

# **Accounting**

Advanced GCE **A2 H401**

Advanced Subsidiary GCE **AS H001**

## **Mark Schemes for the Units**

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**January 2007**

**H001/H401/MS/R/07J**

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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.

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PO Box 5050  
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NOTTINGHAM  
NG15 0DL

Telephone: 0870 870 6622  
Facsimile: 0870 870 6621  
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### **Advanced Subsidiary GCE Accounting (H001)**

## **MARK SCHEMES FOR THE UNITS**

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**Mark Scheme F001**  
**January 2007**

## Quality of Written Communication

The rubric states:

*\* In these two questions/sub questions, you will be assessed on the quality of you 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 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.

1\*

Laurence Lamb

Trading and Profit and Loss Account for the year ended 31 December 2006

Sales			712,000	
Sales returns			<u>16,000</u>	
			696,000	(1)
Opening stock	41,000			
Purchases	<u>346,000</u>	(1)		
	387,000			
Purchase returns	8,000	(1)		
	379,000			
Closing stock	<u>33,000</u>	(1)		
Cost of sales			<u>346,000</u>	
Gross Profit			350,000	
Discounts received			1,500	(1)
Commission received (3,500 + 300)			3,800	(2)
Provision for doubtful debts			<u>650</u>	(2)
			355,950	
Discounts allowed	2,000	(1)		
General expenses (48,700 – 6,000)	42,700	(2)		
Insurance (14,000 – 1,500)	12,500	(2)		
Salaries (63,000 – 12,000)	51,000	(2)		
Electricity (8,000 + 1,200)	9,200	(2)		
Loan interest (4,500 + 500)	5,000	(2)		
Carriage outwards	2,800	(1)		
Motor expenses (20,000 x 4/5)	16,000	(2)		
Depreciation premises	4,200	(1)		
Depreciation motor vehicles	21,000	(1)		
Depreciation office equipment	<u>5,600</u>	(2)		
			<u>172,000</u>	
Net Profit			<u>183,950</u>	

Balance Sheet as at 31 December 2006

Fixed Assets

Premises			184,800	
Motor vehicles			63,000	
Office equipment			<u>32,400</u>	
			280,200	(2)(1of)

Current Assets

Stock	33,000	(1)
Debtors (19,500 – 2,350)	17,150	(2)
Insurance	1,500	(1)
Commission receivable	300	(1)
Bank	<u>17,800</u>	(1)
	69,750	

Current Liabilities

Creditors	12,300	
10% loan interest	500	(1)
Electricity	1,200	(1)
10% Loan	<u>12,500</u>	(1)

26,500

Working capital		<u>43,250</u>
		323,450

Long Term Liabilities

10% Loan		<u>37,500</u>	(1)
		<u>285,950</u>	

Financed by:

Capital	132,000	(1)
Net Profit	<u>183,950</u>	(1of)
	315,950	
Drawings (14,000 + 12,000 + 4,000)	<u>30,000</u>	(2)
	<u>285,950</u>	

	[43]
QWC	[2]
Total marks	[45]



**2 (a)**

Motor Vehicles					
(i)	Bal b/d	560,000	(1)	Disposal	19,200 (1)
	Bank	<u>26,400</u>	(1)	Bal c/d	<u>567,200</u> (1)
		<u>586,400</u>			<u>586,400</u> [4]
Provision for depreciation Motor Vehicles					
(ii)	Disposal	18,000	(1)	Bal b/d	250,000 (1)
	Bal c/d (1)	<u>374,100</u>		Profit and Loss	<u>142,100</u> (2)(1of)
		<u>392,100</u>			<u>392,100</u>
	(3,600 + 135,200 + 3,300 = 142,100)				[5]
Disposal of Motor Vehicle					
(iii)	Motor vehicles	19,200	(1)	Depn Motor vehicles	18,000 (1)
	Profit and Loss	<u>1,600</u>	(1)	Bank	<u>2,800</u> (1)
		<u>20,800</u>	of		<u>20,800</u> [4]
Office Equipment					
(iv)	Bal b/d	140,000		Disposal	12,000 (1)
		<u>140,000</u>		Bal c/d	<u>128,000</u> (1)
					<u>140,000</u> [2]
Provision for depreciation Office Equipment					
(v)	Disposal	6,900	(1)	Bal b/d	45,000
	Bal c/d	<u>50,700</u>		Profit and Loss	<u>12,600</u> (2)(1of)
		<u>57,600</u>			<u>57,600</u>
	(300 + 12,300 = 12,600)				[4]
Disposal of Office Equipment					
(vi)	Office equipment	12,000	(1)	Depn Office equipment	6,900 (1)
		<u>12,000</u>		Bank	<u>3,200</u> (1)
				Profit and Loss	<u>1,900</u> (1) of
					<u>12,000</u> [4]

**b)** Straight line is an appropriate method for Office Equipment, as it should be used for assets that are used evenly and earn revenue evenly throughout their life.

It is easy to calculate and less chance of error.

Reducing balance is an appropriate method for Motor Vehicles, as it should be used for assets that have a heavier fall in value in the earlier years and less in later years and low repairs and maintenance in the early years which will both increase in later years.

*Candidates are expected to explain both straight line and reducing balance methods of depreciation with appropriate evaluation for each.* [(1+2)x2] [6]

**(c)** Depreciation does not provide funds for replacement of an asset, there is no movement of cash.

It is a book-keeping entry, debit profit and loss, credit provision for depreciation.

Depreciation is an application of the accruals concept, it is matched with the benefit a fixed asset provides over a period. It spreads the cost over the useful life of the asset.

*Candidates are expected to identify that the statement is incorrect, explain the process of depreciation and justify their reasons why it does not provide funds for replacement.*

[3x3] [6]

**Total marks [35]**

**3 (a)**

Commission Received					
Bal b/d	1,040	(1)	Bank	3,940	(1)
Profit and Loss	<u>4,950</u>	(1)	Bal c/d	<u>2,050</u>	(1)
	<u>5,990</u>			<u>5,990</u>	[4]
Electricity					
Bank	7,600	(1)	Bal b/d	900	(1)
Bal c/d	<u>600</u>	(1)	Profit and Loss	<u>7,300</u>	(1)
	<u>8,200</u>			<u>8,200</u>	[4]
Rent					
Bal b/d	2,400	(1)	Profit and Loss	28,600	(1)
Bank	<u>29,200</u>	(1)	Bal c/d	<u>3,000</u>	(1)
	<u>31,600</u>			<u>31,600</u>	[4]

**(b)\***

To ensure that income and expenditure is matched to the period in which it is incurred/earned, rather than the period in which it was paid.

Accruals of income and expenditure are added to the amount paid, whereas prepayments of income and expenditure are deducted from the amount paid.  
The adjusted figures are used in the profit and loss account.

Prepaid expenditure and accrued income are shown in the current assets in the balance sheet. Accrued expenditure and prepaid income are shown in the current liabilities in the balance sheet.

Ensures that the correct net profit is calculated for the period, and the balance sheet values are correct.

*Candidates are expected to explain their application in both the profit and loss account and balance sheet, justifying their answers in relation to appropriate accounting concepts, and the correct calculation of profits.*

*Max 2 marks for analysis plus max 4 marks for evaluation.*

[6]  
QWC [2]

**Total marks [20]**

**Mark Scheme F002**  
**January 2007**

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-	0	Responses which fail to achieve the standard required for Level 1.

## 1 (a)

Corrected Sales Ledger Control					
Balance bid	262,000	(1)	Sales returns	12,700	(1)
Credit sales	442,500	(1)	Cheques received	327,800	(1)
Bank/Dishonoured cheques (1)	7,000	(1)	Cash received	18,200	(1)
			Discounts allowed	8,800	(1)
			Contra Purchase ledger (1)	32,500	(1)
			Balance c/d	<u>311,500</u>	(1)
	<u>711,500</u>			<u>711,500</u>	[11]

## (b)

Corrected Purchases Ledger Control					
Purchases returns (1)	29,000	(1)	Balance b/d	307,000	(1)
Cheques paid	212,700	(1)	Credit purchases	287,500	(1)
Discounts Received	7,600	(1)	Bank/Dishonoured cheque (1)	6,200	(1)
Contra	32,500	(1)			
Balance c/d	<u>318,900</u>	(1)			
	<u>600,700</u>			<u>600,700</u>	[10]

## (c) (i) Reconciliation Statement

Original total	267,000			
Sales returns	(3,200)	(2)		
T. Cook	45,200	(1)		
Dishonoured cheque	<u>2,500</u>	(1)		
Revised total	<u>311,500</u>	(1)		[5]

## (c) (ii) Reconciliation Statement

Original total	324,000			
Purchases returns	(15,300)	(1)		
Dishonoured cheque	6,200	(2)		
Purchases	<u>4,000</u>	(1)		
	<u>318,900</u>	(1)		[5]

## (d)

The control accounts provide an independent check on the accuracy of the double entry bookkeeping for debtors and creditors.

Information for the control accounts has to come from outside the double entry system if it is to form an independent check.

The control accounts draw most of their information from the books of prime entry which are outside the double entry system.

*Max 4 marks for quality of explanation. Min 2 points made* [4]

**Total marks** [35]

## 2 (a)

Capital							
	Smith	Singh	Jones		Smith	Singh	Jones
Goodwill	16,000 (1)	16,000	8,000 (1)	Bal b/d	120,000 (1)	80,000	
Bal c/d	<u>124,000</u>	<u>84,000 (1)</u>	<u>39,000</u>	Bank			40,000 (1)
	<u>140,000</u>	<u>100,000</u>	<u>47,000</u>	Mtr.vech			7,000 (1)
				Goodwill	<u>20,000 (1)</u>	<u>20,000</u>	
					<u>140,000</u>	<u>100,000</u>	<u>47,000</u>

[7]

## (b)

Pritchard, Singh and Jones

Trading and Profit and Loss Account for the year ended 31 December 2006

Sales		2,600,000	
Less sales returns		<u>200,000</u>	
		2,400,000	(1)
Opening stock	120,000		
Purchases	<u>1,625,000 (1)</u>		
	1,745,000		
Closing stock	<u>145,000</u>		
Cost of sales (1)		<u>1,600,000</u>	
Gross profit		800,000	(1)
Expenses		<u>480,000</u>	
Net profit		<u>320,000</u>	(1)

## (c)

Current							
	Smith	Singh	Jones		Smith	Singh	Jones
Bal b/d		12,000(1)		Bal b/d	17,000		
Drawings (1)	96,000	120,000	35,000	Profit (1)	119,140	119,140	59,570
Int. on drawings (1)	4,800	6,000(1of)	1,750	Salary (1)		10,000	
Bal c/d	<u>47,740(1)</u>		<u>26,720(1of)</u>	Int. on capital (1)	<u>12,400(1of)</u>	<u>8,400</u>	<u>3,900</u>
	<u>148,540</u>	<u>138,000</u>	<u>63,470</u>	Bal c/d	<u>148,540</u>	<u>138,000</u>	<u>63,470</u>

[10]

Appropriation:

Net profit				320,000	
Add interest on drawings	Smith	4,800	(1)		
	Singh	6,000			
	Jones	<u>1,750</u>			
				<u>12,550</u>	
				332,550	
Less salary - Singh				<u>10,000</u>	(1)
				322,550	
Less interest on capital	Smith	12,400	(1)		
	Singh	8,400	(1)		
	Jones	<u>3,900</u>	(1)		
				<u>24,700</u>	
				297,850	(1 of)
Profit share	Smith	119,140			
	Singh	119,140			
	Jones	<u>59,570</u>	(2)(1 of)		
				<u><u>297,850</u></u>	[13]
				<b>QWC</b>	[2]
				<b>Total marks</b>	[15]

(c)

Limited liability. The partners' personal assets and possessions are less likely to be at risk if the business fails to pay its debts.

Access to capital; shareholders will introduce capital into the business.

Expansion of the business; more finance available and a private limited company may be able to borrow more than a partnership.

Reporting requirements; accounts have to be lodged with the Registrar of Companies

Loss of control; shareholders will be able to exercise control over the way the business is run.

*Max 3 marks for analysis and max 6 marks for evaluation, minimum of 3 advantages or disadvantages* [9]

**Total marks** [41]

**3 (a)**

	Ashover		Leek		
(i)	Return on capital employed	43.28%	(1)	57.13%	(1)
(ii)	Net profit/sales	24.00%	(1)	21.52%	(1)
(iii)	Gross profit/sales	42.88%	(1)	50.00%	(1)
(iv)	Current ratio	2.2:1	(1)	4.2:1	(1)
(v)	Liquid (acid test) ratio	0.8:1	(1)	3.5:1	(1)
(vi)	Stock turnover	2.86	(1) times pa	5.17	(1) times pa [12]

**(b)**

Both businesses have high rates of return on capital employed.

Leek has a higher rate of return on capital employed due to lower capital employed relative to net profit.

Ashover has higher net profit to sales %.

Leek appears to have better control over stock costs.

Ashover appears to have better control over expenses.

Both businesses have current ratios close to generally accepted minimum levels but Leek's is better.

Neither business seems to be carrying excess working capital.

Both businesses have liquid (acid test) ratios above generally accepted minimum level (1:1) but Leek is better.

Ashover has a healthier bank balance than Leek.

Ashover has a better stock turn than Leek.

Decision. Accept justified argument for either business.

*Candidates are expected to consider at least **three** issues. Max 6 marks for analysis plus 4 marks for evaluation.*

**Max** [10]

**QWC** [2]

**Total marks** [12]

**Total marks** [24]



**Advanced GCE Accounting H401  
January 2007 Assessment Series**

**Unit Threshold Marks**

Unit		Maximum Mark	a	b	c	d	e	u
<b>F001</b>	Raw	100	80	69	58	47	37	0
	UMS	100	80	70	60	50	40	0
<b>F001</b>	Raw	100	80	70	60	50	40	0
	UMS	100	80	70	60	50	40	0

**Specification Aggregation Results**

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
<b>H001</b>	200	160	140	120	100	80	0
<b>H401</b>	400	320	280	240	200	160	0

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

	A	B	C	D	E	U	Total Number of Candidates
<b>H001</b>	-	-	-	-	-	-	-
<b>7808</b>	-	-	-	-	-	-	-

**0 candidates aggregated this series**

For a description of how UMS marks are calculated see;  
[http://www.ocr.org.uk/exam\\_system/understand\\_ums.html](http://www.ocr.org.uk/exam_system/understand_ums.html)

Statistics are correct at the time of publication

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**1 Hills Road**  
**Cambridge**  
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