accumulated fund			✓
(g)	Bar staff wages	✓		
(h)	Rent paid for the year		✓	
(i)	Subscriptions received in advance for next year			✓

One mark each correct answer. If two or more ticks shown = no marks.

3

**Total for this question: 11 marks**

*In the following manufacturing account insert the correct figures, words or phrases in the boxes.*

<u>Omar Mubarak Ltd</u>			
Manufacturing account	(a) for the year/period ended/ending	31 December 2002	
	£	£	£
Opening stock		20 000	
Purchases of raw materials		250 000	
Carriage	(b) inwards/on purchases	10 000	
		280 000	
		(c) 30 000	
<b>Less</b> Closing stock			
Cost of	(d) raw materials used/consumed		250 000
Direct Labour			200 000
(e) prime cost			(f) 450 000
(g) factory overheads/indirect costs			
Supervisors' salaries	50 000		
Depreciation of machinery	80 000		
Factory light and heat	50 000		
Rent and rates	40 000		
			(h) 220 000
			(i) 670 000
			(j) 20 000
<b>Add</b> Work in progress at 1 January 2002			
<b>Less</b> Work in progress at 31 December 2002			(25 000)
(k) factory cost of finished goods produced			665 000

One mark each correct response.

4

**Total for this question: 7 marks**

Select the word or phrase which **best** fits each of the spaces in the following passage. Write your chosen word or phrase in the space provided. Select from the list given, using a word or phrase **once** only.

vehicles	drawings	wages	Balance Sheet
fixed assets	capital	working	understated
goods	revenue	overstated	current assets

Capital expenditure describes the purchase or improvement of Fixed assets. Examples could include the purchase of machinery for use in the business. It also includes any installation and testing costs incurred in preparing the asset for use. Revenue expenditure describes the purchase of goods for resale and expenditure on the various running costs of the business. Examples could include wages and rent and rates.

It is important to classify expenditure correctly, as capital expenditure will be recorded as a fixed asset in the Balance Sheet whilst revenue expenditure is charged to the trading and profit and loss accounts when calculating the profit for the year. If capital expenditure is incorrectly charged to the profit and loss account, the net profit of the business will be understated.

One mark each correct response. Do not accept alternatives.

5

**Total for this question: 16 marks**

The following information is available about a retail business owned by Gregory Old.

**Trading and Profit and Loss Account for the year ended 31 March 2003**

	£	£
Sales		60 000
Opening stock	10 000	
Purchases	<u>40 000</u>	
	50 000	
Closing stock	<u>20 000</u>	<u>30 000</u>
Gross Profit		30 000
Expenses	10 000	
Depreciation	<u>5 000</u>	<u>15 000</u>
Net Profit		<u><u>15 000</u></u>

Gregory has invested £75 000 capital in the business.

Gregory is keen to know how well his business is performing and has obtained the following accounting ratios for a similar business owned by Danny Young.

<i>Percentage of Gross Profit to sales</i>	40%
<i>Percentage of Net Profit to sales</i>	20%
<i>Return on Capital Employed</i>	25%

(a) State how the following ratios are calculated.

(i) *Percentage of Gross Profit to sales*

$$\text{Gross profit (1)/sales} \times 100 \text{ (1)}$$

(ii) *Percentage of Net Profit to sales*

$$\text{Net profit (1)/sales} \times 100 \text{ (1)}$$

(iii) *Return on Capital Employed*

$$\text{Net profit (1)/capital} \times 100 \text{ (1)}$$

(b) Calculate the following ratios for the business owned by Gregory Old.

(i) *Percentage of Gross Profit to sales*

$$30\,000/60\,000 \times 100 = 50\% \text{ (2)}$$

(ii) *Percentage of Net Profit to sales*

$$15\,000/60\,000 \times 100 = 25\% \text{ (2)}$$

(iii) *Return on Capital Employed*

$$15\,000/75\,000 \times 100 = 20\% \text{ (2)}$$

- (c) Explain **one** reason why you think that Gregory's business is the better one.

Gregory's business has a higher profit margin compared to sales as shown by both the gross profit and net profit ratios. (2 marks)

The business is more profitable = 0

- (d) Explain **one** reason why you think that Danny's business is the better one.

Danny's business earns a higher return on the owner's capital as shown by the ROCE.

or

Danny's business has a lower expense ratio as shown by the gap between the gross and net profit ratios and is therefore more efficient.

(Answers must relate to own calculations.)

(2 marks)

6

**Total for this question: 11 marks**

*Bill and Ben have been operating a small business as a partnership for several years. Given below is their appropriation account for the year ended 31 March 2003.*

		£	
	Net Profit for the year		36 500
<b>Less:</b>	Interest on capital:		
	Bill	5 000	
	Ben	6 500	
	Salary:		
	Bill	<u>15 000</u>	<u>26 500</u>
			10 000
	Balance of profits shared:		
	Bill	5 000	
	Ben	<u>5 000</u>	<u>10 000</u>

*At 1 April 2002, Bill had a credit balance on his current account of £2 000.*

*During the year ended 31 March 2003, Bill took £30 000 from the partnership bank account for his own use.*

- (a) *Using the account below, construct Bill's current account for the year ended 31 March 2003, bringing down the balance at 1 April 2003.*

<b>Dr</b>		<b>Current Account: Bill</b>				<b>Cr</b>
Date	Details	£	Date	Details	£	
31 Mar	Drawings	30 000 (1)	1 April	Balance b/d	2 000 (1)	
				Interest on capital	5 000 (1)	
				Salary	15 000 (1)	
				Profit share	5 000 (1)	
			31 Mar	Balance c/d	<u>3 000 (1)</u>	
		<u>30 000</u>			<u>30 000</u>	
1 April	Balance b/d	3 000 (1of)				

*(7 marks)*

- (b) *Explain the meaning of the balance brought down on 1 April 2003.*

Bill has withdrawn more than he has earned or the account is overdrawn. *(2 marks)*

- (c) *Suggest two reasons why Bill receives a salary and Ben does not.*

More expertise, greater workload, seniority, sleeping partner. Any 2 x 1 mark each.

*(2 marks)*



7

**Total for this question: 11 marks**

*A trial balance has been prepared but the following items have not been included.*

	£
Purchases	235 000
Machinery	120 000
Bank overdraft	53 000
Creditors	24 000
Returns inwards	2 000
Carriage outwards	3 000
Drawings	25 000

- (a) *From the list above complete and total the following trial balance by inserting the appropriate amounts in the correct column.*

**Trial Balance as at 31 March 2003**

		Dr £	Cr £
Total of trial balance entries made so far		325 000	633 000
(i)	Purchases	235 000 (1)	
(ii)	Machinery	120 000 (1)	
(iii)	Bank overdraft		53 000 (1)
(iv)	Creditors		24 000 (1)
(v)	Returns inwards	2 000 (1)	
(vi)	Carriage outwards	3 000 (1)	
(vii)	Drawings	25 000 (1)	
		710 000 (1)	710 000 (1)

(9 marks)

- (b) *Explain **one** type of error which would have been made even if the trial balance totals still agree.*

Omission/commission/principle/reversed entries/compensating/original entry

Explanation of any one of the above = 2 marks

If an error has been named but not explained = 1 mark

(Max 2 marks)

8

**Total for this question: 10 marks**

*Answer the following questions in the spaces provided.*

a) *How is working capital calculated?*

Current assets minus current liabilities

b) *Which account is used when the totals of a trial balance disagree?*

Suspense a/c (accept control a/c)

c) *Which accounting ratio measures how quickly a firm sells its goods?*

Rate of (stock) turnover or stockturn

d) *Under which heading on a Balance Sheet would you find a mortgage repayable by 2010?*

Long term liabilities (accept "Financed by")

e) *Which book is used to record small items of expenditure?*

Petty cash

f) *Which account is used to calculate the profit or loss when a fixed asset is sold?*

Disposal

g) *Which account shows how the profits of a company are distributed?*

Appropriation

h) *Which ledger in the double entry system contains the accounts of creditors?*

Purchases or purchases/creditors ledger (do not accept account)

i) *Which method charges depreciation by equal instalments?*

Straight Line/equal instalment method

j) *Which book of original entry is used to record the purchase of a fixed asset on credit?*

The journal or general journal

One mark each correct answer. Only accept alternatives as shown.