2011 Accounting

Higher − Solutions

Finalised Marking Instructions

2011 Accounting

Higher – Solutions

Question 1

Restaurant Trading and Profit and Loss Account for year ending 31 December Year 11 ✓

	£000		£000	
Sales			65	***(1)***
Less Cost of Sales				
Opening Stock	12			
1 1				
Add Purchases (30 – 5 + 4)	29	***(2)*** ***(1)***		
	41			
less Closing Stock	10		31	
GROSS PROFIT			34	
Less Expenses				
Restaurant Staff Wages	25	***(1)***		
Electricity (7 + 1 ***(1)*** – 2 ***(1)***) × (1/3) ***(1)***	2	***(3)***		
Depreciation: Fittings (10% × 10)	1	***(1)***	28	
PROFIT ON RESTAURANT ✓			6	
				(9)

Income and Expenditure Account for year ended 31 December Year 11 ✓

	£000		£000	
Income				
Subscriptions	54	***(5)***		
Hire of Lockers	2	***(1)***		
Profit On Raffle (5 – 2)	3	***(2)***		
Profit on Restaurant	6	***(1)***	**65**	
Less Expenditure				
Loss on Dance (7-9)	2	***(2)***		
Secretary's Honorarium	3	***(1)***		
Loan Interest (5 – 3 ***(1)*** + 2 ***(1)***)	4	***(2)***		
Electricity (7 + 1 – 2) × (2/3)	4	***(1)***		
Insurance	2	***(1)***		
General Expenses	4	***(1)***		
Depreciation: Clubhouse Fittings (10% × 30)	3	***(2)***		
Depreciation: Tennis Equipment (3 + 6 – 7)	2	***(2)***		
Groundsman's Wages	18	***(1)***	**42**	
SURPLUS OF INCOME ✓			**23**	
				(22)

Subscriptions

Received	70	
Less Arrears – Year 10	2	***(1)***
	68	
+ in advance – Year 10	3	***(1)***
	71	
+ arrears – Year 11	5	***(1)***
	76	
- in advance – Year 12	4	***(1)***
	72	
- 25% capitalised	18	***(1)***
	54	***(5)***

Balance Sheet as at 31 December Year 11 ✓

	£000		**£000**	
Fixed Assets				
Clubhouse			100	***(1)***
Clubhouse Fittings (30 – 3)			27	***(1)***
Restaurant Fittings (10 – 1)			9	***(1)***
Tennis Equipment			7	***(1)***
			143	
Current Assets				
Restaurant Stocks	10	***(1)***		
Electricity Prepaid	2	***(1)***		
Subs in arrears	5	***(1)***		
Cash/Bank (5 + 149 – 131)	23	***(2)***		
	40			
Less Current Liabilities				
Restaurant Purchases Creditors	4	***(1)***		
Loan Interest accrued	2	***(1)***		
Subs in advance	4	***(1)***		
	10		30	
			173	
Accumulated Fund			72	***(3)***
Add Surplus of Income			23	***(1)***
Add Subs capitalised			18	***(2)***
			113	
Loan (80 – 20)			60	***(1)***
			173	
				(19)

Calculation of Accumulated fund at 1 January Year 11

Assets	**£000**		**Liabilities**	**£000**	
Clubhouse	100		Subs in advance	3	
Clubhouse Fittings	30		Creditors	5	
Restaurant Fittings	10		Loan Interest due	3	
Tennis Equipment	3		Loan	80	
Restaurant Stocks	12				
Cash/Bank	5				
Electricity prepaid	1				
Subs in arrears	2				
	163			91	

Accumulated Fund: 163 – 91 = 72 ***(3)***

(50)

Question 2

Evans and Jones
Manufacturing Account for year ended 31 December Year 2 ✓

	£000		£000		
Raw Materials					
Opening Stock: Raw Materials	30	***(1)***			
Add Purchases	200	***(1)***			
	230				
Carriage on Raw Materials	5	***(1)***			
	235				
Less Closing Stock	35	***(1)***			
COST OF RAW MATERIALS CONSUMED ✓			**200**		
Add Direct Costs					
Direct Wages (50% × 300)	150	***(1)***			
Royalties	30	***(1)***	**180**		
PRIME COST ✓			**380**		***(6)***
Add Factory Overheads					
Depreciation: Plant and Machinery 20% × (60 – 25)	7	***(2)***			
Indirect Factory Wages (30% × 300)	90	***(1)***			
Factory Insurance (2/3 × (12 – 3))	6	***(2)***			
Electricity (3/4 × (20 + 4))	18	***(2)***	**121**		
			501		
Add Work-in-Progress at start			10	***(1)***	
			511		
Less Work-in Progress at end			15	***(1)***	
COST OF GOODS MANUFACTURED ✓			**496**		
Profit on Manufacturing ✓			56	***(2)***	
MARKET VALUE OF GOODS MANUFACTURED ✓			552	***(1)***	***(12)***

Trading and Profit and Loss and Appropriation Account for year ended 31 December Year 2 ✓

	£000		£000		
Sales		*(1)*	700		
Stock of Finished Goods at start	40	*(1)*			
Add Market Value	552	*(2)*			
Warehouse Expenses	6	*(1)*			
	598				
Less Closing Stock: Finished Goods	45	*(1)*			
COST OF SALES			553		*(6)*
GROSS PROFIT ✓			147		
Add Profit on Manufacturing			56	*(2)*	
			203		
Less Expenses					
Insurance (1/3 × 9)	3	*(1)*			
Electricity (1/4 × 24)	6	*(1)*			
Office and Selling Expenses	11	*(1)*			
Office Wages (20% × 300)	60	*(1)*			
Interest on Overdraft	2	*(1)*			
Increase in Provision for Bad Debts (3 – 2)	1	*(2)*	83		
NET PROFIT ✓			120		*(9)*
Less Appropriations					
Add Interest on Drawings					
Evans	1	*(1)*			
Jones	2	*(1)*	3		
			123		
Less Interest on Capital					
Evans	2	*(1)*			
Jones	3	*(1)*	5		
			118		
Less Salary – Evans			8	*(1)*	
RESIDUAL PROFIT			110		
Share of Profit					
Evans (2/5 × 110)	44	*(2)*			
Jones (3/5 × 110)	66		110		*(7)*

(40)

Question 3

PART A

(a)	**(i)**	Net Profit	25% × 80,000 = 20,000	***(1)***
	(ii)	Gross Profit Ratio	Gross Profit = Net Profit + Expenses	
			= 20,000 + 16,000 = 36,000 ***1***	
			Gross Profit Ratio = 36/80 × 100 = 45% ***1***	***(2)***
	(iii)	Mark-up Ratio	Gross Profit/Cost of Sales × 100	
			1	
			36/44 × 100 = 81.8% ***1***	***(2)***
	(iv)	Rate of Stock Turnover	Cost of Sales/Average Stock	
			44/11 = 4 times ***2***	***(2)***
	(v)	Expenses Ratio	Expenses/Sales × 100	
			16/80 × 100 = 20% ***2***	***(2)***
	(vi)	Debtors' Collection Period	Average Debtors/Credit Sales × 365	
			Credit Sales = 75% × 80 = 60 ***1***	
			6/60 × 365 = 36.5 (days) ***2***	***(3)***
	(vii)	Return on Capital Employed	Net Profit/Capital × 100	
			20/50 × 100 = 40% ***2***	***(2)***
				(14)

Question 3 (continued)

(b) **(i)** Cost of Sales

ROST = COS/Average Stock

COS/15 = 6

COS = 15 × 6 = £90,000 ***2*** ***(2)***

(ii) Sales

Gross Profit = 40% × Sales

Cost of Sales = 60% × Sales

£90,000 × 100/60

Sales = £150,000 ***2*** ***(2)***

(iii) Gross Profit

Gross Profit = 40% × £150,000 = £60,000
Or
150,000 – 90,000 = £60,000 ***(1)***

(iv) Purchases

Purchases + Opening Stock – Closing Stock = Cost of Sales

Average Stock = 15,000 × 2 = £30,000

£30,000 – Opening Stock = Closing Stock

30,000 – 11,000 = £19,000 ***2***

Purchases = 90,000 – 11,000 + 19,000 = £98,000 ***2*** ***(4)***

(v) Net Profit

Gross Profit – Expenses = Net Profit

60,000 – (18% × 150) = £33,000 ***2*** ***(2)***

(11)

(c) **Ways of reducing Gross Profit Ratio:**

Decrease in Selling Price ***2*** ***(2)***

PART B

(a) Calculation of Total Depreciation

Asset	Year 1	Year 2	Year 3	Total
Motor Vehicles	9/12 × 20% × £15,000	20% × £15,000	6/12 × 20% × £15,000	
	£2,250 ***(2)***	£3,000 ***(1)***	£1,500 ***(2)***	**£6,750**

OR

3000 ***(1)*** + 3000 ***(1)*** + 750 ***(3) = £6,750***

Plant/Machinery	nil	6/12 × 10% × £20,000	9/12 × 10% × (£20,000 – £1,000)		
		£1,000 ***(2)***	£1,425 ***(2)***	**£2,425**	***(9)***

(b) Profit/Loss on sale of Motor Vehicles

(1)

Net Book Value = £15,000 – £6,750 = £8,250

(1) ***(1)*** ***(1)***

Selling Price – Net Book Value = £7,000 – £8,250 = £1,250 **LOSS** ***(4)***

(40)

Question 4

(a) (i)

Preference Shares	**Ordinary Shares**
• First to receive any dividend	• Last to receive any dividend
• Dividends are a fixed rate	• Dividends are at a variable rate
• First to be repaid capital	• Last to be repaid capital
• No voting rights at AGM	• Voting rights at AGM
• Dividends can be cumulative	• Dividends not cumulative
• Shares can be redeemable	• Shares are non-redeemable
• Less risky investment	• More risky investment

1 mark <u>per line</u> to a maximum of 4

(ii)

Bonus Issue (Scrip Issue)	**Rights Issue**
Shares are allotted free ***(1)***	Shares are allotted for purchase ***(1)***
Can be financed by share premium ***(1)***	At a discounted price ***(1)***
Bonus encourages loyalty ***(1)***	Raises capital/finance ***(1)***

4 marks

(b)

Capital Expenditure	**Revenue Expenditure**
Purchase of an asset for long term use eg Machinery, Buildings etc ***(1)***	Payment of any short term expense eg Wages, Rent etc ***(1)***

Maximum – 2 marks

(10)

Question 5

(a) PROCEDURES FOR ADMISSION OF NEW PARTNER

- Revaluation of assets to show true value ***(1)***
- Sharing of any profit or loss on revaluation among existing partners ***(1)***
- Valuation of goodwill ***(1)***
- Sharing of any goodwill among existing partners ***(1)***
- Goodwill can be written off between the new partnership ***(1)***
- Revision of the partnership agreement to include the financial ***(1)*** details of the new partner: capital, drawings, interest on each, salary, premium for goodwill, and the new profit sharing ratio ***(1 max)***

Maximum – 4 marks

(b) (i) <u>Share Premium</u>

This is the difference between the issue price and nominal value of a share where the issued price is higher ***(1)***

The premium must be shown in the Balance Sheet as a reserve ***(1)*** which is not available for cash distribution ***(1)***

The Premium must be used for:

- writing off preliminary and issue expenses
- making bonus issue of shares
- writing off discount on shares
- writing off premium paid on redemption of redeemable preference shares
- or premium on redemption of ordinary shares under certain circumstances ***(max 1)***

Maximum – 3 marks

(ii) <u>Articles of Association</u>

One of the 2 main legal documents to be lodged with the Registrar of Companies ***(1)*** when wishing to incorporate a limited company.

Deals with the internal regulations for the management of the proposed company. ***(1)***

Subordinate to, and controlled by the Memorandum of Association. ***(1)***

Will state the way in which the company is to be administered with particular reference to:

- matters relating to the raising of capital eg borrowing powers or share allotment
- directors' remuneration and powers
- dividends and reserves
- holding of meetings
- the rights of shareholders ***(max 1)***

Where a company does not have Articles of its own, the provisions of Table A of the companies Act becomes the Articles. ***(1)***

Maximum – 3 marks

(10)

Question 6

PART A

	January	February	March	April	May	June
Production	2,500	2,400	1,800	2,300	1,900	1,600
Sales	2,510	2,460	1,750	2,340	1,930	1,640

	£
Selling Price –	
Cash Customers	18
Credit Customers (one month)	19

Cash Budget for the 3 months March to May Year 3

	March		**April**		**May**	
Opening Balance	50,000	***(1)***	73,682		123,465	
Receipts						
Cash Sales	12,600	***(1)***	16,848	***(1)***	13,896	***(1)***
Credit Sales:						
1 Month	14022	***(2)***	9975	***(2)***	13338	***(2)***
2 Months	15060	***(2)***	14760	***(2)***	10500	***(2)***
Ordinary Shares	20,000	***(1)***				
Share Premium	10,000	***(2)***				
Bank Loan			60,000	***(1)***		
Total Receipts	71,682		101,583		37,734	
Payments						
Materials	9,200	***(1)***	7,600	***(1)***	6,400	***(1)***
Labour	9,000	***(1)***	11,500	***(1)***	9,500	***(1)***
Overheads:						
One-quarter	1,800	***(1)***	2,300	***(1)***	1,900	***(1)***
Three-quarters	7,200	***(1)***	5,400	***(1)***	6,900	***(1)***
Labour Bonus	800	***(1)***	–		600	***(1)***
Fixed Costs	20,000		25,000	***(1)***	20,000	***(1)***
Equipment					80,000	***(1)***
Loan Repayment					5,250	***(2)***
Total Payments	48,000		51,800		130,550	
Closing Balance	73,682		123,465		30,649	
		(14)		***(11)***		***(14)***

(39)

PART B

	RECEIPTS				ISSUES				BALANCE			
Date	**Qty**	**Cost Per Unit**	**Total**		**Qty**	**Cost Per Unit**	**Total**		**Qty**	**Cost Per Unit**	**Total**	
May 1									500	£4.00	£2,000	***1***
May 3	500	£4.20	£2,100	***1***					1,000	£4.10	£4,100	
May 8					600	£4.10	£2,460	***2***	400	£4.10	£1,640	
May 12	400	£4.40	£1,760	***1***					800	£4.25	£3,400	
May 15					200	£4.40	£880	***2***	600	£4.20	£2,520	
May 18					400	£4.20	£1,680	***2***	200	£4.20	£840	
May 20	1,000	£4.14	£4,140	***1***					1,200	£4.15	£4,980	***1***

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(50)

Question 7

PART A

(a) **(i)** Selling Price = VC + C = £20 + £10 = £30 ***(1)*** ***(1)*** **2**

(ii) Fixed Costs = BEP × Contribution Per Unit

= 6,000 units × £10 ***(1)*** ***(1)***

= £60,000 **2**

(iii) Profit After Tax = £20,000

Profit Before Tax = £20,000 / 4 × 5

= £25,000 ***(2)***

No of Extra Units to be sold = £25,000 ***(1)*** / £10 ***(1)*** = 2,500 units

Number of units to be sold = BEP + Extra units

= 6,000 + 2,500 = 8,500 units ***(1)***

Or £25,000 ***(1)*** + £60,000 ***(1)*** **=** 8,500 units / £10 ***(1)*** **5**

(iv) PV Ratio = C / SP × 100 = £10 / £30 × 100 = 33.3% ***(2)*** (or 1/3) **2**

(b) **(i)** New Contribution = £30 – (£7 + £7 + £8) = £8 ***(1)*** ***(1)***

New Fixed Costs = 110% × £60,000 = £66,000 ***(1)***

BEP = £66,000 / £8 = 8,250 units ***(2)*** **5**

(ii) Margin of Safety at 9,000 units =

9,000 – 8250 = 750 units ***(1)***

Sales Value = 750 units × £30 = £22,500 ***(1)*** **2**

(iii) Profit/Loss on sales of 5,000 units =

8,250 – 5,000 = 3,250 units ***(1)***

3,250 × £8 = £26,000 Loss ***(1)*** **2**

Total for Part A ***(20)***

PART B

(a) (i) **Process 3 Account**

	QTY	CPU	£			QTY		CPU	£	
Process 2	2,000 kgs	£5	10,000	***1***	Normal Loss	200 kgs		£4	800	***1***
Materials	2,000 kgs	£3	6,000	***1***	Abnormal Loss	300 kgs	***1***	£5.50	1,650	***4***
Labour			3,000	***1***	Stock	3,250 kgs		£5.50	17,875	
V Overhead			950	***1***	WIP	250 kgs			625	***1***
F Overhead			1,000	***1***						
			£20,950						£20,950	***12***

Cost per unit: 20,950 – 800 – 625/3250 + 300 = £5.50

(ii) **Abnormal Loss Account**

	QTY	CPU	£			QTY	CPU	£	
Process 3	300 kgs	£5.50	1,650	***1***	Bank	300 kgs	£4	1,200	***2***
					Profit & Loss			450	***1***
			£1,650					£1,650	
									4

(b) Total Cost of 30 kgs = 30 × £5.50 = £165 ***1***

(Margin = 25% = 1/4 – Mark-up = 1/3)

Mark-up therefore = 1/3 × £165 = £55 ***3***

Selling Price £220 ***4***

Total for Part B ***(20)***

Total ***(40)***

Alternative Solution – Question 7 PART B

(a) (i)

Process 3 Account

	DR				CR				Balance		
	Q (kgs)	P	£		Q (kgs)	P	£		Q (kgs)	P	£
Process 2	2000	£5	10,000	***1***					2000		10,000
Materials	2000	£3	6,000	***1***					4000		16,000
Labour			3,000	***1***							19,000
Variable Overhead			950	***1***							19,950
Fixed Overhead			1,000	***1***							20,950
Normal Loss					200	£4	800	***1***			20,150
Work-in Progress					250		625	***1***			19,525
Abnormal Loss					300	***1*** £5.50	***2*** 1,650				17,875
Transfer to Stock					3250	£5.50	***2*** 17,875				£0

Unit Cost

£19,525/3550 = £5.50 ***12***

(ii) Abnormal Loss Account

	DR				CR				Balance			
	Q (kgs)	P	£		Q (kgs)	P	£		Q (kgs)	P	£	
Process 3	300	£5.50	1,650	***1***							1,650	
Bank					300	£4	1,200	***2***			450	
Profit and Loss							450	***1***			0	***4***

(b) Total Cost of 30 kgs = 30 × £5.50 = £165 ***1***

(Margin = 25% = 1/4 – Mark-up = 1/3)

Mark-up therefore = 1/3 × £165 = £55 ***3***

Selling Price £220 ***4***

Total for Part B *(20)*

Total *(40)*

Question 8

(a) (i) Total machine hours at current production level:

Y = 6,000 × 2 =	12,000	***1***	
Z = 4,500 × 4 =	18,000	***1***	
	30,000	machine hours	***2***

(ii)

		Product Y		**Product Z**		
		£	£	£	£	
	Selling Price		50		70	***1***
Less	Variable Costs:		***1***			
	Materials	10	***1***	6		
	Labour	20		40		
	Overheads	6 ***1***	36	12 ***1***	58	
	Contribution per unit		14		12	***5***

		Product Y	**Product Z**	**Total**	
	Total Contribution	***1*** £14 × 6,000 = £84,000	***1*** £12 × 4,500 = £54,000	£138,000	
Less	Fixed Costs			50,000	***1***
	Total Profit			£88,000	***3***

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ALTERNATIVE

	Y		**Z**		**Total**	
Sales		300,000	***1***	315,000		
Materials	60,000	***1***	27,000			
Labour	12,000	***1***	180,000			
Overheads	36,000 ***1***	216,000	54,000 ***1***	261,000		
		84,000 ***1***		54,000 ***1***	138,000	
				Fixed Costs	50,000	***1***
				Profit	88,000	
						8

(b) (i) No of hours at full Capacity = $\frac{30,000}{75} \times 100 = 40,000$ machine hours ***2***

(ii)

		Product Y		**Product Z**		
Contribution per Machine Hour =		£14 / 2	***2***	£12 / 4	***2***	
	=	£7		£3		
Order of priority		First		Second	***1***	
Total Machine Hours available:						40,000
Less: Hours allocated to Y (8,000 × 2)						16,000
Available for Z						24,000 ***2***
Number of units to be produced:		16,000 / 2	***1***	24,000 / 4	***1***	
	=	8,000	units	6,000	units	***9***

(iii)

	Product Y		**Product Z**		**Total**	
Total Contribution	£14 × 8,000	***1***	£12 × 6,000	***1***		
	£112,000		£72,000		£184,000	
(iv) Less Fixed Costs					60,000	***2***
Maximum Profit					£124,000	***4***

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ALTERNATIVE

	Y				**Z**				**Total**	
Sales			400,000				420,000			
Materials	80,000				36,000					
Labour	160,000				240,000					
Overheads	48,000		288,000		72,000		348,000			
			112,000	***1***			72,000	***1***	184,000	
							Fixed Costs		60,000	***2***
							Profit		124,000	
										4

(c) Machine hours now available:
Hours per machine =
40,000 / 5 = 8 ***2*** 140% × 40,000 = 56,000 machine hours ***2***

Product A:	£		£	
Selling Price			£60	
Materials	6	***1***		
Labour	30			
Variable Overheads	9	***1***	45	
Contribution per unit			£15	

Contribution per Machine Hour = £15 / 3 = £5 ***1***

Order of Priority: Y, A, Z

	Product Y		**Product A**		**Product Z**		**Total**	
Machine Hours Allocated	16,000 / 2		21,000 / 3		19,000 / 4		56,000	
Quantity to be produced:	8,000 × £14	***1***	7,000 × £15	***2***	4,750 × £12	***2***		
Total Contribution:	£112,000	***1***	£105,000	***1***	£57,000	***1***	£274,000	
Less Fixed Costs							90,000	***2***
Maximum Profit for Year 3							£184,000	***13***
								15

Total ***(40)***

ALTERNATIVE

	Y		**A**		**Z**		**TOTAL**		
Sales		400,000		420,000		332,500			
Materials	80,000		42,000		28,500				
Labour	160,000		210,000		190,000				
Overheads	48,000	288,000	63,000	315,000	57,000	275,500			
		112,000	***1***	105,000	***1***	57,000	***1***	274,000	
								90,000	***2***
								184,000	
									5

Question 9

(a) **Allocation** – takes place when the overhead cost can be identified with a particular department ***1*** it is a cost which is unique to that particular department ***1*** and the department is charged with the actual overhead it has incurred ***1*** eg indirect materials ***1***. **(Max 2)**

Apportionment – takes place when the overhead cost cannot be identified with a particular department ***1***. Each department is charged with its share of the total overhead using an equitable basis ***1*** eg Rent according to floor area occupied by each department ***1***. **(Max 2)**

Cost Centre – any part of a business where production takes place ***1*** and to which costs can be charged ***1*** eg department, item of equipment, machine or person ***1***. Cost centres are used to collect overheads for charging on to products which use the cost centre ***1***. **(Max 2)**

(6)

(b)

(Rate Per) Direct Labour Hour =	***1***	$\frac{\text{Overhead Cost}}{\text{No of Direct Labour hours}}$	***1***
(Rate Per) Machine Hour =	***1***	$\frac{\text{Overhead Cost}}{\text{No Of Machine Hours}}$	***1***
(Rate Per) Unit Produced =	***1***	$\frac{\text{Overhead Cost}}{\text{No of Units Produced}}$	***1***
Percentage of Prime Cost =	***1***	$\frac{\text{Overhead Cost} \times 100}{\text{Prime Cost}}$	***1***
Percentage of Direct Material Cost =	***1***	$\frac{\text{Overhead Cost} \times 100}{\text{Direct Material Cost}}$	***1***
Percentage of Direct Labour Cost =	***1***	$\frac{\text{Overhead Cost} \times 100}{\text{Direct Labour Costs}}$	***1***

Any 2 for 2 Marks Each **(Max 4)** ***(4)***

(10)

Question 10

(a) <u>Advantages</u>

Use of formulae to calculate figures
Can show the effects of "what if" scenarios in, for example, Cash Budgets.
Changes to any data in the spreadsheet is updated automatically due to the use of formulae.
Accuracy, providing data and formulae are entered correctly.
Graphs and charts to make information clearer.
Use of multiple worksheets to link statements.
Use of templates from year to year.

Any 4 for 1 mark each – Max 4 ***(4)***

(b) (i) Opportunity Cost

This arises when a firm is working at full capacity and proposes to introduce a new product. ***(1)***

This would involve a reduction in the amount which could be made of an existing product. ***(1)***

The opportunity cost represents the amount of contribution lost by making less of the existing product. ***(1)***

The actual cost of making the new product will include the 'extra' or opportunity cost equal to the contribution lost. ***(1)***

Max 3

(ii) Semi-Variable Cost

A semi-variable cost includes an element of both fixed and variable costs. ***(1)***

Normally the fixed element is in the form of a standing charge ***(1)*** while the variable element depends on usage. ***(1)***

Examples include bills for gas, electricity and the telephone. ***(1 max)***

Max 3 ***(6)***

(10)

[END OF MARKING INSTRUCTIONS]