Practice assessment model answers

Advanced Diploma Synoptic Assessment (AVSY)

Practice assessment 1 (from February 2018)

Version 2.3, published 14 December 2018

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Practice assessment model answers – [AVSY]

Task 1.1 (15 marks)

(a) Are these statements true or false? (2 marks)

Statement	True	False
'I have no duty to act in the public interest provided that I act in the interests of Laleham Ltd and the accountancy profession.'	☐	☑
'The ethical code provides detailed rules on how I should act in every possible situation that I might encounter at work.'	☐	☑

(b) Show whether or not the ethical code specifically requires Tara to take each of the following actions in order to act in line with the principle of professional behaviour. (2 marks)

Action	Required/not required
Comply with all regulations that affect Laleham Ltd.	Required
Promote the reputation of the profession at every opportunity.	Not required

(c) Which fundamental principle has Tara breached? (2 marks)

Integrity ☐

Professional competence and due care ☑

Objectivity ☐

(d) Show whether or not each organisation below may bring disciplinary procedures against Tara for her unethical behaviour. (3 marks)

AAT may bring disciplinary procedures against Tara.

The National Crime Agency (NCA) may not bring disciplinary procedures against Tara.

Laleham Ltd (Tara's employer) may bring disciplinary procedures against Tara.

Task 1.1 (continued)

(e) Show whether the following statements are true or false. (2 marks)

Statement	True	False
The Chief Executive's policy on employee pay raises doubts about the ethical nature of the leadership and culture of Laleham Ltd.	✓	
Because Laleham Ltd complies with the NMW regulations, it is automatically considered to be behaving ethically in relation to its employees.		✓

(f) What action must Ian now take? (2 marks)

- [ ] Resign.
- [ ] Advise HMRC of the error without disclosing any information to Hettie or Penton Ltd.
- [x] Tell Hettie about the error and recommend that Penton Ltd disclose the error to HMRC.

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

Hettie may have a defence against a money laundering charge if she makes [an authorised disclosure] to the relevant authority.

Task 1.2 (15 marks)

(a) After the journals are processed, what will be the revised balance carried down on the VAT control account? (2 marks)

£ 64515.63

(b) Complete the following sentence. (1 mark)

This balance will appear on the credit side of the trial balance.

(c) Applying the conceptual framework from the ethical code, which of the following describes the situation faced by Jed Malone when recording sales to his brother's company? Choose ONE option. (2 marks)

- A self-review threat to professional competence and due care. ☐
- A familiarity threat to objectivity. ☑
- An intimidation threat to professional behaviour. ☐

(d) What should be your next action? (1 mark)

- Send a Suspicious Activity Report to the National Crime Agency. ☐
- Tell Brian and Lakmani about your concerns. ☑

(e) Which of the following should be your next action? (2 marks)

- Resign from BLM & Co. ☐
- Request that the visit by the VAT officer is postponed. ☑
- Agree to deal with the VAT officer in line with your employers' instructions. ☐

Task 1.2 (continued)

(f) Drag each of the four options below to the appropriate column and enter the totals to reconstruct the sales ledger control account for the three months ended 31 March 20X7. (2 marks)

Sales ledger control account

	£		£
Balance b/d	492,409	Cash book	934,076
Sales day book	970,370	Sales returns day book	21,177
		Journal (irrecoverable debt)	4,330
		Balance c/d	487,354
Total	1462779	**Total**	1446937

(g) Calculate the missing figure in the sales ledger control account. (1 mark)

£ 15842

(h) Which of the following could the missing figure represent? (2 marks)

- [x] Discounts allowed.
- [ ] Cheque from customer returned unpaid by the bank.
- [ ] Cash sales.

(i) Complete the following statement about irrecoverable debts. (2 marks)

The amount of an irrecoverable debt always relates to a specified customer.

Task 1.3 (15 marks)

(a) (i) Describe TWO threats to your ethical principles as a result of Brian's request. (2 marks)

(ii) What response should you give to Brian in order to remain ethical? (1 mark)

(iii) Give Brian ONE reason for your response to him. (1 mark)

In your answers you should refer to the guidance found in the ethical code for professional accountants.

(i) I am facing familiarity, intimidation and self-interest threats (1) because the partners of BLM & Co are trying to appeal to my loyalty to colleagues and fear of losing my job (1).

(ii) I would tell Brian that I can only complete the tasks they have requested if I have additional training/qualified support/supervision to do so (which will take time) (1) **OR** I would tell Brian that I cannot undertake the task competently so it should be given to someone else (1).

(iii) I do not have the experience, expertise (knowledge and skills), or time to complete the tasks properly. It would be a breach of the principles of professional competence and due care, and integrity, to attempt to do so immediately. (1).

(a) Ensuring sustainability is in the public interest, and accountants have a responsibility to work in the public interest (1)

Task 1.3 (continued)

(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*

To: Lakmani Moore <Lakmani.Moore@BLMCo.co.uk>
Subject: BLM & Co: change in structure

Hello Lakmani

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

(1) A limited company is a business structure which is a separate legal entity distinct from its owners (known as shareholders). It needs to be registered at Companies House. A company's accounts and finances are separate from the personal finances of its owners.

(2) A company is owned by shareholders, who have equity shares in the company. Persons acting as directors are responsible for running the company. A company must have at least one shareholder and at least one director. You and Brian can remain as the only owners if you own all the shares in the company between you; your ownership will be diluted if you include more shareholders. You can continue to run the company, acting as its only directors, or you may appoint additional directors.

Directors may be paid a salary by the company from its pre-tax profits. Shareholders may receive dividends paid from its after-tax profits. Any after-tax profits that are not paid out as dividends are reinvested in the company on the shareholders behalf.

(3) The key advantage of operating as a limited company is that of limited liability for the owners. While you as partners in BLM & Co currently have unlimited liability for all the debts of the business, shareholders' liability for any unpaid debts of the company is limited and they only stand to lose their investment in shares. The company as a separate legal entity remains fully liable for its debts.

The key disadvantage of operating as a limited company is that companies are heavily regulated. There are a number of accounting regulations involved with running a limited company, and the statutory requirements of the Companies Act 2006 apply, as do accounting standards. This means that there is a much greater administrative burden than for a partnership. A company must file accounts each year before a certain date and it must file documents when it is set up. All this extra administration bears a cost.

I hope this is useful to you. Please contact me if you have any questions.

Kind regards

Sam

Task 2.1 (25 marks)

Absorption worksheet:

	A	B	C	D	E	F	G
1							
2	**Budgeted overheads**	**£**	**£**				
3	Depreciation		71,500		*Basis of apportionment:*		
4	Rent and rates		60,000		Carrying amount		
5	Salaries:		165,000		Floor space		
6	Retail	46,000			Allocation		
7	Manufacturing	64,000					
8	Administration	55,000					
9	Total		296,500				
10							
11							
12							
13	**Department**	**Carrying amount of machinery**	**Floor space sq m**				
14	Retail	19,500	750				
15	Manufacturing	195,000	1,250				
16	Administration		900				
17	Total	214,500	2,900				
18							
19							
20	**Overhead apportionment table**						
21	**Budgeted overheads**	**Basis of apportionment**	**Retail**	**Manufacturing**	**Administration**	**Total**	
22	Depreciation	Carrying amount	6,500	65,000		71,500	
23	Rent and rates	Floor space	15,517	25,862	18,621	60,000	
24	Salaries	Allocation	46,000	64,000	55,000	165,000	
25			68,017	154,862	73,621	296,500	
26	**Reapportion Administration**		51,534.70	22,086.30			
27	**Total**		**119,552.00**	**176,948.00**		**296,500**	
28							
29							
30							
31							
32							
33							
34							
35							
36							
37							

Assessor: formulas used to calculate totals in row 25

Assessor: conditional formatting applied so that F27 is coloured green if it equals C9

Assessor: correct basis of apportionment entered in cells B22 and B24

Assessor: formulas used in cells C26 and D26 to re-apportion Administration

Assessor: cells C27 and D27 should have formula which totals and rounds to whole numbers.
e.g. =ROUND((C25+C26),0)

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Original Budget worksheet:

	A	B	C	D	E	F	G	H
1				20.00%				
2								
3	**BLM & Co: original budget for quarter ended 31 March 20X8**							
4			**Original Budget £**	**Flexed Budget £**	**Actual Results £**	**Variances £**		
5	**Number of units made and sold**		**5,000**		**6,000**			
6								
7	Revenue		£950,000.00	£1,140,000.00	£1,200,000.00	£60,000.00		
8	Materials:	Direct materials 1	£90,000.00	£108,000.00	£109,000.00	-£1,000.00		
9	Materials:	Direct materials 2	£110,000.00	£132,000.00	£136,000.00	-£4,000.00		
10	Materials:	Direct materials 3	£140,000.00	£168,000.00	£164,700.00	£3,300.00		
11	Variable overheads:	Supervision	£257,000.00	£308,400.00	£295,500.00	£12,900.00		
12	Fixed overheads:	Retail	£119,552.00	£119,552.00	£90,200.00	£29,352.00		
13	Fixed overheads:	Manufacturing	£176,948.00	£176,948.00	£206,700.00	-£29,752.00		
14	Operating Profit		£56,500.00	£127,100.00	£197,900.00	£70,800.00		
15								
16								
17								
18								
19								
20								

Assessor -this cell should have a formula =(6000-5000)/5000 showing 20.00% or if different formula could show 120.00%

Assessor: cells D7:D11 must refer to cell D1 as an absolute reference e.g. =C7*$D$1+C7 or =C7*$D$1 where D1 shows 120.00%

Assessor: revenue variance should be F7 - E7 and cost variances should be column E - Column F

Assessor: cell should contain formula to sum cells F7:F13 or E14-D14

Assessor: cells C12 and C13 should be referenced to the Absorption worksheet i.e. =Absorption!C27

Assessor - this cell should have a formula like =C7-(SUM(C8:C13)) and contain the value £56,500.00

Assessor - ensure the Fixed overheads are not flexed in cells D12 and D13

Goal seek worksheet:

	A	B	C	D	E	F
1				20.00%		
2						
3	**BLM & Co: original budget for quarter ended 31 March 20X8**					
4	**Item**		**Original Budget £**	**Flexed Budget £**	**Actual Results £**	**Variances £**
5	**Number of units made and sold**		**5,000**		**6,000**	
6						
7	Revenue		£950,000.00	£1,140,000.00	£1,200,000.00	£60,000.00
8	Materials:	Direct materials 1	£90,000.00	£108,000.00	£109,000.00	-£1,000.00
9	Materials:	Direct materials 2	£110,000.00	£132,000.00	£113,900.00	£18,100.00
10	Materials:	Direct materials 3	£140,000.00	£168,000.00	£164,700.00	£3,300.00
11	Variable overheads:	Supervision	£257,000.00	£308,400.00	£295,500.00	£12,900.00
12	Fixed overheads:	Administration	£119,552.00	£119,552.00	£90,200.00	£29,352.00
13	Fixed overheads:	Manufacturing	£176,948.00	£176,948.00	£206,700.00	-£29,752.00
14	Operating Profit		£56,500.00	£127,100.00	£220,000.00	£92,900.00
15						

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Screen print worksheet:

Paste your Goal Seek screen print here

Assessor if Goal Seek is correctly applied BEFORE accepting the result you should see this screen print.

	A	B	C	D	E	F	G
1				20.00%			
2							
3	**BLM & Co: original budget for quarter ended 31 March 20X8**						
4	**Item**		**Original Budget £**	**Flexed Budget £**	**Actual Results £**	**Variances £**	
5	**Number of units made and sold**		**5,000**		**6,000**		
6							
7	Revenue		£950,000.00	£1,140,000.00	£1,200,000.00	£60,000.00	
8	Materials:	Direct materials 1	£90,000.00	£108,000.00	£109,000.00	-£1,000.00	
9	Materials:	Direct materials 2	£110,000.00	£132,000.00	£136,000.00	-£4,000.00	
10	Materials:	Direct materials 3	£140,000.00	£168,000.00	£164,700.00	£3,300.00	
11	Variable overheads:	Supervision	£257,000.00	£308,400.00	£295,500.00	£12,900.00	
12	Fixed overheads:	Retail	£119,552.00	£119,552.00	£90,200.00	£29,352.00	
13	Fixed overheads:	Manufacturing	£176,948.00	£176,948.00	£206,700.00	-£29,752.00	
14	Operating Profit		£56,500.00	£127,100.00	£197,900.00	£70,800.00	

Goal Seek

Set cell: $E$14

To value: 200000

By changing cell: $E$9

OK Cancel

Task 2.2 (30 marks)

Invoices worksheet:

	A	B	C	D	E	F	G	H	I	J	K	L	M
1													
2	BLM & Co							VAT	20%	2	Assessors - this cell should show 2 duplicates		
3								Average Gross Invoice Value		£4,951.56			
4		20X7 sales of sinks for the last 6 months of trading through various outlets											
5													
6	Type	Description	Item No	Qualtity Sol	When	Where	Invoice N	Net Sale	Gross sales				
7	Jade	1 Bowl & drainer	35698	46	July	Internet	281762	£ 5,842.00	£ 7,010.40				
8	Jade	1 Bowl & drainer	35698	47	July	Direct	281763	£ 5,969.00	£ 7,162.80				
9	Jade	1 Bowl & drainer	35698	34	July	Jones & Co	281764	£ 4,318.00	£ 5,181.60				
10	Jade	1 Bowl & drainer	35698	42	July	Elders	281765	£ 5,334.00	£ 6,400.80				
11	Jade	1 Bowl & drainer	35698	11	July	Brinks	281766	£ 1,397.00	£ 1,676.40				
12	Jade	1 Bowl & drainer	35698	44	July	Ables	281767	£ 5,588.00	£ 6,705.60				
13	Jade	1 Bowl & drainer	35698	39	July	Elways	281768	£ 4,953.00	£ 5,943.60				
14	Jade	1 Bowl & drainer	35698	43	July	Zeebras	281769	£ 5,461.00	£ 6,553.20				
15	Emerald	1 Bowl reversible drainer	28654	13	July	Internet	281722	£ 1,612.00	£ 1,934.40				
16	Emerald	1 Bowl reversible drainer	28654	12	July	Direct	281723	£ 1,488.00	£ 1,785.60				
17	Emerald	1 Bowl reversible drainer	28654	6	July	Jones & Co	281724	£ 744.00	£ 892.80				
18	Emerald	1 Bowl reversible drainer	28654	49	July	Elders	281725	£ 6,076.00	£ 7,291.20				
19	Emerald	1 Bowl reversible drainer	28654	12	July	Brinks	281726	£ 1,488.00	£ 1,785.60				
20	Emerald	1 Bowl reversible drainer	28654	11	July	Ables	281727	£ 1,364.00	£ 1,636.80				
21	Emerald	1 Bowl reversible drainer	28654	39	July	Elways	281728	£ 4,836.00	£ 5,803.20				
22	Emerald	1 Bowl reversible drainer	28654	8	July	Zeebras	281729	£ 992.00	£ 1,190.40				
23	Diamond	1 cubic bowl & drainer	28457	37	July	Internet	281730	£ 6,105.00	£ 7,326.00				
24	Diamond	1 cubic bowl & drainer	28457	15	July	Direct	281731	£ 2,475.00	£ 2,970.00				
25	Diamond	1 cubic bowl & drainer	28457	48	July	Jones & Co	281732	£ 7,920.00	£ 9,504.00				
26	Diamond	1 cubic bowl & drainer	28457	24	July	Elders	281733	£ 3,960.00	£ 4,752.00				
27	Diamond	1 cubic bowl & drainer	28457	16	July	Brinks	281734	£ 2,640.00	£ 3,168.00				
28	Diamond	1 cubic bowl & drainer	28457	25	July	Ables	281735	£ 4,125.00	£ 4,950.00				
29	Diamond	1 cubic bowl & drainer	28457	37	July	Elways	281736	£ 6,105.00	£ 7,326.00				
30	Diamond	1 cubic bowl & drainer	28457	25	July	Zeebras	281737	£ 4,125.00	£ 4,950.00				
31	Quartz	1 square reversible	28791	48	July	Internet	281746	£ 6,528.00	£ 7,833.60				
32	Quartz	1 square reversible	28791	15	July	Direct	281747	£ 2,040.00	£ 2,448.00				
33	Quartz	1 square reversible	28791	30	July	Jones & Co	281748	£ 4,080.00	£ 4,896.00				
34	Quartz	1 square reversible	28791	21	July	Elders	281749	£ 2,856.00	£ 3,427.20				
35	Quartz	1 square reversible	28791	43	July	Brinks	281750	£ 5,848.00	£ 7,017.60				

Assessors: this cell should show the formula =AVERAGE(I7:I390)

Assessors - check this cell it should show =D17*(VLOOKUP(C17,'Price list'!$A$5:$D$12,4,FALSE))

Assessors: ensure this cell contains an absolute reference formula e.g. =H17*$I$2+H17

Screen print worksheet:

BLM & Co

VAT 20%

20X7 sales of sinks for the last 6 months of trading through various outlets

Type	Description	Item No	Sold	When	Where	Invoice No	Net
Jade	1 Bowl & drainer	35698	46	July	Internet	281762	£
Jade	1 Bowl & drainer	35698	47	July	Direct	281763	£
Jade	1 Bo	9					
Jade	1 Bo	9					
Jade	1 Bo	9					
Jade	1 Bo	9					
Jade	1 Bowl & drainer	3569					
Jade	1 Bowl & drainer	3569					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Emerald	1 Bowl reversible drainer	2865					
Diamond	1 cubic bowl & drainer	28457	37	July	Internet	281730	£
Diamond	1 cubic bowl & drainer	28457	15	July	Direct	281731	£
Diamond	1 cubic bowl & drainer	28457	48	July	Jones & Co	281732	£

Assessors this should show the "Select all" box highlighted

Assessors- this should show all columns selected and the use of the "Remove Duplicates" dialogue box.

Remove Duplicates

To delete duplicate values, select one or more columns that contain duplicates.

Select All | Unselect All | My data has headers

Columns
- Type
- Description
- Item No
- Sold
- When

OK | Cancel

Diamonds sink sold worksheet:

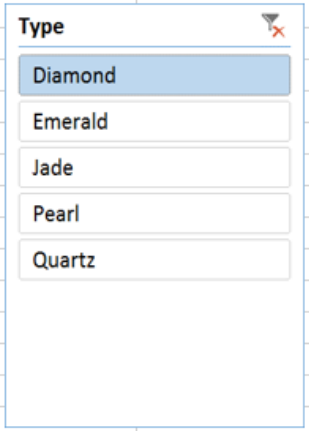
Type	Diamond	Assessors - ensure this is filtered to "Diamond"

Row Labels	Sum of Qualtity Sold
July	227
August	197
September	253
October	243
November	220
December	219
Grand Total	**1359**

Assessors - ensure table has been sorted July to December

Assessors - this total should be 1359

Assessors this could be achieved by the learner using slicers:-



Worksheet should be named "Diamond sinks sold"

BLM 1 worksheet:

	A	B	C	D	E	F	G
1							
2							
3							
4	**Partnership appropriation statement for year ended 31 December 20X7**						
5		Brian	Lakmani	Total			
6	Profit for the year			£250,000			
7	Salary		£25,000	£25,000			
8	Interest on drawings	£300	£180	£480			
9	Commission	£8,586	£8,500	£17,086			
10	Residual profit available for appropriation			£208,394			
11	Profit share	£125,036	£83,358	£208,394			
12	Total amount distributed to each partner	£133,322	£116,678	£250,000			
13							
14							
15	**Partnership current accounts for year ended 31 December 20X7**						
16		Brian	Lakmani	Brian	Lakmani		
17		Debit	Debit	Credit	Credit		
18	Balance brought down			£1,200	£3,200		
19	Salary				£25,000		
20	Drawings	£91,200	£84,400				
21	Interest on drawings	£300	£180				
22	Commission			£8,586	£8,500		
23	Profit share			£125,036	£83,358		
24	Balance carried down	£43,322	£35,478				
25		£134,822	£120,058	£134,822	£120,058		
26							
27							

Assessors: check that formulas have been used to provide totals.

Assessors: check formula has been used for balancing figures

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