



**2009 Accounting and Finance**

**Standard Grade – Foundation**

**Solutions**

**Finalised Marking Instructions**

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Marks	
KU	HI

1. (a) Complete the ledger accounts of J McMenamin using the information given below.

2009

- 1 March Paid £20.00 plus VAT of £3.50 for petrol by cheque  
 4 March Paid cash for stationery costing £10.00 plus VAT of £1.75  
 8 March Purchased a delivery van, costing £10,000 plus VAT of £1,750, paying by cheque

BANK ACCOUNT		ACCOUNT NUMBER: 1					
Date	Details	Dr		Cr		Balance	
2009		£	p	£	p	£	p
1 March	Balance	20,000	00	(0)		20,000	00
1 March	Petrol & VAT		(4)	23	50	19,976	50
8 March	Delivery Van & VAT		(4)	11,750	00	8,226	50

VAT ACCOUNT		ACCOUNT NUMBER: 2					
Date	Details	Dr		Cr		Balance	
2009		£	p	£	p	£	p
1 March	Bank	3	50	(2)		3	50
4 March	Cash	1	75	(2)		5	25
8 March	Bank	1,750	00	(2)		1,755	25

STATIONERY ACCOUNT		ACCOUNT NUMBER: 3					
Date	Details	Dr		Cr		Balance	
2009		£	p	£	p	£	p
4 March	Cash	10	00	(2)		10	00

PETROL ACCOUNT		ACCOUNT NUMBER: 4					
Date	Details	Dr		Cr		Balance	
2009		£	p	£	p	£	p
1 March	Bank	20	00	(2)		20	00





- (d) What do the letters “plc” after Pachini’s name stand for? Tick (✓) the correct box.

Private Limited Company	<input type="checkbox"/>
Private Lending Company	<input type="checkbox"/>
Public Limited Company	<input checked="" type="checkbox"/>
Public Lending Company	<input type="checkbox"/>

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<b>2</b>	

3. F McGrane had recorded the following items in his Bank Account for March 2009.

BANK ACCOUNT							
Date	Details	Dr		Cr		Balance	
		£	p	£	p	£	p
1 March	Balance					✓ 1,250	00 dr
4 March	Cash Sales	250	00	✓		1,500	00
7 March	C Duff				160 00	1,340	00
9 March	P Durkan			✓ 140	00	1,200	00
15 March	Cash Sales	125	00	✓		1,325	00
21 March	B Heaney				75 00	1,250	00
29 March	Cash Sales	200	00			1,450	00

When he received the following Bank Statement he ticked (✓) those items which appeared in both the Bank Account and the Bank Statement.

OLD BANK plc STATEMENT				
<b>F McGrane</b> 17 West End Road Kelvingrove G12 6TQ		<b>ACCOUNT NO: 0986132</b> Branch Code: 82-340-12 Date: 31 March 2009 Statement No: 452		
Date	Details	Debits	Credits	Balance
1 March	Balance			✓ 1,250.00 cr
4 March	Deposit		✓ 250.00	1,500.00
9 March	001200	✓ 140.00		1,360.00
10 March	SO – Rent	95.00		1,265.00
12 March	BGC – Dividends		300.00	1,565.00
15 March	Deposit		✓ 125.00	1,690.00
23 March	DD – Electricity	52.00		1,638.00

Marks	
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Using the information you are required to:

- (a) update the Bank Account;

BANK ACCOUNT							
Date	Details	Dr		Cr		Balance	
		£	p	£	p	£	p
2009							
23 March	Balance					1,450	00 dr
31 March	SO – Rent			(I) 95	00	1,355	00
31 March	BGC – Dividends	300	00	(I)		1,655	00
31 March	DD – Electricity			(I) 52	00	1,603	00 (I)

- (b) complete the Bank Reconciliation Statement.

**Bank Reconciliation Statement as at 31 March 2009**

<b>Balance as per Bank Statement</b>	<b>1,638.00</b>	<i>(I)</i>
<b>Items paid in but not yet credited</b>		
Cash sales	<b>200.00</b>	<i>(I)</i>
	<b>1,838.00</b>	<i>(I)</i>
<b>Cheques paid in but not yet presented</b>		
C Duff	<b>160.00</b>	<i>(I)</i>
B Heaney	<b>75.00</b>	<i>(I)</i>
	<b>235.00</b>	<i>(I)</i>
<b>Balances as per updated Bank Account</b>	<b>1,603.00</b>	<i>(I)</i>

- (c) F McGrane has paid some bills by Standing Order (SO) and some by Direct Debit (DD).

Tick (✓) the correct box to show which of the following statements apply to a SO or a DD.

Statement	SO	DD	
Only a fixed amount can be paid each month	✓		(2)
The person paying the money informs the bank how much to pay	✓		(2)
The date of the transaction can vary		✓	(2)
The person receiving the money informs the bank how much they are due		✓	(2)

Marks	
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	4
	7
8	

(d) What do the letters **BGC** stand for?

- **Bank Giro Credit (2)**

(e) F McGrane is a sole trader. He is thinking of taking on a partner. Tick (✓) the correct box to show whether each of the following is an advantage or disadvantage of such a partnership.

	Advantage	Disadvantage
It will be easier to get time off	✓ (2)	
He will have to share profits		✓ (2)
His partner might have new ideas	✓ (2)	
There could be disagreements		✓ (2)
More capital invested in the business	✓ (2)	

(f) Name the document F McGrane should draw up if he does enter into the partnership.

- **(Partnership) Deed (2)**
- **(Partnership) Agreement (2)**
- **Contract (2)**

**(Any one)**

<i>Marks</i>	
<b>KU</b>	<b>HI</b>
2	
10	
2	



4. Balance Sheet of M Macintyre as at 31 March 2009

<b>FIXED ASSETS</b>	<b>COST</b>	<b>DEP</b>	<b>BV</b>
	£	£	£
Buildings	90,000	0	90,000
Motor Vehicles	20,000	12,000	8,000
Fixtures	12,500	2,500	10,000
	<u>122,500</u>	<u>14,500</u>	108,000
<b>CURRENT ASSETS</b>			
Stock	13,600		
Debtors	9,400		
Cash	<u>1,000</u>	24,000	
<b>LESS CURRENT LIABILITIES</b>			
Creditors		<u>6,000</u>	
<b>WORKING CAPITAL</b>			<u>18,000</u>
			<u>126,000</u>
<b>FINANCED BY:</b>			
Capital at start	92,000		
<b>Add:</b> Net Profit	<u>46,000</u>	138,000	
<b>Less:</b> Drawings		<u>12,000</u>	
Capital at end			<u>126,000</u>

(a) Using the information contained in the Balance Sheet, calculate the following ratios:

(i) Working Capital Ratio

$$\begin{aligned}
 &= \text{Current Assets} : \text{Current Liabilities} \\
 &= (I) \quad 24,000 : 6,000 \quad (I) \\
 &= \quad \quad \quad 4 : 1 \quad (I) \\
 &= \quad \quad \quad 1 : 0.25 \\
 &\quad \quad \quad \quad \quad \quad 0.3
 \end{aligned}$$

(ii) Return on Capital Invested

$$\begin{aligned}
 &= \frac{\text{Net Profit}}{\text{Opening Capital}} \times 100 \\
 &= \frac{(I) \quad 46,000}{(I) \quad 92,000} \times 100 = 50 \quad (I) \%
 \end{aligned}$$

Marks	
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	3
	3

<i>Marks</i>	
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<b>2</b>	
<b>2</b>	
<b>4</b>	
<b>2</b>	
<b>4</b>	

- (b) (i) What effect would an increase in net profit have on closing capital? Tick (✓) the correct box.

Increase	✓	(2)
Decrease		

- (ii) What effect would an increase in drawings have on closing capital? Tick (✓) the correct box.

Increase		(2)
Decrease	✓	

- (c) Which items would M Macintyre need to calculate her Net Profit Percentage? Tick (✓) the 2 correct boxes.

Gross Profit		(2)
Net Sales	✓	
Net Purchases		
Net Profit	✓	

- (d) Why is the Gross Profit of a business usually more than Net Profit?

- Because expenses are taken from GP to get NP.

- (e) A business may also calculate the Rate of Stock Turnover. From the following select why this may be done. Tick (✓) the 2 correct boxes.

To see what their average stock is		(2)
To see what their cost of goods sold is		
To see how many times they change their stock	✓	
To see how it compares with other businesses	✓	
To see what percentage it is		



<i>Marks</i>	
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	<b>6</b>
<b>2</b>	
<b>2</b>	
<b>2</b>	
<b>2</b>	

(b) Calculate the Profit/(Loss) made when 60 tickets are sold. (*Show your working clearly*).

- **Total Revenue – Total Costs = Profit/(Loss)**
- **600 (2) – 500 (2) = 100 (2)**

(c) A cost which **does not** change with the number of tickets (units) sold is called a

Variable Cost.		(2)
Fixed Cost.	✓	
Total Cost.		

(d) A cost which **does** change with the number of tickets (units) sold is called a

Variable Cost.	✓	(2)
Fixed Cost.		
Total Cost.		

(e) What is the term used when Total Sales Revenue equals Total Cost?

- **Break Even (Point) (2)**

(f) What kind of organisation is the Lochkelty Tennis Club.

Tick (✓) the correct box.

Sole Trader		(2)
Plc		
Not-for-Profit	✓	
Partnership		

(g) Who owns this type of organisation?

- **The members (2)**
- **Those who pay subs (2)**

- (h) The Treasurer may receive a small gift to thank him for his voluntary work for the club.

What is the name given to this? Tick (✓) the correct box.

Commission	<input type="checkbox"/>
Bonus	<input type="checkbox"/>
Honorarium	<input checked="" type="checkbox"/> (2)

<i>Marks</i>	
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2	

6. The following information was provided by Calypso plc:

Net Profit	£35,000
Fixed Assets	£380,000
Ordinary Shares of £1 each	£300,000
10% Preference Shares of £1 each	£100,000
Current Assets	£82,000
Current Liabilities	£42,000
Interim Dividend paid to Ordinary Shareholders	£15,000
Unappropriated Profit at 1 April 2008	£22,000

**NOTES**

- (1) The ordinary shareholders will also receive a final dividend of £12,000
- (2) The preference shareholders are to receive their dividend of £10,000

Using the information and notes above, prepare:

- (a) the **Profit & Loss Appropriation Account** for year ending 31 March 2009, and
- (b) the **Balance Sheet** as at 31 March 2009

<i>Marks</i>	
<b>KU</b>	<b>HI</b>

**(a) Profit and Loss Appropriation Account for year ending 31 March 2009**

	£	£	£
Net Profit			35,000 (1)
Unappropriated Profit at 1 April 2008			22,000 (1)
			57,000 (1)

**Appropriations:**

Ordinary Dividend:	Interim	15,000 (1)	
	Final	12,000 (1)	27,000 (1)
Preference Dividend		10,000 (1)	37,000 (1)
Unappropriated Profit at 31 March 2009			20,000 (1)

**(b) Balance Sheet as at 31 March 2009**

	£	£	£
Fixed Assets			380,000 (1)
Current Assets		82,000 (1)	
Current Liabilities		42,000 (1)	
<b>Working Capital</b>			40,000 (1)
			420,000 (1)

**Financed by**

**Share Capital:**

£1 Ordinary Shares	300,000 (1)	
10%, £1 Preference Shares	100,000 (1)	400,000 (1)

**Reserves:**

Unappropriated Profit at 31 March 2009	20,000 (1)	
	20,000 (1)	420,000 (1)

**(c)** Which of the following sources of finance may be available to Calypso plc? Tick (✓) the **3** correct boxes:

Loans from family and friends		
Debentures	✓	(2)
Bank loans	✓	(2)
Selling shares	✓	(2)
Holding fundraisers		

**(d)** Who owns Calypso plc?

- **Shareholders (2)**
- **People who have bought shares (2)**

Marks	
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	9
	10
	6
	2

(e) Who runs Calypso plc?

- Do not accept Chairman/Manager
- Board (of Directors) (2)
- Managing Director (2)

(Any one)

(f) If Calypso plc fails, who gets their money back first? Tick (✓) the correct box.

Ordinary shareholders	
Preference shareholders	✓ (2)

<i>Marks</i>	
<b>KU</b>	<b>HI</b>
2	
2	

[END OF MARKING INSTRUCTIONS]