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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)	Shilpa Sales journal <table border="1"> <thead> <tr> <th>Date</th><th>Details</th><th>\$</th></tr> </thead> <tbody> <tr> <td>2021</td><td></td><td></td></tr> <tr> <td>Jan 6</td><td>Kabir (200 – 40)</td><td>160 (1)</td></tr> <tr> <td>20</td><td>Pari</td><td>150 (1)</td></tr> <tr> <td>26</td><td>Yash</td><td><u>62</u> (1)</td></tr> <tr> <td>31</td><td>Transfer to sales account</td><td><u>372</u> (1) OF</td></tr> </tbody> </table>	Date	Details	\$	2021			Jan 6	Kabir (200 – 40)	160 (1)	20	Pari	150 (1)	26	Yash	<u>62</u> (1)	31	Transfer to sales account	<u>372</u> (1) OF	4
Date	Details	\$																		
2021																				
Jan 6	Kabir (200 – 40)	160 (1)																		
20	Pari	150 (1)																		
26	Yash	<u>62</u> (1)																		
31	Transfer to sales account	<u>372</u> (1) OF																		
	Ignore the year Need date, name and amount for the marks. If no month shown penalise once only Only accept the name in the details column anything else is regarded as “contamination” e.g. “sale to Kabir” and “Kabir (credit sales)” gets (0) Do not need calcs. Must be the correct figure in the money column e.g. if do calc deducting discount and no final figure shown the item gets (0) Must not look like journal entries with a debit and credit for each Do not need “transfer to” but must indicate “Sales a/c” No OF if aliens as separate items (e.g. cash sales) but if have put the list price on 6th can still have OF total as already penalised																			

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Question	Answer										Marks
1(b)	Shilpa Cash Book										11
	2021		Disc. Alld \$	Cash \$	Bank \$	2021		Disc. Recd \$	Cash \$	Bank \$	
	Jan 1	Balance b/d		200	814	Jan 2	Rent (1)			450	
	9	Disposal of office fittings(1)			110	11	Dilip (1)		50		
	15	Sales (1)			85	17	Office expenses (1)			30	
	21	Kabir (1)	12		148	31	Balance c/d		150	818	
	24	Pari (1)	9		141						
			21	200	1298			200	1298		
	Feb 1	Balance b/d	(1)OF	150	818						
				(1)OF	(1)OF						
+ (1) dates											

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Question	Answer	Marks
	Need details and amount(s) for the marks For item on 15th allow a debit to cash and then a contra to transfer to bank – but items must have correct details in order to earn the (1) Allow cash sales, office exp., rent payable, rent paid, disposal Do not allow “paid rent” or “office fittings” Need all dates (not year as this is given on template) If attempt to balance the discount columns or show a matching total on the discount received column (0) If any incorrect figure in dis alld. col is an alien (even if already penalised for an A in the cash or bank col) If attempt to balance the dis columns or put matching total on the credit side get (0) for the dis alld. total OF mark for balance if no aliens in that column e.g. something like credit sales. Do not count a half-attempted attempted contra as an alien whichever column it is in. Do not count a figure which is simply in the wrong column as an alien The bank column balance can be on either side Balance must be what was carried down Allow “Balance”, “Bal” or “Blc” with or without “b/d” but not just “b/d” and not “BBD”	

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Question	Answer	Marks																								
1(c)	Shilpa Dilip account <table><tr><th>Date</th><th>Details</th><th>\$</th><th>Date</th><th>Details</th><th>\$</th></tr><tr><td>2021 Jan 10</td><td>Purchases returns (1) (20 – 5)</td><td>15</td><td>2021 Jan 3</td><td>Purchases (1) (120 – 30)</td><td>90</td></tr><tr><td>11</td><td>Cash (1)</td><td>50</td><td></td><td></td><td></td></tr><tr><td>31</td><td>Balance c/d</td><td><u>25</u> <u>90</u></td><td>Feb 1</td><td>Balance b/d (1)OF</td><td><u>90</u> 25</td></tr></table>	Date	Details	\$	Date	Details	\$	2021 Jan 10	Purchases returns (1) (20 – 5)	15	2021 Jan 3	Purchases (1) (120 – 30)	90	11	Cash (1)	50				31	Balance c/d	<u>25</u> <u>90</u>	Feb 1	Balance b/d (1)OF	<u>90</u> 25	4
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31	Balance c/d	<u>25</u> <u>90</u>	Feb 1	Balance b/d (1)OF	<u>90</u> 25																					
	Reversal (0) Need details and amount for the mark Ignore dates Do not need calcs. Must be “Cash” not “Cash book” but allow “Cash (cash book)” but “cash” must be first word Allow “Returns”. “Returns outward”, “returns out” Do not allow “Ret”, “Ret. out” and “Pur. Ret.” Trade discount if shown as separate item is alien but if put the purchases and returns at list price these are not counted aliens as have already lost (2) If show returns as either \$5 or \$30 it is worth (0) but is not an alien OF mark for balance if no aliens in the account Balance can be brought down on either side Balance must be what was carried down Allow “Balance”, “Bal” or “Blc” with or without “b/d” but not just “b/d” and not “BBD”																									

Question	Answer	Marks
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1(d)	<table><tr><td>Debit note</td><td></td></tr><tr><td>Credit note</td><td>✓(1)</td></tr></table>	Debit note		Credit note	✓(1)	1																																															
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Credit note	✓(1)																																																				
2(a)	Zamir Income Statement for the year ended 31 December 2020 <table><thead><tr><th></th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td>Fee income</td><td></td><td>151 750</td></tr><tr><td>Less Expenses</td><td></td><td></td></tr><tr><td>*Rent and rates</td><td></td><td></td></tr><tr><td>(26 000 – 4 000 (1) + 1 260 (1))</td><td>23 260</td><td></td></tr><tr><td>Salaries</td><td>55 000}</td><td></td></tr><tr><td>Stationery and advertising</td><td>6 450} (1)</td><td></td></tr><tr><td>Electricity</td><td>8 000}</td><td></td></tr><tr><td>Bank charges</td><td>4 100} (1)</td><td></td></tr><tr><td>Irrecoverable debts</td><td>1 885 (1)</td><td></td></tr><tr><td>Loss on disposal of office equipment</td><td></td><td></td></tr><tr><td>(1000 – (1260)(1)</td><td>260 (1)OF</td><td></td></tr><tr><td>Depreciation of office equipment</td><td></td><td></td></tr><tr><td>(60 000 – 1 800 = 58 200 x 15% (1)</td><td><u>8 730 (1)OF</u></td><td><u>107 685</u></td></tr><tr><td>Profit for the year</td><td></td><td><u>44 065 (1)OF</u></td></tr></tbody></table> * Rent and rates alternative calculation <table><tbody><tr><td>rent 4 000 x 4</td><td>16 000 (1)</td></tr><tr><td>rates 6 000 + (2/12 x 7 560)</td><td><u>7 260 (1)</u></td></tr><tr><td></td><td><u>23 260</u></td></tr></tbody></table>		\$	\$	Fee income		151 750	Less Expenses			*Rent and rates			(26 000 – 4 000 (1) + 1 260 (1))	23 260		Salaries	55 000}		Stationery and advertising	6 450} (1)		Electricity	8 000}		Bank charges	4 100} (1)		Irrecoverable debts	1 885 (1)		Loss on disposal of office equipment			(1000 – (1260)(1)	260 (1)OF		Depreciation of office equipment			(60 000 – 1 800 = 58 200 x 15% (1)	<u>8 730 (1)OF</u>	<u>107 685</u>	Profit for the year		<u>44 065 (1)OF</u>	rent 4 000 x 4	16 000 (1)	rates 6 000 + (2/12 x 7 560)	<u>7 260 (1)</u>		<u>23 260</u>	10
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Question	Answer	Marks
	Calcs may appear on the Page 6 of QP – look back if necessary Don't need calcs for rent and rates. 23260 with or without calcs gets (2) 20 740 = (1) 22 000 = (1) 22260 = (1) 27260 = (1) 31 260 = (1) Can accept two separate items – one for rent and one for rates The four expenses which get a total of (2) can have different “pairings” to those shown on the MS Allow “Bad debts” but not “Provision for doubtful debts” Allow “Loss on disposal” and “loss on sale of asset” but not “loss on sale” Allow reasonable abbreviations for the words Do not need calcs for loss 260 with or without calculations gets (2) with suitable wording otherwise (1) 1260 with or without calculations gets (1) but (0) if no suitable wording 800 with or without calculations gets (1) but (0) if no suitable wording Anything else gets (0) Loss (or profit) on disposal 1000 or 1800 are aliens Need name of asset being depreciated – but allow “Office Eqp” Allow “dep”, “provision for depreciation” and “Prov for Dep” in lieu of “depreciation” Do not allow “Accumulated depreciation” Don't need calcs for depreciation 8730 with or without calcs gets (2) with suitable wording otherwise (1) 9000 with or without calcs = (1) but (0) if no suitable wording Anything else gets (0) For profit need words and figure Need “Profit for year” of “Net profit” but not just “Profit” OF for profit provided no aliens in the statement and appears to be arithmetically correct	

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Question	Answer	Marks																																				
2(b)	Zamir Statement of Financial Position (assets section) at 31 December 2020 <table><thead><tr><th></th><th>\$</th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td colspan="4">Assets</td></tr><tr><td>Non-current Assets</td><td>Cost</td><td>Accumulated depreciation</td><td>Net book value</td></tr><tr><td>*Office equipment</td><td><u>58 200(1)</u></td><td><u>30 690 (1)OF</u></td><td>27 510 OF</td></tr><tr><td colspan="4">Current Assets</td></tr><tr><td>Trade receivables (15 600 – 1 885)</td><td></td><td>13 715} (1)</td><td></td></tr><tr><td>Other receivables</td><td></td><td><u>4 000}</u></td><td></td></tr><tr><td></td><td></td><td></td><td><u>17 715</u></td></tr><tr><td>Total assets</td><td></td><td></td><td><u>45 225</u></td></tr></tbody></table> * workings: cost 60 000 – 1800 = 58 200 acc dep (22 500 – 540) = 21 960 + 8730 OF = 30 690 OF		\$	\$	\$	Assets				Non-current Assets	Cost	Accumulated depreciation	Net book value	*Office equipment	<u>58 200(1)</u>	<u>30 690 (1)OF</u>	27 510 OF	Current Assets				Trade receivables (15 600 – 1 885)		13 715} (1)		Other receivables		<u>4 000}</u>					<u>17 715</u>	Total assets			<u>45 225</u>	3
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	Do not need to show side headings but items must be in the correct group If NCAs are shown in 3 column format then need heading for each column. If no column headings then max for NCAs is (1) Be lenient on the headings e.g. allow Dep, Prov for Dep, Acc Dep, NBV (0) if just show calcs – we need a single figure for the cost and a single figure for the dep If NCAs shown as a “sum” the items cost and dep must be labelled In each case need three figures not just the NBV (i.e. the dep must be shown as a deduction) The acc. Dep. is OF from (a) added to 21 960 Allow “other receivables”, “prepayment”, “rent prepaid” or “rent” Do not need to show total of CAs																																					

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Question	Answer	Marks
2(c)	High level of drawings (1) High level of trade receivables/trade receivables slow to settle debts (1) Expenses not controlled efficiently (1) To meet short-term debts when they fall due (1) To improve cash flow/liquidity (1) To be able to take advantage of business opportunities as they arise (1) To purchase additional non-current assets/expand the business (1) Accept other valid answers Max (2)	2
	Accept - to pay expenses/to pay suppliers in lieu of pay short term debts ((1) for either not (1) each) to pay a named expense provided appropriate to this type of business to purchase named non-current asset provided appropriate to this type of business Do not accept comment about improving either working capital or capital employed trader having high irrecoverable debts trader not having enough money in bank (unless qualified)	

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Question	Answer	Marks
2(d)	Salary increase – advantages Sharif would only be entitled to his salary and not a share of the profit (1) Zamir would not need to consult Sharif before making decisions (1) Disagreements about decisions etc. would not arise (1) Sharif's motivation and commitment may improve (1) No changes would be required to the (legal) structure of the business (1) Accept other valid points Max (2) Partnership offer – advantages Sharif may be required to introduce capital (1) The risks/losses and responsibilities would be shared (1) The decision-making would be shared (1) Sharif's salary as an employee would not need to be paid (1) Sharif may be more committed (1) Accept other valid points Max (2) Recommendation (1)	5
	Must have at least one advantage of each option before get recommend mark Virtually any recommend gets a mark Do not accept comment about new skills etc. being introduced Can accept comment about motivation/loyalty in both sections Comment about Sharif less likely to leave (0) unless qualified by reference to motivation/commitment/etc. Must be clear that comments are advantages of that option not disadvantages of other option	

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Question	Answer	Marks
3(a)	The suspense account balance is entered on the trial balance (1) This means that there are equal debits and credits on the trial balance/the trial balance will balance (1)	2
	“The difference on a trial balance is entered in a suspense account” or “The suspense account balances the trial balance” get (1) Need a bit more than this to get (2)	

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Question	Answer	Marks																								
3(b)	Rachel Journal <table><tr><th>Error number</th><th>Details</th><th>Debit \$</th><th>Credit \$</th></tr><tr><td>1</td><td>Premises repairs Premises</td><td>220 (1)</td><td>220 (1)</td></tr><tr><td>2</td><td>Motor vehicles Neil's Wheels</td><td>3400 (1)</td><td>3400 (1)</td></tr><tr><td>3</td><td>Sales Purchases</td><td>100 (1)</td><td>100 (1)</td></tr><tr><td>4</td><td>Sales returns Suspense</td><td>19 (1)</td><td>19 (1)</td></tr><tr><td>5</td><td>Suspense Bank interest received Bank charges</td><td>50 (1)</td><td>25 (1) 25 (1)</td></tr></table>	Error number	Details	Debit \$	Credit \$	1	Premises repairs Premises	220 (1)	220 (1)	2	Motor vehicles Neil's Wheels	3400 (1)	3400 (1)	3	Sales Purchases	100 (1)	100 (1)	4	Sales returns Suspense	19 (1)	19 (1)	5	Suspense Bank interest received Bank charges	50 (1)	25 (1) 25 (1)	11
Error number	Details	Debit \$	Credit \$																							
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4	Sales returns Suspense	19 (1)	19 (1)																							
5	Suspense Bank interest received Bank charges	50 (1)	25 (1) 25 (1)																							
	Accept credit entry first Must be name of account e.g. Bought motor vehicle gets (0) Mention of "sales journal", "purchases journal" etc. gets (0) In item 3 ignore extra entries debiting and crediting suspense a/c with 100 Allow either "sales returns", "returns inward" or "returns in" In item 5 accept two separate entries to suspense provide total 50 Allow "interest received" and "Bank interest"																									

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Question	Answer	Marks																																																						
3(c)(i)	Error 3 (1).	1																																																						
3(c)(ii)	Error 2 (1)	1																																																						
	Do not need the word “Error” in either (i)or (ii)																																																							
3d	<table><tr><th rowspan="2">Error number</th><th colspan="3">Gross Profit</th><th colspan="3">Profit for the year</th><th rowspan="2"></th></tr><tr><th>No effect</th><th>Understated \$</th><th>Overstated \$</th><th>No effect</th><th>Understated \$</th><th>Overstated \$</th></tr><tr><td>1</td><td>✓</td><td></td><td></td><td></td><td></td><td>220</td><td></td></tr><tr><td>2</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td><td>(1)</td></tr><tr><td>3</td><td>✓</td><td></td><td></td><td>✓</td><td></td><td></td><td>(1)</td></tr><tr><td>4</td><td></td><td></td><td>19</td><td></td><td></td><td>19</td><td>(1)</td></tr><tr><td>5</td><td>✓</td><td></td><td></td><td></td><td>50</td><td></td><td>(1)</td></tr></table>	Error number	Gross Profit			Profit for the year				No effect	Understated \$	Overstated \$	No effect	Understated \$	Overstated \$	1	✓					220		2	✓			✓			(1)	3	✓			✓			(1)	4			19			19	(1)	5	✓				50		(1)	4
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4			19			19	(1)																																																	
5	✓				50		(1)																																																	
	Need two “entries” on each line to get the mark If more than two “entries” get (0) for that line																																																							
3(e)	The accounting records may contain other errors which have not yet been found (1)	1																																																						
	Anything saying there may be other errors still on the books																																																							

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Question	Answer	Marks												
4(a)	<table border="1"> <thead> <tr> <th>ratio</th><th>working</th><th>answer</th></tr> </thead> <tbody> <tr> <td>gross margin</td><td>$\frac{51\,480}{114\,400} \times \frac{100}{1}$ (1) whole formula</td><td>45% (1)</td></tr> <tr> <td>trade receivables turnover (days) (round up to next whole day)</td><td>$\frac{15\,400}{114\,400} \times \frac{365}{1}$ (1) whole formula</td><td>50 days (1)</td></tr> <tr> <td>current ratio (correct to two decimal places)</td><td>$\frac{2\,850 + 15\,400}{7\,430 + 6\,190} = \frac{18\,250}{13\,620}$ (1) whole formula</td><td>1.34:1 (1)</td></tr> </tbody> </table>	ratio	working	answer	gross margin	$\frac{51\,480}{114\,400} \times \frac{100}{1}$ (1) whole formula	45% (1)	trade receivables turnover (days) (round up to next whole day)	$\frac{15\,400}{114\,400} \times \frac{365}{1}$ (1) whole formula	50 days (1)	current ratio (correct to two decimal places)	$\frac{2\,850 + 15\,400}{7\,430 + 6\,190} = \frac{18\,250}{13\,620}$ (1) whole formula	1.34:1 (1)	6
ratio	working	answer												
gross margin	$\frac{51\,480}{114\,400} \times \frac{100}{1}$ (1) whole formula	45% (1)												
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current ratio (correct to two decimal places)	$\frac{2\,850 + 15\,400}{7\,430 + 6\,190} = \frac{18\,250}{13\,620}$ (1) whole formula	1.34:1 (1)												
	Do not need calcs If do have to award for calcs need whole formula – but ignore the denominator “1” in the first two First item – Need % sign “45” without any “%” sign or with wrong symbol gets (1) Second item – Do not need “days” 49.14 gets (1) with or without calcs Third item – Need “:1” “1.34” without “:” or with wrong symbol gets (1) “1.33: 1” gets (1) with or without calcs													

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Question	Answer	Marks
4(b)(i)	If Chaaya's trade receivables turnover (in answer to (a)) is greater than Sara's (Sara's was 28 days) Chaaya's trade receivables turnover is slower than Sara's (1) Chaaya may be allowing her credit customers longer to pay (1) Chaaya's credit customers may not be paying within a stated credit period (1) Chaaya's credit control policy may not be efficient (1) This may be causing Chaaya to have more cash flow problems than Sara (1) This may result in Chaaya having more irrecoverable debts than Sara (1) Accept other valid points Max (3) If Chaaya's trade receivables turnover (in answer to (a)) is less than Sara's (Sara's was 28 days) Chaaya's trade receivables turnover is faster than Sara's (1) Chaaya may be allowing her credit customers less time to pay (1) Chaaya's customers may be paying within a stated credit period (1) Chaaya is less likely to have irrecoverable debts than Sara (1) Chaaya's credit control policy is more efficient than Sara's (1) This may be causing Chaaya to have fewer cash flow problems than Sara (1) Accept other valid points Max (3)	3
	Allow comments are other way round i.e. S's rate of turnover is faster than C's etc. Simply giving each trader's number of days gets (0) Not "C's rate of debtors' turnover is 50 days but S's is only 28 days" Not reference to higher/lower debtors' turnover we need better/worse faster/slower Not reference to C giving/allowing trade receivables longer to pay Allow reference to S being more liquid in lieu of fewer cash flow problems In either case – accept comments hinting at better credit control/cash discount/reasons for debtors delaying e.g. no interest charged on overdue accounts (but only (1) in total not (1) for each point) Do not accept suggestions for improvement	

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Question	Answer	Marks
4(b)(ii)	Chaaya and Sara may allow different credit periods (1) Chaaya and Sara may use different accounting policies (1) Chaaya and Sara may have different year-ends (1) The figures relate to one year only. It would be more meaningful to look at trends (1) Accept other valid points Max (2)	2
	Comment must be relevant to trade receivables (not just comparison generally) Reference to using different policies (1) unless “contaminated” by then referring to things like depreciation Reference to type or size of business (0)	

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Question	Answer	Marks
4(c)	Advantages Cash would be received quicker (1) The bank overdraft may be reduced (1) Overdraft interest may be reduced (1) There would be no irrecoverable debts (1) There would be fewer administration costs (1) Accept other valid points Max (2) Disadvantages May lose customers who prefer to buy on credit /damage relationship with customers (1) Less profit due to trade discount/reduction in selling price/reduction in sales(revenue) (1) If sales are usually one-off rather than regular, the trade discount may have little effect (1) Increased risk of fraud or theft/ increased security measures required (1) Accept other valid points Max (2) Recommendation (1)	5
	Must have at least one advantage of each option before get recommend mark Virtually any recommend gets a mark Accept “improved liquidity” in lieu of “cash received quicker” “less bad debts” in lieu of “no bad debts” “sales revenue and profits may fall” “trade discount can decrease profit margin” Not “ increase in sales” or “increase sales because of bulk buying” “less profit” or “less profit due to more expenses” unless explained “lower revenue because of discount” “gets more cash into the business”/“get less cash into the business”	

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Question	Answer	Marks
4(d)(i)	If the business has sufficient profitability/liquidity to continue to offer them employment (1) Whether Chaaya could afford to pay them an increase in wages (1)	2
	Comment about job security (1) Allow comment about deciding if should stay or leave in lieu of job security Comment about wages increase/bonuses or if wages can be paid (1) Not comment about wanting promotion/paid fairly (0) Not comment about seeing the amount of profit (0) unless link to wages increase etc.	
4(d)(ii)	Bank manager Trade payables Customers Government departments/tax office Potential buyers of Chaaya's business/potential partner Investors/potential investors Accept other valid answers Max (2)	2
	Accept "bank" and "suppliers" Not "shareholders" or "managers" Not "accountants" or "auditors" (but allow mention of external accountants or wording to imply is outside the business)	
5(a)	$(70 + 2) \times 130 = 9360$ (1) OF	2
	Do not need calcs 9360 with or without calcs gets (2) 9100 (i.e. 70×130) with or without calcs gets (1) OF no other OF answer accepted e.g. 260 gets (0)	

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Question	Answer	Marks																																	
5(b)	Maira Income Statement (trading section) for the year ended 31 December 2020 <table><thead><tr><th></th><th>\$</th><th>\$</th></tr></thead><tbody><tr><td>Revenue</td><td></td><td>150 000 (1)</td></tr><tr><td>Cost of sales</td><td></td><td></td></tr><tr><td>Purchases (1400 x 70)</td><td>98 000 (1)</td><td></td></tr><tr><td>Carriage inwards (1400 x 2)</td><td><u>2 800 (1)</u></td><td></td></tr><tr><td></td><td>100 800</td><td></td></tr><tr><td>Less Goods taken for own use</td><td><u>1 440 (2)CF/(1)OF</u></td><td></td></tr><tr><td></td><td>99 360</td><td></td></tr><tr><td>Less Closing inventory</td><td><u>9 360 (1)OF from (a)</u></td><td></td></tr><tr><td></td><td></td><td><u>90 000 (1)OF</u></td></tr><tr><td>Gross profit</td><td></td><td><u>60 000 (1)OF (40% x revenue)</u></td></tr></tbody></table> Revenue 2 x 10 800 = 21 600 8 x 12 000 = 96 000 2 x 16 200 = <u>32 400</u> <u>150 000</u>		\$	\$	Revenue		150 000 (1)	Cost of sales			Purchases (1400 x 70)	98 000 (1)		Carriage inwards (1400 x 2)	<u>2 800 (1)</u>			100 800		Less Goods taken for own use	<u>1 440 (2)CF/(1)OF</u>			99 360		Less Closing inventory	<u>9 360 (1)OF from (a)</u>				<u>90 000 (1)OF</u>	Gross profit		<u>60 000 (1)OF (40% x revenue)</u>	8
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Question	Answer	Marks
	Do not need to show calcs for revenue, purchases, carriage and gross profit Accept “sales” and “stock” Items to be in correct order and treated correctly to get the mark: carriage must come after purchases and before closing inventory Allow goods for own use before or after carriage – but must be before closing inventory Need words (in full) and figures for the marks Accept “Drawings” in lieu of “Goods for own use” If combine purchases and carriage and put “Purchases 100 800” give (1) If include an item labelled “opening inventory”/”opening stock” this is an alien C of S is difference between OF revenue and OF GP. Need words and figure Work back to goods for own use – (2) CF or (1) OF if correct arithmetically on their figures and no alien in the statement (1) if CF but item is in incorrect position Accept OF drawings provide arithmetically correct – even if unrealistic/impossible figure	

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Question	Answer	Marks
5(c)	Advantages Maira would have all the necessary figures e.g. balances of individual ledger accounts (1) If the business grows, it will be more difficult to prepare financial statements from incomplete records (1) Detailed records would be available for future reference (1) More accurate comparisons year-on-year/ with other businesses is possible (1) More informed decision making will be possible (1) The government/tax office may require an adequate amount of accounting records (1) If Maira wishes to sell the business, a potential buyer may wish to see full accounting records (1) Lenders/potential lenders can be provided with adequate information (1) Maira should be able to prepare financial statements more easily (1) Maira should be able to prepare financial statements more accurately (1) Assist in location of errors/checking procedures, e.g. control accounts may be used (1) The possibility of fraud would be minimised (1) Accept other valid points Max (2) Disadvantages Maira's financial statements may be prepared from incomplete records (1) Maira is busy so she may not have time for book-keeping (1) It may take Maira time to learn double-entry book-keeping (1) Any spare time which Maira can find may be better spent on e.g. marketing (1) If Maira pays a book-keeper to write up her books, the cost of this will reduce her profits (1) Accept other valid points Max (2) Recommendation (1)	5

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Question	Answer	Marks
	Must have at least one advantage of each option before get recommend mark Virtually any recommend gets a mark In advantages – accept “improves accuracy” in lieu of “more accurate financial statements” reference to preparing profit & loss account/calculating profit in lieu of reference to financial statements “reduces fraud” or “helps to detect fraud” but not “prevents fraud” in lieu of reference to having necessary figures accept reference to things like “can see total sales”/“can know assets and liabilities”/etc. In disadvantages – accept “can be time-consuming” (in lieu of “Maira is busy.....”)/“can be complex” /”may be difficult for her” i.e. these get (1) for any not (1) each any reference to having an accountant (in lieu of a bookkeeper) do not accept – reference to following accounting rules and procedures reference to increasing costs/expenses unless explained any reference to fraud	

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Question	Answer	Marks																
5(d)	<table><tr><td></td><td>Cash book</td><td>Purchases journal</td><td>Purchases returns journal</td></tr><tr><td>Discount received from a supplier for prompt payment</td><td>✓(1)</td><td></td><td></td></tr><tr><td>Credit note received from a supplier</td><td></td><td></td><td>✓ (1)</td></tr><tr><td>Direct debit paid to a supplier</td><td>✓(1)</td><td></td><td></td></tr></table>		Cash book	Purchases journal	Purchases returns journal	Discount received from a supplier for prompt payment	✓(1)			Credit note received from a supplier			✓ (1)	Direct debit paid to a supplier	✓(1)			3
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5(e)	<table><tr><td></td><td>Comparability</td><td>Relevance</td><td>Reliability</td></tr><tr><td>Maira's inventory valuation should be free from significant errors.</td><td></td><td></td><td>✓(1)</td></tr><tr><td>Maira's financial statements should be provided in time for her to use them when making decisions about her shop.</td><td></td><td>✓(1)</td><td></td></tr></table>		Comparability	Relevance	Reliability	Maira's inventory valuation should be free from significant errors.			✓(1)	Maira's financial statements should be provided in time for her to use them when making decisions about her shop.		✓(1)		2				
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