

## **MARKING SCHEME**

**Subject:** Accounting

**Subject Code:** 09

**Paper Code:** 0901

**Year:** 2025

**Maximum Mark:** 100

## SECTION A (50 marks)

Question	Answer	Marks
1a (i)	D	1
1a (ii)	B	1
1a (iii)	A	1
1a (iv)	C	1
1a (v)	B	1
1a (vi)	B	1
1a (vii)	D	1
1a (viii)	B	1
1a (ix)	A	1
1a (x)	B	1
1a (xi)	D	1
1a (xii)	B	1
1a (xiii)	A	1
1a (xiv)	C	1
1a (xv)	B	1
1a (xvi)	D	1
1a (xvii)	B	1
1a (xviii)	D	1
1a (xix)	B	1
1a (xx)	D	1

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1b (i)	Performance based	1
1b (ii)	Deferred tax	1
1b (iii)	Payable days	1
1b (iv)	Sales	1
1b (v)	Decrease	1

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1c (i)	e (Most likely outcome)	1
1c (ii)	d (Appropriation of profit)	1
1c (iii)	g (Master Budget)	1
1c (iv)	a (Trend analysis)	1
1c (v)	f (Finance cost)	1

<b>Question</b>	<b>Answer</b>	<b>Marks</b>
1d (i)	False	1
1d (ii)	True	1
1d (iii)	False	1
1d (iv)	True	1
1d (v)	False	1

Question	Answer	Marks
1e (i)	<p>Award <b>1 mark</b> each for <b>any Two</b> valid recommendation supporting either <b>higher tax</b> or <b>lower tax</b> or <b>no change</b>.</p> <p>If a HIGHER tax rate is recommended:</p> <ul style="list-style-type: none"> <li>• Increase government revenue</li> <li>• Charge high tax to higher income earner</li> <li>• To have justice/fair/equality</li> <li>• Investment in public goods</li> <li>• Ensuring adequate public services</li> </ul> <p>If a LOWER tax rate is recommended:</p> <ul style="list-style-type: none"> <li>• Motivate/encourage coming of new business</li> <li>• Enhance the growth of existing business</li> <li>• Encourage investment</li> <li>• Reduce tax evasion</li> <li>• Increase disposal income</li> </ul> <p>If NO CHANGE (30%) is recommended:</p> <ul style="list-style-type: none"> <li>• Sustainable government revenue</li> <li>• Promotes economic stabilities</li> <li>• Balanced distribution of wealth</li> <li>• Encourage tax compliance</li> </ul> <p>→ Accept any other valid and relevant justification.</p>	2
1e (ii)	<p>Award <b>2 marks</b> for correct explanation based on stance.</p> <p><b>If the candidate explains “YES, it should be depreciated”</b> It is depreciated annually if investment property is measured at cost or cost model of the measurement is adopted.</p> <p><b>If the candidate explains “NO, it should not be depreciated”</b> It is not depreciated if investment property is measured at fair value.</p> <p>→ Accept any other valid and relevant justification. → <b>No marks</b> awarded for writing only Yes or No.</p>	2
1e (iii)	<p>If development cost can be recognised as an intangible asset:</p> <ul style="list-style-type: none"> <li>• Development cost can be recognized as an intangible asset if it fulfils the development criteria. <b>(1 mark)</b></li> <li>• It will appear in the statement of the financial position/<b>increase the value of assets. (1 mark)</b></li> </ul> <p>If development cost cannot be recognised as an intangible asset:</p> <ul style="list-style-type: none"> <li>• Development cost cannot be recognized as an intangible asset if it does not fulfill the development criteria. <b>(1 mark)</b></li> <li>• It will appear in the income statement/<b>increase expense/reduce profit. (1 mark)</b></li> </ul>	2

	→ Accept any other valid and relevant justification.	
1e (iv)	<p>Award <b>1 mark</b> each for <b>any TWO correct situations</b>. Examples include:</p> <ul style="list-style-type: none"> <li>• When a business <b>provides warranties</b> on products or services</li> <li>• When a business is involved in a <b>legal dispute or pending litigation</b>.</li> <li>• When a business has an <b>onerous contract</b> (expected costs exceed benefits).</li> </ul> <p>→ Accept other logically valid examples of provisions under accounting standards.</p>	2
1e (v)	<p>Award <b>1 mark</b> each for <b>any Two</b> valid reasons linked to the choice of financing.</p> <p>If Debt Financing is chosen:</p> <ul style="list-style-type: none"> <li>• If the interest rate is low, borrowing becomes cheaper</li> <li>• Interest payments are tax-deductible</li> <li>• If the economy conditions are stable, debt financing can be reasonable</li> <li>• <b>Accept the disadvantages of Equity Financing</b></li> </ul> <p>If Equity Financing is chosen:</p> <ul style="list-style-type: none"> <li>• If the interest rate is high, borrowing will be expensive</li> <li>• If the economic conditions are not stable, equity financing is safer</li> <li>• Unlike interest payment, dividend on equity is not compulsory</li> <li>• <b>Accept the disadvantages of Debt Financing</b></li> </ul> <p>→ <b>No marks</b> for simply writing “debt” or “equity”.</p> <p>→ Accept other logically justification.</p>	2

1e (vi)	Cash repayment of amount borrowed	1
1e (vii)	<p>Award <b>1 mark</b> each for <b>any Two</b> valid justifications supporting either 'yes' or 'no'.</p> <p>If "Yes" (present separately) is justified:</p> <ul style="list-style-type: none"> <li>• It ensures that they are clearly understood by users</li> <li>• It will help in making informed decisions</li> <li>• It complies with Accounting Standards</li> </ul> <p>If "No" (grouping is acceptable) is justified:</p> <ul style="list-style-type: none"> <li>• Grouping materials can improve focus</li> <li>• Excessive separation may complicate financial statements</li> <li>• Some items may be immaterial individually but significant in aggregate, so separate presentation is unnecessary.</li> </ul> <p>→ <b>No marks</b> for simply writing "Yes" or "No".</p> <p>→ Accept other logically valid reasons consistent with accounting standards.</p>	2
1e (viii) (a)	<p>Gross profit margin of 35.6% means for every Nu 100 sale, business can generate gross profit of Nu 35.6</p> <p>→ Accept other valid interpretations that correctly explain the ratio in relation to sales and gross profit.</p>	1
1e (viii) (b)	<p>Award <b>1 mark</b> for any <b>ONE</b> valid reason, such as:</p> <ul style="list-style-type: none"> <li>• Reduction in cost of goods sold</li> <li>• Increase sales turnover</li> <li>• Higher selling price</li> <li>• Favourable currency exchange rate</li> </ul> <p>→ Accept other valid reasons for the increase in gross profit margin.</p>	1

## SECTION B (50 marks)

Question	Answer	Marks																											
2a	<p>Award <b>1 mark</b> for any <b>one valid condition</b>, such as:</p> <ul style="list-style-type: none"> <li>• Bonus shares are issued to existing shareholders only</li> <li>• Bonus shares are issued proportionate to the number of shares held.</li> <li>• Bonus shares are issued to boost the confidence of shareholders.</li> <li>• Bonus shares are issued for free</li> <li>• Issued in place of cash dividend/retain profits</li> </ul> <p>→ Accept other logically valid conditions consistent with company law and accounting standards.</p>	1																											
2b	<p><b>Option 1: Two separate entries</b></p> <p>1. Transfer of share application money to share capital and share premium</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Share application and allotment a/c Dr</td> <td style="width: 20%; text-align: right;">120,000</td> <td style="width: 20%;"></td> </tr> <tr> <td style="padding-left: 20px;">To ordinary share capital a/c</td> <td></td> <td style="text-align: right;">100,000</td> </tr> <tr> <td style="padding-left: 20px;">To share premium a/c</td> <td></td> <td style="text-align: right;">20,000</td> </tr> </table> <p style="text-align: center;"><b>(1 mark for correct entry with correct amount)</b></p> <p>2. Refund of excess application money</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Share application and allotment a/c Dr</td> <td style="width: 20%; text-align: right;">24,000</td> <td style="width: 20%;"></td> </tr> <tr> <td style="padding-left: 20px;">To Bank a/c</td> <td></td> <td style="text-align: right;">24,000</td> </tr> </table> <p style="padding-left: 20px;">(being excess share application and allotment refunded)</p> <p style="text-align: center;"><b>(1 mark for correct entry with correct amount)</b></p> <p><b>Option 2: Single combined entry</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Share application and allotment a/c Dr</td> <td style="width: 20%; text-align: right;">144,000</td> <td style="width: 20%;"></td> </tr> <tr> <td style="padding-left: 20px;">To ordinary share capital a/c</td> <td></td> <td style="text-align: right;">100,000</td> </tr> <tr> <td style="padding-left: 20px;">To share premium a/c</td> <td></td> <td style="text-align: right;">20,000</td> </tr> <tr> <td style="padding-left: 20px;">To Bank a/c</td> <td></td> <td style="text-align: right;">24,000</td> </tr> </table> <p style="text-align: center;"><b>(2 marks for correct entry with correct amount)</b></p>	Share application and allotment a/c Dr	120,000		To ordinary share capital a/c		100,000	To share premium a/c		20,000	Share application and allotment a/c Dr	24,000		To Bank a/c		24,000	Share application and allotment a/c Dr	144,000		To ordinary share capital a/c		100,000	To share premium a/c		20,000	To Bank a/c		24,000	2
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2c (i)	<p>The cost of property = 2,000,000 + 50,000 + 40,000 = <b>2,090,000</b></p> <p>→ No marks for direct answer without calculation</p>	1																											
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2c (iii)	<p>Annual Depreciation = <math>12 / 100 * 2,090,000</math></p> <p>Depreciation for three years = <math>250,800 * 3 = 752,400</math></p> <p>Carrying amount = Cost – Depreciation (3years)</p> <p style="text-align: center;">= 2,090,000 – 752,400 = <b>1,337,600 (1 mark)</b></p>	1																											
2c (iv)	<p>Carrying amount = 1,337,600</p> <p>Disposal value = 1,500,000</p> <p>Profit on disposal = <b>162,400 (1 mark)</b></p>	1																											

	→ Do not accept marks if it is stated as loss even if the figure is correct.	
2d	<p>Award <b>1 mark each for Two valid area</b>, examples include:</p> <ul style="list-style-type: none"> <li>• Development of infrastructures</li> <li>• Improvement of public services delivery</li> <li>• Private sectors development</li> <li>• Employment opportunities</li> </ul> <p>→ Accept other logically valid areas where tax revenue can be invested to benefit society or the economy.</p>	2
2e	<ul style="list-style-type: none"> <li>• The difference arises because <b>accounting income is based on the accrual basis</b>, recognizing income when earned.</li> <li>• <b>Taxable income</b> is determined according to tax regulations, which may recognize income <b>only when it is received</b> (cash basis).</li> <li>• This timing difference between accounting recognition and tax recognition creates a temporary difference.</li> </ul> <p>→ <b>Award 1 mark</b> for clearly explaining the difference between accounting and taxable income in relation to accrual vs cash recognition.</p>	1

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3a	<table border="1"> <thead> <tr> <th>Particular</th> <th>Amount (Nu)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Sales revenue</td> <td>480,000</td> <td>(1 mark)</td> </tr> <tr> <td>Raw material consumed</td> <td>35,000</td> <td>(1 mark)</td> </tr> <tr> <td>Employee cost</td> <td>22,000</td> <td>(1 mark)</td> </tr> <tr> <td>Depreciation and amortization</td> <td>13,000</td> <td>(1 mark)</td> </tr> <tr> <td>Finance cost</td> <td>8,500</td> <td>(1 mark)</td> </tr> </tbody> </table>	Particular	Amount (Nu)		Sales revenue	480,000	(1 mark)	Raw material consumed	35,000	(1 mark)	Employee cost	22,000	(1 mark)	Depreciation and amortization	13,000	(1 mark)	Finance cost	8,500	(1 mark)	5																																																													
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3b	<p><b>Step 1: Calculate Weighted Average Cost per Unit</b></p> <ul style="list-style-type: none"> <li>Total inventory cost = <math>(30,000 \times 12) + (10,000 \times 13) + (15,000 \times 15) = 360,000 + 130,000 + 225,000 = \mathbf{715,000}</math></li> <li>Total inventory units = <math>30,000 + 10,000 + 15,000 = \mathbf{55,000}</math> units</li> <li>Weighted average cost per unit = <math>715,000 \div 55,000 = \mathbf{Nu. 13/unit}</math></li> </ul> <p><b>Step 2: Calculate Cost of Goods Sold (COGS)</b></p> <ul style="list-style-type: none"> <li>Total units sold = <math>22,000 + 9,000 = 31,000</math> units</li> <li>COGS = <math>31,000 \times 13 = \mathbf{Nu. 403,000}</math> (1 mark)</li> </ul> <p><b>Step 3: Calculate Closing Inventory</b></p> <ul style="list-style-type: none"> <li>Closing inventory = Total cost – COGS = <math>715,000 - 403,000 = \mathbf{Nu. 312,000}</math> (1 mark)</li> </ul> <p><b>Step 4: Calculate Sales Revenue</b></p> <ul style="list-style-type: none"> <li>Sales Revenue = <math>(22,000 \times 23) + (9,000 \times 30) = 506,000 + 270,000 = \mathbf{Nu. 776,000}</math> (1 mark)</li> </ul> <table border="1"> <thead> <tr> <th rowspan="2">Date</th> <th colspan="3">Receipt</th> <th colspan="3">Issue</th> <th colspan="3">Balance</th> </tr> <tr> <th>Qty</th> <th>Rate</th> <th>T</th> <th>Q</th> <th>R</th> <th>T</th> <th>Q</th> <th>R</th> <th>T</th> </tr> </thead> <tbody> <tr> <td>1/7/</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td>30000</td> <td>12</td> <td>360000</td> </tr> <tr> <td>3/7</td> <td>10000</td> <td>13</td> <td>130000</td> <td></td> <td></td> <td></td> <td>40000</td> <td>12.25</td> <td>490000</td> </tr> <tr> <td>10/7</td> <td>15000</td> <td>15</td> <td>225000</td> <td></td> <td></td> <td></td> <td>55000</td> <td>13</td> <td>715000</td> </tr> <tr> <td>20/7</td> <td></td> <td></td> <td></td> <td>22000</td> <td>13</td> <td>286000</td> <td>33000</td> <td>13</td> <td>429000</td> </tr> <tr> <td>23/7</td> <td></td> <td></td> <td></td> <td>9000</td> <td>13</td> <td>117000</td> <td>24000</td> <td>13</td> <td>312000</td> </tr> <tr> <td>29/7</td> <td>6,500</td> <td>20</td> <td>130,000</td> <td></td> <td></td> <td></td> <td>30,500</td> <td>14.49</td> <td>442,000</td> </tr> </tbody> </table> <p>→ No marks for direct answer without calculation</p>	Date	Receipt			Issue			Balance			Qty	Rate	T	Q	R	T	Q	R	T	1/7/							30000	12	360000	3/7	10000	13	130000				40000	12.25	490000	10/7	15000	15	225000				55000	13	715000	20/7				22000	13	286000	33000	13	429000	23/7				9000	13	117000	24000	13	312000	29/7	6,500	20	130,000				30,500	14.49	442,000	3
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3c	<p>Award <b>1 mark each for two valid strategies</b>. Examples include:</p> <ul style="list-style-type: none"> <li>Timely forecasting the sales</li> <li>Making order based on need basis</li> <li>Adopt effective advertisement strategies</li> <li>Customer relationship</li> <li>Implement inventory management software for tracking and planning.</li> <li>Categorize inventory (ABC analysis) to prioritize fast-moving items.</li> <li>Offer promotions or discounts for slow-moving stock.</li> </ul> <p>→ Accept other valid strategies.</p>	2																																																																															

Question	Answer	Marks
4a (i)	Copyright infringement → <b>This is the only acceptable term</b>	1
4a (ii)	Legal expense a/c <b>Provision Expenses</b> Dr. 2,000,000 To provision for Legal a/c 2,000,000 <b>(1 mark for correct entry and amount)</b>	1
4a (iii)	<ul style="list-style-type: none"> <li>• If it is probable then it is classified as provision <b>(1 mark)</b></li> <li>• If it is not probable/possible then it is classified as contingent liability <b>(1 mark)</b></li> </ul>	2
4b (i)	Profit-sharing ratio = 192,000: 128,000 = <b>3:2</b> → No marks for direct answer without calculation	1
4b (ii)	<ul style="list-style-type: none"> <li>• Commission of B doubles: <math>30,000 \times 2 = 60,000</math></li> <li>• Calculation: Original net divisible profit = 320,000 → <math>320,000 - 30,000 = 290,000</math></li> </ul> <p>→ Net divisible profit <b>decreases</b> by <b>30,000</b> or will <b>decrease</b> to <b>290,000</b>. → <b>No marks for writing only decrease</b></p>	1
4b (iii)	<ul style="list-style-type: none"> <li>• Without partnership agreement, assume equal profit sharing.</li> <li>• B's share = <math>400,000/2 = 200,000</math></li> </ul> <p>→ No marks for direct answer without calculation</p>	1
4c (i)	<b>No</b> , it is treated as <b>inventory</b> . → <b>No marks</b> for writing only 'no' or 'inventory'	1
4c (ii)	<b>No</b> , internally generated customer list is not <b>identifiable</b> and cannot be <b>measured</b> reliably. → <b>No marks</b> for writing only 'no'	1
4c (iii)	<b>Yes</b> , costs directly attributable to preparing the intangible asset for its intended use must be <b>capitalised</b> as part of the asset's cost. → <b>No marks</b> for writing only 'yes'	1

Question	Answer			Marks
	July	August	September	
5a				3
	<b>July month Collection</b>	100,000		
	<b>August month collection</b> 80% of 300,000	240,000		
	<b>September month collection</b> 20% of 300,000 80% of 500,000		60,000 400,000	
	<b>Total cash collection</b>	<b>100,000</b> <b>(1 mark)</b>	<b>240,000</b> <b>(1 mark)</b>	<b>460,000</b> <b>(1 mark)</b>
5b (i)	Deferred tax expense = $30/100 \times 50,000 = 15,000$ → No marks for direct answer without calculation			1
5b (ii)	<p><b>Option 1: Two separate entries</b></p> <p>1. Record of current tax Current tax expense a/c Dr 600,000     To current tax liability a/c 600,000 <b>(1 mark for correct entry of account and amount)</b></p> <p>2. Record of deferred tax Deferred tax expense a/c Dr 15,000     To deferred tax Liability a/c 15,000 <b>(1 mark for correct entry of account and amount)</b></p> <p><b>Option 2: Combined entries</b></p> <p>Current tax expense a/c Dr 600,000 Deferred tax expense a/c Dr 15,000     To current tax liability a/c 600,000     To deferred tax Liability a/c 15,000 <b>(2 marks for correct entry of account and amount)</b></p>			2
5c (i)	Company A: Current ratio = $110,000 / 60,000 = 1.8: 1$ <b>(1 mark)</b> Company B: Current ratio = $130,000 / 130,000 = 1:1$ <b>(1 mark)</b> → No marks for direct answer without calculation			2
5c (ii)	Company A is relying more on Equity Financing <b>(1 mark)</b> Company B is relying more on Debt Financing <b>(1 mark)</b>  → Accept alternative valid phrasing consistent with equity vs debt emphasis.			2

Question	Answer	Marks
6a	400 licenses will be treated as intangible assets <b>(1 mark)</b> 600 licenses will be treated as an inventory <b>(1 mark)</b>	2
6b	Award <b>1 mark</b> each for <b>any Two valid reasons</b> supporting either bonus or rights shares.  If in favour of issuing bonus shares: <ul style="list-style-type: none"> <li>• Boosts <b>morale and confidence</b> of existing shareholders</li> <li>• <b>Retains profits</b> for company growth and diversification</li> <li>• Avoids need to declare <b>cash dividends</b> (conserves cash)</li> </ul> If in favour of rights shares: <ul style="list-style-type: none"> <li>• <b>Increases cash assets</b> of the company</li> <li>• <b>Equity capital increases</b> without affecting reserves</li> <li>• Prevents <b>dilution of control</b> for existing shareholders</li> </ul> → Accept alternative valid reasons consistent with the choice	2
6c (i)	Award <b>1 mark</b> each for <b>any One valid reason</b> supporting <b>either Yes or No</b> :  If Yes (higher reserves are good): <ul style="list-style-type: none"> <li>• Supports growth and expansion</li> <li>• Ensures financial stability</li> <li>• Can be used to declare dividends and issue bonus shares</li> <li>• Helps in managing liabilities</li> </ul> If No (higher reserves not always good): <ul style="list-style-type: none"> <li>• Money tied up in reserves could be invested elsewhere</li> <li>• Inefficiency in uses of reserve will lead to wastage.</li> <li>• Demotivate the investor</li> <li>• Provides negative signal to market</li> </ul> → <b>Do not award marks</b> if the student only writes Yes/No without reasoning. → Alternative valid reasons that logically justify the stance are acceptable.	1
6c (ii)	Award <b>1 mark</b> each for <b>any One valid reason</b> supporting <b>either Yes or No</b> :  If Yes (Follow consistency principle) <ul style="list-style-type: none"> <li>• To have uniformity in accounting standard adoption</li> <li>• To have better decision making</li> <li>• Provide timely information to the users.</li> </ul> If No (Consistency cannot be followed) <ul style="list-style-type: none"> <li>• The consistency cannot be maintained if there are changes in accounting standard.</li> </ul> → <b>Do not award marks</b> if the student only writes Yes/No without reasoning. → Alternative valid reasons that logically justify the stance are acceptable.	1

6c (iii)	<p>Award <b>1 mark</b> each for <b>any One valid reason</b> supporting <b>either Yes or No</b>:</p> <p><b>If Yes (Financing activity)</b> Bank overdrafts are always treated as part of financing activity if the overdraft is arranged as part of an ongoing financing facility or if it represents funds borrowed from the bank to finance operations.</p> <p><b>If No (other options)</b> According to IAS 7, bank overdrafts may be included as a component of cash and cash equivalents if they are repayable on demand and form an integral part of the entity's cash management.</p> <p>→ <b>Do not award marks</b> if the student only writes Yes/No without reasoning. → Alternative valid reasons that logically justify the stance are acceptable.</p>	1												
6c (iv)	<p>Award <b>1 mark</b> each for <b>any One valid reason</b> supporting <b>either Yes or No</b>:</p> <p><b>If Yes (amortised)</b> Intangible asset is amortized annually if the useful life of Intangible Asset is <b>determined/ finite</b>.</p> <p><b>If No (Not amortised)</b> Intangible asset is not amortized if the useful life of intangible asset is <b>indefinite</b>.</p> <p>→ <b>Do not award marks</b> if the student only writes Yes/No without reasoning. → Alternative valid reasons that logically justify the stance are acceptable.</p>	1												
6d	<p>1. <b>Year 2023 – Purchase of Investment Property</b></p> <table style="margin-left: 40px;"> <tr> <td>Investment property a/c Dr</td> <td style="text-align: right;">3,000,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">To bank a/c</td> <td></td> <td style="text-align: right;">3,000,000</td> </tr> </table> <p style="text-align: center;"><b>(1 mark for correct entry and amount)</b></p> <p>2. <b>Year 2025 – Revaluation to Fair Value</b></p> <table style="margin-left: 40px;"> <tr> <td>Income Statement a/c Dr</td> <td style="text-align: right;">200,000</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">To investment property a/c</td> <td></td> <td style="text-align: right;">200,000</td> </tr> </table> <p style="text-align: center;"><b>(1 mark for correct entry and amount)</b></p>	Investment property a/c Dr	3,000,000		To bank a/c		3,000,000	Income Statement a/c Dr	200,000		To investment property a/c		200,000	2
Investment property a/c Dr	3,000,000													
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Question	Answer	Marks																											
7a (i)	<p>Award <b>1 mark for any correct and relevant difference:</b></p> <ul style="list-style-type: none"> <li>• <b>Bond:</b> Issued by a corporation, government, or organization to the public to raise capital.</li> <li>• <b>Loan:</b> Borrowed from a single lender such as a bank or financial institution.</li> </ul> <p><b>Other acceptable differences:</b></p> <ul style="list-style-type: none"> <li>• Bonds can be <b>traded in secondary markets</b>, loans are usually not.</li> <li>• Bonds often have <b>fixed interest rates and maturity</b>, loans may be more flexible.</li> <li>• Bonds can involve <b>many investors</b>, loans involve <b>one lender</b>.</li> </ul> <p>→ Accept other valid differences.</p>	1																											
7a (ii)	<p><b>1. Issue of bonds</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Bank a/c</td> <td style="width: 10%; text-align: center;">Dr</td> <td style="width: 60%; text-align: right;">47,500,000</td> </tr> <tr> <td>Discount on 5% bond a/c</td> <td style="text-align: center;">Dr</td> <td style="text-align: right;">2,500,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To 5% Bond payable a/c</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">50,000,000</td> </tr> </table> <p><b>(1 mark for correct entry and amount)</b></p> <p><b>2. Recording of bond interest</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Finance cost a/c</td> <td style="width: 10%; text-align: center;">Dr</td> <td style="width: 60%; text-align: right;">2,750,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To 5% bond interest payable/ cash/bank a/c</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2,500,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To discount on 5% bond payable a/c</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">250,000</td> </tr> </table> <p><b>(1 mark for correct entry and amount)</b></p>	Bank a/c	Dr	47,500,000	Discount on 5% bond a/c	Dr	2,500,000			To 5% Bond payable a/c			50,000,000	Finance cost a/c	Dr	2,750,000			To 5% bond interest payable/ cash/bank a/c			2,500,000			To discount on 5% bond payable a/c			250,000	2
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7b (i)	<p>Employee Turnover Ratio = Number of resignation / Average Employees =  10 / 125 = <b>0.08 or 8%</b></p> <p>→ No marks for direct answer without calculation</p>	1																											
7b (ii)	<p>Award <b>1 mark each for any TWO points:</b></p> <ul style="list-style-type: none"> <li>• Increase cases of resignations</li> <li>• Low employee morale or employee will be demotivated</li> <li>• Difficulty in attracting new employees</li> </ul> <p>→ Accept other valid points</p>	2																											
7c	<p><b>1. Recording of grant received</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Bank a/c</td> <td style="width: 10%; text-align: center;">Dr</td> <td style="width: 60%; text-align: right;">600,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To deferred income 600,000</td> </tr> </table> <p><b>(1 mark for correct entry and amount)</b></p> <p><b>2. Recording of grant income recognised</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Deferred income a/c</td> <td style="width: 10%; text-align: center;">Dr</td> <td style="width: 60%; text-align: right;">30,000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">To income from grant a/c</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">30,000</td> </tr> </table> <p><b>(1 mark for correct entry and amount)</b></p>	Bank a/c	Dr	600,000			To deferred income 600,000	Deferred income a/c	Dr	30,000			To income from grant a/c			30,000	2												
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7d	Contingent assets are <b>not recognised</b> unless it is <b>virtually certain</b>	1
7e	<p><b>Award 1 mark if Both</b> of the following impacts are present:</p> <ul style="list-style-type: none"> <li>• The liability of the company will decrease</li> <li>• The net assets (equity) will increase.</li> </ul> <p><b>Other acceptable phrasing:</b></p> <ul style="list-style-type: none"> <li>• “The company’s liability is reduced, improving the statement of financial position.”</li> <li>• “Decrease in provision increases retained earnings or net assets.”</li> </ul> <p>→ <b>Do not award marks</b> if the answer only states “decrease” or “increase” without linking it to liabilities or net assets.</p> <p>→ <b>Do not award marks</b> if only <b>ONE</b> correct impact is mentioned.</p>	1