

2013 Accounting and Finance Standard Grade Foundation - Solutions Finalised Marking Instructions

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Marks					
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1. Linda Robb owns a pet shop. The following information relates to a transaction on 5 May 2013.

10 "Extenda-leads" @ £12·50 each 7 Medium Kennels @ £25·00 each Trade Discount @ 10% = £30·00 VAT @ 20% =£54·00

(a) Complete the Invoice below, which Linda's Pets would send to K & G Fitzpatrick.

Invoice



Linda's Pets 9 Harsal Lane GLASGOW G25 2PT



Telephone: 0141 564 4242

Fax: 0141 564 2552 e-mail: lindaspets@intel.com

Invoice Number: 2543 VAT Number: 454 23 545

To: K & G Fitzpatrick 2 Bain Gardens SHAWLANDS SH3 4TQ

G Fitzpatrick Date: 5 May 2013 ain Gardens

Quantity	Description	Unit Price Co		ost		
		£	p	£	р	
10	"Extenda-leads"	12	50	125	00	(2)
7	Medium Kennels	25	00	175	00	(2)
				300	00	
	Less Trade Discount (10%)			30	00	(1)
	Net Goods Value			270	00	(1)
	Add VAT (20%)			54	00	(1)
			£	324	00	(1)

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COI	itinued)		
(b)	Identify the 3 accounts which would be used to record this invoice in the ledger of Linda's Pets. Tick (✓) the correct boxes.		
	Linda's Pets		
	K & G Fitzpatrick ✓ (2)		
	VAT		
	Sales √ (2)		
	Purchases		
	1 diolidoco	6	
(c)	State which of the above accounts would be used by both Linda's Pets and K & G Fitzpatrick for this transaction.		
	VAT (2)	2	
(d)	K & G Fitzpatrick had to return some of the goods mentioned on the invoice. Give a possible reason for the return of goods.		
	Damaged (2), Wrong size (2), Wrong colour (2)	2	
e)	Name the document that Linda's Pets would send to K & G Fitzpatrick when the goods are returned.		
	Credit note (2)	2	
(f)	Linda's Pets, operates as a sole trader. State which $\bf 2$ of the following sources of finance would allow the business to expand. Tick (\checkmark) the correct boxes.		
	Loan from family ✓ (2)		
	Increase subscriptions		
	Owner's savings (2)		

1.

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2. Enter the following transactions in the ledger accounts of (a) Computer World plc.

> Bought goods on credit from PC Access - £1,240, VAT £248 April 3

Received a credit note from PC Access for April 4

goods returned £200 and VAT £40

April 6 Paid a cheque to A Dunn for £108, the £12

remainder being discount received, in full

settlement of his account

Ledger of Computer World plc

Bank A	ccount	Account No 1						
Date	Details	Dr		Cr		Dr Cr Balan		nce
2013		£	р	£	р	£	р	
1 April	Balance	5,200	00 (0)			5,200	00	
6 April	A Dunn			108	00 (2)	5,092	00	

Purchases Account		Account No 2							
Date	Details	Dr		Dr		0	r	Balar	nce
2013		£	р	£	р	£	р		
3 April	PC Access	1,240	00 (2)			1,240	00		

VAT Ac	count	Account No 3					
Date	Details	Dr		Dr Cr		Balar	ice
2013		£	р	£	р	£	р
3 April	PC Access	248	00 (2)			248	00
4 April	PC Access			40	00 (2)	208	00

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2. (continued)

PC Acc	ess Account	Account No 4					
Date	Details	Dr		Cr		Balance	
2013		£	р	£	р	£	р
3 April	Purchases & VAT			1,488	00 (4)	1,488	00
4 April	Purchase Returns & VAT	240	00 (4)			1,248	00

Purcha	se Returns Ad		Accou				
Date	Details	D	Dr		Cr		се
2013		£	р	£	р	£	р
4 April	PC Access		_	200	00 (2)	200	00

A Dunr	Account	Account No 6					
Date	Details	Dr		Cr		Balance	
2013		£	р	£	р	£	р
1 April	Balance			120	00 (0)	120	00
6 April	Bank	108	00 (2)			12	00
6 April	Discount Received	12	00 (2)			0	00

Discount Received Account			Account No 7				
Date	Details	Dr		Cr		Bala	nce
2013		£	р	£	р	£	р
6 April	A Dunn			12	00 (2)	12	00

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2.	(b)	State why A Dunn allowed Computer World plc a discount on April 6.		
		Because Computer World plc paid promptly or within a certain time. (2)	2	
	(c)	State the term that Computer World plc would use to describe A Dunn before they had paid him. Tick (✓) the correct box.		
		Debtor Lender		
		Creditor ✓ (2) Bankrupt	2	
	(d)	State what the letters VAT stand for.		
		Value Added Tax (2)	2	
	(e)	State which 2 sources of finance are only available to a plc. Tick (✓) the 2 correct boxes.		
		Bank Loan		
		Debenture ✓ (2)		
		Shares \(\sqrt{2}\)		
		Mortgage	4	

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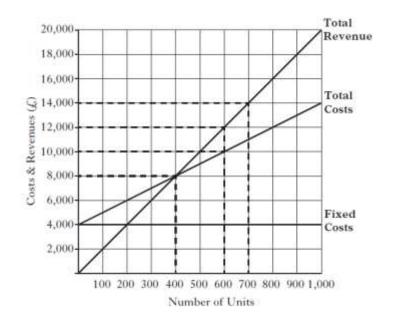
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3. The Treasurer of the Dunblane Cricket Club has the following chart about The Annual Ceilidh Dance.



- (a) From the above chart, state:
 - (i) the amount of Fixed Costs;

£4,000 (2)

(ii) the value of sales needed to break even;

£8,000 (2)

(iii) the number of tickets to be sold to break even;

400 (2)

(iv) the value of sales when 700 tickets are sold;

£14,000 (2)

(v) the Profit/(Loss) made when 600 tickets are sold. (Show your working clearly)

Total Revenue - Total Costs = Profit/(Loss)

£12,000 (2) - £10,000 (2) = £2,000 Profit (2)

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ntin	nued)					
	State whether each of th	e following	costs of ho	olding the Annua	al	
	Ceilidh Dance is fixed or					
	Cost	Fixed	Variable	•		
	Hire of hall	√ (2)				
	Meal		√ (2)			
	Refreshments		√ (2)			
	Payment to Ceilidh Band	√ (2)			8	
	The Members (2), Subsc	ribers(2)			2	
	State whether the following	ng are Tru	ue or False	of a not-for-prof	fit	
	State whether the following organisation. Tick (✓) the			of a not-for-pro	fit	
				of a not-for-pro	fit	
				of a not-for-pro	fit	
			X.		fit	
	organisation. Tick (✓) the	e correct bo	X.	False	fit	
	organisation. Tick (✓) the	e correct bo	True	False	fit 6	

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4.	(a)	Use the following figu	ures to comple	te the Trial Balanc	e of Frank James	as	
	(-)	at 30 April 2013.					
		Sales	£120,000	Premises	£30,330		
		Repairs	£1,200	Bank	£3,830		
		Stock (1 May 2012)	•	Debtors	£780		
		Wages	£10,000	Purchase Ret	urns £890		
		Purchases	£98,000	Rent Received	d £2,000		
		Vehicles	£10,000	Capital	£45,000		
		Interest Paid	£1,200	Drawings	£150		
		Trial Balance of Fra	nk James as a	at 30 April 2013			
				£	£		
				Dr	Cr		
		Sales			120,000 <i>(1)</i>		
		Premises		30,330 (1)			
		Repairs		1,200 <i>(1)</i>			
		Bank		3,830 (1)			
		Stock (1 May 2012)		12,400 <i>(1)</i>			
		Debtors		780 (1)			
		Wages		10,000 (1)			
		Purchase Returns			890 (1)		
		Purchases		98,000 (1)			
		Rent Received			2,000 (1)		
		Vehicles		10,000 (1)			
		Capital			45,000 <i>(1)</i>		
		Interest Paid		1,200 (1)			
		Drawings		150 (1)			
			-	£167,890	£167,890	(1) for both	15

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4. (continued)

(b) The following types of error could have occurred even though the Trial Balance still balances.

Compensating Error Error of Omission Error of Commission Error of Principle

Using the above, identify the type of error being described – the first has been done for you.

Description	Type of Error
An invoice fell down the back of a cabinet and was not recorded	Omission (0)
Sales on credit to A Green were credited in the Sales account but debited M Green's account	Commission (2)
The repairs of a vehicle were debited in the Vehicle account instead of the Repairs account	Principle (2)
Two or more errors have cancelled each other out	Compensating (2)

(c) Frank operates as a Sole Trader and is considering going into Partnership with Shazia Anwar. Indicate whether each of the following is an advantage or a disadvantage of being in a partnership. Tick (✓) the correct box.

	Advantage	Disadvantage
Partners share profits		√ (2)
Partners can bring in more capital	√ (2)	
Partners may disagree about the business		√ (2)
Partners can take holidays more easily	√ (2)	

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5.	The following information was provided Gross Profit Unappropriated Profit at 1 April 2012 Selling and Administration Expenses Depreciation of Equipment 10% Preference Shares of £1 each Ordinary Shares of £1 each Debenture Interest	by Alpha £42,00 £12,00 £10,00 £1,3 £150,0 £100,0 £1,6	00 00 00 50 00				
	Notes 1) The Preference Shareholders are to 2) The Ordinary Shareholders will red						
(a)	Using the information and notes above Appropriation Account below.	/e, prepar	e the I	Profit & Lo	ess and		
	Alpha plc Profit & Loss and Appropriation According 31 March 2013	ount					
		£		£			
	Gross Profit	_		42,000	(1)		
	Expenses						
	Selling and Administration	10,000	(1)				
	Depreciation of Equipment	1,350	(1)				
	Debenture Interest	1,650	(1)	13,000	(1)		
	* Net Profit (1)			29,000	(1)		
	Unappropriated Profit 1 April 2012			12,000	(1)		
				41,000	(1)		
	Appropriations						
	Preference Dividend	15,000	(1)				
	Ordinary Dividend	20,000	(1)	35,000	(1)		
	Unappropriated Profit 31 March 2013	;		6,000	(1)		13

^{*} Enter the appropriate label

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5.	(conti	nued)					
	(b)	Alpha plc have issued both Ordin correct box to indicate whether ex Ordinary or Preference Shares.	•		` '		
			Ordinary	Preference			
		These shareholders can vote at the AGM	√ (2)				
		These shareholders receive a dividend dependant on the profits	√ (2)				
		These shareholders are paid their dividend first		√ (2)			
		In the event of bankruptcy these shareholders are paid back last	√ (2)			8	
	(c)	State what the letters "plc" stand	for.		_		
		Public Limited Company (2)				2	

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Who do the shareholders elect to run the plc on their behalf?

MD (1) CEO (1) BOD (2)

(d)

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6.	The fo	ollowing Balance Sheet was taken from	the books of Sam	Lab.		
		Sam Lab Balance Sheet As at 31 December 2012 £	£	£		
		Fixed Assets Premises Vehicles		100,000 15,000 115,000		
		Debtors 3 Bank 4 Less: Current Liabilities Creditors 2,0	000 800 850 6,750 000 250 2,250	4,500 £119,500		
		Financed by Capital at beginning 80,0 Add: Net Profit 40,0 Less: Drawings Capital at end		£119,500		
	(a)	Using the Balance Sheet above, calcu	late the following	ratios.		
		= 3 : 1	abilities 0 (1) (1)			3
		(ii) Return on Capital Employed				
		= Net Profit Capital at Beginning	100			
		40,000 (1) x 100				
		= 50 (1) %				3

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(cont	inued)					
(b)	Bob Γ	ane and Jim Poodle	run similar businesse	s to Sam Lab. Their ratios		
\ - '/		t year were as follow		2 13 23 2007 111011 101100		
	Busin	iess	Working Capital	Return on Capital Employed		
	Bob D	ane	1.8 : 1	40%		
	Jim P	oodle	1.2 : 1	32%		
	(i)	Identify who will be (✓) the correct box		ebts more easily. Tick		
		Bob Dane	√ (2)			
		Jim Poodle			2	
(a)	Com	Bob Dane Jim Poodle	√ (2)	ofit Datia Identify which	2	
(c)	2 pied		culate his Gross Pro would need to do this.	•		
	Openi	ng Stock				
	Capita	al				
	Gross	Profit	√ (2)			
	Purch	ases				
	Sales		√ (2)		4	
(d)		• 2 other ratios that Sorofit % (2)	am Lab could calculat Expense ^c			
	Rate	of Stock Turnover	(2) Acid Test	(2)	4	
						<u> </u>

6.

[END OF MARKING INSTRUCTIONS]