

**GCE**

**Accounting**

Unit **F011**: Accounting Principles

Advanced Subsidiary GCE

**Mark Scheme for June 2016**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

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.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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## 1. Annotations

1		281	?	Unclear
2		31	BOD	Benefit of doubt
3		21	Cross	Cross
4		721	OFR	Own figure rule
5		271	REP	Repeat
6		811	SEEN	Noted but no credit given
7		11	Tick	Tick
8			L1	Level 1
9			L2	Level 2
10			L3	Level 3
11			L4	Level 4

## 2. Subject-specific marking instructions

### Levels of Response for *Numerical* Questions

Level	Mark	Description
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.

## MARK SCHEME:

Question		Answer	Mark	Guidance																																																																								
1	(a)*	<p><u>Tegwen</u>  <u>Trading and Profit and Loss Account for the year ended 31 March 2016</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Sales</td> <td style="text-align: right;">335,465</td> <td></td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;">4,230</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">331,235</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Opening Stock</td> <td style="text-align: right;">29,140</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">147,000</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">176,140</td> <td></td> </tr> <tr> <td>Charges inwards</td> <td style="text-align: right;">3,470</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">179,610</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">5,200</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">1,850</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">172,560</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">3,170</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">169,390</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;">32,770</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right; border-top: 1px solid black;">136,620</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">194,615</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Commission received</td> <td style="text-align: right;">4,800</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">199,415</td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">12,750</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">3,540</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">261</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">1,960</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">10,590</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">54,000</td> <td style="text-align: right;">(2)</td> </tr> </table>	Sales	335,465		Sales returns	4,230			331,235	(1)	Opening Stock	29,140		Purchases	147,000			176,140		Charges inwards	3,470	(1)		179,610		Drawings	5,200	(1)	Motor expenses	1,850	(1)		172,560		Purchase returns	3,170	(1)		169,390		Closing stock	32,770		Cost of sales	136,620		Gross Profit	194,615	(1)	Commission received	4,800	(1)		199,415		Electricity	12,750	(1)	Bad debts	3,540	(1)	Provision for doubtful debts	261	(2)	Loan interest	1,960	(2)	Motor expenses	10,590	(2)	Salaries	54,000	(2)	<b>45</b>	<p>In all questions accept international terminology. Horizontal format as well as vertical format acceptable for both P&amp;L a/c and B/S. All marks are for figure plus reasonable narrative. Where marks are given for sub totals or totals, these are for the correct figure only i.e. they are <b>NOT</b> own figure.</p> <p>Adjustments for carriage inwards, purchase returns, motor expenses and drawings must appear above closing stock. If purchases figure includes adjustment for purchases returns, 143,830<b>(1)</b>. Other permutations are possible/acceptable e.g. 139,950<b>(2)</b>, 145,150<b>(1)</b>.</p> <p>Commission received must appear below Gross Profit.</p> <p>In both the P&amp;L and Balance Sheet, where <b>(2)</b> marks are available the</p>
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Question		Answer	Mark	Guidance
		<p>Working Capital</p> <p style="text-align: right;">42,704</p> <hr style="width: 10%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">66,832</p> <p><u>Long Term Liabilities</u></p> <p>Loan</p> <p style="text-align: right;">16,800 (1)</p> <hr style="width: 10%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">50,032</p> <hr style="width: 10%; margin-left: auto; margin-right: 0;"/> <p><u>Financed by:-</u></p> <p>Capital</p> <p style="text-align: right;">48,500</p> <p>Net Profit</p> <p style="text-align: right;">49,602 (1)</p> <hr style="width: 10%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">98,102</p> <p>Drawings</p> <p style="text-align: right;">48,070 (2)</p> <hr style="width: 10%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;">50,032</p> <hr style="width: 10%; margin-left: auto; margin-right: 0;"/> <p style="text-align: right;"><b>QWC (2)</b></p>		<p>For Drawings mark some indication of deduction required.</p> <p>Show QWC mark(s) just below the end of the balance sheet. If (0) marks for the Trading, P&amp;L and Balance Sheet then QWC must also be (0) and if (0) signify with an X.</p>
(b)	(i)	<p><u>Business entity</u></p> <p>Only transactions that relate to the business can be shown in its accounts. Private transactions must be excluded.</p> <p>Examples Drawings/ item (ii) or item (iv).</p> <p style="text-align: right;"><b>(1 for point + 1 for development + 1 for relevant example)</b></p>	3	<p>Do <b>not</b> accept descriptions of separate legal identity. <b>Only</b> items (ii) and (iv) acceptable for example mark. If the item is clearly described but the item number not actually stated allow.</p>
	(ii)	<p><u>Going concern</u></p> <p>The accounts are produced on the basis that the business will continue to trade for the foreseeable future. This particularly affects the valuation of fixed assets which are assumed to have a useful life of several years and hence are depreciated annually. If the business is about to cease trading, fixed assets would have to be shown at current resale value which could be considerably less than the net book value.</p> <p>Examples Depreciation/ item (xi).</p> <p style="text-align: right;"><b>(1 for point + 1 for development + 1 for relevant example)</b></p>	3	<p><b>Only</b> item (xi) acceptable for example mark. If this item is clearly described but the item number not actually stated allow.</p>

Question			Answer				Mark	Guidance																																								
2	(a)	(i)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Rent</th> </tr> </thead> <tbody> <tr> <td style="width: 20%;">Balance b/d</td> <td style="width: 10%; text-align: right;">1,500</td> <td style="width: 10%; text-align: right;"><b>(1)</b></td> <td style="width: 20%; border-left: 1px solid black; border-right: 1px solid black;">Profit &amp; Loss</td> <td style="width: 10%; text-align: right;">18,900</td> <td style="width: 10%; text-align: right;"><b>(1 of)</b></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">4,500</td> <td style="text-align: right;"><b>(1)</b></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Balance c/d</td> <td style="text-align: right;">1,650</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">4,650</td> <td style="text-align: right;"><b>(2)</b></td> <td style="border-left: 1px solid black; border-right: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">4,950</td> <td style="text-align: right;"><b>(2)</b></td> <td style="border-left: 1px solid black; border-right: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">4,950</td> <td style="text-align: right;"><b>(1)</b></td> <td style="border-left: 1px solid black; border-right: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">20,550</td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">20,550</td> <td></td> </tr> </tbody> </table>				Rent				Balance b/d	1,500	<b>(1)</b>	Profit & Loss	18,900	<b>(1 of)</b>	Bank	4,500	<b>(1)</b>	Balance c/d	1,650	<b>(1)</b>	Bank	4,650	<b>(2)</b>				Bank	4,950	<b>(2)</b>				Bank	4,950	<b>(1)</b>					20,550			20,550		<b>9</b>	<p><b>Re – 2(a)(i) &amp;(ii):</b>  <b>All</b> marks are for figure plus reasonable narrative on the correct debit or credit side.</p> <p>Where a mark is awarded for Bal b/d the following are also acceptable – Balance b/d, Balance b/f, Bal b/f. <b>DO NOT</b> accept Balance or Bal without b/d or b/f or vice versa. This principle also applies for Balance c/d. For Profit &amp; Loss accept P&amp;L. Entries reversed <b>(0)</b> marks.</p> <p>For 1 August payment allow 1,550<b>(1)</b> and for 1 November payment allow 1,650<b>(1)</b>.</p>
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		(ii)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Elin</th> </tr> </thead> <tbody> <tr> <td style="width: 20%;">Balance b/d</td> <td style="width: 10%; text-align: right;">1,050</td> <td style="width: 10%; text-align: right;"><b>(1)</b></td> <td style="width: 20%; border-left: 1px solid black; border-right: 1px solid black;">Bank</td> <td style="width: 10%; text-align: right;">1,050</td> <td style="width: 10%;"></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">1,850</td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Bank</td> <td style="text-align: right;">1,850</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">3,400</td> <td style="text-align: right;"><b>(1)</b></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Bank</td> <td style="text-align: right;">3,298</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">1,400</td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Discounts allowed</td> <td style="text-align: right;">102</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">7,700</td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;">Balance c/d</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">1,400</td> <td style="text-align: right;"><b>(1 of)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="border-left: 1px solid black; border-right: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">7,700</td> <td></td> </tr> </tbody> </table>				Elin				Balance b/d	1,050	<b>(1)</b>	Bank	1,050		Sales	1,850		Bank	1,850	<b>(1)</b>	Sales	3,400	<b>(1)</b>	Bank	3,298	<b>(1)</b>	Sales	1,400		Discounts allowed	102	<b>(1)</b>		7,700		Balance c/d	1,400	<b>(1 of)</b>					7,700		<b>6</b>	<p>In debit column <b>(1)</b> is for all three sales figures.</p> <p>Accept heading 'Discount' providing the entry is on the credit side.</p>
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Question	Answer	Mark	Guidance
(b)*	<p><u>Discounts received</u> Discounts received are cash discounts given by suppliers of goods on credit to the business to encourage prompt payment.</p> <p>The terms of payment will be specified on the invoice issued by the supplier (e.g. 3% cash discount if invoice settled/paid within 14 days). If payment is made to the supplier within the time specified the amount to actually be paid is reduced by the percentage stated.</p> <p>The term cash discount does not mean that the invoice actually has to be paid in cash.</p> <p>In the Trading and Profit and Loss Account the amount of goods purchased by the business will appear at full value as purchases in the Trading Account and any cash discounts received are treated as additional/non-trading income and added to Gross Profit, in turn increasing Net Profit.</p> <p><u>Discounts allowed</u> Discounts allowed are also cash discounts but are given by the business to customers who buy sales on credit to induce them to pay their debts to the business promptly, reducing the business's debtors and improving its cashflow.</p> <p>As with discounts received, the terms of payment will be specified on the invoice issued by the business (sales invoice).</p> <p>In the Trading and Profit and Loss Account the amount of goods sold by the business will appear at full value as sales in the Trading Account and any cash discounts allowed are treated as a business expense in the Profit and Loss Account and therefore deducted from Gross Profit, in turn reducing Net Profit.</p> <p><u>Trade discount</u> Trade discount is usually given to business customers and is merely an inducement to encourage more/regular sales or bulk buying. Trade discount reduces the amount of the actual selling price and is given at the time of sale.</p> <p>In the Trading Account of the business buying the goods the goods will be shown as purchases but at the value net of trade discount. Unlike discounts received/allowed, trade discount does not go through the double entry system but it may be shown on invoices.</p> <p style="text-align: right;"><b>(3 x 4 marks) (1 for point plus up to 3 for development) Max 12 QWC (2)</b></p>	14	<p>Detailed knowledge of source documents is <b>not</b> required to achieve full marks for this question, though may be rewarded if given.</p> <p>For discounts received, discounts allowed and trade discount do <b>not</b> accept generalised answers e.g. 'Discounts received are due to early payment <b>or</b> due to buying in bulk' <b>(0)</b>.</p> <p>For discounts received and discounts allowed do <b>not</b> accept 'taken off purchase price' or 'taken off selling price' respectively.</p> <p>Show QWC mark(s) just below the end of the answer. If (0) marks for the answer then QWC must also be (0) and if (0) signify with an X.</p>

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