

Accounting

Advanced Subsidiary GCE

Unit **F012**: Accounting Applications

Mark Scheme for June 2012

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Own figure rule
	Repeat
	Noted but no credit given
	Tick

Subject-specific Marking Instructions

Every working box – whether they contain working or not- must be stamped as “seen”.

Quality of Written Communication

The rubric states:

** In these two questions/sub questions, you will be assessed on the quality of your written communication. In one of these questions, the focus will be on your ability to present numerical information legibly and in an appropriate accounting format. In the other, you will be assessed on the legibility and style of writing, the clarity and coherence of your arguments and the accuracy of your spelling, punctuation and grammar.*

4% of the paper marks are available for rewarding *Quality of Written Communication*.

Levels of Response for Numerical Questions

Level	Mark	Description
3	3	All account headings, terms and balances are included appropriately and in line with accounting conventions. All figures are legible with effective use made of columns and sub-totals. All accounts are ruled off as appropriate.
2	2	Almost all account headings, terms and balances are included, appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for Narrative Questions

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

Question		Answer		Marks	Guidance																																				
1	(a)	<u>Charnock Athletic Club</u> <u>Receipts and Payments Account</u> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Balance b/d</td> <td style="width: 25%; text-align: right;">6,300 (1)</td> <td style="width: 25%;">Bar purchases</td> <td style="width: 25%; text-align: right;">186,300 (1)</td> </tr> <tr> <td>Bar sales</td> <td style="text-align: right;">234,000</td> <td>Bar staff salaries</td> <td style="text-align: right;">32,000</td> </tr> <tr> <td>Subscriptions</td> <td style="text-align: right;">78,000</td> <td>Equipment</td> <td style="text-align: right;">5,100</td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;">600</td> <td>Insurance</td> <td style="text-align: right;">3,800</td> </tr> <tr> <td>Social events</td> <td style="text-align: right;">3,400</td> <td>General expenses</td> <td style="text-align: right;">66,200</td> </tr> <tr> <td></td> <td></td> <td>Social event expense</td> <td style="text-align: right;">1,500</td> </tr> <tr> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>27,400 (1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>322,300 (1)</u></td> <td></td> <td style="text-align: right;"><u>322,300</u></td> </tr> </table>		Balance b/d	6,300 (1)	Bar purchases	186,300 (1)	Bar sales	234,000	Bar staff salaries	32,000	Subscriptions	78,000	Equipment	5,100	Equipment	600	Insurance	3,800	Social events	3,400	General expenses	66,200			Social event expense	1,500			Balance c/d	<u>27,400 (1)</u>		<u>322,300 (1)</u>		<u>322,300</u>	4	<p>Must show tick where marks are awarded. Place 'seen' at the bottom of each page to show that it has been viewed, including the working boxes.</p> <p>Correct layout must be used, items should be on the correct side.</p> <p>Narrative and figure must be correct to be awarded mark. Bal b/d or bal c/d as appropriate allow bal b/f and bal c/f but not bal on its own or b/d or c/d or b/f or c/f on its own.</p> <p>Check whether the subs calculations for 1(c) have been shown in the workings box for 1(a). If so, award marks, as long as the I&E figure has been calculated and transferred to the I&E account.</p>				
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	(b)	<u>Bar Trading Account for the year ending 30 April 2012</u> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Sales</td> <td style="width: 25%;"></td> <td style="width: 25%;"></td> <td style="width: 25%; text-align: right;">234,000 (1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">56,000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>185,400 (1)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">241,400</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>46,700</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td style="text-align: right;"><u>194,700 (1)</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">39,300</td> </tr> <tr> <td>Bar staff salaries</td> <td></td> <td></td> <td style="text-align: right;"><u>32,240 (1)</u></td> </tr> <tr> <td>Bar Profit</td> <td></td> <td></td> <td style="text-align: right;"><u><u>7,060</u></u></td> </tr> </table>		Sales			234,000 (1)	Opening stock	56,000			Purchases	<u>185,400 (1)</u>				241,400			Closing stock	<u>46,700</u>			Cost of sales			<u>194,700 (1)</u>				39,300	Bar staff salaries			<u>32,240 (1)</u>	Bar Profit			<u><u>7,060</u></u>	4	Correct answer only for mark.
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Question	Answer	Marks	Guidance
	<p><u>Balance Sheet as at 30 April 2012</u></p> <p><u>Fixed Assets</u></p> <p>Clubhouse 195,000</p> <p>Equipment <u>75,870</u></p> <p>270,870 (1)</p> <p><u>Currents Assets</u></p> <p>Bar stock 46,700</p> <p>Subscriptions in arrears 500 (1)</p> <p>Insurance prepaid 700</p> <p>Bank <u>27,400 (1)</u></p> <p>75,300</p> <p><u>Current Liabilities</u></p> <p>Creditors for bar supplies 3,900 (1)</p> <p>Bar staff salaries owing 540</p> <p>Subscriptions in advance <u>3,200 (1)</u></p> <p>7,640</p> <p>Working capital <u>67,660</u></p> <p><u>338,530 (1)</u></p> <p>Accumulated Fund 338,400 (1)</p> <p>Surplus of Income over Expenditure <u>130</u></p> <p><u>338,530</u></p> <p style="text-align: right;">QWC</p>	<p>18</p> <p>3</p> <p>21</p>	<p>Must calculate net figure for fixed assets to be awarded mark.</p> <p>Correct answer only for current assets and current liabilities, items must be in the correct section.</p> <p>QWC: must be identified at the end of the question by showing 1, 2 or 3 ticks. If no mark awarded then mark with a red x to indicate that it has been considered.</p>

Question	Answer	Marks	Guidance
(d)	<p>Accruals – Items should be recorded in the period in which they have been incurred rather than the period in which they have been paid or received (1). Subscription receipts need to be adjusted before entering the figure into the Income and Expenditure Account in order to ensure that the organisation complies with the accruals concept (1) in that it is matching (1) the amount due for subscriptions for the year, with the year, in which they were due (1), not the amount of subscriptions actually received during the year (1). Adjustments for accruals and prepayments from previous years and from future years need to be made (1). Adjustments also need to be made for accruals and prepayments of expenses and other revenues (1).</p> <p>Prudence – Adjustments need to be made in order to ensure assets are not overstated (1) on the balance sheet (1) and surplus is not overstated (1) on the income and expenditure account, (1) therefore adjustments to the value of fixed assets need to be made for depreciation (1), in both the Income and Expenditure Account and the Balance Sheet (1).</p> <p>Business entity – This is when a business has to keep the owner’s transactions separate from those of the business (1), as the Income and Expenditure account is produced for a club or society the owners being the members of the club (1), then this concept is not relevant (1).</p> <p>Materiality – Assets of a small value should be written off to the Income and Expenditure account rather than shown as an asset in the Balance Sheet (1). An organisation has to decide on the materiality limit, (1) as to whether it will record items as fixed assets or write them off to expenditure (1). Income and Expenditure accounts are prepared by clubs and societies which are often quite small and therefore the materiality limit is likely to be set at a lower amount than large organisations (1).</p> <p>3 marks x 4 points maximum 10 marks) (1 for point plus up to 2 for development)</p> <p style="text-align: right;">QWC</p>	<p style="text-align: center;">10 2</p>	<p>Allow three marks maximum for each concept with a maximum of 10 marks overall.</p> <p>Do not award marks for too generalised comments.</p> <p>Must indicate that small value assets are treated as expenses.</p> <p>QWC: must be identified at the end of the question by showing 1 or 2 ticks. If no mark awarded then mark with a red x to indicate that it has been considered. Must address the question to gain any QWC marks.</p>
	Total Marks	41	

Question	Answer	Marks	Guidance
(c)	<p><u>Revised Net Profit</u></p> <p>Original profit 168,400</p> <p>(i) Sales overcast (25,400) (1)</p> <p>(ii) Credit purchase (3,600) (1)</p> <p>(iii) Wages (1,100) (1)</p> <p>(iv) Discounts received (7,000) (1)</p> <p>(v) Discounts allowed (700) (1)</p> <p>(vi) Sales <u>400</u> (1)</p> <p><u>131,000</u></p>	6	<p>Must show whether items have been added or deducted for a mark, if no signage assume added.</p> <p>Mark figure only.</p> <p>Correct answer only.</p> <p>Discounts can be shown together.</p>
(d)	<p>Error of omission (1) where a transaction is completely omitted from books (1), there is neither a debit or credit entry (1).</p> <p>Error of commission (1) where a correct amount is entered (1), but in the wrong person's account (1).</p> <p>Error of principle (1) where an item is entered in the wrong class of account (1), for example, fixed asset entered in an expense account (1).</p> <p>Compensating error (1) where two errors of equal amounts, but on the opposite sides of the accounts, (1), cancel each other out (1).</p> <p>Error of original entry (1) where an item is entered, but both debit and credit (1) entries are of the same incorrect figure (1).</p> <p>Complete reversal of entries (1) where both entries are on the wrong side of the accounts (1), the debit entry is entered on the credit side and the credit entry is entered on the debit side (1).</p> <p>(3 x 3 marks) (1 for point plus up to 2 for development)</p>	9	<p>Allow error of transposition.</p>
	Total marks	35	

Question		Answer		Marks	Guidance
3	(a)	<u>Rickesh Khaled Traders</u> <u>Trading and Profit and Loss Account for the year ended 31 March 2012</u>			Correct answer only.
		Sales	180,000 (1)		Must state 'net profit' for mark.
		Opening stock	16,000		
		Purchases	118,000 (1)		
			<u>134,000</u>		
		Closing stock	14,000		
		Cost of sales	<u>120,000 (1)</u>		
		Gross Profit	60,000		
		General expenses	16,000		
		Depreciation	<u>4,000</u>		
			<u>20,000</u>		
		Net Profit	<u><u>40,000 (1)</u></u>	4	

Question		Answer		Marks	Guidance
	(b)	<u>Rickesh Khaled Traders</u> <u>Trading and Profit and Loss Account for the year ending 31 March 2013</u>			Correct answer only.
		Sales	231,000 (1)		Must state 'net profit' for mark.
		Opening stock	14,000		
		Purchases	<u>169,000 (1)</u>		
			183,000		
		Closing stock	<u>18,000</u>		
		Cost of sales	<u>165,000 (1)</u>		
		Gross Profit	66,000		
		General expenses	16,000		
		Depreciation	<u>3,200</u>		
		Net Profit	<u>19,200</u> <u>46,800 (1)</u>	4	
	(c)		<u>31 March 2012</u>	<u>31 March 2013</u>	Must show signage to be awarded mark.
	(i)	<u>Gross profit</u> % of sales	33.33% (1)	28.57% (1)	2 No signage 1 mark for both ratios
	(ii)	<u>Net profit</u> % of sales	22.22% (1)	20.26% (1)	2 Must show to 2 decimal places for mark, check figures in calculation, correct answer may be there, don't just look at the answers in the box.
	(iii)	Stock turnover	8 times (1)	10.31 times (1)	2 If expressed incorrectly no mark.
	(iv)	ROCE	20.00% (1)	21.27% (1)	2 For ROCE allow 20% as no decimal places.

Question	Answer	Marks	Guidance
(d)	<p>The gross profit margin percentage is lower for 2013 (1). This indicates that in 2012 there is a lower cost of sales (1) or higher selling price (1). It appears that in 2013 the business intends to reduce the mark up on cost (1) in order to stimulate a higher volume of sales (1).</p> <p>The net profit margin percentage is lower for 2013 (1). This indicates that the business is making more profit per pound of sales in 2012 (1). However, general expenses are expected to be the same in 2013 as 2012 which is shown as reduction in the expenses to sales ratio (1).</p> <p>The stock-turn for 2013 is higher than that of 2012 (1), showing that it will be selling its stock quicker in 2013 (1). This could be a result of the lower mark up which would stimulate a greater volume of sales (1).</p> <p>Return on capital employed 20% in 2012. This is a high return for the amount of capital invested (1). In 2013 this shows an increase to 21.27% which is a higher return on the amount of capital invested (1).</p> <p>In summary, using the predicted figures for 2013, Rickesh Khaled will achieve its objective of improving profitability (1), as although its gross profit percentage and net profit percentage will have fallen slightly, its return on capital employed will increase and its actual profits will increase from £40,000 to £46,800 (1).</p> <p>(3 x 3 marks) (1 for point, plus up to 2 for development) (Max 8 marks)</p>	8	<p>Answers must include analysis and evaluation not just state one year is better than the other.</p> <p>Analysis is based on own figures calculated in part a, need to refer back when marking.</p> <p>1 mark each on higher/lower statement on profitability (max 2 marks).</p> <p>Up to 5 further marks for development.</p> <p>1 mark summary successful in achieving objectives of increasing profitability.</p>
	Total marks	24	

Question			Answer		Marks	Guidance	
4	(a)	(i)		<u>1 May 2010 –</u> <u>30 April 2011</u>	<u>1 May 2011 –</u> <u>30 April 2012</u>	5	Can just show totals for each type of assets for marks 20,500 – 2 marks 26,000 – 3 marks or 46,500 – 5 marks If in a T account and correct award marks
		<u>Machinery</u> Mach 1 Mach 2 Mach 3 <u>20,500</u>	19,000 (1) 1,500 (1) <u> </u> <u>20,500</u>	19,000 (1) 3,000 (1) 4,000 (1) <u> </u> <u>26,000</u>			
		(ii)		<u>6,400 (1)</u>	6,400 (1) <u> 600 (1)</u> <u>7,000</u>	3	7,000 – 2 marks or 13,400 – 3 marks
	(b)	(i)		<u>1 May 2010 –</u> <u>30 April 2011</u>	<u>1 May 2011 –</u> <u>30 April 2012</u>	5	17,600 – 2 marks 23,680 - 3 marks or 41,280 – 5 marks
		<u>Machinery</u> Machinery 1 Machinery 2 Machinery 3 <u>17,600</u>	15,200 (1) <u> 2,400 (1)</u> <u>17,600</u>	12,160 (1) 1,920 (1) <u> 9,600 (1)</u> <u>23,680</u>			
		(ii)		4,800 (1)	4,080 (1) <u> 900 (1)</u> <u>4,980</u>	3	4,980 – 2 marks or 9,780 - 3 marks

Question		Answer				Marks	Guidance																																																						
	(c)	<p><u>Statement to show revised net profit</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 20%;"></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>1 May 2010 – 30 April 2011</u></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>1 May 2011 – 30 April 2012</u></th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Original net profit</td> <td></td> <td style="text-align: right;">124,000</td> <td></td> <td style="text-align: right;">136,000</td> <td></td> </tr> <tr> <td>add back depreciation original method</td> <td style="text-align: right;">20,500</td> <td></td> <td></td> <td style="text-align: right;">26,000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>6,400</u></td> <td></td> <td></td> <td style="text-align: right;"><u>7,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>26,900</u></td> <td></td> <td style="text-align: right;"><u>33,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">150,900</td> <td></td> <td style="text-align: right;">169,000</td> <td></td> </tr> <tr> <td>deduct depreciation revised method</td> <td style="text-align: right;">17,600</td> <td></td> <td></td> <td style="text-align: right;">23,680</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>4,800</u></td> <td style="text-align: right;"><u>22,400</u></td> <td></td> <td style="text-align: right;"><u>4,980</u></td> <td style="text-align: right;"><u>28,660</u></td> </tr> <tr> <td>Revised net profit</td> <td></td> <td style="text-align: right;"><u>128,500</u> (2)(1of)</td> <td></td> <td style="text-align: right;"><u>140,340</u> (2)(1of)</td> <td></td> </tr> </tbody> </table>						<u>1 May 2010 – 30 April 2011</u>		<u>1 May 2011 – 30 April 2012</u>		Original net profit		124,000		136,000		add back depreciation original method	20,500			26,000			<u>6,400</u>			<u>7,000</u>				<u>26,900</u>		<u>33,000</u>				150,900		169,000		deduct depreciation revised method	17,600			23,680			<u>4,800</u>	<u>22,400</u>		<u>4,980</u>	<u>28,660</u>	Revised net profit		<u>128,500</u> (2)(1of)		<u>140,340</u> (2)(1of)		4	To be awarded (1 of) must show calculations to indicate that the original depreciation (straight line) has been added back and the new depreciation (reducing balance) has been deducted.
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				Total marks	20																																																								

APPENDIX 1

Question	AO1	AO2	AO3		Total
1(a)	2	2			4
1(b)	2	2			4
1(c)	9	12		*	21
1(d)			12	*	12
2 (a)	7	7			14
2(b)	3	3			6
2 (c)	2	4			6
2(d)			9		9
3(a)	2	2			4
3(b)	2	2			4
3(c)		8			8
3(d)			8		8
4(a)	4	4			8
4(b)	4	4			8
4(c)		4			4
Totals	37	54	29		120

* Includes QWC

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