

Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

Mark Scheme for June 2012

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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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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
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)*	<p><u>Bill Madog</u> <u>Trading and Profit and Loss Account for the year ended 31 March 2012</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 10%; text-align: right;">79,800</td> <td style="width: 10%;"></td> <td style="width: 10%;"></td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;">605</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>79,195</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">4,650</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">44,100</td> <td></td> <td></td> </tr> <tr> <td>Carriage in</td> <td style="text-align: right;"><u>150</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">48,900</td> <td></td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">430</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;"><u>295</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">48,175</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>5,300</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>42,875</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gross Profit</td> <td></td> <td style="text-align: right;">36,320</td> <td></td> </tr> <tr> <td>Discounts received</td> <td></td> <td style="text-align: right;">725</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Provision for doubtful debts</td> <td></td> <td style="text-align: right;"><u>28</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">37,073</td> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">12,500</td> <td></td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">3,600</td> <td></td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">210</td> <td></td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">900</td> <td></td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">12,000</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">2,350</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">4,150</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">1,200</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">960</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Depreciation computer equipment</td> <td style="text-align: right;">2,000</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Depreciation fixtures and fittings</td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Depreciation motor vehicles</td> <td style="text-align: right;"><u>750</u></td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>41,620</u></td> <td></td> </tr> <tr> <td>Net Profit/(Loss)</td> <td></td> <td style="text-align: right;"><u>(4,547)</u></td> <td style="text-align: right;">(1)</td> </tr> </table>	Sales	79,800			Sales returns	605				<u>79,195</u>	(1)		Opening stock	4,650			Purchases	44,100			Carriage in	<u>150</u>	(1)			48,900			Purchase returns	430	(1)		Drawings	<u>295</u>	(1)			48,175			Closing stock	<u>5,300</u>			Cost of sales		<u>42,875</u>	(1)	Gross Profit		36,320		Discounts received		725	(1)	Provision for doubtful debts		<u>28</u>	(2)			37,073		Salaries	12,500			Insurance	3,600			Bad debts	210			Discounts allowed	900			Rent	12,000	(2)		Electricity	2,350	(2)		General expenses	4,150	(2)		Motor expenses	1,200	(2)		Loan interest	960	(2)		Depreciation computer equipment	2,000	(2)		Depreciation fixtures and fittings	1,000	(2)		Depreciation motor vehicles	<u>750</u>	(2)				<u>41,620</u>		Net Profit/(Loss)		<u>(4,547)</u>	(1)	39	<p>Horizontal format as well as vertical format 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 ie they are NOT own figure unless specifically indicated.</p> <p>Adjustment for purchase returns must appear above closing stock. If purchases figure includes adjustment for purchases returns, 43,670(1). Other permutations are possible/acceptable eg Purchases less drawings 43,805 (1).</p> <p>Accept discounts received as a negative expense. Discounts received and provision for doubtful debts are also acceptable below the sub-total for expenses ie immediately before Net Profit.</p> <p>For expenses, where appropriate, the net figure must be shown to gain the mark eg rent appearing as two line items (9,000 & 3,000) (0) marks.</p> <p>Accept combined totals for depreciation eg 3,750 (6).</p>
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Question	Answer	Marks	Guidance
	<p>Balance sheet as at 31 March 2012</p> <p><u>Fixed Assets</u></p> <p>Computers 4,500 (1)</p> <p>Fixtures and fittings 1,000 (1)</p> <p>Motor vehicles 750</p> <p style="text-align: right;">6,250</p> <p><u>Current Assets</u></p> <p>Stock 5,300</p> <p>Debtors 1,938 (2)</p> <p>Prepaid electricity 750 (1)</p> <p style="text-align: right;">7,988</p> <p><u>Current Liabilities</u></p> <p>Creditors 1,200</p> <p>Accrued rent 3,000 (1)</p> <p>Accrued motor expenses 250 (1)</p> <p>Loan interest 160 (1)</p> <p>Bank 470 (2)</p> <p>12% Loan 2,000 (1)</p> <p style="text-align: right;">7,080</p> <p>Working Capital 908</p> <p style="text-align: right;">7,158</p> <p><u>Long Term Liabilities</u></p> <p>12% Loan 6,000 (1)</p> <p style="text-align: right;">1,158</p> <p><u>Financed by:-</u></p> <p>Capital 26,000</p> <p>Net Loss 4,547(1)(of)</p> <p style="text-align: right;">21,453</p> <p>Drawings 20,295 (1)</p> <p style="text-align: right;">1,158</p> <p style="text-align: right;">QWC Total</p>	<p>2</p> <p>41</p>	<p>Where (2) marks are available the total must be shown and no part marks should be awarded.</p> <p>Accept combined totals for accrued expenses eg 3,410 (3).</p> <p>The remainder of the loan must appear under Long Term Liabilities to gain mark.</p> <p>Clear indication of deduction from Capital is required in order to gain (1)(of) for Net Loss.</p> <p>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.</p> <p>Please ensure that you check all pages for this question. Place 'SEEN' at the foot of each blank page.</p>

Question			Answer		Marks	Guidance																								
						For Q2(a),(b)&(c) the workings box must be checked and marked as seen.																								
2	(a)	(i)	<p style="text-align: center;">General Expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-right: 1px solid black;">Bal b/d</td> <td style="width: 10%;">3,000</td> <td style="width: 10%;">(1)</td> <td style="width: 30%; border-right: 1px solid black;">Profit & Loss</td> <td style="width: 10%;">12,000</td> <td style="width: 10%;">(1)</td> </tr> <tr> <td style="border-right: 1px solid black;">Bank</td> <td>7,000</td> <td>(1)</td> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td style="border-right: 1px solid black;">Bal c/d</td> <td><u>2,000</u></td> <td>(1)</td> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td><u>12,000</u></td> <td></td> <td style="border-right: 1px solid black;"></td> <td><u>12,000</u></td> <td></td> </tr> </table>		Bal b/d	3,000	(1)	Profit & Loss	12,000	(1)	Bank	7,000	(1)				Bal c/d	<u>2,000</u>	(1)					<u>12,000</u>			<u>12,000</u>		4	<p>Q2 (a)(all parts):- Where a mark is awarded for Balance b/d the following are also acceptable – Bal b/d, Balance b/f, Bal b/f. DO NOT accept Balance or Bal without b/d or b/f or vice versa. This principle also applies for Balance c/d.</p> <p>All marks are for figure plus reasonable narrative on the correct debit or credit side eg accept P&L. There are no (of) marks for this question.</p>
Bal b/d	3,000	(1)	Profit & Loss	12,000	(1)																									
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		(ii)	<p style="text-align: center;">Wages</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-right: 1px solid black;">Bank</td> <td style="width: 10%;">14,740</td> <td style="width: 10%;"></td> <td style="width: 30%; border-right: 1px solid black;">Bal b/d</td> <td style="width: 10%;">1,400</td> <td style="width: 10%;">(1)</td> </tr> <tr> <td style="border-right: 1px solid black;">Bal c/d</td> <td><u>3,026</u></td> <td>(1)</td> <td style="border-right: 1px solid black;">Profit & Loss</td> <td><u>16,366</u></td> <td>(1)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td><u>17,766</u></td> <td></td> <td style="border-right: 1px solid black;"></td> <td><u>17,766</u></td> <td></td> </tr> </table>		Bank	14,740		Bal b/d	1,400	(1)	Bal c/d	<u>3,026</u>	(1)	Profit & Loss	<u>16,366</u>	(1)		<u>17,766</u>			<u>17,766</u>		3							
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Question	Answer	Marks	Guidance																
(v)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Provision for Doubtful Debts</th> </tr> </thead> <tbody> <tr> <td style="width: 20%;">Profit & Loss</td> <td style="width: 10%; text-align: right;">390</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 10%; border-left: 1px solid black; text-align: right;">Bal b/d</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">630</td> <td style="text-align: right;">(1)</td> <td style="border-left: 1px solid black; text-align: right;">1,020</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">1,020</td> <td></td> <td style="border-left: 1px solid black; text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">1,020</td> </tr> </tbody> </table>	Provision for Doubtful Debts				Profit & Loss	390	(1)	Bal b/d	Bal c/d	630	(1)	1,020		1,020		1,020	3	
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(b)	<p>Balance Sheet extract:</p> <p><u>Current Assets</u></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 20%;">Debtors</td> <td style="width: 10%; text-align: right;">21,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 10%;"></td> </tr> <tr> <td>Less Provision</td> <td style="text-align: right;">630</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">20,370</td> <td></td> <td></td> </tr> </tbody> </table>	Debtors	21,000	(1)		Less Provision	630	(1)			20,370			2	Accept Debtors 20,370 (2).				
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(c)	<p>Prudence (1) concept states that profits should be understated, rather than overstated (1). Creating a provision for doubtful debts increases the expenses (1) and reduces the profit (1). Assets should be understated rather than overstated (1). Provision is subtracted from debtors thereby reducing assets (1). Matching/Accruals (1) concept states that expenses should be matched to the time period in which that expense was incurred (1). Bad debts frequently occur outside the year of sale (1). The provision matches the likely bad debts to the year in which the sale of that stock was made (1) so that profit and debtors are not overstated. (1 for concept, plus up to 2 for development) x 2, Max 4</p>	4	<p>No development marks if prudence described as not understating (as well as not overstating) profit/asset values.</p> <p>If the correct concept is not named but its effect is correctly explained, Max (1) per item.</p> <p>Also accept Consistency (1) plus up to (2) for appropriate development.</p>																

Question	Answer	Marks	Guidance
(d)*	<p>An orderly system for keeping financial records (1) reduces risks of error (1) or of records being lost (1). Enables the user to check the status of debtors (1) and creditors (1). Useful as a basis for producing a trial balance (1), Profit and Loss account (1) and Balance Sheet (1). Good accounting records could help a business when applying for a loan (1). Application of the dual aspect concept (1). Limitations: Errors not affecting the Trial Balance are not easy to detect (1), cost of implementation eg staff training or hiring an accountant (1). (1 for point, plus up to 2 for development) x 3, Max 8</p>	<p>8</p> <p style="text-align: right;">QWC 2 Total marks 10</p>	<p>Description of book keeping system and process (0) marks.</p>
(e)	<p>It is important to distinguish between capital and revenue expenditure (1). Capital expenditure is the purchasing of fixed assets (1) which will stay in the business for more than one year (1). They are not purchased with the intention of resale to customers (1). Fixed assets appear on the balance sheet (1). Revenue expenditure is sometimes referred to as 'running' or 'day to day' expenses (1). These appear in the profit and loss account (1). Will Jones has correctly treated the new machinery (1) and also the delivery and installation costs (1) as capital expenditure. The maintenance and service costs should have been treated as revenue expenditure (1) as they do not add value to the machinery (1). The effect of this error would be to overstate the value of machinery (fixed assets) (1) in the Balance Sheet (1) and also to overstate net profit (1) in the Profit and Loss account (1) as the expenses would be too low (1). Also inflated fixed asset values would lead to an inflated depreciation charge (1) in both the Profit and Loss account (1) and the Balance Sheet (1). (1 for point, plus up to 2 for development) x 3, Max 9</p>	<p>9</p>	<p>Simply 'wrong' or 'incorrect' Net Profit, Machinery (fixed assets) or Depreciation value is too vague to gain marks.</p>
		Total marks	
		Total	

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