

1.

(i) Prudence concept suggest that the accounts should not present an unduly optimistic view. The maximum value of the expense should be recorded and the minimum value of assets should be recorded

One more relevant point to the definition required to score full marks

Or you could have splitted this definition only in two points and scored better

(ii) A general insurance actuary should be sure not to record the premiums as claimed as and when they receive it (need further explanation)

More points required

Make sure to check out the original answer and gather the relevant points for the same

[1.5+0.5]

[2/5]

2.

(i) Gross profit refers to the difference between revenue and cost of sales.

Operating profit is the amount earned after other operating expenses such as distribution cost and administrative expenses have been incurred (could have written: that it is the gross profit that is adjusted for all expenses except finance cost and interest)

Profit after tax is the profit earned by the company during that financial year after interest income has been received and interest payments have been paid

(ii)

Gross profit indicates the aggregate profit earned by the company after deducting the cost of producing the good.

Wrong, it actually indicates the pricing structure of the company

Second question for why there can be GP but not OP is not explained

Make sure to read the original answer once

[2.5+0]

[2.5/5]

3.

Notes to Accounts

1. Cost of sales

Cost of inventory consumed	350000
Factory running cost	100000
Manufacturing wages	175000
Depreciation of Building	4000 depreciation will be charged of the closing valuation
Depreciation of Machinery	15000
Total	644000

2. Depreciation

Building=0.01*400000= 4000

Machinery= 0.1*150000=15000

Vehicle= 0.2*(325000-170000)= 31000

3. Other operating expenses

Admin staff wages	3000
Cost of Marketing	55000
Sales Salaries	120000
Delivery vehicle running cost	60000
Depreciation of vehicle	31000
Total	269000

4. Property, Building, Equipment and Vehicle

	Land	Building	Equipment(Machinery)	Vehicle
Opening figure	600000	400000	150000	325000
Accumulated depreciation		40000	(80000)	(170000)
Revaluation	200000	300000-40000		-
Depreciation for the year		4000	(15000)	(31000)
Net amount	800000	696000	550000	124000

Total= 2170000

(i) Income Statement

Revenue	1500000
Cost of sale	(644000)
Gross Profit	856000
Other operating expenses	(269000)
Operating profit	587000

Interest (Finance Cost)	(10000)	
Profit before tax	577000	
Tax expense	(0)	
Profit for the year		577000

The values used, format presented, everything is correct except the 3000 lower figure of depreciation charged, and hence the profit is overestimated by 3000.

(ii) Statement of changes in equity			
	Share Capital	Retained Earnings	Revaluation
Opening bal	200000	250000	180000
Gain on			
Revaluation			
1. Land			200000
2. Building			300000
Dividend paid		(45000)	
Profit for the year		577000	
Closing Bal	200000	782000	680000

Wrong value of figure of revaluation, an additional amount of 40000 needs to be added, make sure to check out the original answer once, rest figures are correct

(iii) Statement of Financial Position as on 31 st March 2019			
Assets			
Non Current Assets			
Property, Building and Equipment			
	217000	wrong figure, overstated	
Current Assets			
Inventory			30000
Trade Receivables			210000
Total Assets			2410000
Equity and liabilities			
Share capital			
			200000
Retained Earnings			
			782000
Revaluation reserve			
			680000
Non current liabilities			

Loan	145000
Current Liabilities	
Bank Overdraft	18000
Trade Payables	50000
Total Equity and Liabilities	7995000

Your balance sheet is not matching itself

Try reattempting

[8+3+3]

[14/19]

3. Wrong question number mentioned, thus no marks to be awarded
Also a tabular approach for the question would have been more effective

- (i) It doesn't affect the gross profit or the cash flow statement
- (ii) It doesn't affect the gross profit but it reduces the cash flow as it is an expense deducted while calculating cash flow from financing activities
- (iii) It reduces the gross profit and it reduces the cash flow as it is a cash outflow while calculating cash generated from operations
- (iv) It reduces the gross profit by the depreciation charge and it does not affect the cash flow statement
- (v) There is no change in the gross profit as it is not a direct expense. It does not affect the cash flow statement as well as cash is neither coming in nor going out

4. Again wrong question number, no marks to be provided

Notes to Account

1. Cost of sales

Cost of inventory consumed	435000
Factory running cost	105000
Manufacturing wages	195000
Depreciation of Building	13500
Depreciation of Machinery	37200
Total	785700

2. Depreciation

Building= $0.03 \times 450000 = 13500$

Machinery= $0.2 \times 186000 = 37200$

Vehicle= $0.25 \times (375000 - 255000) = 30000$

3. Other operating expenses

Advertising	66000
Admin salaries	3600
Vehicle running cost	51000
Depreciation of Vehicle	30000
Sales Salaries	84000
Total	234600

4. Property Plant and Equipment

	Land	Building	Machinery	Vehicle
Opening fig	840000	450000	186000	375000
Accumulated depreciation		45000	84000	255000
Revaluation	160000	- 45000+50000		
Depreciation		13500	37200	30000
Closing figure	1000000	486500	64800	90000

Total= 1641300

(i) Income Statement

Revenue	1686000
Cost of sales	(785700)
Gross Profit	900300
Other operating expenses	(2346000)
Operating Profit	665700
Interest	(38400)
Profit for the year	627300

(ii) Statement of changes in equity			
	Share Capital Reserve	Retained Earning	Revaluation
Opening bal	210000	262350	240000
Gain in reval			
1. Land		160000	
2. Building		50000	
Dividend paid		(150000)	
Profit for the year		627300	
Closing bal	210000	739650	450000

(iii) Balance Sheet

Assets	
Non current Assets	
Property, plant and equipment	1641300
Current Assets	
Inventory	36000
Trade Receivables	126000
Total Assets	1803300
Equity and liabilities	
Share CAPITAL	210000
Retained Earning	739650
Revaluation Reserve	450000
Non current liabilities	
Loan	300000
Current liabilities	
Bank Overdraft	1650
Total Equity and liabilities	1701300

Figures in your accounts are wrong, balance sheet is not matching itself

Focus much on these questions accuracy as these questions are quite easy to score as involves a proper structure and also is one of the most expected question in the exam

[0]

TOTAL:18.5/54

Would have scored better if done correct numbering

Presentation is up to mark involving those for the tables of accounts