



**2011 Accounting & Finance**

**Standard Grade – Foundation**

**Solutions**

**Finalised Marking Instructions**

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1. (continued)

- (b) Identify the **3** accounts that would be used to record the goods ordered in The Backpack Company's ledger? Tick (✓) the correct boxes.

Bank		
Feshie Camping Supplies	✓	(2)
Sales	✓	(2)
Purchases		
VAT	✓	(2)

- (c) Feshie Camping Supplies returned one of the gas camping stoves.

- (i) State **one** reason why they would do this.

**damaged/faulty/wrong item sent/wrong colour/wrong size**

- (ii) Give the name of the document The Backpack Company would send to Feshie Camping Supplies when the gas camping stove was returned.

**Credit Note (not copy)**

- (d) Feshie Camping Supplies is owned and run by Katy McLeod. Name this type of business.

**Sole Trader**

- (e) Katy decides to expand her business and needs to raise more finance. Tick (✓) **3** methods available to her to do this.

Issuing Debentures		
Applying for a Bank Loan	✓	(2)
Asking for Donations		
Taking on a Partner	✓	(2)
Applying for a Lottery Grant		
Asking Family or Friends for a Loan	✓	(2)

Marks	
KU	HI
6	
2	
2	
2	
6	

Marks	
KU	HI

2. (a) Using the information below, complete the ledger accounts of Ashton Lane plc.

- 1 April Purchased goods on credit from Jack Hills for £276.00 plus £48.30 VAT.
- 7 April Purchase of goods of £150.00, plus £26.25 VAT was paid by cheque.
- 14 April Ashton Lane plc returned goods to Jack Hills. These goods were valued at £80.00 plus VAT of £14.00.
- 18 April Ashton Lane plc sent a cheque to Jack Hills for £455.00. They were given a discount of £15.00.

**Ledger of Ashton Lane plc**

Account Name		Bank		Number		1	
Date	Details	Dr		Cr		Balance	
2011		£	p	£	p	£	p
1 April	Balance	2,200	00 (0)			2,200	00
7 April	Purchases/VAT		(2)	176	25	2,023	75
18 April	Jack Hills		(2)	455	00	1,568	75

Account Name		Jack Hills		Number		2	
Date	Details	Dr		Cr		Balance	
2011		£	p	£	p	£	p
1 April	Balance		(0)	564	00	564	00
1 April	Purchases/VAT		(2)	324	30	888	30
14 April	Purchase Returns/ VAT	(2) 94	00			794	30
18 April	Bank	(2) 455	00			339	30
18 April	Discount Received	(2) 15	00			324	30



2. (continued)

(b) Suggest a reason for Jack Hills giving Ashton Lane plc a Discount on 18 April.

**prompt payment**

(c) State who owns Ashton Lane plc?

**shareholders**

(d) Ashton Lane plc operates a Petty Cash system. Tick (✓) the correct box to indicate whether each of the following statements is **True** or **False**.

	TRUE	FALSE	
The Petty Cash starting balance is the same each week.	✓		(2)
A Petty Cash Voucher is not required to claim Petty Cash.		✓	(2)
Operating a Petty Cash system means a large number of small entries will have to be made in the ledger.		✓	(2)
Petty Cash is often the responsibility of a junior member of staff.	✓		(2)

Marks	
KU	HI
2	
2	
8	

3. (a) Use the information below to complete the Trial Balance of Roddy Lowe as at 31 March 2011.

Sales Returns	£250	Opening Stock	£800
General Expenses	£4,560	Bank	£1,816
Capital	£80,000	Debtors	£56
Wages	£3,512	Creditors	£1,354
Purchases	£23,700	Premises	£57,500
Sales	£24,400	Vehicles	£13,560

<b>Trial Balance of Roddy Lowe as at 31 March 2011</b>	<b>Dr £</b>	<b>Cr £</b>
Sales Returns	(1) 250	
General Expenses	(1) 4,560	
Capital		(1) 80,000
Wages	(1) 3,512	
Purchases	(1) 23,700	
Sales		(1) 24,400
Opening Stock	(1) 800	
Bank	(1) 1,816	
Debtors	(1) 56	
Creditors		(1) 1,354
Premises	(1) 57,500	
Vehicles	(1) 13,560	
	£105,754	£105,754

(1)

Must have **both** totals for 1 mark

<i>Marks</i>	
<b>KU</b>	<b>HI</b>
	<b>13</b>

**3. (continued)**

- (b)** Tick (✓) the correct box below to explain the reason for Roddy Lowe preparing a Trial Balance.

To calculate his profit	
To check the accuracy of his accounts	✓
To check his bank balance	
To calculate his ratios	

- (c)** Roddy Lowe prepares a financial statement to help him plan for the future. Give the name of this statement.

**(Cash) Budget**

- (d)** Tick (✓) the correct box to show whether each of the following items is an example of Capital or Revenue Expenditure.

	<b>Capital Expenditure</b>	<b>Revenue Expenditure</b>
Vehicles	✓	
Wages		✓
Premises	✓	

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





4. (continued)

- (b) Dee McLean decides to become a plc in order to expand. Tick (✓) the correct box to show whether each of the following statements is **True** or **False** of a plc.

	TRUE	FALSE
A plc is run by a Board of Directors	✓ (2)	
Large amounts of capital can be raised by selling shares	✓ (2)	
Shareholders have unlimited liability		✓ (2)
Only Ordinary Shareholders can vote at the Annual General Meeting	✓ (2)	
A plc is not required to publish its accounts		✓ (2)

- (c) Dee McLean uses the following banking services:

Direct Debit (DD)  
 Standing Order (SO)  
 Bank Giro Credit (BGC)

Match up the above services to the transactions given below.

Transaction	Banking Service	
Pay wages into employees' bank accounts	BGC	(2)
Pay the firm's electricity bill	DD	(2)
Pay the rent each month	SO	(2)

- (d) If you borrow money from a bank you have to pay back more than you borrowed. What is the name given to this extra amount? Tick (✓) the correct box.

Dividend	
Interest	✓
Discount	

Marks	
KU	HI
10	
6	
2	

5. The Balance Sheet of Lesley Foggon is shown below.

**Balance Sheet of Lesley Foggon as at 30 April 2011**

	£	£
<b>Fixed Assets</b>		
Premises		106,000
Vehicles		50,000
		156,000
<b>Current Assets</b>		
Stock	14,000	
Debtors	3,000	
Bank	1,000	
		18,000
<b>Less Current Liabilities</b>		
Creditors	6,000	
		12,000
Working Capital		168,000
<b>Financed By</b>		
Opening Capital		150,000
Add Net Profit		18,000
		168,000
Closing Capital		168,000

- (a) Using the Balance Sheet of Lesley Foggon, calculate:

- (i) **Return on Capital Employed**

$$\frac{\text{Net Profit}}{\text{Opening Capital}} \times \frac{100}{1}$$

$$\frac{18,000 (1)}{150,000 (1)} \times \frac{100}{1} = 12 (1)\%$$

Marks	
KU	HI
	3

5. (a) (continued)

(ii) Working Capital Ratio

Current Assets	:	Current Liabilities
<b>18,000</b> (1)	:	<b>6,000</b> (1)
<b>3</b>	:	<b>1</b> (1)

(b) Tick (✓) the 2 correct boxes opposite the statements which explain how Lesley Foggon could increase her Working Capital.

Purchase a new van		
Invest more of her savings in the business	✓	(2)
Receive a long term loan from the bank	✓	(2)
Withdraw more money from the business for personal use		

(c) Lesley Foggon has already calculated the ratios below. For each ratio state whether Lesley Foggon is performing better or worse than last year. Tick (✓) the correct box.

Ratio	2010	2011	Better	Worse	
Gross Profit as a Percentage of Sales	30%	25%		✓	(1)
Rate of Stock Turnover	15 times	18 times	✓		(1)

(d) Name **one** other ratio that could be calculated from Lesley Foggon's Trading, Profit and Loss Account.

**Net Profit as a Percentage of Sales/Expenses to Sales Ratio/Mark up**

(e) Lesley Foggon takes money out of the business for her own use. State the name the business gives this money.

**Drawings**

Marks	
KU	HI
3	3
4	2
2	2
2	2



**6. (continued)**

- (c) Tick (✓) the correct box to indicate whether each of the following is an example of a Fixed Cost or a Variable Cost.

	<b>Fixed Cost</b>	<b>Variable Cost</b>
Hire of a marquee – £100	✓ (2)	
Food per person – £5		✓ (2)
Quiz prizes – £50	✓ (2)	

- (d) John Jenkins, one of the Accountants at Virgo plc is the Treasurer of the local operatic society. One of his duties is to prepare the final accounts. Tick (✓) the correct boxes to indicate which **3** of the following he would prepare.

Trading, Profit and Loss Account		
Balance Sheet	✓	(2)
Profit and Loss Appropriation Account		
Income and Expenditure Account	✓	(2)
Receipts and Payments Account	✓	(2)

- (e) Tick (✓) the correct box to identify the owners of the local operatic society.

The Shareholders		
The Local Community		
The Public		
The Members	✓	(2)

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

[END OF MARKING INSTRUCTIONS]