

Accounting

Advanced GCE A2 H411

Advanced Subsidiary GCE AS H011

Mark Schemes for the Units

January 2010

H011/H411/MS/R/10J

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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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Advanced GCE Accounting (H411)

Advanced Subsidiary GCE Accounting (H011)

MARK SCHEMES FOR THE UNITS

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F011 – Accounting Principles

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
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 questions. 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.

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1	<p><u>Janet Peters</u> <u>Trading and Profit and Loss Account for the year ended 30 November 2009</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">191,300</td> </tr> <tr> <td>Sales returns</td> <td></td> <td style="text-align: right;"><u>1,920</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">189,380 (1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">7,300</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">89,400</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>330 (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">97,030</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;"><u>1,340 (1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">95,690</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>7,450</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>88,240</u></td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;">101,140</td> </tr> <tr> <td>Discounts received</td> <td></td> <td style="text-align: right;">1,730 (1)</td> </tr> <tr> <td>Decrease in provision for doubtful debts</td> <td></td> <td style="text-align: right;">20 (2)</td> </tr> <tr> <td>Commission received</td> <td></td> <td style="text-align: right;"><u>100 (1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">102,990</td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">620 (1)</td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">2,840 (1)</td> <td></td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">27,180 (2)</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">800 (2)</td> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">25,000 (2)</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">7,130 (1)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">6,710 (2)</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">210 (1)</td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">600 (2)</td> <td></td> </tr> <tr> <td>Depreciation motor vehicles</td> <td style="text-align: right;">4,320 (2)</td> <td></td> </tr> <tr> <td>Depreciation fixtures and fittings</td> <td style="text-align: right;"><u>3,000 (2)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>78,410</u></td> </tr> <tr> <td>Net Profit</td> <td></td> <td style="text-align: right;"><u><u>24,580 (1)</u></u></td> </tr> </table>	Sales		191,300	Sales returns		<u>1,920</u>			189,380 (1)	Opening stock	7,300		Purchases	89,400		Carriage inwards	<u>330 (1)</u>			97,030		Purchase returns	<u>1,340 (1)</u>			95,690		Closing stock	<u>7,450</u>		Cost of sales		<u>88,240</u>	Gross Profit		101,140	Discounts received		1,730 (1)	Decrease in provision for doubtful debts		20 (2)	Commission received		<u>100 (1)</u>			102,990	Carriage outwards	620 (1)		Discounts allowed	2,840 (1)		Rent and rates	27,180 (2)		Insurance	800 (2)		Salaries	25,000 (2)		Motor expenses	7,130 (1)		General expenses	6,710 (2)		Bad debts	210 (1)		Loan interest	600 (2)		Depreciation motor vehicles	4,320 (2)		Depreciation fixtures and fittings	<u>3,000 (2)</u>				<u>78,410</u>	Net Profit		<u><u>24,580 (1)</u></u>		
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1 continued	<u>Janet Peters</u>		
	<u>Balance Sheet as at 30 November 2009</u>		
	<u>Fixed Assets</u>		
	Fixtures and fittings	6,600 (1)	
	Motor vehicles	<u>6,480</u> (1)	
		13,080	
	<u>Current Assets</u>		
	Stock	7,450 (1)	
	Debtors	15,760 (2)	
	Prepaid insurance	80 (1)	
	Bank	<u>1,560</u> (1)	
		24,850	
	<u>Current Liabilities</u>		
	Creditors	14,670 (1)	
	Accrued rates	380 (1)	
	Accrued salaries	2,400 (1)	
	Loan interest due	<u>100</u> (2)	
		17,550	
	Working Capital	<u>7,300</u>	
		20,380	
<u>Long Term Liabilities</u>			
10% Loan	<u>6,000</u> (1)		
	<u>14,380</u>		
<u>Financed by</u>			
Capital	19,000 (1)		
Net Profit	<u>24,580</u> (1 of)		
	43,580		
Drawings	<u>29,200</u> (2)		
	<u>14,380</u>		
CHECK THAT CANDIDATES HAVE NOT STARTED Q2	QWC	[43]	
BELOW THE BS RATHER THAN ON THE CORRECT PAGE	Total marks	[2]	
		[45]	

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Question Number	Expected Answer	Mark	Additional Guidance
2 (c) (i)	Trade discount – £400 (1)		
2 (c) (ii)	Cash discount – £32 (1)		
2 (c) (iii)	Total paid to supplier – £1,568 (1) or £1,560 (1of)	[3]	
2 (d)	Amount paid to supplier – £1,600 (1)	[1]	
2 (e)	<p>Dual aspect concept (2) + (1) for development</p> <p>Records transactions into two accounts (1), one being debited and the other credited (1). This allows the business to easily check for errors (1).</p> <p>Double-entry is a commonly understood accounting system (1) allowing book-keepers and accountants to prepare accounts using the same system for all kinds of organisations in different countries (1). This reduces confusion and promotes understanding of business financial information (1).</p> <p>Entries are made into individual ledger accounts which are balanced off regularly (1). This allows for control (1), for example; amounts due to creditors to be paid on time and debtors to be more easily monitored. This ensures continuity of supply and reduces the possibility of bad debts (1).</p> <p>Useful for preparation of the trial balance (1). If the trial balance doesn't balance errors can be investigated (1) and resolved before preparation of final accounts (1).</p> <p>Final accounts can be easily prepared (1). This allows for useful information to be provided for users (1) such as information on profits and asset values (1).</p> <p>There are some limitations to the double-entry system (1), e.g. errors that do not affect the balancing of the trial balance (1) leading to the incorrect assumption that the accounts are correct (1).</p>		

Question Number	Expected Answer	Mark	Additional Guidance
	The double-entry system can seem complicated to set up (1) The owner of the business would need training (1) or the business would need to incur the cost of hiring an accountant (1) . (3 x 3 marks) (1 for point plus up to 2 for development) QWC	[9] [2] [11]	
	Total marks	[35]	

F012 – Financial Accounting

Question		Expected Answer		Mark	Rationale/Additional Guidance		
1	(a)	(i)	Dr	Cr			
			Sales	18,200 (1)			
			Suspense		18,200 (1)		
		(ii)	Purchases	2,500 (1)			
			B. Dales		2,500 (1)		
		(iii)	Suspense	9,600 (1)			
			Discounts Allowed		9,600 (1)		
			Suspense	9,600 (1)			
			Discounts Received		9,600 (1)		
		(iv)	Bank	800 (1)			
Suspense			800 (1)				
(v)	A & F Ltd	2,400 (1)					
	Suspense		2,400 (1)				
(vi)	Office Equipment Purchases	14,500 (1)	14,500 (1)				
	Profit and Loss Provision for Depreciation	2,175 (1)	2,175 (1)				
(vii)	Bank	9,400 (1)					
	Suspense		9,400 (1)				
(viii)	Tiffan Ltd Sales	500 (1)	500 (1)	[20]			

Question	Expected Answer	Mark	Rationale/Additional Guidance																																								
(b)	<p><u>Statement to show revised Net Profit</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;"><u>Increase</u></th> <th style="width: 20%; text-align: center;"><u>Decrease</u></th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Original Net Profit</td> <td></td> <td></td> <td style="text-align: right;">145,300</td> </tr> <tr> <td>Sales overcast</td> <td></td> <td style="text-align: right;">18,200 (1)</td> <td></td> </tr> <tr> <td>Purchases omitted</td> <td></td> <td style="text-align: right;">2,500 (1)</td> <td></td> </tr> <tr> <td>Discounts allowed/ received</td> <td style="text-align: right;">19,200 (2)</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">14,500 (1)</td> <td></td> <td></td> </tr> <tr> <td>Provision for depreciation</td> <td></td> <td style="text-align: right;">2,175 (1)</td> <td></td> </tr> <tr> <td>Sales</td> <td style="text-align: right;"><u>500 (1)</u></td> <td></td> <td style="text-align: right;"><u>11,325</u></td> </tr> <tr> <td></td> <td style="text-align: right;">34,200</td> <td style="text-align: right;"><u>22,875</u></td> <td style="text-align: right;"><u>156,625 (1)</u></td> </tr> <tr> <td>Revised Net Profit</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>		<u>Increase</u>	<u>Decrease</u>		Original Net Profit			145,300	Sales overcast		18,200 (1)		Purchases omitted		2,500 (1)		Discounts allowed/ received	19,200 (2)			Purchases	14,500 (1)			Provision for depreciation		2,175 (1)		Sales	<u>500 (1)</u>		<u>11,325</u>		34,200	<u>22,875</u>	<u>156,625 (1)</u>	Revised Net Profit				[8]	
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(c)	<p>Fast processing of accounting data (1), which allows users to access up to date information (1) for monitoring, control and decision making purposes (1).</p> <p>Large volumes of data can be easily kept (1), minimising storage costs (1) and allowing easy and rapid access to information (1).</p> <p>Data can be password protected (1), reducing the need for costs associated with physical security systems (1).</p> <p>Errors are minimised (1), generating reduced administrative and other costs associated with their correction (1).</p> <p>(2x2 marks)</p>	[4]																																									
	Total	[32]																																									

Question			Expected Answer				Mark	Rationale/Additional Guidance
2	(a)	(i)	<u>2008</u>		<u>2009</u>		[5]	
		<u>Motor vehicles</u>						
			MV1	5,200 (1)	MV1	5,200 (1)		
			MV2	<u>1,800 (1)</u>	MV2	<u>3,600 (1)</u>		
				<u>7,000</u>	MV3	<u>3,600 (1)</u>		
						<u>12,400</u>		
		(ii)	<u>Equipment</u>				[3]	
			EQ1	<u>4,500 (1)</u>	EQ1	4,500 (1)		
					EQ2	<u>6,600 (1)</u>		
						<u>11,100</u>		
	(b)	(i)	<u>2008</u>		<u>2009</u>		[5]	
		<u>Motor vehicles</u>						
			MV1	6,500 (1)	MV1	4,875 (1)		
			MV2	<u>4,500 (1)</u>	MV2	<u>3,375 (1)</u>		
				<u>11,000</u>	MV3	<u>6,000 (1)</u>		
						<u>14,250</u>		
		(ii)	<u>Equipment</u>				[3]	
			EQ1	<u>6,000 (1)</u>	EQ1	4,800 (1)		
					EQ2	<u>8,800 (1)</u>		
						<u>13,600</u>		

Question	Expected Answer	Mark	Rationale/Additional Guidance																																								
(c)	<p>Statement to show revised net profit</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Original net profit</td> <td style="width: 15%; text-align: right;">86,000</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">94,000</td> </tr> <tr> <td>add back depreciation</td> <td></td> <td></td> <td></td> </tr> <tr> <td>original method</td> <td style="text-align: right;">7,000</td> <td style="text-align: right;">12,400</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>4,500</u></td> <td style="text-align: right;"><u>11,100</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">11,500</td> <td style="text-align: right;">23,500</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>97,500</u></td> <td style="text-align: right;"><u>117,500</u></td> <td></td> </tr> <tr> <td>deduct depreciation</td> <td style="text-align: right;">11,000</td> <td style="text-align: right;">14,250</td> <td></td> </tr> <tr> <td>revised method</td> <td style="text-align: right;"><u>6,000</u></td> <td style="text-align: right;"><u>13,600</u></td> <td style="text-align: right;"><u>27,850</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>80,500</u></td> <td style="text-align: right;">(3)(1of)</td> <td style="text-align: right;"><u>89,650</u> (3)</td> </tr> <tr> <td>Revised net profit</td> <td></td> <td style="text-align: right;">(1of)</td> <td></td> </tr> </table>	Original net profit	86,000		94,000	add back depreciation				original method	7,000	12,400			<u>4,500</u>	<u>11,100</u>			11,500	23,500			<u>97,500</u>	<u>117,500</u>		deduct depreciation	11,000	14,250		revised method	<u>6,000</u>	<u>13,600</u>	<u>27,850</u>		<u>80,500</u>	(3)(1of)	<u>89,650</u> (3)	Revised net profit		(1of)		[6]	
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Question	Expected Answer	Mark	Rationale/Additional Guidance
	<u>Balance Sheet as at 31 December 2009</u> <u>Fixed Assets</u> Premises 100,000 Equipment 27,600 Motor vehicles 68,200 <hr/> 195,800 (1) <u>Current Assets</u> Stock 17,400 Debtors 28,028 (1) General expenses 900 (1) Rent received 1,300 (1) <hr/> 47,628 <u>Current Liabilities</u> Creditors 19,470 Wages 500 (1) Bank overdraft 8,290 (2) <hr/> 28,260 Working capital 19,368 <hr/> 215,168 <u>Financed by</u> Capital 212,880 (2) Net Profit 34,208 (1 of) <hr/> 247,088 Drawings 31,920 (1) <hr/> 215,168 QWC		
		[31] [3]	
	Total	[34]	

Question		Expected Answer				Mark	Rationale/Additional Guidance
4	(a)	<u>Jamie and Simon</u> <u>Appropriation Account for the year ended</u> <u>31 December 2009</u>					
		Net Profit			120,000		
		Interest on drawings	Jamie	1,300	(1)		
			Simon	<u>1,750</u>	(1)		
					<u>3,050</u>		
					123,050		
		Interest on capital	Jamie	6,000	(2)		
			Simon	<u>9,600</u>	(1)		
					<u>15,600</u>		
					107,450		
		Salaries	Jamie	24,450			
					<u>24,450</u>	(1)	
					83,000		
		Share of profits	Jamie	31,125	(1)		
			Simon	<u>51,875</u>			
					<u><u>83,000</u></u>		
						[7]	

Question		Expected Answer			Mark																																																										
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Question	Expected Answer	Mark	Rationale/Additional Guidance
(d)*	<p>Advantages: There are no legal formalities which must be completed when setting up as a partnership. Additional specialist skills of partner. The workload and burden of responsibility can be shared between the partners. Easier to raise additional capital.</p> <p>Disadvantages: Profits have to be shared between partners. Partnership must be wound up if one partner dies; in a limited company the shares can be transferred to someone else. Possibility of disagreement with more partners.</p> <p>(4 x 2 marks) (1 for point plus up to 1 for development) QWC</p>	<p>[2] [10]</p>	
	Total	[32]	

F013 – Company Accounts and Interpretation

Question	Expected Answers	Marks	Rationale																																																												
1	(a)*																																																														
	<p><u>Norman plc</u> <u>Profit and Loss Account for the year ended 31 December 2009</u></p> <table> <tr> <td>Turnover</td> <td></td> <td>1,594,000</td> <td>(1)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td><u>705,000</u></td> <td>(2)</td> </tr> <tr> <td>Gross Profit</td> <td></td> <td>889,000</td> <td></td> </tr> <tr> <td>Distribution costs</td> <td>386,200</td> <td>(4)</td> <td></td> </tr> <tr> <td>Administrative expenses</td> <td><u>272,300</u></td> <td>(6)</td> <td><u>658,500</u></td> </tr> <tr> <td>Operating profit</td> <td></td> <td>230,500</td> <td></td> </tr> <tr> <td>Other income</td> <td></td> <td><u>17,800</u></td> <td>(1)</td> </tr> <tr> <td>Profit on ordinary activities before tax</td> <td></td> <td>248,300</td> <td></td> </tr> <tr> <td>Corporation tax</td> <td></td> <td><u>70,000</u></td> <td></td> </tr> <tr> <td>Profit after tax</td> <td></td> <td>178,300</td> <td></td> </tr> <tr> <td>Profit and Loss b/f</td> <td></td> <td><u>20,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td>198,300</td> <td></td> </tr> <tr> <td>Dividends</td> <td>84,000</td> <td>(1)</td> <td></td> </tr> <tr> <td>Reserves</td> <td><u>38,000</u></td> <td></td> <td><u>122,000</u></td> </tr> <tr> <td>Retained Profit</td> <td></td> <td></td> <td><u><u>76,300</u></u> (1)</td> </tr> </table> <p><u>Distribution costs</u> 195,000 + 3,600 + 156,300 + 11,700 + 19,600</p> <p><u>Administrative expenses</u> 165,000 + 104,200 – 4,800 – 900 + 8,000 – 7,000 + 7,800</p>	Turnover		1,594,000	(1)	Cost of sales		<u>705,000</u>	(2)	Gross Profit		889,000		Distribution costs	386,200	(4)		Administrative expenses	<u>272,300</u>	(6)	<u>658,500</u>	Operating profit		230,500		Other income		<u>17,800</u>	(1)	Profit on ordinary activities before tax		248,300		Corporation tax		<u>70,000</u>		Profit after tax		178,300		Profit and Loss b/f		<u>20,000</u>				198,300		Dividends	84,000	(1)		Reserves	<u>38,000</u>		<u>122,000</u>	Retained Profit			<u><u>76,300</u></u> (1)		
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Question	Expected Answers	Marks	Rationale
(a)*	<u>Balance Sheet as at 31 December 2010</u>		
	Calls not paid 5,000	(1)	
	<u>Fixed Assets</u>		
	Land and buildings 600,000		
	Office equipment 62,500		
	Delivery vehicles <u>78,400</u>		
	740,900	(1)	
	<u>Current Assets</u>		
	Stock 53,000		
	Debtors 59,900 (1)		
	Prepaid 4,800 (1)		
	Bank <u>76,000</u>		
	193,700		
	<u>Creditors amounts falling due within one year</u>		
	Creditors 75,000		
	Accruals 24,100 (1)		
	Rent paid in advance 4,200 (1)		
	Taxation 70,000 (1)		
	Dividends <u>84,000</u> (1)		
	257,300		
	Net current assets		
		(63,600)	
		<u>682,300</u>	
	<u>Capital and Reserves</u>		
	Ordinary share capital 420,000	(1)	
	Revaluation reserve 108,000	(1)	
	General reserve 78,000		
	Retained profit <u>76,300</u>	QWC (2)	
		<u>682,300</u>	[28]

Question	Expected Answers	Marks	Rationale
(b)	<p>Share premium account is a capital reserve and is created when the company issues shares at a premium above the par value of the share.</p> <p>The amount of the premium is credited to the share premium account and cannot be used for the payment of cash dividends to shareholders.</p> <p>The balance on the share premium account can be used to issue bonus shares.</p> <p>General reserve is a revenue reserve and is created by the retention of profit in the company.</p> <p>It is the property of the ordinary shareholders and can be used for the payment of cash dividends.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	[4]	
	Total	[32]	

Question		Expected Answers			Marks	Rationale
2	(a)	Frankland plc <u>Schedule of Fixed Assets for year ended 31 December 2009</u>				
			<u>Land and buildings</u>	<u>Machinery</u>	<u>Office equipment</u>	
		Cost at 1 Jan	680,000	320,000	210,000	(1) for line
		Additions		18,000 (1)	20,000 (1)	
		Disposals			(15,000) (1)	
		Revaluations	<u>120,000</u> (1)			
		Cost at 31 Dec	<u>800,000</u>	<u>338,000</u>	<u>215,000</u>	(1) for line
		Total depreciation 1 Jan	72,000	160,000	85,000	(1) for line
		Disposals			(4,500) (2)	
		Profit and loss	<u>8,000</u> (2)	<u>26,700</u> (2)	<u>30,750</u> (2)	
		Total depreciation 31 Dec	<u>80,000</u>	<u>186,700</u>	<u>111,250</u>	(1) for line
		Net book value 31 Dec	<u><u>720,000</u></u>	<u><u>151,300</u></u>	<u><u>103,750</u></u>	(1) for line
					[17]	

Question	Expected Answers	Marks	Rationale
(b)	<p>Land will increase in value over a period of time due to market forces.</p> <p>Land would be shown in the balance sheet at the historic cost which would not reflect the true asset value of the company.</p> <p>It will increase the net asset value of the business and this must be shown as an increase to the reserves on the company's balance sheet.</p> <p>A capital reserve should be created in the accounts of the company and the capital reserve is part of the shareholders' equity.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	[4]	
	Total	[21]	

Question		Expected Answers	Marks	Rationale																																																																																															
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	(b)*	Ordinary shareholders could be given shares as an alternative to the payment of a cash dividend. Issuing bonus shares will reduce the amount of cash outflows in dividend payments and would improve the liquidity of the company.																																																																																																	

Question	Expected Answers	Marks	Rationale
(b)*	<p>The ordinary shares do not reflect the asset value of the company and the capital and revenue reserves can be used to create extra shares. This would increase the number of equity shares on the balance sheet of the company.</p> <p>If the company creates more ordinary shares this will dilute the market share price of the share. The lower price of the shares may be more attractive to investors. The market in the shares might be increased because of the lower price.</p> <p>If the company has only given a small wage increase to employees then giving existing shareholders bonus shares instead of dividend payments may reduce unrest with the workforce.</p> <p>Share capital base increases and the company may achieve a bigger size in the eyes of investors.</p> <p>Shareholders regard a bonus issue as a strong indication that the prospects of the company have brightened and they can reasonably look forward to an increase in total dividend.</p> <p>It may improve the prospects of raising additional funds from banks in the form of loans.</p> <p>(3x max 3 marks – overall maximum 8 marks) (1 for point plus up to 2 for development)</p>	<p>(8) QWC (2) [10]</p>	
	Total	[27]	

F014 – Management Accounting

Question	Expected Answers	Marks	Rationale																																																																																																																																								
1	<p>(a)*</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;">Contract Account</th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Materials</td> <td style="width: 10%;"></td> <td style="width: 10%;">1,800,000</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td>Direct wages</td> <td style="text-align: right;">1,160,000</td> <td></td> <td></td> </tr> <tr> <td>Direct wages c/d</td> <td style="text-align: right;"><u>53,000</u></td> <td style="text-align: right;">1,213,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Head office</td> <td></td> <td style="text-align: right;">95,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Plant</td> <td></td> <td style="text-align: right;">600,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Plant hire</td> <td></td> <td style="text-align: right;">70,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Sub contractor</td> <td style="text-align: right;">320,000</td> <td></td> <td></td> </tr> <tr> <td>Sub contractor c/d</td> <td style="text-align: right;"><u>26,000</u></td> <td style="text-align: right;">346,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Architect fees</td> <td></td> <td style="text-align: right;"><u>33,000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>4,157,000</u></td> <td></td> </tr> <tr> <td>Cost to date b/d</td> <td></td> <td style="text-align: right;">3,547,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Notional profit c/d</td> <td></td> <td style="text-align: right;"><u>1,200,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>4,747,000</u></td> <td></td> </tr> <tr> <td>Profit and Loss</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">680,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Profit provision c/d</td> <td></td> <td style="text-align: right;"><u>520,000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>1,200,000</u></td> <td></td> </tr> <tr> <td>Materials b/d</td> <td></td> <td style="text-align: right;">220,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Plant b/d</td> <td></td> <td style="text-align: right;">240,000</td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Work not cert b/d</td> <td></td> <td style="text-align: right;">247,000</td> <td style="text-align: right;">(1)</td> </tr> </tbody> </table>	Contract Account				Materials		1,800,000	(1)	Direct wages	1,160,000			Direct wages c/d	<u>53,000</u>	1,213,000	(1)	Head office		95,000	(1)	Plant		600,000	(1)	Plant hire		70,000	(1)	Sub contractor	320,000			Sub contractor c/d	<u>26,000</u>	346,000	(1)	Architect fees		<u>33,000</u>	(1)			<u>4,157,000</u>		Cost to date b/d		3,547,000	(1)	Notional profit c/d		<u>1,200,000</u>				<u>4,747,000</u>		Profit and Loss	(1)	680,000	(1)	Profit provision c/d		<u>520,000</u>				<u>1,200,000</u>		Materials b/d		220,000	(1)	Plant b/d		240,000	(1 of)	Work not cert b/d		247,000	(1)		<table border="1" style="width: 100%; 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(b)	<p>The 15% retention provides an incentive (1) for completion of contract (1) to a satisfactory standard(1). The retention puts the customer in a stronger position (1) if faulty work (1) is subsequently discovered (1).</p> <p>(4 x 1 mark)</p>	[4]	
(c)	<p>Employment of local labour (1) and increase in standard of living (1).</p> <p>Purchase of materials locally (1) creating/maintaining employment (1).</p> <p>Increase in spending power (1) will benefit other businesses (1).</p> <p>New factory could be seen as a sign of confidence (1) and attract other businesses to the area (1).</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	[4]	
	Total	[34]	

Question		Expected Answers				Marks	Rationale
2	(a)						
		<u>Year</u>	<u>Purchase price</u>	<u>Selling price</u>			
		2007	10	12.50			
		2008	10.50	12.50			
		2009	10.50	13.00			
		<u>FIFO</u>					
		<u>Year</u>	<u>Receipts</u>	<u>Issues</u>	<u>Balance</u>		
		2007	4,800 x 10	4,500 x 10	300 x 10 = 3,000	(1)	
		2008	300 x 10	300 x 10	160 x 10.50 = 1,680	(1)	
			5,760 x 10.50	5,600 x 10.50			
		2009	160 x 10.50	160 x 10.50	200 x 10.50 = 2,100	(1)	
			6,000 x 10.50	5,800 x 10.50			
		<u>LIFO</u>					
		<u>Year</u>	<u>Receipts</u>	<u>Issues</u>	<u>Balance</u>		
		2007	4,800 x 10	4,500 x 10	300 x 10 = 3,000	(1)	
		2008	300 x 10	5,760 x 10.50	160 x 10 = 1,600	(1)	
			5,760 x 10.50	140 x 10			
		2009	160 x 10	5,960 x 10.50	160 x 10 = 1,600		
			6,000 x 10.50		40 x 10.50 = 420		
					= 2,020	(2)	
						[4]	

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(b)	<p style="text-align: center;"><u>Trading Accounts for the year ended</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>2007</u></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>2008</u></th> <th style="width: 15%;"></th> <th style="width: 15%; text-align: center;"><u>2009</u></th> </tr> </thead> <tbody> <tr> <td>Sales</td> <td style="text-align: right;">56,250</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">73,750</td> <td style="text-align: right;">(1)</td> <td style="text-align: right;">77,480 (1)</td> </tr> <tr> <td>O/Stock</td> <td style="text-align: center;">-</td> <td></td> <td style="text-align: right;">3,000</td> <td></td> <td style="text-align: right;">1,680</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>48,000</u></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;"><u>60,480</u></td> <td style="text-align: right;">(1)</td> <td style="text-align: right;"><u>63,000</u> (1)</td> </tr> <tr> <td></td> <td style="text-align: right;">48,000</td> <td></td> <td style="text-align: right;">63,480</td> <td></td> <td style="text-align: right;">64,680</td> </tr> <tr> <td>C/Stock</td> <td style="text-align: right;"><u>3,000</u></td> <td></td> <td style="text-align: right;"><u>1,680</u></td> <td></td> <td style="text-align: right;"><u>2,100</u></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;"><u>45,000</u></td> <td></td> <td style="text-align: right;"><u>61,800</u></td> <td></td> <td style="text-align: right;"><u>62,580</u></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;"><u>11,250</u></td> <td style="text-align: right;">(1of)</td> <td style="text-align: right;"><u>11,950</u></td> <td style="text-align: right;">(1of)</td> <td style="text-align: right;"><u>14,900</u> (1of)</td> </tr> </tbody> </table>		<u>2007</u>		<u>2008</u>		<u>2009</u>	Sales	56,250	(1)	73,750	(1)	77,480 (1)	O/Stock	-		3,000		1,680	Purchases	<u>48,000</u>	(1)	<u>60,480</u>	(1)	<u>63,000</u> (1)		48,000		63,480		64,680	C/Stock	<u>3,000</u>		<u>1,680</u>		<u>2,100</u>	Cost of sales	<u>45,000</u>		<u>61,800</u>		<u>62,580</u>	Gross Profit	<u>11,250</u>	(1of)	<u>11,950</u>	(1of)	<u>14,900</u> (1of)	[9]	
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(c)	<p>SSAP 9 (1) , stock must be valued at the lower of cost (1) and net realisable value (1). Concept of prudence (1) must be applied and the use of selling (1) price would overstate profit (1). The use of selling price (1) would overstate the net asset (1) value of the business.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	[4]																																																	
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	(ii) <u>Direct labour hour rate</u> <u>Dept</u> 1 $\frac{150,000}{120,000} = \text{£}1.25$ (1) 2 $\frac{450,000}{225,000} = \text{£}2$ (1) 3 $\frac{360,000}{200,000} = \text{£}1.80$ (1)	[3]	
	(c) <u>Job 310308 (% direct labour cost)</u> Prime cost 5,000 Overhead 1 720 (1) Overhead 2 495 (1) Overhead 3 <u>400</u> (1) <u>1,615</u> Total cost 6,615 General admin 20% <u>1,323</u> 7,938 Profit <u>2,646</u> Selling price <u><u>10,584</u></u> (1of)		

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(c)	<p><u>Job 310308 (direct labour hour rate)</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Prime cost</td> <td style="width: 10%;"></td> <td style="width: 10%; text-align: right;">5,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Overhead 1</td> <td style="text-align: right;">500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Overhead 2</td> <td style="text-align: right;">1,400</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Overhead 3</td> <td style="text-align: right;"><u>1,170</u></td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>3,070</u></td> <td></td> </tr> <tr> <td>Total cost</td> <td></td> <td style="text-align: right;">8,070</td> <td></td> </tr> <tr> <td>General admin 20%</td> <td></td> <td style="text-align: right;"><u>1,614</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">9,684</td> <td></td> </tr> <tr> <td>Profit</td> <td></td> <td style="text-align: right;"><u>3,228</u></td> <td></td> </tr> <tr> <td>Selling price</td> <td></td> <td style="text-align: right;"><u>12,912</u></td> <td style="text-align: right;">(1of)</td> </tr> </table>	Prime cost		5,000		Overhead 1	500		(1)	Overhead 2	1,400		(1)	Overhead 3	<u>1,170</u>		(1)			<u>3,070</u>		Total cost		8,070		General admin 20%		<u>1,614</u>				9,684		Profit		<u>3,228</u>		Selling price		<u>12,912</u>	(1of)	[8]	
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(d)	<p>Use of estimated data (1) which could be inaccurate (1), leading to under/over-absorption (1). Over-absorption, too much overhead (1) charged to production, overpriced and uncompetitive (1), fall in demand (1) and subsequent loss of revenue/reduction in profit (1). Under-absorption, insufficient overhead (1) charged to production, lower price to customer (1), costs not covered (1) and subsequent reduction in profits (1).</p> <p>Up to 3 marks each section. (1 for point plus up to 2 for development)</p>	[6]																																									
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4	(a)	<p>Depreciation: $X = \frac{175,000 - 10,000}{5} = 33,000$</p> <p>$Y = \frac{200,000}{5} = 40,000$</p> <p><u>Product X</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>Net Profit</td> <td>21,000</td> <td>22,000</td> <td>25,000</td> <td>16,000</td> <td>12,000</td> </tr> <tr> <td>Depreciation</td> <td><u>33,000</u></td> <td><u>33,000</u></td> <td><u>33,000</u></td> <td><u>33,000</u></td> <td><u>33,000</u></td> </tr> <tr> <td>Cash Flow</td> <td><u>54,000</u></td> <td><u>55,000</u></td> <td><u>58,000</u></td> <td><u>49,000</u></td> <td><u>45,000</u></td> </tr> </tbody> </table> <p><u>Product Y</u></p> <table border="1"> <thead> <tr> <th>Year</th> <th>1</th> <th>2</th> <th>3</th> <th>4</th> <th>5</th> </tr> </thead> <tbody> <tr> <td>Net Profit</td> <td>28,000</td> <td>28,000</td> <td>27,000</td> <td>13,000</td> <td>6,000</td> </tr> <tr> <td>Depreciation</td> <td><u>40,000</u></td> <td><u>40,000</u></td> <td><u>40,000</u></td> <td><u>40,000</u></td> <td><u>40,000</u></td> </tr> <tr> <td>Cash Flow</td> <td><u>68,000</u></td> <td><u>68,000</u></td> <td><u>67,000</u></td> <td><u>53,000</u></td> <td><u>46,000</u></td> </tr> </tbody> </table>	Year	1	2	3	4	5	Net Profit	21,000	22,000	25,000	16,000	12,000	Depreciation	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	<u>33,000</u>	Cash Flow	<u>54,000</u>	<u>55,000</u>	<u>58,000</u>	<u>49,000</u>	<u>45,000</u>	Year	1	2	3	4	5	Net Profit	28,000	28,000	27,000	13,000	6,000	Depreciation	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	Cash Flow	<u>68,000</u>	<u>68,000</u>	<u>67,000</u>	<u>53,000</u>	<u>46,000</u>		
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	<p>(iii) <u>ARR</u></p> <p>X = $\frac{19,200}{175,000} = 11\%$ (2) Y = $\frac{20,400}{200,000} = 10.2\%$ (2)</p>	[4]																																																																																																

Question	Expected Answers	Marks	Rationale
(b)*	<p>Payback is easy to calculate (1). Payback is useful in technological industries where a short payback is preferred(1). It uses cash flow (1) which is not subjective (1). It considers payback period only (1) and does not take future (1) cash flows into account. Timing (1) is not taken (1) into account.</p> <p>Net present value recognises the time value (1) of money and compares future cash flows with present cash flows (1). All cash flows (1) are taken into account. It uses cash flow (1) which is not subjective (1) Future rate of interest is likely to vary (1).</p> <p>Accounting rate of return can be compared to the profitability of the business (1). The full period (1) is taken into account but timing (1) is not considered (1). Profit is subjective and depends on policies adopted (1). This is the only method to use profit (1).</p> <p>(Each method 2 x 2 marks) (1 for point plus 1 for development)</p>	<p>(12) QWC (2) [14]</p>	
(c)	<p>The market research expenditure has already been spent, (1) it is irrelevant (1) It should be ignored (1) in the capital expenditure decision. It is a sunk cost (1)</p> <p>(3 x 1 mark)</p>	<p>[3]</p>	
	Total	[39]	

Grade Thresholds

Advanced GCE Accounting (H011 H0411)
January 2010 Examination Series

Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F011	Raw	80	69	62	55	48	41	0
	UMS	80	64	56	48	40	32	0
F012	Raw	120	96	86	76	67	58	0
	UMS	120	96	84	72	60	48	0
F013	Raw	80	71	63	55	48	41	0
	UMS	80	64	56	48	40	32	0
F014	Raw	120	102	89	77	65	53	0
	UMS	120	96	84	72	60	48	0

Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
H011	200	160	140	120	100	80	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
H011	12.0	36.7	61.3	78.0	92.7	100.00	177

For a description of how UMS marks are calculated see:

<http://www.ocr.org.uk/learners/ums/index.html>

Statistics are correct at the time of publication.

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