

# KULLEGG SAN BENEDITTU

## Secondary School, Kirkop

### Form 4 Half Yearly Marking Scheme – 2015/2016

#### Section A – (1 mark for each correct answer)

1	2	3	4	5	6	7	8	9	10
b	c	c	d	b	c	b	b	c	a

**(10 marks – 1 mark for each answer)**

#### Section B

1. Depreciation is the decrease in value of a non-current asset. Accounting for depreciation is important because if it is not accounted for the firm will be overstating its profits and thus does not keep in line with the Prudence Concept and the Accruals Concept.

**(2 marks)**

2.

- a) Revaluation Method – the value of the non-current asset at the beginning of the year is compared to the value of the non-current asset at the end of the year. **(1 mark)**

- b) Straight line method –

Cost of non-current asset less estimated end value

Estimated Number of years of use **(1 mark)**

- c) Reducing Balance Method:  $(\text{Residual value} \div \text{Cost})^{1/N}$  where N is the number of years in the asset's estimated useful life

**(1 mark)**

3. Bookkeeping entry that is entered on the opposite side of the cash book and which cancel its effect on the account balance.

**(1 mark)**

4. A direct debit – is a payment to a creditor made directly out of the bank account. **(1 mark)**

5. A Trial Bal. is a list of the balances on the ledger accounts. **(1 mark)**

If the totals of the Trial Balance agree we can assume that for every debit entry, a credit entry has been made. We can also assume that there is arithmetical accuracy in the bookkeeping entries. **(1 mark)**

6.

Reversal of entries: The entries of a transaction are inverted. The debit entry is entered on the credit side of one account and the credit entry is entered on the debit side of the other account.

Omission: If no entry at all has been made for a business transaction then it does not affect the figures at all. Both entries of a transaction are left out.

Commission: Bookkeeping entries have been made on the correct side of the account, but in the wrong account of the same type. This happens when the wrong personal account (Trade receivable or Trade Payable) is used.

Principle: Entries made on the correct side of the account, but in the wrong account of a different type.

Original Entry: When a wrong but equal number is entered on **both sides** of the account.

Compensating Errors: Errors in numbers, double entry and/or arithmetical errors (additions or subtractions) cancel each other out. (1mark for each explanation: max **2 marks**)

7. Accruals – expenses incurred in a financial year should be included in the Income Statement of that year **(1 mark)**

The Going Concern Concept - When we talk about a going concern we are referring to a business that intends to carry on trading from year to year. There is no intention of the business ceasing to trade.

**(1 mark)**

## Section C

### In the books of T.Debono

#### Income Statement for the year ending 31<sup>st</sup> December 2015

Sales	65,000	
Less Sales Returns	<u>200</u>	
	64,800	
<u>Less Cost of Sales</u>		
Opening Stock	3,500	
Add Purchases	36,000	
Add Carriage Inwards	<u>1,500</u>	
	41,000	
Less Returns Outwards	400	
Closing stock	<u>7,000</u>	
Cost of Sales		<u>33,600</u>
<b>Gross Profit</b>		31,200
<u>Add Revenue</u>		
Discounts Received	3,300	
Commission Received	1,400	<u>4,700</u>
		35,900
<u>Less Expenses</u>		
Discounts Allowed	1,500	
Carriage Outwards	400	
Advertising	100	
Light and Heat	1,700	
Salaries and Wages	1,950	
Motor Expenses	1,800	
Telephone	3,600	
Provision for doubtful debts	450	
Provision for depreciation on:		
Machinery	5,500	
Equipment	4,000	
Motor Vehicles	<u>3,500</u>	
		<u>24,500</u>
<b>Net profit</b>		<u>11,400</u>

### Workings of Adjustments:

- Accrued wages: €750  
Wages for the year  $750 + 1,200 = 1,950$
- Advertising Expenses : Prepaid 200  
Advertising for the year  $300 - 200 = 100$
- Provision for irrecoverable debts 10% of 4,500 = 450

( 20 marks for entries - deduct 1 mark for each missing item or for an item which should not be included: deduct 0.5 marks for each number copied wrongly or for wrong addition or subtraction; do not deduct marks if net profit is wrong only because of a wrong gross profit – follow through error- . Award 2 marks for presentation and 1,5 marks for workings each working getting 0.5 marks)

### **In the books of Denise Tonna**

Statement of financial position as at 31 Dec 2015.

	€	€
<b><u>Non –Current Assets</u></b>		
Premises	70,000	70,000
Machinery	25,000	20,500
Equipment	15,000	14,000
Motor Veh.	40,000	12,500
		103,000
<b><u>Current Assets</u></b>		
Stock @31 <sup>st</sup> Dec 2015	5,500	
Trade Receivables	4,500	
Less Increase in allowance	450	
Bank	2,000	
Cash	<u>300</u>	<u>13,500</u>
<b>Total Assets</b>		<b>116,500</b>
 <b><u>Financed by:</u></b>		
<b><u>Capital</u></b>		
Opening Balance	105,000	
Add net Profit	<u>11,400</u>	
	116,400	
Less Drawings	<u>6,000</u>	
		110,400
 <b><u>Current Liabilities</u></b>		
Creditors	5,400	
Accruals	750	<u>6,150</u>
		<b>116,500</b>

(14 .5 marks for entries giving 0.5 mark each for each entry re depreciation of non-current assets– deduct 0.5 marks for each number copied wrongly or for wrong addition or subtraction. 2 marks for presentation – 16.5 marks in total)

In the books of T.Callus.

- The Bank Reconciliation Statement is drawn up to check whether the accounting records of the business bank account match the bank statement sent to the business by the bank. It is possible that due to the time factor, the balance of the bank statement would not be equal to the balance of the bank (cash book). **(2 marks)**
- A standing order is a regular payment made through the bank Account. **(2 marks)**
- Unpresented cheques are cheques which have been issued but the payee decided not to cash them yet. **(2 marks)**
- Updated Cash Book as at 31<sup>st</sup>. December 2015 **(8 marks – 1 mark for each entry and 1 mark for presentation)**

Cash Book (Bank Column Only)					
		€			€
31 <sup>st</sup> Dec	Bal b/d	3,400		Dividends	300
	Credit Transfe	300		Bank Charges	50
				Standing Orde	400
				S.Page	150
				Balance c/d	2,800
		<u>3,700</u>			<u>3,700</u>
1 <sup>st</sup> .Jan	Balance b/d	2,800			

- Bank Reconciliation Statement as at 31<sup>st</sup>. December 2015 (4 marks – 1 mark for each answer)

Balance as per Updated Cash Book	2,800
Add Unpresented Cheques	<u>500</u>
	3,300
Less Bank Lodgments	<u>800</u>
-	<u>2,500</u>

## Question 2

Irrecoverable Debts					
30 <sup>th</sup> . Sept	Var. Debtors	€ 1,500 <u>1,500</u>	30 <sup>th</sup> . Sept	Income Stat.	€ 1,500 <u>1,500</u>
30 <sup>th</sup> . Sept	Var. Debtors	<u>3,000</u>	30 <sup>th</sup> . Sept	Income Stat	<u>3,000</u>
30 <sup>th</sup> . Sept	Var. Debtors	<u>2,000</u>	30 <sup>th</sup> . Sept	Income Stat	<u>2,000</u>

(3 marks – 0.5 marks for each correct entry)

Allowance for doubtful debts					
30 <sup>th</sup> . Sept	Balance c/d	<u>500</u>	30 <sup>th</sup> . Sept	Income Stat	<u>500</u>
30 <sup>th</sup> . Sept	Balance c/d	560 <u>560</u>	1 <sup>st</sup> . Oct	Balance b/d	500
			30 <sup>th</sup> . Sept	Income Stat	<u>60</u>
					<u>560</u>
30 <sup>th</sup> . Sept	Balance c/d	640 <u>640</u>	1 <sup>st</sup> . Oct	Balance b/d	500
			30 <sup>th</sup> . Sept	Income Stat	<u>80</u>
					<u>640</u>
			1 <sup>st</sup> . Oct	Balance b/d	640

(8marks – 0.5 marks for each correct entry)

**Extract of Income Statement for the year ended**

30<sup>th</sup> September 1997

less Expenses

Bad debts	1500
Increase in Provision for Bad debts	500

30<sup>th</sup> September 1998

Less Expenses

Bad debts	3000
Increase in Provision for Bad debts	60

30<sup>th</sup> September 1997

Less Expenses

Bad debts	2000
Increase in Provision for Bad debts	80

(7 marks – 0.5 marks for each correct entry)

**In the books of Alfred Cachia**

**Equipment Account**

1 <sup>st</sup> .Jan	Bank	25,000	31 <sup>st</sup> .Dec	Balance c/d	37,000
1 <sup>st</sup> .Oct	Cash	<u>12,000</u>			
		37,000			<u>37,000</u>
1 <sup>st</sup> .Jan	Balance b/d	37,000	1 <sup>st</sup> . Oct	Balance c/d	37,000
		<u>37,000</u>			<u>37,000</u>
1 <sup>st</sup> .Jan	Balance b/d	37,000	1 <sup>st</sup> . Oct	Disposal	12,000
30 <sup>th</sup> June	Bank	6,500	30 <sup>th</sup> . Sept	Balance c/d	31,500
		<u>43,500</u>			<u>43,500</u>
1 <sup>st</sup> . Jan	Balance b/d	31,500			

**Depreciation of Equipment Account**

30 <sup>th</sup> . Sept	Balance c/d	<u>2,800</u>	30 <sup>th</sup> . Sept	Income Stat	<u>2,800</u>
30 <sup>th</sup> . Sept	Balance c/d	6,500	1 <sup>st</sup> . Oct	Balance b/d	2,800
		<u>6,500</u>	30 <sup>th</sup> . Sept	Income Stat	<u>3,700</u>
					<u>6,500</u>
30 <sup>th</sup> . June	Disposal	2,400	1 <sup>st</sup> . Jan	Balance b/d	6,500
31 <sup>st</sup> . Dec	Balance c/d	7,825	1 <sup>st</sup> . Oct	Income Stat	900
		<u>640</u>	31 <sup>st</sup> . Dec	Income Stat	<u>2,825</u>
					<u>10,225</u>
			1 <sup>st</sup> . Jan	Balance b/d	7,825