

Practice assessment model answers

Advanced Diploma Synoptic Assessment (AVSY)

Practice assessment 2 (from February 2018)

Practice assessment model answers – [AVSY]

Task 1.1 (15 marks)

(a) Complete the following statement. (2 marks)

To resolve the matter, the conceptual framework states that Wajid must use...

his professional judgement. ▼

(b) For each of the following examples identify whether there is a conflict to be resolved between the behaviour of Hook Ltd's management and Sherie's personal values. (2 marks)

Example of behaviour of Hook Ltd's management	Sherie's personal value	Is there a conflict to resolve?
Long-standing employees are allowed an extra half day's holiday for every two years of permanent employment with Hook Ltd.	Loyalty	No ▼
Employees are promoted on the basis of family or other close relationships.	Fairness	Yes ▼

(c) Identify whether the following statements are true or false. (3 marks)

Statement	True	False
Sherie may never disclose confidential information to any third party.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
The threat that Sherie is facing to her compliance with the fundamental principles is a self-interest threat.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Sherie must resign immediately from Hook Ltd as her integrity has been compromised by the offer from the potential customer.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

(d) Complete the following statement. (2 marks)

Being offered gifts by the manager is a familiarity threat ▼ to Ian's fundamental principle of..

objectivity. ▼

Task 1.1 (continued)

(e) Complete the following statement.

(2 marks)

In relation to the evidence and documentation, Ian must be particularly careful to ensure the fundamental

principle of is not breached when seeking guidance from Antoine.

(f) Complete the following statement.

(2 marks)

Ellie has committed the criminal offence of .

(g) Complete the following statement.

(2 marks)

Luke should disclose confidential information on this matter directly to .

Task 1.2 (15 marks)

- (a) Show the entries that should be made in the general ledger to correct the £2,000 VAT that was recorded in the VAT ledger account.

Make each selection by clicking on a box in the left column and then on one in the right column. You can remove a line by clicking on it.

(2 marks)

		Account
		Bank
		Depreciation charges
Debit £2,000.00		Disposals of non-current assets
		Suspense
Credit £2,000.00		VAT
		Vehicles accumulated depreciation
		Vehicles at cost
		Vehicles running expenses

- (b) According to the ethical code, which of your fundamental principles would be under threat if you called the helpline?

(1 mark)

Objectivity

Confidentiality

- (c) Do you need to take further action to ensure your compliance with the ethical code in this case? (2 marks)

No, no further action by me is necessary because it is Mo's responsibility to decide how to proceed.

Yes, I should inform Mo in writing that my professional principles prevent me from being connected with a breach of VAT regulations.

Yes, I am obliged to inform the tax authorities about the error myself.

Task 1.2 (continued)

(d) Answer the following:

- (i) Prepare the journal for the first full year's depreciation on the car based on its corrected cost in the general ledger.

(4 marks)

Journal

	Dr £	Cr £
Depreciation charges	3000	
Vehicles accumulated depreciation		3000

- (ii) Complete the table to show the effect of adjusting the VAT and depreciation on each of the following.

(2 marks)

	Decreased	Increased
Profit for the year	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Carrying amount of non-current assets as at the year end date	<input type="checkbox"/>	<input checked="" type="checkbox"/>

- (e) Why might NewPlace choose the diminishing balance method of depreciation for vehicles?

(2 marks)

- So that the carrying amount of vehicles is always equal to their market value.
- To ensure that a profit will be achieved when each vehicle is sold.
- To follow the accruals basis of accounting.

- (f) What should Kiera do next?

(2 marks)

- Discuss the matter in full with Mo.
- Make a Suspicious Activity Report to the relevant external authority, detailing her suspicions.
- Make an internal report within Addo & Co, detailing her suspicions.

Task 1.3 (15 marks)

- (a) (i) Janey's offer of expensive hospitality is a self-interest threat to my ethical principle of objectivity/integrity/professional behaviour (1) Janey's last call is an intimidation threat to my objectivity (1)
- (ii) Reference can be made to any one of the following (maximum two marks)
- Use Conceptual Framework OR conflict resolution process from Code (1)
 - Follow any relevant internal procedure (1)
 - Disclose / seek advice internally or from AAT (1)
 - Reject offer of tickets (1)
 - Continue to follow normal procedure (1)
- (b) It is important to take a long term view and allow the needs of present generations to be met without compromising the ability of future generations to meet their needs (1)
- (c) *An example of 10 mark submission. Students are not expected to raise all the points below for the full 10 marks, but their inclusion here serves to indicate the depth of knowledge required for each item.*

Subject: Accounting principles and financial information

Hello Mo,

Thank you for your email of 28/2/X8.

(1) Two key assumptions: Accrual/matching basis of accounting: we include transactions in the accounting period when they arise, not when they are paid in the form of cash. For instance the 20X7 financial statements will include some items of inventory even though we have not yet paid the invoices from their suppliers.

Going concern assumption: we assume that the business will continue in operation for the foreseeable future, without the need to sell assets and pay liabilities at short notice. If we did not assume this, the amounts we show for non-current assets, for example, would be different (market or 'fire sale' value rather than how much they cost when they were bought less depreciation).

(2) Relevance: financial information is relevant to the user if it can make a difference to decisions made by the user. The information might be able to help them make decisions by predicting future outcomes (it has predictive value) or by confirming or changing their previous evaluations (it has confirmatory value) **OR** Faithful (re)presentation: the financial information is complete (it includes all necessary descriptions and explanations), neutral (without bias in how it is selected or presented) and free from error (no errors or omissions).

(3) The statement of financial position (SFP) lists out your business's assets less its liabilities (including loans), so you can see how much the business is worth (its net asset value). It then shows how the net assets are funded – which is by your capital: the amounts you have introduced into the business plus the profits you have made and kept in the business.

(4) The SFP links with the statement of profit or loss (SOPOL) via the profit figure. In the SOPOL the business's costs are deducted from its revenue to arrive at the profit for the period. In the SFP this figure is added to the capital you had in the business at the start of the period. Any amounts you have withdrawn in the period for your own use are deducted from this figure to arrive at your total capital **OR** The SFP links with the statement of profit or loss (SOPOL) via the closing inventory figure. In the SOPOL the cost of closing inventory is deducted from the business's costs for 20X7. This is because its cost needs to be deducted from the revenue in 20X8, when the inventory is actually sold. Instead the inventory is shown as an asset in the SFP for 20X7, to be carried forward and matched with revenue in 20X8.

Kind regards,

Chris.

Task 2.1 (25 marks)

Dec 20X8 worksheet:

	A	B	C	D	E	F	G	H	I	J	K	L
1	(a)											
2	NewPlace: Current budgeted performance data for six months to 31 December 20X8											
3												
4	Sales volume (units)	10000										
5	Average selling price per unit	£165										
6	Average cost per unit	£125										
7	Wages of shop staff	£102,500										
8	Rent and rates	£85,000										
9	Administration overheads	£62,500										
10	Depreciation	£75,000										
11												
12	NewPlace: Current budgeted net profit/loss for six months ended 31 December 20X8		£	£								
13	Sales		£1,650,000									
14	Cost of sales:											
15	Cost of goods for resale	£1,250,000										
16			£1,250,000									
17	Gross profit		£400,000									
18	Wages of shop staff	£102,500										
19	Rent and rates	£85,000										
20	Administration overheads	£62,500										
21	Depreciation	£75,000										
22			£325,000									
23	Net profit/loss for the six months		£75,000									
24												

Note to candidate:
Please ensure you upload this spreadsheet before the end of the assessment. If you do not upload your work, it will not be marked.

Assessor - formulas used in all column C e.g. to calculate Sales = B4*B5

Assessor this cell should show £1,650,000 using a formula

Assessor - this cell should show a profit of £75,000 using a formula

Revised worksheet:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	(b)													
2	NewPlace: Budgeted performance data for six months to 31													
3	December 20X8													
4		Original	Revised											
4	Sales volume (units)	10000	11000											
5	Average selling price per unit	£165.00	£174.00											
6	Average cost per unit	£125.00	£125.00											
7	Wages of shop staff	£102,500.00	£122,500.00											
8	Rent and rates	£85,000.00	£85,000.00											
9	Administration overheads	£62,500.00	£65,000.00											
10	Depreciation	£75,000.00	£75,000.00											
11														
12														
13	(c)													
14	NewPlace: Revised budgeted net profit/loss for six months ended 31 December 20X8													
15		£	£											
15	Sales		£1,914,000											
16	Cost of sales:													
17	Cost of goods for resale	£1,375,000												
18			£1,375,000											
19	Gross profit		£539,000											
20	Wages of shop staff	£122,500												
21	Rent and rates	£85,000												
22	Administration overheads	£65,000												
23	Depreciation	£75,000												
24			£347,500											
25	Net profit/loss for the six months		£191,500											

Assessor - this cell should have a formula in it showing 11,000

Assessor this cell should show £174.00 and have the formula =ROUNDUP(B5*1.05,0)

Assessor - this cell should show £122,500.00 with a formula =B7+40000/2

Assessor this cell should show £65,000.00 with a formula =B9+2500

Note to candidate:
Please ensure you upload this spreadsheet before the end of the assessment. If you do not upload your work, it will not be marked.

Assessor - ensure that you cannot scroll above row 11 or into columns A,B or C

Assessor - make sure this figure only includes 6 months of extra staff costs

Assessor - this cell should be a formula and show a profit of £191,500

26									
27	(d)								
28	Revised contribution per unit		£49.00						
29	Units required to achieve target net profit		12,500						Assessor - this cell should show a formula $= (265000 + C24) / C28$
30									
31	(e)								
				Bonus					
32	Percentage change in revised budgeted sales	16.00%	Bonus to be paid						Assessor this cell should show "Bonus to be paid" and have the formula $= IF(B29 >= 15\%, "Bonus to be paid", "No bonus")$
33	Percentage change in revised budgeted net profit/loss	155.33%							
34									Assessor the contents of B32 and B33 should be formulas and formatted to percentage to 2 decimal places
35									
36									
37									

Task 2.2 (30 marks)

NFS Inventory worksheet:

	A	B	C	D	E	F	G	H	I	J	K
1	Row Labels	Sum of Total Inventory Value	Assessor - this list must be filtered to remove DJ Furniture.								
2	ABC Supplies	2090.28									
3	Recirc Ltd	10152.9									
4	Yellow Berry Ltd	3272.5									
5	York Retail	1401.69									
6	Grand Total	16917.37	Total should be 16917.37								
7											
8											
9											
10											
11											
12											
13											
14											
15											
16											
17											
18											
19											
20											
21											
22											
23											
24											
25											
26											
27											

Sum of Total Inventory Value

Total inventory from non-furniture suppliers

Supplied by

- ABC Supplies
- Recirc Ltd
- Yellow Berry Ltd
- York Retail

This chart should be:-

1. A 3-D exploded Pie type
2. The title must be correct "Total inventory from non-furniture suppliers.
3. Must be able to see all the data.

Summary worksheet:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
1	Summary of Inventory															
2	Item description	Total Quantity	Cost per item	Total Value	Supplied by		Approved Suppliers list									
3	10 draw filing cab grey	52	£899.00	£46,748.00	DJ Furniture		Yellow Berry Ltd		Assessor - Rows 1 and 2 should be frozen - you should not be able to scroll above here.							
4	15 draw filing cab grey	36	£1,118.00	£40,248.00	DJ Furniture		ABC Supplies									
5	2 drawer filing cab grey	60	£276.00	£16,560.00	DJ Furniture		York Retail									
6	3 drawer desk Glass top	32	£572.00	£18,304.00	DJ Furniture		Recirc Ltd									
7	4 drawer desk glass top	12	£350.00	£4,200.00	DJ Furniture		DJ Furniture									
8	4 drawer filing cab lock black	21	£268.00	£5,628.00	DJ Furniture											
9	6 door storage locker	9	£230.00	£2,070.00	DJ Furniture		Assessor: cells G3: G7 should be protected									
10	6 door storage locker w/locks	14	£258.00	£3,612.00	DJ Furniture											
11	A3 ream blue 100g	80	£2.60	£208.00	Yellow Berry Ltd											
12	A3 ream blue 80g	66	£2.50	£165.00	Yellow Berry Ltd											
13	A3 ream bright white 80g	121	£2.20	£266.20	Yellow Berry Ltd		Assessor - Cells in the range E3:E90 must be data validated.									
14	A3 ream bright white 100g	78	£2.60	£202.80	Yellow Berry Ltd		They must show a drop down box if any cell in that range is selected.									
15	A3 ream white 100g	85	£2.20	£187.00	Yellow Berry Ltd		The drop down box must say "Please choose from the drop down list"									
16	A3 ream white 80g	57	£2.10	£119.70	Yellow Berry Ltd		When you select any cell drop down box you should only see the supplier list shown in G3:G7									
17	A3 ream yellow 100g	119	£2.60	£309.40	Yellow Berry Ltd											
18	A3 ream yellow 80g	94	£2.50	£235.00	Yellow Berry Ltd											
19	A4 ream blue 100g	88	£2.40	£211.20	Yellow Berry Ltd											
20	A4 ream blue 80g	97	£2.20	£213.40	Yellow Berry Ltd											
21	A4 ream blue card 250g	32	£2.90	£92.80	York Retail											
22	A4 ream bright white 100g	109	£1.90	£207.10	Yellow Berry Ltd											
23	A4 ream bright white 80g	132	£1.80	£237.60	Yellow Berry Ltd											

61	Pedestal 3 draw oak effect	35	£350.00	£12,250.00	DJ Furniture
62	Pen Black pack of 5	82	£1.51	£123.82	York Retail
63	Pen Red pack of 5	105	£1.51	£158.55	York Retail
64	Pencil 2B pack of 10	101	£1.98	£199.98	York Retail
65	Pencil H pack of 10	107	£1.98	£211.86	York Retail
66	Pencil sharpener Black	41	£0.59	£24.19	ABC Supplies
67	Pencil sharpener Red	61	£0.59	£35.99	ABC Supplies
68	Ruler non splinter 30cm	27	£0.59	£15.93	York Retail
69	Ruler steel 30cm	33	£1.89	£62.37	York Retail
70	Scissors 15cm black	27	£5.65	£152.55	York Retail
71	Scissors 15cm black left hand	25	£6.85	£171.25	York Retail
72	Stapler size 41 Blue	81	£6.21	£503.01	ABC Supplies
73	Stapler size 41 Red	31	£6.21	£192.51	ABC Supplies
74	Storage box 20x35x12 Black	35	£3.48	£121.80	ABC Supplies
75	Storage box 20x35x12 Red	21	£2.56	£53.76	ABC Supplies
76	Total value in inventory			£200,132.72	
77					
78					
79					
80					
81	Assessor - cells in this column must have a linked formula ='Store 1'!B75+'Store 2'!B75+'Store 3'!B75				
82					

Assessor: cells in column D should show formula e.g. =B64*C64

Assessor - this cell should contain a formula =SUM(D3:D75) and a value of £200,132,72

ETB worksheet:

	A	B	C	D	E	F	G	H	I
1									
2									
3	NewPlace: Extended trial balance for the year 20X8								
4									
5		Ledger balances		Adjustments		Statement of profit or loss		Statement of Financial position	
6	Account name	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
7	Cash at bank	£ 12,780						£ 12,780	
8	Cash in hand	£ 3,450						£ 3,450	
9	Sales		£ 3,850,400				£ 3,850,400		
10	Capital		£ 364,810						£ 364,810
11	Purchases - goods for resale 1	£ 905,840				£ 905,840			
12	Purchases - goods for resale 2	£ 529,700				£ 529,700			
13	Purchases - goods for resale 3	£ 1,342,460				£ 1,345,240			
14	Shop wages grade 1	£ 98,740				£ 98,740			
15	Shop wages grade 2	£ 137,760				£ 137,760			
16	Rent total	£ 140,000				£ 140,000			
17	Rates total	£ 32,000				£ 32,000			
18	Administration costs	£ 84,670				£ 83,220			
19	Administration salaries	£ 45,210				£ 45,210			
20	Non-current assets	£ 920,000						£ 920,000	
21	Depreciation expense			£ 150,000		£ 150,000			
22	Accumulated depreciation		£ 450,000		£ 150,000				£ 600,000
23	Purchase ledger control		£ 231,500						£ 231,500
24	Other payables - accruals				£ 2,780				£ 2,780
25	Sales ledger control	£ 415,600						£ 415,600	
26	Allowance for doubtful debts				£ 2,000				£ 2,000
27	Irrecoverable debts expense			£ 2,000		£ 2,000			
28	Other receivables - prepaid			£ 1,450				£ 1,450	
29	Inventory	£ 178,500		£ 182,700	£ 182,700	£ 178,500	£ 182,700	£ 182,700	
30	Drawings	£ 50,000						£ 50,000	
31	Profit					£ 384,890			£ 384,890
32		£ 4,896,710	£ 4,896,710	£ 338,930	£ 338,930	£ 4,033,100	£ 4,033,100	£ 1,585,980	£ 1,585,980

Assessor to check format of currency with zero decimals, and all contents seen

Assessor to check that F31 and I31 have the correct amount entered

Assessor
Check that cells B11:B15 and cells B18:B19 are linked to Subtotal worksheet - e.g. =Subtotal!E4

Assessor
Check that cells B16 and B17 are linked to Subtotal worksheet - e.g. =Subtotal!F18 and =Subtotal!F23

Subtotal worksheet:

	A	B	C	D	E	F	G	H	I	J	K
1											
2											
3											
4				Purchases - goods for resale 1	905840						
5				Purchases - goods for resale 2	529700						
6				Purchases - goods for resale 3	1342460						
7				Shop wages grade 1	98740						
8				Shop wages grade 2	137760						
9				Administration costs	84670						
10				Administration salaries	45210						
11											
12											
13				Item	Shop	Cost					
14				Rent	Shop 1	21000					
15				Rent	Shop 2	25600					
16				Rent	Shop 3	35200					
17				Rent	Shop 4	58200					
18				Rent Total		140000					
19				Rates	Shop 1	4800					
20				Rates	Shop 2	5850					
21				Rates	Shop 3	8050					
22				Rates	Shop 4	13300					
23				Rates Total		32000					
24				Grand Total		172000					
25											

Assessor -
check that this cell contains the formula
=SUBTOTAL(9,F14:F17)