

Please read the **MARK SCHEME STANDARDISATION – EXPLANATORY DOCUMENT** before editing your Mark Scheme, and ensure that you are using the correct template for your subject/qualification/ component. Please delete this paragraph after reading.

Cambridge International Examinations – Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer				Marks																																	
1(a)(i)	<p style="text-align: center;">Nazmeen General Journal</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 50%;">Details</th> <th style="width: 15%;">Debit \$</th> <th style="width: 15%;">Credit \$</th> </tr> </thead> <tbody> <tr> <td>2022 Jan 1</td> <td>Motor vehicle</td> <td>11 000}</td> <td></td> </tr> <tr> <td></td> <td>Bank</td> <td>2 300} (1)</td> <td></td> </tr> <tr> <td></td> <td>Petty cash</td> <td>200}</td> <td></td> </tr> <tr> <td></td> <td>Bank loan</td> <td></td> <td>2 500 (1)</td> </tr> <tr> <td></td> <td>Capital</td> <td></td> <td><u>11 000 (1)</u></td> </tr> <tr> <td></td> <td></td> <td><u>13 500</u></td> <td><u>13 500</u></td> </tr> <tr> <td></td> <td colspan="3">Assets, liabilities and capital at this date (1)</td> <td></td> </tr> </tbody> </table>				Date	Details	Debit \$	Credit \$	2022 Jan 1	Motor vehicle	11 000}			Bank	2 300} (1)			Petty cash	200}			Bank loan		2 500 (1)		Capital		<u>11 000 (1)</u>			<u>13 500</u>	<u>13 500</u>		Assets, liabilities and capital at this date (1)				4
Date	Details	Debit \$	Credit \$																																			
2022 Jan 1	Motor vehicle	11 000}																																				
	Bank	2 300} (1)																																				
	Petty cash	200}																																				
	Bank loan		2 500 (1)																																			
	Capital		<u>11 000 (1)</u>																																			
		<u>13 500</u>	<u>13 500</u>																																			
	Assets, liabilities and capital at this date (1)																																					
	<p>Accept credit items before debit items – but assets must be grouped together (similar for liabilities and capital) Ignore date Narrative must mention assets and liabilities</p> <p>Question paper did not show headings “debit and “credit so assume debit is first column (but if candidate puts headings in different order mark according to those headings)</p>																																					

FINAL

Question	Answer	Marks
1(a)(ii)	Correction of errors (1) Purchase/disposal of non-current assets on credit (1) Transactions not recorded in another book of prime entry (1) Transfers between accounts (1) Writing off irrecoverable debts (1) Creation of/adjustment to a provision for doubtful debts (1) Recording depreciation (1) Year-end transfers to income statement (1) Max (1) Accept other valid points	1
	Item 3 – allow “other journal” for “other book of prime entry” Item 3 – allow drawings of goods/assets (not just drawings)	

FINAL

1(b)(i)	Nazmeen Petty Cash Book						10
Total received \$	Date	Details	Total paid \$	Motor expenses \$	Sundry expenses \$	Ledger accounts \$	
200	2022 Jan 1	Balance (1)					
	3	Petrol (1)	35	35			
	8	Magazines (1)	14		14		
	17	GL Limited (1)	60			60	
	26	Cleaning (1)	9	9			
	29	Alim (1)	38			38	
			156	44	14	98	
	31	Balance c/d	44				
<u>200</u>			<u>200</u>				
44 156	Feb 1	Balance b/d Bank (1)OF (1)OF					

**+ (1) dates
(1)OF totalling analysis columns**

FINAL

	<p>For the payments the details must be as on mark scheme (i.e. not “paid.....”/”bought...”) even if the additional words are in brackets.</p> <p>The marks for the payments are for suitable wording, correct amount in total paid and in the appropriate analysis column. Ignore the order of the entries except the balances</p> <p>Do not allow “trade payables”, but allow if name comes first e.g. “Alim, trade payable” or “Alim (trade payable)” Accept “Cleaning” or “Vehicle cleaning”</p> <p>Balance – allow “Balance”, “Bal”, “Blc” with or without “b/d” do not accept “b/d” or “BBD” do not penalise if use “c/d” in lieu of “b/d” must be brought down on the debit side must be what was carried down allow BOD if put “Balance (petty cash)”</p> <p>Mark for totalling analysis columns is for their own figure totals provided no aliens (item in wrong column is not alien)</p> <p>Date mark - Need correct date for every entry shown</p> <p>Restoration of imprest must be labelled “Bank” or “Bank (cash book)” but the words “Cash book” must not be the first words</p>	
--	---	--

FINAL

1(b)(ii)	<p>Easier control of/check on petty cash expenditure (1) There is a maximum amount which can be spent (1) Theft/fraud is limited to the imprest amount (1)</p> <p>Accept other valid points Max (1)</p>	1																														
	<p>Allow “don’t have to ask cashier frequently for top-up” “reduces fraud” Not “fraud cannot happen” “less chance of errors” “get to know amount used for small payments”</p>																															
1(c)	<table border="1" data-bbox="472 719 1803 1318"> <thead> <tr> <th></th> <th>Invoice</th> <th>Credit note</th> <th>Statement of account</th> <th></th> </tr> </thead> <tbody> <tr> <td>A credit purchase</td> <td style="text-align: center;">✓</td> <td></td> <td style="text-align: center;">✓</td> <td></td> </tr> <tr> <td>The balance owing by Nazmeen to a supplier at the end of the month</td> <td></td> <td></td> <td style="text-align: center;">✓</td> <td style="text-align: center;">(1) row</td> </tr> <tr> <td>A purchases return</td> <td></td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">(1) row</td> </tr> <tr> <td>Trade discount deducted from list price</td> <td style="text-align: center;">✓</td> <td style="text-align: center;">✓</td> <td></td> <td style="text-align: center;">(1) row</td> </tr> <tr> <td>Payment made to a supplier</td> <td></td> <td></td> <td style="text-align: center;">✓</td> <td style="text-align: center;">(1) row</td> </tr> </tbody> </table>		Invoice	Credit note	Statement of account		A credit purchase	✓		✓		The balance owing by Nazmeen to a supplier at the end of the month			✓	(1) row	A purchases return		✓	✓	(1) row	Trade discount deducted from list price	✓	✓		(1) row	Payment made to a supplier			✓	(1) row	4
	Invoice	Credit note	Statement of account																													
A credit purchase	✓		✓																													
The balance owing by Nazmeen to a supplier at the end of the month			✓	(1) row																												
A purchases return		✓	✓	(1) row																												
Trade discount deducted from list price	✓	✓		(1) row																												
Payment made to a supplier			✓	(1) row																												

FINAL

2(a)	<p>Ravi Sales ledger control account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 10%;">Date</th> <th style="width: 25%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2021 Feb 1</td> <td>Balance b/d</td> <td style="text-align: right;">12 510*</td> <td>2021 Feb 1</td> <td>Balance b/d (1) both</td> <td style="text-align: right;">1 245*</td> </tr> <tr> <td>2022 Jan 31</td> <td>Sales (1)</td> <td style="text-align: right;">134 000</td> <td>2022 Jan 31</td> <td>Bank (1)</td> <td style="text-align: right;">96 250</td> </tr> <tr> <td></td> <td>Interest charged (1)</td> <td style="text-align: right;">1 104</td> <td></td> <td>Cash (1)</td> <td style="text-align: right;">12 890</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Sales returns (1)</td> <td style="text-align: right;">4 000</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Irrecoverable debts (1)</td> <td style="text-align: right;">9 100</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Contra entries (1)</td> <td style="text-align: right;">1 677</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Discount allowed (1)</td> <td style="text-align: right;">4 643</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>17 809</u></td> </tr> <tr> <td>2022 Feb 1</td> <td>Balance b/d (1)OF</td> <td style="text-align: right;"><u>147 614</u> 17 809</td> <td></td> <td></td> <td style="text-align: right;"><u>147 614</u></td> </tr> </tbody> </table> <p>(1) *for both opening balances</p>						Date	Details	\$	Date	Details	\$	2021 Feb 1	Balance b/d	12 510*	2021 Feb 1	Balance b/d (1) both	1 245*	2022 Jan 31	Sales (1)	134 000	2022 Jan 31	Bank (1)	96 250		Interest charged (1)	1 104		Cash (1)	12 890					Sales returns (1)	4 000					Irrecoverable debts (1)	9 100					Contra entries (1)	1 677					Discount allowed (1)	4 643					Balance c/d	<u>17 809</u>	2022 Feb 1	Balance b/d (1)OF	<u>147 614</u> 17 809			<u>147 614</u>	10
Date	Details	\$	Date	Details	\$																																																														
2021 Feb 1	Balance b/d	12 510*	2021 Feb 1	Balance b/d (1) both	1 245*																																																														
2022 Jan 31	Sales (1)	134 000	2022 Jan 31	Bank (1)	96 250																																																														
	Interest charged (1)	1 104		Cash (1)	12 890																																																														
				Sales returns (1)	4 000																																																														
				Irrecoverable debts (1)	9 100																																																														
				Contra entries (1)	1 677																																																														
				Discount allowed (1)	4 643																																																														
				Balance c/d	<u>17 809</u>																																																														
2022 Feb 1	Balance b/d (1)OF	<u>147 614</u> 17 809			<u>147 614</u>																																																														

FINAL

	<p>Reversal (0) Ignore dates Need details and amount for the mark</p> <p>Debit – Allow “Interest”, “Interest charged” Allow “Sales”, “Credit sales”, not “Sales journal” not “Revenue”</p> <p>Credit – Opening balance - allow “Balance”, “Bal”, B1c” with or without “b/d” do not accept “b/d” or “BBD” do not penalise if use “c/d” in lieu of “b/d” Allow “Bank”, “Bank(cash book)”, and “Bank (transfer)” Do not allow “Cheques”, “Receipts”, “Transfers” or “Cash book” Allow “Cash”, “Cash (Cash book)” but not “Cash book” Allow “Returns”, Sales returns”, “Returns inwards” “Ret in” Do not allow “RI”, not “SR” not “Returns from customers” Allow “Irrecoverable debts”, “Bad debts”, “Bad debts written off” not “BDs” Allow “Contra entries”, “Contra”, “Set off”, “Purchases ledger”, “Purchases ledger control”, “PLCA”, “Inter- ledger transfer” not just “Transfer” Allow “Discount allowed”, “Discount”, “Dis Alld”, not “DA”</p> <p>Final balance – allow “Balance”, “Bal”, B1c” with or without “b/d” do not accept “b/d” or “BBD” do not penalise if use “c/d” in lieu of “b/d” must be brought down on the debit side must be what was carried down OF provided no aliens and appears to be arithmetically correct</p>	
2(b)	Prudence (1)	1

FINAL

2(c)(i)	<p>Bank manager Level of trade receivables may influence bank's decision (1) If the bank believes trade receivables are too high may not wish to lend (1) If trade receivables too high may not have adequate funds to repay loan/ bank overdraft/ interest OR If trade receivables too low may have adequate funds to repay loan/ bank overdraft/ interest (1)</p> <p>Max (2) Accept other valid points</p>	2
	<p>Must have link with trade receivables to get a mark Mention of liquidity/assets not enough</p>	
2(c)(ii)	<p>Trade payables Level of trade receivables may influence trade payable's decision (1) If trade payable believes trade receivables are insufficient may decide not to supply/not to continue to supply/supply on cash terms only OR If trade receivables are high may have adequate funds to pay trade payables (1)</p> <p>Max (2) Accept other valid points</p>	2
	<p>Must have link with trade receivables to get a mark Mention of liquidity/assets not enough</p>	

FINAL

2(d)	<p>Reasons for employing a credit controller Should result in lower irrecoverable debts (1) Should control the amount owed by trade receivables (1) Payments from trade receivables likely to be received more quickly/ collection period decreases(1) Ravi's time would be freed up to carry out other business tasks (1) The salary of the credit controller is less than the amount of irrecoverable debts (1) Max (2) Accept other valid points</p> <p>Reasons for not employing a credit controller Have to pay an annual salary (1) Salary would be paid regardless of amount of debts recovered (1) No guarantee that all debts will be collected (1) Legal fees may be incurred for any legal action (1) Damage relationship with customers/ may buy less/may buy from a different supplier/lose customer loyalty (1) Could instead try to increase cash sales (1) Max (2) Accept other valid points</p> <p>Recommendation (1)</p>	5
	<p>Need 1 of each before can have recommendation mark Not just "he should" Allow "credit control system will be improved" in lieu of advantage 2 above Not "lower expenses" unless expanded "costs increase" unless expanded "he may still have bad debts" unless expanded "reduce provision for doubtful debts" "may ignore his calls"/"annoyed with constant calls" – unless expanded comment about liquidity</p>	

FINAL**9**

3(a)

Pari

Manufacturing Account for the year ended 31 December 2021

Cost of material consumed	\$	\$
Opening inventory of raw materials		6 100
Purchases of raw materials		<u>84 200</u>
		90 300
Less Closing inventory of raw materials		<u>6 840</u>
		83 460 (1)
Direct wages		<u>33 000 (1)</u>
Prime cost		116 460 (1)OF
Factory overheads		
Wages of factory supervisor	26 000}	
Rates and insurance (14 000 ÷ 2)	7 000} (1)	
General expenses (11 500 + 500)	12 000 (1)	
Depreciation of factory equipment (100 000 – 36 000) x 20%	<u>12 800 (1)</u>	<u>57 800</u>
		174 260 (1)OF
Add opening work-in-progress		<u>9 420 *</u>
		183 680
Less closing work-in-progress		<u>9 885*</u>
Cost of production		<u>173 795 (1)OF</u>
*(1) for both inventories of work in progress		

FINAL

	<p>The elements of the statement must resemble a manufacturing account.</p> <p>Items must be in the correct grouping and order and be correctly treated to get the marks. Ignore any side headings: consider position and correct treatment e.g. side heading “indirect costs” above prime cost items can be ignored if the items are in the correct position.</p> <p>Cost of materials – need words (in as suitable position) and C/F “Cost of materials consumed”, “cost of materials used”, “direct materials” or “raw materials” but not “RM”, “Cost of RM” etc. Allow “purchases” – do not need “of raw materials”. Allow “inventory” without “closing” and without “raw materials” ” not “cl inv”/“op inv” Items must be in the correct order to get the C of M used mark</p> <p>Allow “direct wages”, “direct labour”, “wages of factory operatives” but not just “factory wages” or “factory operatives”</p> <p>Prime cost – need words in full (in suitable position). OF provided no aliens outside of the C of M section (will already have lost mark if aliens in C of M section).</p> <p>Do not need to show calculations for rates/insurance, general expenses and depreciation Do not need “Factory” in the items for general expenses</p> <p>Allow “factory supervisor’s wages”, “indirect wages” but not just “Factory wages” or “Factory supervisor” If incorrect label e.g. “factory supervisor” lose the mark but only penalise once for incorrect wording relating to wages i.e. if lost the mark for wrong label for direct wages can still have the mark here</p> <p>Need “Depreciation” or “Dep” and need name of the asset in full (allow reference to either factory equipment or just equipment) Allow “Provision for depreciation” but not “accumulated depreciation” in lieu of “depreciation”</p> <p>If deduct overheads from prime cost can get individual marks but not the mark for prime cost + overheads. Own figure for the prime cost plus the overheads provided the figures are added together and do not include aliens</p> <p>Aliens include: work in progress in the overheads (will lose subtotal mark as well as W in P mark) office items in the overheads cost or NBV of NCAs (however labelled)</p>	
--	--	--

FINAL

	<p>If a prime cost item include in overheads (0) marks for the item but it is not to be counted as an alien</p> <p>If there is an alien in the overheads but no sub-total for prime cost + overheads then (0) OF for cost of production (i.e. penalise at that point for the alien as cannot penalise earlier)</p> <p>Allow “Work in progress, “W in P” or “Work in Prog”. Need some indication of which is which e.g. “at start”, “opening” etc.</p> <p>Allow “difference in work in progress 465” or “Work in progress 465”</p> <p>Must be treated correctly to get the mark (but can get own figure total mark even if W in P is incorrectly treated)</p> <p>Cost of production – needs suitable words (in full)</p>	
--	---	--

FINAL

3(b)	<p style="text-align: center;">Pari Income Statement (trading section) for the year ended 31 December 2021</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">230 020</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory of finished goods</td> <td style="text-align: right;">11 350 *</td> <td></td> </tr> <tr> <td>Cost of production</td> <td style="text-align: right;"><u>173 795 (1)OF</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">185 145</td> <td></td> </tr> <tr> <td>Less Closing inventory of finished goods</td> <td style="text-align: right;"><u>12 630 *</u></td> <td style="text-align: right;"><u>172 515 (1)OF</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;"><u>57 505 (1)OF</u></td> </tr> <tr> <td colspan="3">*(1) for both inventories of finished goods</td> </tr> </tbody> </table>		\$	\$	Revenue		230 020	Cost of sales			Opening inventory of finished goods	11 350 *		Cost of production	<u>173 795 (1)OF</u>			185 145		Less Closing inventory of finished goods	<u>12 630 *</u>	<u>172 515 (1)OF</u>	Gross profit		<u>57 505 (1)OF</u>	*(1) for both inventories of finished goods			4
	\$	\$																											
Revenue		230 020																											
Cost of sales																													
Opening inventory of finished goods	11 350 *																												
Cost of production	<u>173 795 (1)OF</u>																												
	185 145																												
Less Closing inventory of finished goods	<u>12 630 *</u>	<u>172 515 (1)OF</u>																											
Gross profit		<u>57 505 (1)OF</u>																											
*(1) for both inventories of finished goods																													
	<p>Accept "Sales"</p> <p>Cost of sales – need words (in as suitable position) and O/F provided no aliens "Cost of sales", "Cost of goods sold", not "C of S"</p> <p>Allow "inventory" without "closing" and without "finished goods" " not "cl inv"/"op inv"</p> <p>Items must be in the correct order to get the C of S mark</p> <p>Need words (in full) and OF for the gross profit (sales – OF C of S) No aliens.</p>																												
3(c)	<p>Gross margin = $\frac{57\,505}{230\,020} \text{ OF} \times \frac{100}{1}$ whole formula (1)OF = 25.00% (1)OF</p>	2																											
	<p>Need % sign 25 without % sign gets total of (1) Officially should have two zeros but accept without the zeros</p>																												

FINAL

3(d)	<table border="1" data-bbox="405 209 1641 762"> <thead> <tr> <th data-bbox="405 209 987 248">Advantages</th> <th data-bbox="987 209 1576 248">Disadvantages</th> <th data-bbox="1576 209 1641 248"></th> </tr> </thead> <tbody> <tr> <td data-bbox="405 248 987 320">May be cheaper to buy rather than to make</td> <td data-bbox="987 248 1576 320">May be cheaper to make rather than to buy</td> <td data-bbox="1576 248 1641 320">(1)</td> </tr> <tr> <td data-bbox="405 320 987 392">If could buy at lower cost than making gross margin/gross profit would improve</td> <td data-bbox="987 320 1576 392">If could make at lower cost than making gross margin/gross profit would improve</td> <td data-bbox="1576 320 1641 392">(1)</td> </tr> <tr> <td data-bbox="405 392 987 464">Would have more time for other business functions e.g. marketing</td> <td data-bbox="987 392 1576 464"></td> <td data-bbox="1576 392 1641 464">(1)</td> </tr> <tr> <td data-bbox="405 464 987 536">Accounting records would be simpler</td> <td data-bbox="987 464 1576 536"></td> <td data-bbox="1576 464 1641 536">(1)</td> </tr> <tr> <td data-bbox="405 536 987 608"></td> <td data-bbox="987 536 1576 608">Cost of purchased finished goods may increase in the future</td> <td data-bbox="1576 536 1641 608">(1)</td> </tr> <tr> <td data-bbox="405 608 987 679"></td> <td data-bbox="987 608 1576 679">Depend on supplier for regular supplies</td> <td data-bbox="1576 608 1641 679">(1)</td> </tr> <tr> <td data-bbox="405 679 987 751"></td> <td data-bbox="987 679 1576 751">Depend on supplier for quality</td> <td data-bbox="1576 679 1641 751">(1)</td> </tr> <tr> <td data-bbox="405 751 987 823"></td> <td data-bbox="987 751 1576 823">Depend on supplier for required quantity</td> <td data-bbox="1576 751 1641 823">(1)</td> </tr> <tr> <td data-bbox="405 823 987 895"></td> <td data-bbox="987 823 1576 895">May lose customer loyalty</td> <td data-bbox="1576 823 1641 895">(1)</td> </tr> <tr> <td data-bbox="405 895 987 967"></td> <td data-bbox="987 895 1576 967">May be difficult to start production again once stopped</td> <td data-bbox="1576 895 1641 967">(1)</td> </tr> </tbody> </table> <p data-bbox="405 762 696 799">Advantages Max (2)</p> <p data-bbox="1093 762 1429 799">Disadvantages Max (2)</p> <p data-bbox="405 799 770 836">Accept other valid points</p> <p data-bbox="405 836 712 873">Recommendation (1)</p> <p data-bbox="405 873 1180 909">Need 1 of each before can have recommendation mark</p> <p data-bbox="405 909 719 946">Not just “she should”</p> <p data-bbox="405 946 1563 983">Accept “loss of originality of product” in lieu of dependent on supplier for quality”</p> <p data-bbox="517 983 1346 1019">“even if cease manufacturing may have fixed costs to pay”</p> <p data-bbox="517 1019 1137 1056">“cost of production/factory costs decrease”</p> <p data-bbox="517 1056 1361 1093">“may try to reduce costs” in lieu of may be cheaper to make</p> <p data-bbox="405 1093 1077 1129">Do not accept “increase in gross profit margin”</p> <p data-bbox="607 1129 1581 1166">“difficult to manage change from manufacturing to purchasing RMs”</p> <p data-bbox="607 1166 898 1203">“<u>would</u> be cheaper”</p> <p data-bbox="607 1203 1122 1240">“increased cost of storage/carriage”</p>	Advantages	Disadvantages		May be cheaper to buy rather than to make	May be cheaper to make rather than to buy	(1)	If could buy at lower cost than making gross margin/gross profit would improve	If could make at lower cost than making gross margin/gross profit would improve	(1)	Would have more time for other business functions e.g. marketing		(1)	Accounting records would be simpler		(1)		Cost of purchased finished goods may increase in the future	(1)		Depend on supplier for regular supplies	(1)		Depend on supplier for quality	(1)		Depend on supplier for required quantity	(1)		May lose customer loyalty	(1)		May be difficult to start production again once stopped	(1)	5
Advantages	Disadvantages																																		
May be cheaper to buy rather than to make	May be cheaper to make rather than to buy	(1)																																	
If could buy at lower cost than making gross margin/gross profit would improve	If could make at lower cost than making gross margin/gross profit would improve	(1)																																	
Would have more time for other business functions e.g. marketing		(1)																																	
Accounting records would be simpler		(1)																																	
	Cost of purchased finished goods may increase in the future	(1)																																	
	Depend on supplier for regular supplies	(1)																																	
	Depend on supplier for quality	(1)																																	
	Depend on supplier for required quantity	(1)																																	
	May lose customer loyalty	(1)																																	
	May be difficult to start production again once stopped	(1)																																	

FINAL

Question	Answer	Marks																																																			
4(a)	<p style="text-align: center;">Demis Corrected Trial Balance at 31 December 2021</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;"></th> <th style="width: 15%; text-align: center;">Debit \$</th> <th style="width: 15%; text-align: center;">Credit \$</th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td></td> <td style="text-align: right;">90 052</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">52 420 (1)</td> <td></td> </tr> <tr> <td>Rates and insurance</td> <td style="text-align: right;">11 500</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">1 092</td> <td></td> </tr> <tr> <td>Property</td> <td style="text-align: right;">92 500</td> <td></td> </tr> <tr> <td>Fixtures at cost</td> <td style="text-align: right;">34 000</td> <td></td> </tr> <tr> <td>Provision for depreciation of fixtures</td> <td></td> <td style="text-align: right;">21 760</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">7 410</td> <td></td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">4 665 (1)</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">8 000 (2)CF (1)OF</td> <td></td> </tr> <tr> <td>Cash at bank</td> <td style="text-align: right;">8 095</td> <td></td> </tr> <tr> <td>Capital at 1 January 2021</td> <td></td> <td style="text-align: right;">109 940</td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">11 320</td> <td></td> </tr> <tr> <td>Petty cash</td> <td style="text-align: right;">80 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;"><u>226 417</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>226 417</u></td> </tr> <tr> <td></td> <td colspan="2" style="text-align: center;">(1) matching CF totals</td> </tr> </tbody> </table> <p style="color: cyan; margin-top: 10px;">Inventory OF entry in debit column provided less than \$9600 9600 = (0) \$11 520 = (0) Allow "petty cash book" but not "petty cash box"</p>		Debit \$	Credit \$	Sales		90 052	Purchases	52 420 (1)		Rates and insurance	11 500		General expenses	1 092		Property	92 500		Fixtures at cost	34 000		Provision for depreciation of fixtures		21 760	Trade receivables	7 410		Trade payables		4 665 (1)	Inventory	8 000 (2)CF (1)OF		Cash at bank	8 095		Capital at 1 January 2021		109 940	Drawings	11 320		Petty cash	80 (1)			<u>226 417</u>	<u>226 417</u>		(1) matching CF totals		6
	Debit \$	Credit \$																																																			
Sales		90 052																																																			
Purchases	52 420 (1)																																																				
Rates and insurance	11 500																																																				
General expenses	1 092																																																				
Property	92 500																																																				
Fixtures at cost	34 000																																																				
Provision for depreciation of fixtures		21 760																																																			
Trade receivables	7 410																																																				
Trade payables		4 665 (1)																																																			
Inventory	8 000 (2)CF (1)OF																																																				
Cash at bank	8 095																																																				
Capital at 1 January 2021		109 940																																																			
Drawings	11 320																																																				
Petty cash	80 (1)																																																				
	<u>226 417</u>	<u>226 417</u>																																																			
	(1) matching CF totals																																																				

FINAL

4(b)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="text-align: right; width: 10%;">\$</td> <td style="width: 60%;"></td> </tr> <tr> <td>Cash book balance</td> <td style="text-align: right;">8095</td> <td>OF</td> </tr> <tr> <td>Add unpresented cheques</td> <td style="text-align: right;"><u>437</u></td> <td></td> </tr> <tr> <td>Bank statement balance</td> <td style="text-align: right;"><u>8532</u></td> <td>(1) OF Credit (1)</td> </tr> </table>		\$		Cash book balance	8095	OF	Add unpresented cheques	<u>437</u>		Bank statement balance	<u>8532</u>	(1) OF Credit (1)	2
	\$													
Cash book balance	8095	OF												
Add unpresented cheques	<u>437</u>													
Bank statement balance	<u>8532</u>	(1) OF Credit (1)												
	<p>Ignore words – apart from “credit” which gets a mark</p> <p>Opening figure is OF from trial balance provided is a debit in the TB</p> <p>If add 437 to OF from TB get a mark</p> <p>To get final mark must be able to see a calculation</p> <p>If see word “Credit” award a mark – do not check workings</p>													

FINAL

4(c)	<table border="1"> <thead> <tr> <th rowspan="3">Error</th> <th colspan="6">Entries required to correct the error</th> </tr> <tr> <th colspan="3">Debit</th> <th colspan="3">Credit</th> </tr> <tr> <th>Account</th> <th>\$</th> <th></th> <th>Account</th> <th>\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>1. Drawings of goods for own use, \$317, had been omitted from the books of account.</td> <td>Drawings</td> <td>317</td> <td>(1)</td> <td>Purchases</td> <td>317</td> <td>(1)</td> </tr> <tr> <td>2. Purchases returns, \$93, had been credited to the sales account.</td> <td>Sales</td> <td>93</td> <td>(1)</td> <td>Purchases returns</td> <td>93</td> <td>(1)</td> </tr> <tr> <td>3. A payment for property insurance, \$500, had been debited to the property account.</td> <td>Rates and insurance</td> <td>500</td> <td>(1)</td> <td>Property</td> <td>500</td> <td>(1)</td> </tr> <tr> <td>4. A credit purchase, \$315, from Erin had been recorded as \$135.</td> <td>Purchases</td> <td>180</td> <td>(1)</td> <td>Erin</td> <td>180</td> <td>(1)</td> </tr> <tr> <td>5. A credit sale, \$191, to Harvinder, had been debited to the sales account and credited to Harvinder's account.</td> <td>Harvinder</td> <td>382</td> <td>(1)</td> <td>Sales</td> <td>382</td> <td>(1)</td> </tr> </tbody> </table>	Error	Entries required to correct the error						Debit			Credit			Account	\$		Account	\$		1. Drawings of goods for own use, \$317, had been omitted from the books of account.	Drawings	317	(1)	Purchases	317	(1)	2. Purchases returns, \$93, had been credited to the sales account.	Sales	93	(1)	Purchases returns	93	(1)	3. A payment for property insurance, \$500, had been debited to the property account.	Rates and insurance	500	(1)	Property	500	(1)	4. A credit purchase, \$315, from Erin had been recorded as \$135.	Purchases	180	(1)	Erin	180	(1)	5. A credit sale, \$191, to Harvinder, had been debited to the sales account and credited to Harvinder's account.	Harvinder	382	(1)	Sales	382	(1)	10
Error	Entries required to correct the error																																																							
	Debit			Credit																																																				
	Account	\$		Account	\$																																																			
1. Drawings of goods for own use, \$317, had been omitted from the books of account.	Drawings	317	(1)	Purchases	317	(1)																																																		
2. Purchases returns, \$93, had been credited to the sales account.	Sales	93	(1)	Purchases returns	93	(1)																																																		
3. A payment for property insurance, \$500, had been debited to the property account.	Rates and insurance	500	(1)	Property	500	(1)																																																		
4. A credit purchase, \$315, from Erin had been recorded as \$135.	Purchases	180	(1)	Erin	180	(1)																																																		
5. A credit sale, \$191, to Harvinder, had been debited to the sales account and credited to Harvinder's account.	Harvinder	382	(1)	Sales	382	(1)																																																		
	<p>Item 3 accept" Property insurance" Item 4 allow (1) if debit Erin with 135 and credit Erin with 315 (0) if show same entry as both debit and credit (0) if show 2 entries on same side for one item e.g. Dr sales 93 and Dr purchases returns 93 = (0)</p>																																																							

FINAL

4(d)(i)	Error of commission (1)	1
4(d)(ii)	Error of original entry (1)	1

FINAL

5(a)	<p style="text-align: center;">Priti and Paisley Appropriation Account for the year ended 31 January 2022</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">\$</th> <th style="width: 20%; text-align: center;">\$</th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">33 100</td> </tr> <tr> <td>Add Interest on drawings Priti</td> <td style="text-align: right;">750 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Paisley</td> <td style="text-align: right;"><u>650 (1)</u></td> <td style="text-align: right;"><u>1 400</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">34 500</td> </tr> <tr> <td>Less Interest on capital Priti</td> <td style="text-align: right;">4 000 (1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Paisley</td> <td style="text-align: right;"><u>800 (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">4 800</td> <td></td> </tr> <tr> <td>Less Salary Paisley</td> <td style="text-align: right;"><u>6 000 (1)</u></td> <td style="text-align: right;"><u>10 800</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">23 700</td> </tr> <tr> <td>Share of profit Priti</td> <td style="text-align: right;">17 775}(1)</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Paisley</td> <td style="text-align: right;"><u>5 925} OF</u></td> <td style="text-align: right;"><u>23 700</u></td> </tr> </tbody> </table>		\$	\$	Profit for the year		33 100	Add Interest on drawings Priti	750 (1)		Paisley	<u>650 (1)</u>	<u>1 400</u>			34 500	Less Interest on capital Priti	4 000 (1)		Paisley	<u>800 (1)</u>			4 800		Less Salary Paisley	<u>6 000 (1)</u>	<u>10 800</u>			23 700	Share of profit Priti	17 775}(1)		Paisley	<u>5 925} OF</u>	<u>23 700</u>	6
	\$	\$																																				
Profit for the year		33 100																																				
Add Interest on drawings Priti	750 (1)																																					
Paisley	<u>650 (1)</u>	<u>1 400</u>																																				
		34 500																																				
Less Interest on capital Priti	4 000 (1)																																					
Paisley	<u>800 (1)</u>																																					
	4 800																																					
Less Salary Paisley	<u>6 000 (1)</u>	<u>10 800</u>																																				
		23 700																																				
Share of profit Priti	17 775}(1)																																					
Paisley	<u>5 925} OF</u>	<u>23 700</u>																																				
	<p>Must have starting point i.e. profit for year otherwise (0) at all Must state the full names of the partners in order to get the marks</p> <p>Allow I on D, I on C and Sal in any order Allow “Int on drawings” not “I on D” Allow “Int on Cap” not “I on C”</p> <p>If account unfinished and/or cannot check whether items are + or – allow if have indicated treatment in words or symbol e.g. “Add” or “+”</p> <p>If arithmetic incorrect when add or minus item incorrectly penalise on share of profit not for item Need words “Share of profit”, “profit shares”, “residual profit” Share of Profit OF provided in correct ratio, arithmetically correct and there are no aliens in the account Can still have marks for S of P if treat I on D, I on C or salary incorrectly No S of P mark if share out profit for year of 33 100 (must attempt to share residual profit)</p>																																					

FINAL

5(b)	<p style="text-align: center;">Paisley Current account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> <th style="width: 15%;">Date</th> <th style="width: 30%;">Details</th> <th style="width: 10%;">\$</th> </tr> </thead> <tbody> <tr> <td>2022 Jan 31</td> <td>Drawings (1)</td> <td>13 000</td> <td>2021 Feb 1</td> <td>Balance b/d</td> <td>2 350</td> </tr> <tr> <td></td> <td>Interest on drawings(1)OF</td> <td>650</td> <td>2022 Jan 31</td> <td>Interest on capital (1)OF</td> <td>800</td> </tr> <tr> <td></td> <td>Balance c/d</td> <td>1 425</td> <td></td> <td>Salary (1)</td> <td>6 000</td> </tr> <tr> <td></td> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">15 075</td> <td></td> <td>Profit share (1)OF</td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">5 925</td> </tr> <tr> <td></td> <td></td> <td></td> <td>2022 Feb 1</td> <td>Balance b/d (1)OF</td> <td>1 425</td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	2022 Jan 31	Drawings (1)	13 000	2021 Feb 1	Balance b/d	2 350		Interest on drawings(1)OF	650	2022 Jan 31	Interest on capital (1)OF	800		Balance c/d	1 425		Salary (1)	6 000			15 075		Profit share (1)OF	5 925				2022 Feb 1	Balance b/d (1)OF	1 425	6
Date	Details	\$	Date	Details	\$																																	
2022 Jan 31	Drawings (1)	13 000	2021 Feb 1	Balance b/d	2 350																																	
	Interest on drawings(1)OF	650	2022 Jan 31	Interest on capital (1)OF	800																																	
	Balance c/d	1 425		Salary (1)	6 000																																	
		15 075		Profit share (1)OF	5 925																																	
			2022 Feb 1	Balance b/d (1)OF	1 425																																	
	<p>Reversal (0) Ignore dates Need details and amount for the mark</p> <p>Allow any reasonable abbreviation e.g. Int on Cap but not just I on C</p> <p>Allow just “residue” if that is what was used in (a) Allow “profit” or “profit for year” Allow OF S of P even if not actually divided out in (a) provided it is correct on residual profit in (a) Profit for year and total residual profit are aliens</p> <p>Any items relating to Priti are aliens</p> <p>If opening balance is shown on debit regard this as an alien If is no opening balance cannot get full marks i.e. lose OF mark for closing balance Balance – allow “Balance”, “Bal”, Blc” with or without “b/d” do not accept “b/d” or “BBD” do not penalise if use “c/d” in lieu of “b/d” can be brought down on the either side must be what was carried down OF provided no aliens and appears to be arithmetically correct</p>																																					

FINAL

5c	<p>Is entitled to only one quarter of the <i>residual</i> profit (1) His <i>total profit share</i> is significantly less than Priti's (1) May feel he is not getting adequate reward for his extra duties/responsibilities (1) May be able to earn more as a manager elsewhere (1) His total profit share is lower than his drawings for the year (1)</p> <p>Accept other valid points Max (3)</p>	3
	<p>Allow – Item 1 - Gets less profit than Priti/his profit share is less than Priti's Item 2 - Total of salary and interest on capital are less than Priti's Item 3 - Is a working partner but still gets lower total profit share than Priti Does more work than Priti (1) BOD</p> <p>Not comments about drawings or about balance on current account</p>	

FINAL

5(d)	<p>Advantages Limited liability/ a company is a separate legal entity (1) Can raise more finance (1) More options for raising finance (1) Different ways of raising finance are available ordinary/preference shares and debentures/loans (1) Or other relevant advantages Max (2)</p> <p>Disadvantages Costly to establish (1) More complex/regulated accounting required/have to publish accounts/more legal requirements (1) May lose control of the business (1) Decisions may take longer (1) Dividends have to be paid to shareholders/have to share profit with shareholders (1) Max (2) Or other relevant disadvantages</p> <p>Recommendation (1)</p>	5
	<p>Not – risks are shared (unless linked to limited liability) “have to share the profit” (unless mention shareholders) “easier to raise finance” (these words are copied form question) “cannot sell share to public”</p> <p>Accept comment about selling shares privately not to public</p>	