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Solutions Manual

Frank Wood's Business Accounting 1

Fourteenth edition

Alan Sangster
Lewis Gordon

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Students and examination success

Experienced teachers and lecturers know just as much as I do about this topic. There will, however, be quite a lot of people reading this who are new to teaching, and who have little experience in understanding how the examiner views things. If I have anything to offer, it is simply that I have been involved in accounting education for over 30 years and have been an examiner for several examining bodies.

The Notes for Students at the start of both *Frank Wood's Business Accounting 1* and *Frank Wood's Business Accounting 2* deal with examination techniques. Make sure your students read these. Go through these with them. If we all tell students that what these say is true, then they are more likely to believe us.

How students lose marks

1) Lack of knowledge (obviously) but they *throw* away marks unnecessarily for all of the following reasons:

- (a) Untidy work, including columns of figures not lined up.
- (b) Bad handwriting. Do not make it difficult for the examiner to read and mark.
- (c) Lack of headings, dates, sub totals, etc., in accounting statements.
- (d) Not submitting proper workings.

You can only get them to rectify everything under this heading by insisting on them correcting (a), (b), (c) and (d) from early on in the course. Do not wait until a few weeks before the examination to insist upon properly laid out and neatly constructed work.

2) Students very often do not follow the rubric on the examination paper. If it asks for two questions only from Section A, then it means just that. A remarkably high percentage do not follow the instructions per the rubric.

3) Students fail to answer the questions as set. If, for example, an examiner wants a *list*, students will lose marks by giving *explanations* instead. Students must tackle the question in the prescribed way and not do it differently. The percentage of students passing examinations would rise dramatically if only we could correct this failing. A good plan is to get them to highlight the instruction that shows how the examiner wants the question to be answered, for example,

List the ways by which . . .

Describe the ways by which . . .

Write a report to the managing director about the ways by which . . .

Discuss how the ways by which . . .

Explain how the ways by which . . .

Then, get them to underline the key words in the rest of the question.

They need as much practice as possible in doing this, especially for essay-type questions.

Practice is even more essential for students for whom English is not their first language.

At the end of this section are 20 essay questions in which we have already highlighted the instruction and underlined the key words. See if your students can do the same.

4) Poor technique with essay questions. *Business Accounting 2*, Notes for students, the section headed 'Answering essay questions' covers this point. Discuss this with your students who have to tackle essay questions.

5) Not tackling the required number of questions. I have always found it very difficult to convince students to get hold of the idea that they will get more marks for five uncompleted questions than they will for four completed questions, when the examiner has asked for five to be attempted. Time planning is essential.

6) By not tackling the easiest questions first. Years ago, a lot of research was undertaken into the results of students who had followed this advice, compared with those who ignored it. Following the advice produced better results.

7) By simply regurgitating the contents of a textbook in essay answers. For instance, when an examiner set a question on, say, materiality. Most of the answers simply gave exactly the same examples, word for word sometimes, that we have given in *Business Accounting 1*.

Examiners are looking for originality and imagination. Students will get excellent marks if they give their own examples. A good idea is that, for each of the concepts and conventions, they think up their own examples *before* the examination. There are going to be more and more questions on these things in the years ahead.

- 8) Examiners like to see answers where students realise that all accounting is not found in textbooks, but exists for the use of businesses. Get them to use examples in essay questions based on what they have observed in the businesses around them.

For example, a question on ratios and interpretation will often be answered by students just using figures. They should also say *why* the figures have changed; what possible causes there might have been.

In their life outside their studies, they should observe how accounting is carried out. They all go at one time or another to refectories, restaurants, shops, department stores, clothes shops, travel on buses and trains, etc. They should observe how the money is calculated and collected, what sort of bills or tickets are given out, how fraud or errors could occur and so on. They can give this flavour of the real world in their answers. Believe me, they will get better marks.

Essay questions – how not to misunderstand them

- 1) List the various pieces of information which should be shown on a sales invoice.
- 2) Describe what is meant by an imprest system.
- 3) Accounting based on historical costs can be misleading. Discuss.
- 4) The bookkeeper has said that if an error does not affect trial balance agreement then it cannot affect anything else very much. You are to write a report to the managing director stating whether or not you agree with the bookkeeper.
- 5) Give five examples of different compensating errors and explain why they cancel each other out.
- 6) Explain the differences between the straight line and reducing balance methods of depreciation.
- 7) Briefly describe the benefits to be gained from maintaining control accounts.
- 8) List six instances of errors which could cause the trial balance totals to disagree.
- 9) Name three methods of inventory valuation, and briefly describe any one of them.
- 10) 'Without the use of accounting ratios, much of the accounting work already performed would be wasted.' Discuss the amount of truth in this statement.
- 11) How can retail stores use accounting ratios to help them to plan future inventory levels?
- 12) Assess the benefits of double entry as compared with single entry methods of bookkeeping.
- 13) Define depreciation and describe how the annual charge is worked out using the straight line method.
- 14) For a firm buying goods on credit, how can it calculate the figure of purchases even though a Purchases Journal has not been kept?
- 15) List the differences between the income and expenditure account of a club and the income statement of a trading concern.
- 16) 'It is unsatisfactory for the treasurer of a club to prepare and present to the members only the receipts and payments account as a summary of the records of the club's activities for the year.' Why is this true? What is the better thing to do?
- 17) You are to give your advice to the managing director of a company on the best manner of constructing departmental income statements.
- 18) How do the financial statements of a partnership vary from those of a sole trader, and why?
- 19) Consider the view that if profit was not calculated at all until the business was closed down, then such a calculation would be a simple and straightforward affair.
- 20) You are to write a letter to a friend explaining in simple terms why profit does not necessarily mean that you have cash in the bank.

Practice on past full examination papers

If students have not tackled past papers, under as near examination conditions as possible, they will often get quite a shock when they first sit an accounting examination.

This very often is due to two main reasons:

- (a) There is such a lot to do in such a short time.
- (b) Even though there is so much to do, in professional examinations in particular, many of the questions are quite difficult with some complicated calculations or adjustments.

If students can attempt, say, at least two such papers and then have their attempts marked and criticised, they will normally learn a lot from the experience.

Examination questions and marking schemes

It can be said that:

- (a) By and large, marking is 'positive', that is, marks are awarded for what a student gets right, rather than being deducted for what a student gets wrong.
- (b) Marks *are* deducted for untidy work, lack of headings, dates, sub totals, etc.
- (c) An incorrect part of an answer, with no workings attached to it, will get *nil* marks.
- (d) Extra, unnecessary answers, resulting from students failing to follow the rubric, will not be marked.
- (e) Not following the examiner's instructions will lose marks. For example, marks will be lost if, when asked for a 'report', a student gives a 'list'; or if asked to 'discuss', a student gives only one side of the argument; or if asked to 'define', a student gives an 'explanation'. Some examiners will award zero marks, even though the answers given by the student show good knowledge of the topic. Others (including myself) would be kinder than that, but students cannot rely on this being the case.
- (f) An error that repeats itself through an answer *should* lose only one set of marks. For instance, an error in the trading account will also affect balances in the profit and loss account, appropriation account and balance sheet. In cases of this type, only one set of marks should be lost.
- (g) Guessing by students is not normally penalised. The one exception that may arise concerns multiple choice questions where wrong answers may be penalised as an incentive to prevent students guessing. In this case, the examining body would make this information known well in advance of the examination date.
- (h) The easiest marks to get, especially in an essay question, are the first few marks.
- (i) Good handwriting and well displayed answers will often (although theoretically they should not) get higher marks than they deserve. This is simply because examiners are human beings with human failings, and work that can be easily marked makes them feel generous.

Alan Sangster

Answers

Note: To save time and space, the months are omitted in the Ledger accounts which follow. The day of the month is shown in brackets.

Answer to Question 1.2A BA 1

- | | | |
|------------|------------|------------|
| (a) 49,000 | (b) 75,100 | (c) 65,800 |
| (d) 48,100 | (e) 81,300 | (f) 85,900 |

Answer to Question 1.4A BA 1

- | | |
|---------------|---------------|
| (a) Asset | (f) Asset |
| (b) Asset | (g) Liability |
| (c) Liability | (h) Liability |
| (d) Asset | (i) Asset |
| (e) Asset | |

Answer to Question 1.6A BA 1

Assets List Wrong: Accounts payable, Capital.
Liabilities List Wrong: Equipment, Computers.

Answer to Question 1.8A BA 1

Fixtures 3,200 + Van 4,750 + Inventory 2,340 + Bank 520 + Cash 100 = Total Assets 10,910.
Loan 5,000 + Accounts payable 1,910 + Capital (difference) 4,000.

Answer to Question 1.10A BA 1

G Cook

Balance sheet as at 30 June 2019

<i>Non-current assets</i>		
Equipment		9,720
<i>Current assets</i>		
Inventory	6,430	
Accounts receivable	9,280	
Cash at bank	<u>410</u>	
		16,120
<i>Less Current liabilities</i>		
Accounts payable		<u>(8,380)</u>
		<u>17,460</u>
Capital		<u>17,460</u>

Answer to Question 1.12A BA 1

<i>Assets</i>	<i>Liabilities</i>	<i>Capital</i>
(a) +Van	+Accounts payable	
(b) –Cash	–Loan from F Duff	
(c) +Inventory		
–Bank		
(d) +Cash		+Capital
(e) +Inventory		
–Accounts receivable		
(f) +Inventory	+Accounts payable	
(g) –Cash		–Capital
(h) –Bank	–Accounts payable	

Answer to Question 1.14A BA 1**J Hill***Balance Sheet as at 7 December 2019*

<i>Non-current assets</i>			
Equipment		6,310	
Motor Vehicle		<u>7,300</u>	13,610
<i>Current assets</i>			
Inventory		8,480	
Accounts receivable		3,320	
Bank		9,510	
Cash		<u>485</u>	
			<u>21,795</u>
			35,405
<i>Current liabilities</i>			
Accounts payable			<u>1,760</u>
			<u>33,645</u>
Capital			<u>33,645</u>

Answer to Question 2.11A BA 1

<i>Debited</i>	<i>Credited</i>	<i>Debited</i>	<i>Credited</i>
(a) Trailer	Cash	(b) J Tough	Bank
(c) Loan from W Small	Cash	(d) Cash	Trailer
(e) Office equipment	Dexter Ltd	(f) Cash	T Walls
(g) Bank	L Tait	(h) Bank	Capital
(i) Cash	Loan from F Burns	(j) J Fife	Cash

Answer to Question 2.14A BA 1

<i>Bank</i>		<i>Cash</i>	
(1) Capital	16,000	(12) Bank	180
(25) Cash	400	(21) Loan: Berry	500
		(15) Office fixtures	120
		(25) Bank	400
		<i>Vans</i>	
		(2) Bank	6,400
		(8) Carton Cars	7,100
		<i>Old Ltd</i>	
		(5) Office fixtures	900
<i>Office Fixtures</i>		<i>Carton Cars</i>	
(5) Old Ltd	900	(19) Bank	7,100
(15) Cash	120	(8) Van	7,100
(30) Bank	480	<i>Loan from Berry</i>	
		(21) Cash	500
		<i>Capital</i>	
		(1) Bank	16,000

Answer to Question 2.15A BA 1

<i>Bank</i>		<i>Cash</i>	
(1) Capital	18,000	(1) Capital	1,500
(2) Loan Fox	4,000	(8) Bank	400
		(3) Computer	1,200
		(24) Loan Fox	500
		<i>Computer</i>	
		(3) Cash	1,200
		<i>Drop Ltd</i>	
		(17) Bank	840
		(5) Display stands	840
		<i>P Blake</i>	
		(31) Printer	400
		<i>Printer</i>	
		(31) P Blake	400
<i>Loan: T Fox</i>		<i>Capital</i>	
(15) Bank	1,000	(1) Cash	1,500
(24) Cash	500	(1) Bank	18,000
		<i>Display Stands</i>	
		(5) Drop	840

Answer to Question 3.2A BA 1

<i>Debited</i>	<i>Credited</i>	<i>Debited</i>	<i>Credited</i>
(a) Purchases	B Cowan	(b) Returns in	L Keith
(c) C Riddle	Filing cabs	(d) Purchases	Cash
(e) Lorry	M Davis Ltd	(f) J Hicks	Returns Out
(g) Bank	M Peters	(h) Purchases	Bank
(i) F Toms	Bank	(j) S Mulligan	Sales