UNIVERSITY OF MALTA

SECONDARY EDUCATION CERTIFICATE
SEC

ACCOUNTING

May 2011

Marking Scheme
Paper IIA

MATRICULATION AND SECONDARY EDUCATION CERTIFICATE EXAMINATIONS BOARD

Paper IIA

Question 1.

(a)

Cash Account

½	Bal b/d	500	Bank	16,800	1
1	Sales	37,000	Cleaning expenses	2,600	1
			Drawings	18,000	1
			Bal c/d	100	½
		37,500		37,500	

(b)

Sales Ledger Control Account

½	Bal b/d	62,500	Receipts	480,000	1
1	Credit Sales	492,200	Discounts	3,000	1
			Bad debt	700	1
			Bal c/d	71,000	½
		554,700		554,700	

Purchases Ledger Control Account

1	Dis Rec'd	3,500	Bal b/d	43,500	1
1	Payments	342,000	Purchases	352,500	1
1	bal c/d	50,500			
		396,000		396,000	

(c)

Capital

Dr	111,500	1
Cr	57,300	1
Capital at start	54,200	1

Rent

Bank	8,200	Bal b/d	600
Bal c/d	800	P & L	8,400
	9,000		9,000

Income statement for the year ended 31 March 2011

		€	€
	Sales (492,200 + 37,000)		529,200
	less cost of sales		
½	Opening stock	22,000	
	Purchases	352,500	
		374,500	
½	less closing stock	(25,200)	(349,300)
			179,900
	Discount received		3,500
½	Gross profit		183,400
	less expenses		
½	Discounts allowed	3,000	
½	Depreciation: equipment	7,000	
1	Rent	8,400	
½	Wages	76,500	
½	Selling expenses	11,400	
½	Bad debts	700	
½	General expenses	14,000	
½	Insurance	5,900	
1	Allowances for doubtful debts	400	
½	Cleaning	2,600	(129,900)
	Net profit		53,500

Statement of financial position as at 31 March 2011

		€	€
1	**Non-current assets** (35,000 - 19,000)		16,000
	Current assets		
½	Inventories	25,200	
1	Receivables (71,000 – 1,600)	69,400	
½	Bank	30,300	
	Cash	100	
	Total current assets		125,000
	Total assets		**141,000**
	Capital and liabilities		
	Capital, 1 April 2010		54,200
	Net profit		53,500
1	Drawings		(18,000)
	Capital, 31 March 2011		89,700
	Current liabilities		
½	Payables	50,500	
½	Accruals	800	
	Total liabilities		51,300
	Total capital and liabilities		**141,000**

Question 2

Allowance for doubtful debts

2	Bal c/d	1,800	Bal b/d	1,500	1
			P & L	300	2
		1,800		1,800	

Rent receivable

1	Bal b/d	250	Bank	3,500	1
1	P & L	3,000			
1	Bal c/d	250			
		3,500		3,500	

Stationery Account

1	Bal b/d	760	P & L	2,360	1
½	Bank	2,520	Bal c/d	920	½
		3,280		3,280	

Travel expenses Account

½	Bank	5,150	Bal b/d	290	1
½	Bal c/d	510	P & L	5,370	1
		3,280		5,660	

Machinery Account

1	Bal b/d	60,000	Asset Disposal	15,000	1
			Bal c/d	45,000	1
		60,000		60,000	

Depreciation of machinery Account

½	Disposal	5,400	Bal b/d	20,000	½
	Bal c/d	20,680	P & L	6,080	2
		26,080		26,080	

Disposal of machinery Account

1	Machinery	15,000	Bank	8,000	1
			Depreciation	5,400	1
			P & L	1,600	1
		15,000		15,000	

Office equipment

	Bal b/d	26,000	Bal c/d	38,000	
	Bank	12,000			
		38,000		38,000	

(Not required)

Depreciation of office equipment

1	Bal c/d	12,800	Bal b/d	8,000	1
			P & L	4,800	2
		12,800		12,800	

26,000	x	15%	=	3,900
12,000	x	15%	=	900
	2			4,800

Question 3

(a)	Sales	3,000	
	Suspense		3,000
(b)	Creditors	150	
	Returns out		150
(c)	Insurance	50	
	Suspense		50
(d)	Discount received	450	
	Discount allowed	450	
	Suspense		900
(e)	Sales	1,200	
	Furniture Asset Disposal		1,200
(f)	Cash	500	
	Debtor		250
	Suspense		250

1 mark each (14)

Suspense Account

1	Bal b/d	4,200	Sales	3,000	1
			Insurance	50	1
			Discount received	450	1
			Discount allowed	450	1
			Cash	250	1
		4,200		4,200	

Question 4

(i) **Cost of Sales**

Sales	2,500			
Less Gross Profit	(900)	=	**1,600**	*2 marks*

(ii) **Working Capital**

Current Assets	380,000			
Current Liabilities	(158,000)	=	**222,000**	*2 marks*

(iii) **Gross Profit mark-up** = $\frac{\text{Gross Profit}}{\text{Cost of sales}} = \frac{900}{1,600} =$ **56.25%** *2 marks*

(iv) **Net Profit margin** = $\frac{420}{2,500} =$ **16.8%** *2 marks*

(v) **Current Ratio** = $\frac{\text{Current Assets}}{\text{Current Liabilities}} = \frac{380,000}{158,000} =$ **2.40:1** *2 marks*

(vi) **Quick Ratio** = $\frac{\text{Current assets – Stock}}{\text{Current liabilities}} = \frac{380 - 160}{158} =$ **1.39:1** *2 marks*

(vii) **ROCE** = $\frac{\text{Net Profit}}{\text{Capital employed}} = \frac{420 \times 100}{1,722} =$ **24.39%** 4 *marks*

Accept also: 420 x 100/ 1,650 = 25.46%

Accept also: Profit before interest ÷ Capital employed

(viii) **Stock Turnover** = $\frac{\text{Cost of Sales}}{\text{Average stock}} = \frac{1,600}{(160+240) \div 2} = \frac{1,600}{200} =$ **8 times** 4 *marks*

Question 5

i)

Correction of profit and profit and loss appropriation account

Net profit				219,060	
add purchases reversal				22,800	1
add expense reversal				690	1
Correct net profit				242,550	1
less interest on capital					
	Farrugia	(4,860)			1
	Micallef	(10,800)			1
	Caruana	(8,910)		(24,570)	1
				217,980	
Share of profits					
	Farrugia	43,596	1		
	Micallef	87,192	1		
	Caruana	87,192	1	217,980	

Current Account

		F		M		C		F		M		C	
Drawings:													
Cash	½	16,500	½	18,600	½	14,700	Bal b/d	27,930	½	13,950	½	6,510	½
Purchases	½	9,600	½	5,700	½	7,500	Capital interest	4,860	1	10,800	1	8,910	1
Insurance					½	690	Profits	43,596	½	87,192	½	87,192	½
Bal b/d	½	50,286	½	87,642	½	79,722							
		76,386		111,942		102,612		76,386		111,942		102,612	