2(a) **AO1 (10)**

AO1: Ten marks for posting balances correctly

Trial Balance at 30 September 2022

	Dr	Cr
	£	£
Capital		70 000
Drawings	11 400	
Revenue		205 000
Purchases	117 000	
Returns outwards		1 900
Inventory - 1 October 2021	27 500	
Bank overdraft		7 950
Wages	31 500	
Rent payable	9 000	
Rent receivable		4 750
Electricity and water	5 700	
Sundry expenses	18 750	
Non-current assets (cost)	88 000	
Provision for depreciation - non-current assets		22 000
Discount allowed	1 920	
Discount received		4 100
Trade receivables	13 000	
Trade payables		7 270
Allowance for irrecoverable debts		800
	______	______
	323 770	323 770

(1) AO1 for each correct two rows or balancing totals.

(10)

(b) **AO2 (9) AO3 (4)**
AO2: Nine marks for inserting entries with correct orientation
AO3: Four marks for calculating and inserting entries with correct orientation

Revised profit/(loss) for the year ended 30 September 2022

			£
Draft profit for the year			5 980
	Increase £	Decrease £	
(1) The inventory at 30 September 2022 was recorded in the financial statements as £23 600. The inventory count had been understated and should have been £26 100	2 500 **(2)** AO2		
(2) No adjustment had been made for £2 000 rent receivable which was owing.	2 000 **(2)** AO2		
(3) No adjustments had been made for sundry expenses accrued £700 and for £240 prepaid.		460 **(2)** AO2	
(4) Annual depreciation on non-current assets owned at the end of the year had been charged at the rate of 20% on cost, when this should have been 25% on cost.		4 400 **(2)** AO2	
(5) No adjustment had been made to the allowance for irrecoverable debts which should have been maintained at 4% of trade receivables.	280 **(2)** AO3		
(6) No provision has been made for an injury claim from one of Alexandra's employees. The injury claim would be for 10 weeks loss of earnings at £190 per week plus a total loss of bonus £140		2 040 **(2)** AO3	
Total	4 780	6 900	
Revised profit/(loss) for the year			3 860 **(1of)** AO2

(1) mark for **each** correct calculation of number + **(1)** mark for **each** correct orientation x 6 entries

(13)

(c) **AO1 (6) AO2(2)**
AO1: Six marks for posting balances and payments
AO2: Two marks for calculating transfer

(i)

Rent Payable Account

Date	Details	£	Date	Details	£
2021			2021		
	Bank	9 650 **(1)** AO1	1 Oct	Balance b/d	650 **(1)** AO1
2022			2022		
30 Sept	Balance c/d	600	30 Sept	Income Statement	9 600 **(1of)** AO2
		10 250			10 250
			1 Oct	Balance b/d	600 **(1)** AO1

No marks for reversal
(4)

(ii)

Rent Receivable Account

Date	Details	£	Date	Details	£
2021			2021		
1 Oct	Balance b/d	250 **(1)** AO1		Bank	5 000 **(1)** AO1
2022			2022		
30 Sept	Income statement	6 750 **(1of)** AO1	30 Sept	Balance c/d	2 000
		7 000			7 000
1 Oct	Balance b/d	2 000 **(1)** AO2			

No marks for reversal
(4)

(d) **AO2 (12)**
AO2: Twelve marks for explaining the use plus example

Materiality concept	**Example**
Applies to items of **very low value** which are **insignificant to decision making.** Cost of time to record such low value items would outweigh the cost of the item.	Items such as stationery/ calculators will be charged in the period that they are purchased although inventory of stationery from that purchase may remain for future financial periods.
Business entity concept	**Example**
The financial transactions of the **business** must be **kept separate** from the financial transactions of the **owner**.	Payments made for the owner's benefit must be shown as **drawings** in the accounts.
Money measurement concept	**Example**
Recognises that some assets **cannot be measured in monetary terms** and not included in the financial statements.	Some assets to the business such as **people's skill** cannot be recorded on the SOFP.
Annual depreciation charge	**Example**
Non-current assets will **reduce in value in an accounting period** and this therefore must be accounted for **as an expense** of the business.	An appropriate **method** for each non-current asset must be **selected and consistently** applied.
Allowance for irrecoverable debts	**Example**
It is probable that **not all the existing trade receivables will be able to pay** their debts.	There will be a certain number of debts which are irrecoverable. An **estimate, usually in percentage terms,** will be made and this will be **deducted from the gross value of the trade receivables** in the SOFP.
Accounting ethics	**Example**
Businesses should report with **honesty and integrity.** Not misleading by issuing inaccurate statements or financial statements.	Not **withholding relevant information** such as potential lawsuits, sudden value changes of non-current assets, or major barriers to the business in the future which could not reasonably be foreseen by a stakeholder.

Marks awarded **(1)** AO2 for explanation plus **(1)** AO2 for suitable example of application x 6

(12)

(e) **AO1 (1) AO2 (1) AO3 (5) AO4 (5)**

Positive points in favour of the statement

It is true that if the trial balance does balance, Alexandra may take this as **'prima facie' evidence** that the books are correctly prepared.
By balancing, this is evidence that the 'golden rule' of accounting has been applied and that for **every debit entry a corresponding credit entry** has been made.
Balancing **shows arithmetical accuracy**.

Negative points against the statement

There **may be omissions** where transactions have not been entered at all in the books.
There are **other errors which would not affect the balancing of Alexandra's books**. These include errors of commission, principle, compensation and reversal.
Errors of original entry may have been made where both the debit and credit entries are incorrect, but the same figure has been used.

Decision
Candidates should conclude that the statement is incorrect. Candidates should support that decision with an appropriate rationale.

Question Number	Answer	Mark
2 (a)	**AO1: (8)AO2(2)** **AO1: Eight marks for correctly populating the trial balance** **A02: Two marks for calculating the capital**	(10)

Samantha

Trial balance at 30 April 2019

	Dr	Cr	
	£	£	
Revenue		5 000	**(1)**AO1
Purchases	2 700		
Returns inwards	450		**(1)**AO1
Returns outwards		210	
Discount allowed	120		**(1)**AO1
Bad debts	50		**(1)**AO1
Bad debts recovered		200	
General expenses	1 250		**(1)**AO1
Inventory	600		
Trade receivables	2 990		
Allowance for doubtful debts		300	**(1)**AO1
Trade payables		1 900	
Bank overdraft		730	**(1)**AO1
Non-current assets	4 100		**(1)**AO1
Provision for depreciation- non-current assets		3 000	
Drawings	550		
Capital		1 470	**(1)** AO2
	12 810	12 810	**(1of) if balancing**

2 (b)	**AO1: (2)** **AO1: Two marks for identifying possible reason for balance** Returns of goods after payment made. Set off/Contra from trade payable account. Pay for goods in advance Paid twice/overpaid Error in recording 2 x **(1)** AO1	**(2)**
Question Number	**Answer**	**Mark**
2 (c)	**AO2 (12)** **A02: Twelve marks for calculating balances and populating control account**	**(12)**

Trade Receivables Control Account

Date	Details	£	Date	Details	£
2019			2019		
1 April	Balance b/d	2 650 **(1)**	1 April	Balance b/d	90 **(1)**
30 April	Credit sales	5 000 **(1)**	30 April	Returns inwards	450 **(1)**
	Bad debt recovered	200 **(1)**		Discount allowed	120 **(1)**
	Interest charged	20 **(1)**		Bad debts/Irrecoverable	50 **(1)**
				Bank/Cheques	4 170 **(1)**
	Balance c/d	60		Balance c/d	3 050 **(1)**
		7 930			7 930
1 May	Balance b/d	3 050 **(1of)**	1 May	Balance b/d	60 **(1)**

Question Number	Answer	Mark
2 (d)	**AO2 (7):** **A02: Seven marks for completing journal** **Journal** **(i)**	

	Dr	Cr	
	£	£	
Bad debts	50		(1)AO2
Bank	30		(1)AO2
Sanjay		80	(1)AO2

(3)

(ii)

	Dr	Cr	
	£	£	
Bank	200		(1)AO2
Westley		200	(1)AO2
Westley	200		(1)AO2
Bad debts recovered		200	(1)AO2

(4)

(7)

Question Number	Answer	Mark
2 (e)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Points in favour of control accounts • Check on accuracy of ledger by ensuring that total of individual accounts in ledger equal corresponding summarised entries. • Can assist in locating errors when differences are discovered they are 'narrowed down' to particular ledgers. • Total balances of trade receivables and trade payables available immediately which can assist the preparation of financial statements. • Speeds up preparation of financial statements. • Help reduce fraud as differences have a greater chance of being discovered with the separation of duties in posting the ledger. • Checks arithmetic accuracy Points against control accounts • Time in preparation. • Higher level of skilled staff required to prepare. • Errors not revealed by the trial balance would not be detected Decision Candidates may conclude that this is useful/not useful to prepare control accounts. The decision should be supported by an appropriate rationale.	**(12)**

Question Number	Answer	Mark
2 (f)	**AO1: (6): AO2(6)** **AO1: Six marks for describing concept or convention** **A02 : Six marks for identifying correct concept or convention**	

Concept	Explanation
(1) Business entity/accounting entity **(1)**	The business and the owner are separate entities. **(1)**
(2) Consistency **(1)**	Once a method is chosen it should be used each period. **(1)**
(3) Historic cost **(1)**	Although market value may change the cost must be applied to the asset as this is known **(1)**
(4) Prudence **(1)**	Potential losses must be recorded as such when they are identified. Profits/Current assets/Trade receivables must not be overstated. **(1)**
(5) Money measurement **(1)**	Intangible asset difficult to measure. **(1)**
(6) Realisation **(1)**	Profit is not realised until the sale is confirmed by the customer. **(1)**

(12)

(TOTAL MARKS FOR QUESTION 2 = 55 MARKS)

TOTAL MARKS FOR SECTION A = 110 MARKS