Question Number	Answer	Mark
1(a)(i)	**AO1 (5), AO2 (12), AO3 (1)** **A01: Five marks for recording the given expense in the account without adjustment.** **A02: Twelve marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: One mark for calculating the correct figure and inserting this into the correct section of the account.**	

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2016

		£	£	
Revenue			117 300	(1)AO1
Less				
Opening inventory		19 500		
Purchases		54 000		
Purchase returns		(1 700)		
		71 800		
Less Closing inventory		(13 800)		
Cost of sales			(58 000)	(1)AO2
Gross profit			59 300	
Plus Other income				
Commission receivable			900	(1)AO1
			60 200	
Less expenses				
Rates	4 750 – 250	4 500		(1)AO2
Wages and salaries	24 500 – 10 000	14 500		(1)AO2
Electricity and water	8 150 + 600	8 750		(1)AO2
Sundry expenses		10 300		(1)AO1
Interest on loan Azlina		1 600		(1)AO3
Interest on bank loan		2 000		(1)AO2
Increase in ADD		120		(1)AO2
Depreciation- Delivery vehicle		900		(1)AO2
Fixtures & fittings		1 400		(1)AO2
			44 070	
Profit for the year			16 130	(1of)AO1
Less appropriations				No aliens
Interest on capital –	Azlina	2 500		(1)AO2
	Siti	1 250		(1)AO2
Salaries	Azlina	5 000		(1)AO1
	Siti	5 000		
			13750	
			2 380	
Share of profit	Azlina		1 190	(1 of)AO2
	Siti		1 190	(1 of)AO2
				No aliens

(18)

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1(a)(ii)</td><td>AO2 (5), AO3 (1)
A02: Five marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.
A03: One mark for calculating the correct figure and inserting this into the correct section of the account.

Current Accounts
<table>
<tr><th></th><th>Azlina</th><th>Siti</th><th></th><th>Azlina</th><th>Siti</th></tr>
<tr><td></td><td>£</td><td>£</td><td></td><td>£</td><td>£</td></tr>
<tr><td>Balance b/d</td><td>400</td><td></td><td>Balance b/d</td><td></td><td>200</td></tr>
<tr><td>(1)AO2 Salaries paid</td><td>5 000</td><td>5 000</td><td>Interest on capital</td><td>2 500</td><td>1 250(1of)AO2</td></tr>
<tr><td>(1)AO2 Drawings</td><td>4 000</td><td>1 500</td><td>Salaries</td><td>5 000</td><td>5 000</td></tr>
<tr><td></td><td></td><td></td><td>Share of profit</td><td>1 190</td><td>1 190(1of)AO2</td></tr>
<tr><td>Balance c/d</td><td>890</td><td>1 140</td><td>Interest on loan</td><td>1 600</td><td>(1of)AO3</td></tr>
<tr><td></td><td>10 290</td><td>7 640</td><td></td><td>10 290</td><td>7 640</td></tr>
<tr><td></td><td></td><td></td><td>Balance b/d</td><td>890</td><td>1 140(1of)AO2</td></tr>
</table></td><td>(6)</td></tr>
</table>

Question Number	Answer	Mark
1(a)(iii)	**AO1 (5), AO2 (7), AO3 (2)** **A01: Five marks for recording the given item in the account without adjustment.** **A02: Seven marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: Two marks for calculating the correct figure and inserting this into the correct section of the account.**	(14)

Statement of Financial Position at 31 March 2016

Non-current Assets	Cost	Accumulated depreciation	Carrying value	
	£	£	£	
Freehold premises	128 000		128 000	(1)AO2
Delivery vehicles	12 000 -	9 300	2 700	(1of)AO2
Fixtures & fittings	14 000 -	7 000	7 000	(1of)AO2
	154 000	16 300	137 700	
Current Assets				
Inventory		13 800		(1)AO1
Trade receivables	7 500			
Less ADD	(300)			
		7 200		(1of)AO3
Other receivables		250		(1)AO2
			21 250	
Total Assets			158 950	
Capital: Azlina		50 000		
Siti		25 000		
			75 000	(1)AO1
Current Accounts:				
Azlina		890		
Siti		1 140		
			2 030	(1of)AO1
Non-current Liability				
5% Bank loan			40 000	(1)AO2
Current Liabilities				
Loan – Alzina		20 000		(1)AO3
Trade payables		9 800		(1)AO1
Other payables: 2 000(1of) + 600 (1)		2 600		AO2
Bank overdraft		9 520		(1)AO1
			41 920	
Capital and Liabilities			158 950	

Question Number	Answer	Mark
1(b)	**AO1 (5)** **A01: Five marks for identifying whether the expense is capital expenditure or revenue expenditure.** (1) Capital expenditure (1)AO1 (2) Revenue expenditure (1)AO1 (3) Revenue expenditure (1)AO1 (4) Revenue expenditure (1)AO1 (5) Capital expenditure (1)AO1	(5)

Question Number	Answer	Mark
1(c)	AO1 (1), AO2 (1), AO3 (5), AO4 (5) A01: One mark for knowing identifying positive and negative aspects of this business. A02: One mark for applying positive or negative aspects of this business to the scenario. A03: Five marks for interpreting and analysing the aspects of the proposals made. A04: Five marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion. Potential arguments for changing • The business is in an area with growing demand • The percentage of gross profit to sales is high at 50% • The business has a substantial asset in the Freehold Property which could be used to raise loans • Increased sales may improve profit/profitability **NOT** just sales may increase or profit may increase • Need to take advantage of opportunity otherwise a competitor might. Potential arguments against changing • The business already has substantial liabilities in the form of loans • Loans are repayable in current year leaving weak liquidity • The business has no cash available as it already has an bank overdraft • Loans will have to be raised increasing the risk for the partners • Major risk that business will not expand to the extent expected • Projections made are only estimates • Expenses will increase substantially • Large loans may impact on reputation.	(12)