

Marking Guidelines

PAPER 1 Compulsory Part

SECTION A

Question No.	Key	Question No.	Key
1.	D (88%)	16.	C (78%)
2.	B (83%)	17.	C (42%)
3.	C (52%)	18.	A (62%)
4.	A (21%)	19.	D (59%)
5.	D (74%)	20.	A (81%)
6.	B (45%)	21.	B (84%)
7.	A (88%)	22.	C (47%)
8.	A (55%)	23.	B (69%)
9.	C (71%)	24.	C (72%)
10.	D (78%)	25.	B (52%)
11.	C (66%)	26.	A (73%)
12.	D (62%)	27.	B (77%)
13.	D (75%)	28.	A (33%)
14.	B (83%)	29.	B (72%)
15.	A (42%)	30.	D (85%)

Note: Figures in brackets indicate the percentages of candidates choosing the correct answers.

SECTION B

General Principles of Marking

- The answers given in this marking scheme are 'suggestions' only. Other relevant answers will also be accepted.
- Where the number of points required is specified in a question, markers will mark the first listed points up to the number required, and cross out other points as 'excess'.
- The general guidelines for points which are awarded 0 to 2 marks each are as follows:

0 mark	:	irrelevant or ambiguous answers
1 mark	:	mention of key concept or words
2 marks	:	explanation of the concept stated
- The following constitute the award of presentation mark, where applicable:
 - proper account or statement title
 - indication of \$ (or \$'000) for the relevant amount columns
 - proper headings in the financial statements
 - narrations for journal entries
 - account/statement presented in accordance with specifications in the question

QUESTION 1**Marks**

Limitations:

6

- information is mostly quantitative
 - data relate to past events only
 - different use of accounting methods and policies makes intra-company comparison difficult
 - neglect of time value of money hinders users to do inter-period comparison of the company
- (2 marks for each relevant limitation, max. 6 marks)

Total: 6 marks

QUESTION 2

Ways:

4

- inventory management: ensure a reasonable stock level to avoid wear and tear from over-storage
 - revision of design of the production process: to locate and correct the problem that leads to the defect
 - quality control: set standards to ensure goods provided are of high quality
- (2 marks for each relevant ways, max. 4 marks)

Total: 4 marks

QUESTION 3

(a) Purposes:

2

- risk diversified
 - simplified assets management
- (2 marks for each relevant purpose, max. 2 marks)

(b) Suggestions:

2

- fixed time deposit
 - government bonds
 - exchange fund bills
- (1 mark for each relevant suggestion, max. 2 marks)

Total: 4 marks

QUESTION 4

Principles and their examples:

4

- courtesy: the tone is rude and offensive (e.g. negative description of staff's educational background)
 - concreteness: the purpose is not clearly stated (e.g. suspension on staff's salary)
 - completeness: important information has been omitted (e.g. the period for the suspension of salary)
- (2 marks for each relevant point, max. 4 marks)

Total: 4 marks

QUESTION 5**Marks**

Statement of financial position as at 31 December 2011		\$	\$	
Non-current assets				
Office equipment			220 000	½
Current assets				
Inventory	42 000			½
Trade receivables	67 000			½
	<u>109 000</u>			
Less: Current liabilities				
Trade payable	(26 300)			½
Bank overdraft	(17 600)			½
	<u>(43 900)</u>		65 100	
Less: Non-current liabilities				
Loan from Sam's Company		<u>(38 000)</u>		½
		<u>247 100</u>		
Financed by				
Capital as at 1 January 2011			231 000	½
Add: Net profit			16 100	1
			<u>247 100</u>	
				(Presentation: ½)
				(5)

(b) Gross Profit ratio:				
$[\$109\,000 - (\$34\,000 + \$76\,100 - \$42\,000)] / \$109\,000 \times 100\%$				1
= 37.52%				1
				(2)
			<u>Total: 7 marks</u>	

QUESTION 6

(a) – \$38 000	1
– going concern	1
– as the business discontinued its operation in the foreseeable future, assets should not be valued at historical cost but current market value	1
	(3)
(b) Adverse effects to	4
– lenders: may fail to collect all their money lent to the business	
– customers: may fail to receive products / services they paid for	
– suppliers: may fail to collect all the payments for their goods sold or services provided	
– government: may fail to collect the tax due	
(2 marks for each relevant point, max. 4 marks)	
	<u>Total: 7 marks</u>

QUESTION 7**Marks**

- (a) Reasons: 4
- share of risk / workload
 - more sources of capital
 - more expertise / innovative ideas
- (2 marks for each relevant reason, max. 4 marks)
- (b) Criteria and its examples: 4
- specific: e.g. earn a definite amount of profit
 - time-based: e.g. earn a certain amount of profit in the first year of operations
 - measurable: e.g. achieve a 10% increase in profit
 - challenging but attainable: e.g. earn a reasonable amount of profit
- (2 marks for each relevant point, max. 4 marks)

Total: 8 marks**END OF PAPER 1**