



GCE

Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

Mark Scheme for January 2011

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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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Any enquiries about publications should be addressed to:

OCR Publications
PO Box 5050
Annesley
NOTTINGHAM
NG15 0DL

Telephone: 0870 770 6622
Facsimile: 01223 552610
E-mail: publications@ocr.org.uk

F011

Mark Scheme

January 2011

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: 10%; text-align: right;">138,000</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;"><u>5,250</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">132,750</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">37,000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">82,000</td> <td></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> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">114,700</td> <td></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> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">111,700</td> <td></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> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">112,800</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>56,000</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></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></td> <td style="text-align: right;">75,950</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discounts received</td> <td></td> <td style="text-align: right;"><u>310</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <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> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">28,000</td> <td></td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">3,525</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">1,800</td> <td></td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">630</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">1,280</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">220</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">19,200</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">1,800</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Commission payable</td> <td style="text-align: right;">3,400</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">147</td> <td style="text-align: right;">(2)</td> <td></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> <td></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> <td></td> </tr> <tr> <td></td> <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></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>
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	<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.

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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; border-bottom: 1px solid black;">850</td> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">850</td> </tr> </table>	Sam West				Bal b/d (1)	850	Bad debts	850 (1)		850		850	[2]	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.											
Sam West																										
Bal b/d (1)	850	Bad debts	850 (1)																							
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(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>	

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

14 – 19 Qualifications (General)

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

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