

Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

Mark Scheme for January 2011

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| Question Number | Expected Answer | Mark | Additional Guidance | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|-------|---------------------|--|---------------|--------------|--|--|---------|-----|---------------|--------|--|-----------|--------|--|-------------------|--------------|-----|--|---------|--|---------------------|--------------|-----|--|---------|--|------------------|--------------|-----|--|---------|--|---------------|---------------|--|---------------|---------------|-----|--------------|--------|-----|--------------------|------------|-----|--|--------|--|-----------|-------|-----|----------|--------|--|-------------|-------|-----|----------------|-------|--|-----------|-----|-----|-------------------|-------|-----|-------------------|-----|-----|------------------|--------|-----|---------------|-------|-----|--------------------|-------|-----|------------------------------|-----|-----|---|-------|-----|--|-------|-----|--|---------------|-----|------------|---------------|-----|--|--|
| 1* | <p><u>Alfred Basset</u> <u>Trading and Profit and Loss Account for the year ended 30 September 2010</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 20%; text-align: right;">138,000</td> <td style="width: 20%;"></td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;"><u>5,250</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">132,750</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">37,000</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">82,000</td> <td></td> </tr> <tr> <td>Purchases returns</td> <td style="text-align: right;"><u>4,300</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">114,700</td> <td></td> </tr> <tr> <td>Fixtures & fittings</td> <td style="text-align: right;"><u>3,000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">111,700</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>1,100</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">112,800</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>56,000</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;"><u>56,800</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">75,950</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discounts received</td> <td style="text-align: right;"><u>310</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">76,260</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">1,875</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">28,000</td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">3,525</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">1,800</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">630</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">1,280</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">220</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">19,200</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">1,800</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Commission payable</td> <td style="text-align: right;">3,400</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">147</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Provision for depreciation of fixtures and fittings</td> <td style="text-align: right;">1,775</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Provision for depreciation of motor vehicles</td> <td style="text-align: right;">1,536</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>65,188</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;"><u>11,072</u></td> <td style="text-align: right;">(1)</td> </tr> </table> | Sales | 138,000 | | Sales returns | <u>5,250</u> | | | 132,750 | (1) | Opening stock | 37,000 | | Purchases | 82,000 | | Purchases returns | <u>4,300</u> | (1) | | 114,700 | | Fixtures & fittings | <u>3,000</u> | (1) | | 111,700 | | Carriage inwards | <u>1,100</u> | (1) | | 112,800 | | Closing stock | <u>56,000</u> | | Cost of sales | <u>56,800</u> | (1) | Gross Profit | 75,950 | (1) | Discounts received | <u>310</u> | (1) | | 76,260 | | Insurance | 1,875 | (1) | Salaries | 28,000 | | Electricity | 3,525 | (1) | Motor expenses | 1,800 | | Bad debts | 630 | (1) | Carriage outwards | 1,280 | (1) | Discounts allowed | 220 | (1) | General expenses | 19,200 | (2) | Loan interest | 1,800 | (2) | Commission payable | 3,400 | (2) | Provision for doubtful debts | 147 | (2) | Provision for depreciation of fixtures and fittings | 1,775 | (2) | Provision for depreciation of motor vehicles | 1,536 | (1) | | <u>65,188</u> | (1) | Net Profit | <u>11,072</u> | (1) | | <p>Horizontal format as well as vertical format are acceptable for both P&L a/c and B/S.</p> <p>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 NOT own figure.</p> <p>Adjustments for purchases returns, fixtures & fittings and carriage inwards must appear above closing stock.</p> <p>If purchases figure includes adjustments for purchases returns, fixtures & fittings and/or carriage inwards award appropriate marks e.g.79,000(1), 74,700 (2), 78,800 (2).</p> <p>Accept discounts received as a negative expense or below the sub-total for expenses and net profit.</p> <p>For expenses, where appropriate the net figure must be shown to gain the mark e.g. if general expenses appears as two line items (22,400 & 3,200) (0) marks.</p> <p>Note that both motor expenses and loan interest are both 1,800 but the marks are (0)</p> <p>Accept combined depreciation 3,311 (3).</p> |
| Sales | 138,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sales returns | <u>5,250</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 132,750 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Opening stock | 37,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases | 82,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Purchases returns | <u>4,300</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 114,700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Fixtures & fittings | <u>3,000</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 111,700 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carriage inwards | <u>1,100</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 112,800 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Closing stock | <u>56,000</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cost of sales | <u>56,800</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Gross Profit | 75,950 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discounts received | <u>310</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 76,260 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Insurance | 1,875 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Salaries | 28,000 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Electricity | 3,525 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Motor expenses | 1,800 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bad debts | 630 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carriage outwards | 1,280 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Discounts allowed | 220 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| General expenses | 19,200 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Loan interest | 1,800 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Commission payable | 3,400 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for doubtful debts | 147 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for depreciation of fixtures and fittings | 1,775 | (2) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Provision for depreciation of motor vehicles | 1,536 | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>65,188</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Net Profit | <u>11,072</u> | (1) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| Question Number | Expected Answer | Mark | Additional Guidance |
|-----------------|--|--------------------------|---|
| | <u>Balance Sheet as at 30 September 2010</u> | | Where (2) marks are available the total must be shown and no part marks should be awarded. |
| | <u>Fixed Assets</u> | | |
| | Fixtures and fittings | 13,125 (2) | |
| | Motor vehicles | <u>6,144</u> (1) | |
| | | 19,269 (1) | |
| | <u>Current Assets</u> | | |
| | Stock | 56,000 | |
| | Debtors | 7,663 (2) | |
| | Insurance prepaid | <u>625</u> (1) | |
| | | 64,288 (1) | |
| | <u>Current Liabilities</u> | | |
| | Creditors | 13,600 | |
| | Bank | 4,950 (1) | |
| | Electricity owing | 325 (1) | |
| | Commission owing | 800 (1) | |
| | Loan interest owing | <u>450</u> (2) | |
| | | 20,125 (1) | |
| | Working Capital | <u>44,163</u> | |
| | | 63,432 | |
| | <u>Long Term Liabilities</u> | | |
| | 10% Loan | <u>18,000</u> (1) | |
| | | <u>45,432</u> | |
| | <u>Financed by</u> | | |
| | Capital | 55,060 | |
| | Net Profit (1) | <u>11,072</u> | |
| | | 66,132 | |
| | Drawings | <u>20,700</u> (2) | |
| | | <u>45,432</u> | |
| | | QWC | |
| | | Total marks | |
| | | [43] | |
| | | [2] | |
| | | [45] | |
| | | | Under current liabilities accept combined accruals figures e.g. 1,575 (4) , 1,125 (2) . |
| | | | Accept 10% loan below capital but must be under a long-term liabilities sub-heading. |
| | | | Show QWC mark(s) just below the end of the balance sheet. If (0) marks for the question then QWC must also be (0) and if (0) signify with an X. |
| | | | Please ensure that you check all pages for this question. Place 'SEEN' at the foot of each blank page. |

| Question Number | Expected Answer | Mark | Additional Guidance | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------|---|------------------------------|---------------------|-----------|--|-----------------|-------|-------------------------|-----------|--------------|--|-----|------------|-------------|--|--|------------|--------------|-----|-----|---|--|--------------|--|--------------|-----|
| 2 (a) (i) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4" style="text-align: center; border-bottom: 1px solid black;">Sam West</td> </tr> <tr> <td style="width: 15%; border-right: 1px solid black;">Bal b/d (1)</td> <td style="width: 15%; text-align: right; border-right: 1px solid black;">850</td> <td style="width: 15%;">Bad debts</td> <td style="width: 15%; text-align: right;">850 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-right: 1px solid black;"><u>850</u></td> <td></td> <td style="text-align: right;"><u>850</u></td> </tr> </table> | Sam West | | | | Bal b/d (1) | 850 | Bad debts | 850 (1) | | <u>850</u> | | <u>850</u> | [2] | <p>Where a mark is awarded for Balance b/d the following are acceptable – Balance b/d, Bal b/d, Balance b/f, Bal b/f. DO NOT accept Balance or Bal without b/d or b/f nor b/d or b/f without balance or bal. This narrative must also appear on the correct Dr or Cr side.</p> <p>Where a mark is awarded against a balance figure the mark is for the figure only on the correct debit or credit side. All other marks are for figure plus reasonable narrative on the correct debit or credit side e.g. accept P&L.</p> | | | | | | | | | | | |
| Sam West | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bal b/d (1) | 850 | Bad debts | 850 (1) | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>850</u> | | <u>850</u> | | | | | | | | | | | | | | | | | | | | | | | |
| (ii) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4" style="text-align: center; border-bottom: 1px solid black;">Ruby Golden</td> </tr> <tr> <td style="width: 15%; border-right: 1px solid black;">Bal b/d</td> <td style="width: 15%; text-align: right; border-right: 1px solid black;">528</td> <td style="width: 15%;">Bal c/d</td> <td style="width: 15%; text-align: right;">528 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-right: 1px solid black;"><u>528</u></td> <td></td> <td style="text-align: right;"><u>528</u></td> </tr> </table> | Ruby Golden | | | | Bal b/d | 528 | Bal c/d | 528 (1) | | <u>528</u> | | <u>528</u> | [1] | | | | | | | | | | | | |
| Ruby Golden | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Bal b/d | 528 | Bal c/d | 528 (1) | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>528</u> | | <u>528</u> | | | | | | | | | | | | | | | | | | | | | | | |
| (iii) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4" style="text-align: center; border-bottom: 1px solid black;">Bad Debts</td> </tr> <tr> <td style="width: 15%;">Sam West</td> <td style="width: 15%; text-align: right;">850</td> <td style="width: 15%;">(1) Profit and Loss (1)</td> <td style="width: 15%; text-align: right;">1,710 (1)</td> </tr> <tr> <td>Alf Springer</td> <td style="text-align: right;">550</td> <td></td> <td></td> </tr> <tr> <td>Angus Scott</td> <td style="text-align: right;">195</td> <td></td> <td></td> </tr> <tr> <td>Lucy Lockett</td> <td style="text-align: right; border-bottom: 1px solid black;">115</td> <td style="text-align: right;">(1)</td> <td style="text-align: right; border-bottom: 1px solid black;">—</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,710</u></td> <td></td> <td style="text-align: right;"><u>1,710</u></td> </tr> </table> | Bad Debts | | | | Sam West | 850 | (1) Profit and Loss (1) | 1,710 (1) | Alf Springer | 550 | | | Angus Scott | 195 | | | Lucy Lockett | 115 | (1) | — | | <u>1,710</u> | | <u>1,710</u> | [4] |
| Bad Debts | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sam West | 850 | (1) Profit and Loss (1) | 1,710 (1) | | | | | | | | | | | | | | | | | | | | | | | |
| Alf Springer | 550 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Angus Scott | 195 | | | | | | | | | | | | | | | | | | | | | | | | | |
| Lucy Lockett | 115 | (1) | — | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>1,710</u> | | <u>1,710</u> | | | | | | | | | | | | | | | | | | | | | | | |
| (iv) | <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="4" style="text-align: center; border-bottom: 1px solid black;">Provision for Doubtful Debts</td> </tr> <tr> <td style="width: 15%;">Profit and Loss</td> <td style="width: 15%; text-align: right;">159</td> <td style="width: 15%;">Bal b/d</td> <td style="width: 15%; text-align: right;">435 (1)</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right; border-bottom: 1px solid black;">276</td> <td style="text-align: right;">(2)</td> <td style="text-align: right; border-bottom: 1px solid black;">—</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>435</u></td> <td></td> <td style="text-align: right;"><u>435</u></td> </tr> </table> | Provision for Doubtful Debts | | | | Profit and Loss | 159 | Bal b/d | 435 (1) | Bal c/d | 276 | (2) | — | | <u>435</u> | | <u>435</u> | [3] | | | | | | | | |
| Provision for Doubtful Debts | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Profit and Loss | 159 | Bal b/d | 435 (1) | | | | | | | | | | | | | | | | | | | | | | | |
| Bal c/d | 276 | (2) | — | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>435</u> | | <u>435</u> | | | | | | | | | | | | | | | | | | | | | | | |
| (b) | <p>Profit and Loss Account extract:</p> <p><u>Non-Trading Income:</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Provision for doubtful debts</td> <td style="width: 10%; text-align: right;">159</td> <td style="width: 10%;">(2)(1 of)</td> <td style="width: 10%;"></td> </tr> </table> <p><u>Expenses:</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Bad debts</td> <td style="width: 10%; text-align: right;">1,710</td> <td style="width: 10%;">(1)(of)</td> <td style="width: 10%;"></td> </tr> </table> | Provision for doubtful debts | 159 | (2)(1 of) | | Bad debts | 1,710 | (1)(of) | | [3] | <p>Must indicate that Provision for doubtful debts appears as Non-Trading Income, as a Cr after Gross Profit, above expenses or simply as a Cr item.</p> <p>Must indicate that Bad debts is an Expense or a Dr item.</p> | | | | | | | | | | | | | | | |
| Provision for doubtful debts | 159 | (2)(1 of) | | | | | | | | | | | | | | | | | | | | | | | | |
| Bad debts | 1,710 | (1)(of) | | | | | | | | | | | | | | | | | | | | | | | | |

| Question Number | Expected Answer | Mark | Additional Guidance |
|-----------------|--|------|--|
| (c) | Balance Sheet extract: <u>Current Assets:</u> Debtors 1,990 (1) Provision for doubtful debts 276 (1)(of) <div style="text-align: right;">1,714</div> | [2] | Must clearly indicate Current Assets to gain marks. If debtors 1,714 (2) marks. Any other total, without workings, (0). |
| (d) | <p>Prudence Concept (1): Exercise caution when preparing final accounts(1) or Understate rather than overstate profit(1) or Understate rather than overstate asset values (1). Provision is subtracted (1) from debtors thereby reducing assets (1). Creating a provision increases expenses (1) thereby reducing profit (1).</p> <p>Accruals/Matching Concept (1): An expense should be matched to the time period in which that expense was incurred (1). Bad debts often do not occur until the year after the related credit sale was made (1). The provision matches the estimate of doubtful debts to the year in which the sale was made (1).</p> <p>Consistency concept (1) Basis the same each year (1) Unless there is a reason for change (1) to better reflect the circumstances of the business (can be an appropriate example) (1)</p> <p>(2x4 marks) 1 mark for each concept and up to 3 marks for definition/development x 2.</p> | [8] | |

| Question Number | Expected Answer | Mark | Additional Guidance |
|-----------------|---|---|---|
| (e)* | <p>Proposed provision would be far lower(1), 99.5(100)(1) v 276(1)(of from 2(a)(iv). Based on Bad debt write off, provision is insufficient(2) under either policy(1) but worse under new policy(1). Reduction of provision (from 435 to 276) (1) under existing policy imprudent(1). Arguably, provision should be increased(1). Existing policy is relatively more prudent than the new policy (2). New policy no sliding scale. Sliding scale is likely to offer a more realistic assessment of potential bad debts(2). Also no specific provision(1). Lack of prior year information(1) for Debtors and Bad debts limits assessment of both policies(1).</p> <p>Either: up to 3 marks for analysis (1 for point plus up to 2 for development) x 2, or up to 2 marks for analysis (1 for point plus 1 for development) x3.</p> <p>Recommendation based on analysis (2)</p> | <p>[8]</p> <p>QWC</p> <p>[2]</p> | <p>If candidate uses incorrect figures (0) marks for figures but (of) for subsequent relevant development.</p> <p>Answers must be constrained to the two scenarios in the question. No marks for speculation or proposed modifications to these scenarios e.g. increase in percentages.</p> <p>Award marks for relevant application of prudence or accruals/matching concepts. Discussion of other concepts e.g. consistency not relevant.</p> <p>5% policy is simpler/less prone to error (0) marks.</p> |
| (f) | <p>Get references (1) Enforce credit limits (1) Chase debtors (1) Give debtors incentives to pay early (1) Encourage debtors not to become overdue (1) Charge debtors interest on their overdue invoices (1) Cash sales only (1) Debt factoring (1) Threaten/take legal action (1)</p> | <p>2x1 mark [2]</p> <p>Total marks [35]</p> | |

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