

GCE

Accounting

Unit **F011**: Accounting Principles

Advanced Subsidiary GCE

Mark Scheme for June 2014

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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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These are the annotations, (including abbreviations), including those used in scoris, which are used when marking

Annotation	Meaning of annotation
	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.

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

Subject-specific marking instructions

The mark scheme for this unit reflects the terminology and formats in line with the specification. In addition terminology and formats in line with International Accounting Standards are also acceptable.

Levels of Response for *Numerical* Questions

Level	Mark	Description
2	2	Almost all account headings, terms and balances are included appropriately and in line with accounting conventions. Figures are legible with effective use made of columns and sub-totals. Accounts are ruled off as appropriate.
1	1	Some account headings, terms and balances are included, though not always adhered to accounting conventions. Most figures are legible. Some appropriate use is made of columns and sub-totals. Some accounts are ruled off as appropriate.
-	0	Responses which fail to achieve the standard required for Level 1.

Levels of Response for *Narrative* Questions

Level	Mark	Description
2	2	Ideas, some complex, are expressed clearly and quite fluently, using an appropriate style of writing. Arguments made are generally relevant and are constructed in a logical and coherent manner. There are few errors of spelling, punctuation and grammar, and those that are made are not intrusive and do not obscure meaning.
1	1	Relatively straightforward or simple ideas are expressed in a generally appropriate style of writing which sometimes lacks clarity or fluency. Arguments have some limited coherence and structure, occasionally showing relevance to the main focus of the question. There are errors of spelling, punctuation and grammar which are noticeable and sometimes intrusive but do not totally obscure meaning.
-	0	Responses which fail to achieve the standard required for Level 1.

MARK SCHEME:

Question	Answer	Mark	Guidance																																																
1 (a)*	<p><u>Ella Watts</u> <u>Trading and Profit and Loss Account for the year ended 31 March 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Sales</td> <td style="text-align: right;">510,000</td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;">6,670</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">503,330(1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">42,160</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">219,790</td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;">2,100 (1)</td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">5,960 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">258,090</td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">6,440 (1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">251,650</td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;">34,520</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">217,130</td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">286,200(1)</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">8,710(1)</td> </tr> <tr> <td>Commission received</td> <td style="text-align: right;">4,150(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">299,060</td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">21,000 (1)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">8,450 (1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">3,460 (1)</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">2,215 (2)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">96,000 (2)</td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">6,970 (2)</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">84,000 (2)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">7,910 (2)</td> </tr> </table>	Sales	510,000	Sales returns	6,670		503,330(1)	Opening stock	42,160	Purchases	219,790	Carriage inwards	2,100 (1)	Purchase returns	5,960 (1)		258,090	Drawings	6,440 (1)		251,650	Closing stock	34,520		217,130	Cost of sales	286,200(1)	Gross Profit	8,710(1)	Commission received	4,150(1)		299,060	Electricity	21,000 (1)	Motor expenses	8,450 (1)	Bad debts	3,460 (1)	Provision for doubtful debts	2,215 (2)	Salaries	96,000 (2)	Insurance	6,970 (2)	Rent	84,000 (2)	General expenses	7,910 (2)		<p>In all questions accept international terminology. Horizontal format as well as vertical format acceptable for both P&L a/c and B/S. All marks are for figure plus reasonable narrative. Where marks are given for sub totals or totals, these are for the correct figure only i.e. they are NOT own figure unless specifically indicated.</p> <p>Adjustments for carriage inwards, purchase returns and drawings must appear above closing stock. If purchases figure includes adjustment for purchases returns, 213,830(1). Other permutations are possible/acceptable e.g. 221,890(1), 213,350(1), , 215,930(2), 207,390(2), 215,450(2), 209,490 (3)</p> <p>Commission received and discounts received must appear below Gross Profit. Accept discounts received as a negative expense.</p> <p>In both the P&L and Balance Sheet, where (2) marks are available the total must be shown and no part marks should be awarded.</p>
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Question	Answer	Mark	Guidance																				
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Loan interest</td> <td style="width: 35%;"></td> <td style="width: 15%; text-align: right;">1,800 (2)</td> <td style="width: 35%;"></td> </tr> <tr> <td>Depreciation:</td> <td>Motor vehicles</td> <td style="text-align: right;">11,625 (2)</td> <td></td> </tr> <tr> <td></td> <td>Computers</td> <td style="text-align: right;"><u>8,812 (2)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>252,242</u></td> <td></td> </tr> <tr> <td>Net Profit</td> <td></td> <td style="text-align: right;"><u><u>46,818(1)</u></u></td> <td></td> </tr> </table>	Loan interest		1,800 (2)		Depreciation:	Motor vehicles	11,625 (2)			Computers	<u>8,812 (2)</u>				<u>252,242</u>		Net Profit		<u><u>46,818(1)</u></u>			<p>Accept combined total for Depreciation i.e. 20,437(4).</p>
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Question	Answer	Mark	Guidance
	<div style="display: flex; justify-content: space-between; align-items: center;"> <div style="text-align: right;"> <p>Drawings</p> <p style="margin-left: 100px;">101,818</p> <p style="margin-left: 100px;"><u>53,440</u> (2)</p> <p style="margin-left: 100px;"><u><u>48,378</u></u></p> </div> <div style="text-align: center;"> <p>QWC</p> </div> </div>	<p>[41] [2] [43]</p>	<p>For Drawings marks some indication of deduction.</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>
(b)	<p>The reducing balance method reduces the net book value of a fixed asset faster in the earlier years of its life compared with the straight line method.</p> <p>The straight line method reduces the net book value of a fixed asset by the same amount each year.</p> <p>Computers tend to lose value very quickly after purchase due to the rapid advancement of computer technology, therefore, the reducing balance method of depreciation is appropriate. Computer equipment is also likely to require upgrading as it gets older.</p> <p>The percentage rate to use will be affected by how soon the business thinks it will need to replace/upgrade its computers . Either the 40% rate ensures a quick write down in the value of computers OR the 40% rate reduces their value too quickly.</p> <p style="text-align: center;">(3 x 2 marks) (1 for point plus 1 for development) Max</p>	<p>[6] [49]</p>	

Question	Answer	Mark	Guidance
2 (a)*	<p>Cash discounts are offered by suppliers to debtors in order to encourage prompt payment. If a debtor pays within a specified time after the date that they are invoiced, e.g. 14 or 28 days, the debtor will be allowed a (usually) small percentage deduction from the amount they owe to settle their debt.</p> <p>In the suppliers' books the sale remains recorded at full value and any cash discount subsequently given to a debtor is treated as an expense (discount allowed) and deducted from gross profit .</p> <p>In the debtors' books cash discounts are recorded as discounts received and are treated as an addition to gross profit.</p> <p>If a business uses a three column cash book, then discounts received and allowed will appear in the third columns. These are totalled at the end of the period and transferred to Discounts Allowed and Discounts Received Accounts in the general ledger.</p> <p>Trade discounts do not appear in the accounts. They are merely an inducement offered by a supplier, usually to other businesses, to encourage more sales/bulk buying. The price will be lower than the general public will pay.</p> <p>The percentage offered can be quite large, e.g. 30% off list price. Only the price, net of trade discount, is recorded in the books of both the seller and the purchaser.</p> <p style="text-align: right;">(4 x 2 marks) (1 for point plus 1 for development).</p> <p>Max 4 marks for reference to Trade Discount only. Max 6 marks for reference to Cash Discount only. QWC</p>	<p style="text-align: center;">[8] [2] [10]</p>	<p>Award marks either for the suppliers' perspective or the debtors' perspective, not both.</p>

Question		Answer				Mark	Guidance																								
(b)	(i)	<table border="1"> <thead> <tr> <th colspan="4">Machinery</th> </tr> </thead> <tbody> <tr> <td>Bank</td> <td>24,000(1)</td> <td>Bal c/d</td> <td>24,000</td> </tr> <tr> <td></td> <td>24,000</td> <td></td> <td>24,000</td> </tr> <tr> <td>Bal b/d</td> <td>24,000</td> <td>Disposals</td> <td>24,000 (1)</td> </tr> <tr> <td>Bank</td> <td>38,000(1)</td> <td>Bal c/d</td> <td>38,000 (1of)</td> </tr> <tr> <td></td> <td>62,000</td> <td></td> <td>62,000</td> </tr> </tbody> </table>				Machinery				Bank	24,000 (1)	Bal c/d	24,000		24,000		24,000	Bal b/d	24,000	Disposals	24,000 (1)	Bank	38,000 (1)	Bal c/d	38,000 (1of)		62,000		62,000	[4]	(Q2) (b)(i), b(ii) and (iii) All marks are for figure plus reasonable narrative on the correct debit or credit side.
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