



2010 Accounting & Finance

Standard Grade – Foundation

Solutions

Finalised Marking Instructions

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1. (a) From the following information complete the Invoice below.

10 pairs of walking boots @ £100 per pair
 5 large rucksacks @ £140 each
 Trade Discount @ 10% = £170
 VAT @ 17.5% = £267.75

NO: 473
<p>INVOICE</p> <p>AM BODACH PLC 17 Edinburgh Road PEEBLES EH45 7PH</p>
<p>TO: Western Walks 49 Shore Road ULLAPOOL IV20 4TQ</p>
Date: 20 April 2010

Quantity	Description	Unit Price		Cost		
		£	p	£	p	
10 (pairs)	Walking Boots	100	00	1,000	00	(2)
5	Large Rucksacks	140	00	700	00	(2)
				1,700	00	(1)
	Less 10% Trade Discount			170	00	(1)
	Net Goods Value			1,530	00	(1)
	Add VAT @ 17.5%			267	75	(1)
	TOTAL			1,797	75	(1)

<i>Marks</i>	
KU	HI
	9

1. (continued)

- (b) (i) Which firm would receive this invoice? Tick (✓) the correct box.

Am Bodach plc	
Western Walks	✓

(2)

- (ii) They received this invoice because:

they had bought goods and paid by cash	
they had bought goods on credit	✓
they had bought goods and paid by cheque	

(2)

Tick (✓) the correct box.

- (c) Am Bodach has given Western Walks Trade Discount. Give **one** reason for this.

- **Bulk buying (2)**
- **In same line of business (2)**
- **To allow them to make a profit (2)**
- **New customers (2)**
- **To encourage customer loyalty (2)**
- **Regular customer (2)**

(Any one)

- (d) What type of organisation is Am Bodach plc. Tick (✓) the correct box.

Not-for-Profit	
Partnership	
A public limited company	✓
A private limited company	

(2)

<i>Marks</i>	
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Marks	
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2. (a) Using the information below, complete the ledger accounts of Katie Maynard, a sole trader.

2010
 1 March David Atkins owed Katie £180.00
 10 March Katie sold goods on credit to David Atkins for £220.00 plus VAT of £38.50
 15 March David Atkins returned goods to Katie. These had cost £30.00 plus VAT of £5.25
 20 March Katie received a cheque from David Atkins. The cheque was for £171.00. Katie had allowed him a cash discount of £9.00

Account Name		David Atkins		Number		1	
Date	Details	Dr		Cr		Balance	
2010		£	p	£	p	£	p
1 March	Balance	180	00	(2)		180	00
10 March	Sales/VAT	258	50	(4)		438	50
15 March	Sales Returns/VAT		(4)	35	25	403	25
20 March	Bank		(2)	171	00	232	25
20 March	Discount Allowed		(2)	9	00	223	25

Account Name		Sales		Number		2	
Date	Details	Dr		Cr		Balance	
2010		£	p	£	p	£	p
10 March	David Atkins		(2)	220	00	220	00

2. (continued)

- (b) Name the document Katie would have sent to David Atkins on 15 March.
- **Credit Note (2)** **NOT copy credit note**
- (c) Explain why Katie allowed David Atkins a cash discount.
- **Prompt payment (2)**
 - **To help cash flow (2)**
- (d) Name the statement that Katie would prepare to check the accuracy of her ledger accounts.
- **Trial Balance (2)**
- (e) Below is a list of some of the items Katie had to spend money on during the last year. Tick (✓) the correct box to show whether the item is an example of capital or revenue expenditure.

	Capital Expenditure	Revenue Expenditure
Electricity bill		✓ (2)
Stationery		✓ (2)
Scanner for her computer	✓ (2)	
Wages		✓ (2)

<i>Marks</i>	
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3. (a) Below is the Bank Account from the ledger of the Sonata Choral Society. The account was updated on receipt of the Bank Statement which showed a balance of £2,385.

Bank Account				
Date	Details	Dr £	Cr £	Balance
1 March	Balance	✓ 3,810		3,810
10 March	T Alder (soloist)		350	3,460
18 March	The Sheet Music Co		✓ 945	2,515
27 March	Cash – Ticket Sales	2,420		4,935
28 March	The Clan Chamber Orchestra		1,490	3,445
29 March	Cash – Refreshment Sales	760		4,205
31 March	SO – Conductor’s Fee		✓ 600	3,605
31 March	Bank Charges		✓ 40	3,565
31 March	DD – Hall Let		✓ 160	3,405
31 March	BGC – Subscriptions	✓ 320		3,725

The items which appear in **both** the Bank Statement and the Updated Bank Account are marked with a tick (✓).

Use the information given to complete the Bank Reconciliation Statement shown on the next page.

<i>Marks</i>	
KU	HI

3. (a) (continued)

Bank Reconciliation Statement as at 31 March 2010

	£	£	<i>Marks</i>	
			KU	HI
Balance as per Updated Bank Account		3,725 (I)		
Add Unpresented Cheques				
T Alder (soloist)	350 (I)			
The Clan Chamber Orchestra	1,490 (I)	1,840 (I)		
		5,565 (I)		
 Less items paid in but not yet Credited				
Cash – Ticket Sales	2,420 (I)			
Cash – Refreshment Sales	760 (I)	3,180 (I)		
Balance as per Bank Statement		<u>2,385 (I)</u>		9

(b) The Sonata Choral Society is run by:

a Board of Directors		(2)
a Committee	✓	
the Secretary		

Tick (✓) the correct box.

2

3. (continued)

- (c) The Sonata Choral Society needs to raise money for next year's performance. It could do this by:

Tick (✓) 3 methods available to them.

Issue shares		
Ask for donations	✓	(2)
Apply for a bank loan	✓	(2)
Issue debentures		
Organise fund-raising activities	✓	(2)
Take on a partner		

- (d) Bank Charges appear in the Sonata Choral Society's updated Bank Account. Give **one** reason for this.

- Using the bank's services – DD/SO/BGC (2) *any one*
- So that the bank can make a profit (2)
- Cost of an overdraft (2)
- Because the Society has made withdrawals/deposits (2)
- Dealing with cheques (2)
- Didn't have enough money in A/c to pay a bill (2)

(Any one)

- (e) The following letters appear in the Sonata Choral Society's updated Bank Account. What do these letters stand for?

SO **Standing Order** (2)

DD **Direct Debit** (2)

BGC **Bank Giro Credit** (2)

- (f) Money which is given to someone who volunteers to help run a not-for-profit organisation is called:

a subscription		
a wage		
an honorarium	✓	(2)

Tick (✓) the correct box.

Marks	
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<i>Marks</i>	
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4. (a) Derek and Jennifer Green are in partnership. The following balances were taken from their books after the Trading Account had been drawn up.

Gross Profit	£51,350
Rates	£2,150
Wages	£14,500
Rent Received	£2,400
Electricity	£3,400
Depreciation – Machinery	£1,500

In addition, their Partnership Agreement states that:

- Derek is to receive a partnership salary of £600 **per month**;
- any remaining profit is to be shared equally.

Using the above information complete the Profit and Loss and Appropriation Accounts on the next page for the year ended 30 April 2010.

4. (a) (continued)

**Derek and Jennifer Green
Profit and Loss and Appropriation Accounts
for the year ended 30 April 2010**

	£	£	
Gross Profit		51,350 (1)	
Revenues			
Rent received		2,400 (1)	
		53,750 (1)	
Expenses			
Rates	2,150	} (1)	
Wages	14,500		
Electricity	3,400	} (1)	
Depreciation	1,500		
		21,550 (1)	
Net Profit		32,200 (1)	
Appropriations			
Partnership Salary		7,200 (2)	600 (1)
Residual Profit		25,000 (1)	31,600 (1) c
Share of Profits			
Derek Green (1/2)	12,500 (2)		15,800 (2) c
Jennifer Green (1/2)	12,500 (2)		15,800 (2) c
		25,000 (1)	31,600 (1) c
		* OR 0 (1)	

* May be consequential on share of profit amounts – accept for (1)

Marks	
KU	HI
	15

4. (continued)

- (b) Tick (✓) the correct box to show whether each of the following is an **advantage** or a **disadvantage** of a Partnership.

	Advantage	Disadvantage
Partners have unlimited liability		✓ (2)
More capital can be raised	✓ (2)	
Profits have to be shared		✓ (2)
It is easier to get time off	✓ (2)	

- (c) Which of the following would be shown in Derek's Partnership Current Account? Tick (✓) the **3** correct boxes.

Interest on Capital	✓	(2)
Salary	✓	(2)
Capital		
Net Profit		
Drawings	✓	(2)

- (d) One of Derek and Jennifer's expenses is Depreciation. This reduces the value of their machinery. State **2** reasons why their machinery falls in value.

- Age (2)
- Wear and tear (2)
- Use (2)
- Damage (2) OR broken/breaking down (2)
- Obsolete (2) OR out of date (2)
- New models brought out(2)

(Any 2)

Marks	
KU	HI
8	
6	
4	

<i>Marks</i>	
KU	HI
	3

5. (a) The following are the Trading and Profit and Loss Accounts for Rethink Solutions plc.

**Rethink Solutions plc
Trading, Profit and Loss Accounts
for the year ended 31 March 2010**

	£	£
Sales		80,000
Less Cost of Goods Sold		
Opening Stock	20,000	
Add Purchases	<u>65,000</u>	
	85,000	
Less Closing Stock	<u>25,000</u>	
Cost of Goods Sold		<u>60,000</u>
Gross Profit		20,000
Less Expenses		<u>4,000</u>
Net Profit		<u>16,000</u>

Calculate the following ratios

- (i) **Gross Profit as a percentage of Sales**

$$\begin{aligned}
 &= \frac{\text{Gross Profit}}{\text{Sales}} \times \frac{100}{1} \\
 &= \frac{20,000}{80,000} \times \frac{100}{1} = 25 \%
 \end{aligned}$$

5. (a) (continued)

(ii) Net Profit as a percentage of Sales

$$= \frac{\text{Net Profit}}{\text{Sales}} \times \frac{100}{1}$$

$$= \frac{16,000}{80,000} \times \frac{100}{1} = 20 \%$$

(b) Rethink Solutions plc calculate ratios so they can:

check their profit calculation		
compare their performance with previous years	✓	(2)
cut down on their expenses		
highlight strengths and weaknesses	✓	(2)

Tick (✓) the 2 correct boxes.

(c) Tick (✓) the correct box to indicate whether each of the following statements is **True** or **False**.

	True	False	
To calculate the Working Capital Ratio you need Fixed Assets and Current Liabilities		✓	(2)
The Return on Capital invested can be calculated from information contained in the Balance Sheet	✓		(2)
The information required to calculate the Rate of Stock Turnover is found in the Trading Account	✓		(2)

Marks	
KU	HI
	3
4	
6	

6. (a) (continued)

Cash Budget of Fui Wing

	OCTOBER		NOVEMBER		Marks	
	£	£	£	£	KU	HI
Opening Balance		65		270 (I)		
Cash In						
Wages	1,200		1,200 (I)			
Birthday Present		<u>- 1,200</u>	<u>50(I)1,250 (I)</u>			
Total Cash Available		<u>1,265 (I)</u>		<u>1,520 (I)</u>		
Cash Out						
Petrol	140		120 (I)			
Food	130		150 (I)			
Mortgage	550		550 (I)			
Road Tax	150		- (I)			
Theatre Ticket	-		25 (I)			
Mobile Top-up	<u>25</u>		<u>15 (I)</u>			
Total Cash Out		<u>995</u>		<u>860 (I)</u>		
Closing Balance		<u>270 (I)</u>		<u>660 (I)</u>		15

6. (continued)

(b) Why would Fui Wing prepare a Cash Budget? Tick (✓) the correct box.

To cut down his expenses		
To calculate his profit		
To help him plan for the future	✓	(2)

(c) State which software package would be most useful for preparing a Cash Budget.

- Spreadsheet (2)
- Excel (2)

(Any one)

(d) If Fui was to prepare a Balance Sheet, under which heading would he put the following. Tick (✓) the correct box.

	Fixed Assets	Current Assets	Current Liabilities
Money his brother owes him		✓ (2)	
Money he has in his bank account		✓ (2)	
Money he owes his Mum			✓ (2)
His car	✓ (2)		

Marks	
KU	HI
2	
2	
8	

[END OF MARKING INSTRUCTIONS]