

# GCSE 2004

## *June Series*



# Mark Scheme

## Accounting

### *(Subject Code 3122/1H)*

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*Dr Michael Cresswell Director General*

## Paper 1 Higher Tier

1

**Total for this question: 8 marks**

Show, by placing **one** tick (✓) in the appropriate column, where each of the following would appear in the final accounts of a Partnership. The first one has been completed as an example.

Item	Trading Account	Profit & Loss Account	Appropriation Account	Balance Sheet
(a) <i>Interest on capital</i>			✓	
(b) Vehicles				✓
(c) Sales	✓			
(d) Opening stock	✓			
(e) Debtors				✓
(f) Partners' salaries			✓	
(g) Shares of profit			✓	
(h) Rent received		✓		
(i) Carriage outwards		✓		

*(8 x 1 mark)*

2

**Total for this question: 10 marks**

The following is a trial balance of a company after the production of the trading and profit and loss accounts for the year ended 31 March 2004.

	£	£
Net profit for the year		65 000
Fixed Assets	200 000	
Current Assets	120 000	
General Reserve		25 000
Balance of profits b/f		20 000
Current liabilities		60 000
Issued share capital:		
100 000 £1 ordinary shares		100 000
50 000 £1 10% preference shares		50 000
	<u>320 000</u>	<u>320 000</u>

The directors have decided to pay the preference dividend for the year and propose an ordinary dividend of 20p per share. They also agree to transfer £10 000 to the general reserve.

Select the relevant items from the information above and prepare the Appropriation Account to comply with these instructions. A balance sheet is **not** required.

**Appropriation Account (1) for the year ended (1) 31 March 2004**

	£	£
Net Profit for the year		65 000 (1)
Plus Balance of Profits b/f		<u>20 000</u> (1)
		85 000
Less Preference Dividend	5 000 (2) (1o/f)	
Ordinary Dividend	20 000 (2) (1o/f)	
Transfer to General Reserve	<u>10 000</u> (1)	<u>35 000</u>
Balance of profits c/f		<u>50 000</u> (1 o/f)

*(10 marks)*

Where awarding o/f marks the function in the calculation must be correct

3

**Total for this question: 15 marks**

The following accounting statements relating to The Country Dancing Social Club have several items and figures missing.

(a) Insert the relevant word or figures in the shaded areas.

**The Trading Account for the year ended 31 March 2004**

	Sales		<b>22 500</b>
Less	Cost of goods sold:		
	Opening stock	5 000	
	Purchases	15 000	
		<b>20 000</b>	
	Closing stock	<u>7 500</u>	<b>12 500</b>
	Gross Profit		<u>10 000</u>

**The **Income** and **Expenditure** Account  
for the year ended 31 March 2004**

	Subscriptions for the year		15 000
	Profit from fund raising activities		5 000
	Gross profit b/d		<u>10 000</u>
			<b>30 000</b>
	Expenses for the year		
	Rent	<b>10 000</b>	
	Costumes	6 000	
	Travelling costs	4 000	
	Sundry expenses	<u>2 500</u>	<u>22 500</u>
	<b>Surplus</b>		<b>7 500</b>

(9 mark)

(1 mark each correct answer)

- (b) A rival dancing club is to open in the area soon. The treasurer is worried that the club may lose members.
- (i) Advise the club of **two** financial actions it could take to keep its current membership.
- (ii) Analyse the effect that **each** of your suggestions might have on the club's surplus.

Reduce the subscription. This will reduce the surplus unless more members can be attracted, in which case the surplus may increase.

Reduce prices in the bar/trading activity. This will reduce the gross profit and reduce the surplus unless extra custom compensates for this.

Spend money on promoting the club. This will reduce the surplus initially but may attract more members in the long run.

Other valid suggestions.

Any two valid suggestions: 1 mark for idea, 1 or 2 marks for explanation.

*(6 marks)*

4

**Total for this question: 4 marks**

A friend is considering investing in shares in a Limited Company. He cannot decide whether to buy ordinary shares or preference shares. Explain **two** differences between ordinary shares and preference shares to help him decide.

Preference shares carry a fixed dividend p.a. (1) whereas the ordinary dividend is determined each year by the directors based on profits earned (1).

The preference shareholders are first in line for payment of a dividend (1) therefore they are more likely to receive a regular dividend (1), and incur less risk (1).

Other valid suggestions e.g. voting rights, liquidation issues.

1 mark for difference stated plus 1 for explanation x 2.

5

**Total for this question: 8 marks**

The table below gives selected details relating to the book keeping system for the business owned by Barbara Clark.

Complete the table by entering the appropriate information in the blank spaces provided. The first one has been completed as an example.

	<b>Source document</b>	<b>Item</b>	<b>Book of original entry</b>	<b>Account to be debited</b>	<b>Account to be credited</b>
(a)	<i>Cheque stub</i>	<i>Rent</i>	<i>Cash book</i>	<i>Rent</i>	<i>Bank</i>
(b)	Credit note (received) (1)	Goods returned to Brown Ltd	Returns outwards/ purchase returns book (1)	Brown Ltd (1)	Returns outwards/ purchase returns (1)
(c)	Invoice (received) (1)	Vehicle purchased on credit from Bristol Motors	The journal (1)	Vehicle (1)	Bristol Motors (1)



6

**Total for this question: 11 marks**

Barry rents the flat above his shop to a tenant at a monthly rent of £250.

At 1 January 2003, the tenant owed Barry £250 for the previous month.

During 2003, Barry received cheques as follows.

15 February	£ 750
15 July	£1000
19 September	£ 750
15 November	£ 500

Complete the Rent Received Account below for the year ended 31 December 2003.

Show clearly the amount transferred to the Profit and Loss Account.

Bring down the balance as at 1 January 2004.

**Rent Received Account**

<b>Date</b>	<b>Details</b>	<b>£</b>	<b>Date</b>	<b>Details</b>	<b>£</b>
2003			2003		
1 Jan	Balance b/d (1)	250 (1)	15 Feb	Bank }	750 (1)
			15 July	Bank }	1 000 (1)
			19 Sept	Bank } (1)	750 (1)
			15 Nov	Bank }	500 (1)
31 Dec	P&L (1)	<u>3 000 (1)</u>	31 Dec	Balance c/d	<u>250 (1)</u>
		<u>3 250</u>			<u>3 250</u>
2004					
1 Jan	Balance b/d	250 (1o/f)			

*(11 marks)*

7

**Total for this question: 14 marks**

The following items remained in the trial balance of Neil Andrews at 31 March 2004 after production of the trading account.

	£	£
Gross profit		12 577
Wages	4 070	
Vehicle running costs	1 636	
Capital		15 716
Debtors and Creditors	2 337	1 472
Discount received		350
Commission	780	
Drawings	3 412	
Rent and rates	951	
Vehicles	5 800	
Heating and lighting	2 070	
Stock	8 500	
Cash in hand	642	
Bank balance		186
Carriage outwards	103	
	<u>30 301</u>	<u>30 301</u>

**Neil Andrews Profit and Loss Account  
for the year ended 31 March 2004 (1)**

	£	£
Gross Profit		12 577 (1)
Plus discounts received		<u>350 (1) (must be added)</u>
		12 927
Less expenses:		
Wages (4070 + 500)	4 570 (1)	
Vehicle running costs	1 636 (1)	
Commission	780 (1)	
Rent and rates (951 - 33)	918 (1)	
Heating and lighting	2 070 (1)	
Vehicles depreciation	1 450 (1)	
Carriage outwards	103 (1)	
Bad debts	337 (1)	
Provision for doubtful debts	<u>40 (1)</u>	<u>11 904</u>
Net Profit (1)		<u>1 023 (1 o/f)</u> ( no extraneous items)

*(14 marks)*

8

**Total for this question: 10 marks**

Fred Stone prepared the following Balance Sheet at the end of his business's accounting year.

It contains certain errors and omissions.

<b>Balance Sheet for the year ended 31 May 2004</b>		
	£	£
<b>FIXED ASSETS</b>		
Motor Vehicles at net book value		45 000
<b>CURRENT ASSETS</b>		
Stock	4 000	
Debtors	6 500	
Cash at bank	<u>3 500</u>	
	14 000	
<b>CURRENT LIABILITIES</b>		
Creditors	<u>4 000</u>	
		<u>18 000</u>
		<u>27 000</u>
<b>CAPITAL</b>		
Opening balance		41 000
Net Profit for the year		<u>25 000</u>
		16 000
Drawings		<u>11 000</u>
		<u>27 000</u>

On checking the accounts it was discovered that the following transactions, which occurred during May, had not been recorded.

- A vehicle, included in the motor vehicles figure above at its net book value of £2500, had been sold for £1800. The sale proceeds had been paid into the bank account.
- Fred had taken £600 cash from the bank account for his own use.
- Purchase of goods on credit for resale for £750 had been omitted. At 31 May 2004, these goods had not been sold but had not been included in the stock take.

Redraft the Balance Sheet, taking all the unrecorded information into account and correcting any errors.

<b>Balance Sheet as at (1) 31 May 2004</b>		
	£	£
<b>FIXED ASSETS</b>		
Motor Vehicles		42 500 (1)
<b>CURRENT ASSETS</b>		
Stock	4 750(1)	
Debtors	6 500	
Cash at Bank	<u>4 700(1)</u>	
	15 950	
<b>CURRENT LIABILITIES</b>		
Creditors	<u>4 750(1)</u>	
		<u>11 200 (1o/f)</u>
		<u>53 700 (1o/f)</u>
<b>CAPITAL</b>		
Opening balance		41 000
Net Profit for year		<u>24 300 (1)</u>
		65 300
Drawings		<u>11 600 (1)</u>
		<u>53 700 (1o/f)</u>

*(10 marks)*

Where awarding o/f marks the function in the calculation must be correct