

# Exemplar scripts

## Script 1

### SECTION A

Answer BOTH questions in this section.

Source material for Question 1 is on pages 2 to 4 of the source booklet.

- 1 (a) Prepare, in accordance with International Accounting Standard (IAS) 1, a:
- (i) Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

(27)

Gamma Snpk Profit or loss and other comprehensive income for the year 31 Mar 2017

Revenue	9864000
(-) cost of sales	(5202900)
GROSS PROFIT	<u>4661100</u>
(+) other income	95530
(-) expenses	
administrative expenses	(1469500)
financial expenses	(95530) (101917)
distribution expenses	(2045220)
other payables	(117500)
NET PROFIT before tax	1128880
Tax	(218000)
NET PROFIT after tax	<u><del>910880</del> 904493</u>

workings

## Cost of sales

closing inventory	(779000)
rent of warehouse <sup>(289000 - 23000)</sup>	257000
wages: direct factory labour	1890,000
factory building depreciation	368,000
production machinery depreciation	43900
factory power $[0.70 \times 680,000]$	476000
warehouse power $[0.10 \times 680,000]$	68000
direct materials	2150,000
discounts received	(43000)
opening inventory	772000
	<u>5202900</u>

✓ factory building dep:  $3680,000$   
 $\frac{10}{10}$

= 3680,00

production machinery =  $439000 \times 0.10$   
 = 43900

## distribution expenses

sales staff	632000
delivery staff	476000
motor vans depreciation	76800
Shop power $[0.15 \times 680,000]$	102000
provision for doubtful debts	16420
delivery costs	178000
discounts allowed	87000
marketing	324000
trade fair and exhibition expenses	110000
Motor van running expense	43000
	<u>2045220</u>

motor van dep:  $384000 \div 5 = 76800$

16

15000

### Other income

✓ Bank account interest	1000
✓ Commission on Sales	<u>94530</u>
	95530

### administrative expenses

head office staff	881000
head office power (0.05x680000)	34000
✓ auditors fees	18500
✓ bad debts	26000
Head office expenses	<u>510,000</u>
	<u>1469500</u>

### financial expenses

interest on bank loan	11917	$11000 + \frac{10000}{12}$
interest on debenture	<u>45000 + 45000</u>	$= 11917$
	101917	

## (ii) Statement of Financial Position at 31 March 2017.

(16)

Brama Sun Ar statement of financial position 31 March 2017

Fixed assets	Cost	accumulated depreciation	Net Book Value.
good will			90,000
motor vans	384,000	252,800	131,200
production machinery			<del>439,000</del> 395,100
factory building	184,000.00		331,200
			<u>392,830.0</u>
Current assets			
Bank current account	117,000		
Cash	58,000		
trade receivables	821,000		
Provision for doubtful debts	(1420)		
closing inventory	779,000		
Prepaid expenses [23,000]	23,000	179,658.0	
Total Assets			<u>572,488.0</u>
Equity			
General reserve	56,000		
ordinary shares 4 to 50 each	3700,000		
retained earnings	(624,470)	459,805.3	
Profit from this year	904,493	404,240	
	<u>910,880</u>		

## Liabilities

### Current liabilities

trade payables	175000		
accruals ( 24000 )	24000		
tax payable	218000		
one month interest owing	917		
March debenture payment	45000	<u>462917</u>	

### Long term liabilities.

✓ 7.5% debenture March 2021	1200,000		
✓ 8% bank loan	<u>150,000</u>	<u>1350 000</u>	<u>6410970</u>
			<u>5855327</u>

1788917

(b) Evaluate the importance of the role of the auditor in limited companies.

(12)

### For role of auditor

Auditors are independent scrutineers of accounts who make sure that the accounts are prepared correctly, in accordance to International Accounting standards.

Auditors

Their report shows how directors have used the funds invested by shareholders. Auditors role is to the shareholders.

The report is required by companies Act/legislation.

If auditor is not happy with the accounts, report will be qualified.

Report can help users make decisions. Eg; buy or sell shares in the company.

### Against role of auditor

Auditors may not be independent as they may go along with the wishes of clients. Eg: conflict of interest in order to earn a fee, which may include non-audit work.

Auditors may be misled by directors, therefore report may be inaccurate.

Auditors cannot guarantee that material fraud has not occurred.

### Conclusion

Auditors role is important in limited companies as they check the accuracy of the accounts.

(Total for Question 1 = 55 marks)