



GCE

Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

Mark Scheme for June 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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F011

Mark Scheme

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Question Number	Expected Answer	Mark	Additional Guidance																																																																																																																												
1 (a)*	<p><u>Freada Kins</u> <u>Trading and Profit and Loss Account for the year ended 31 March 2011</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 10%; text-align: right;">83,500</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Sales returns Sales</td> <td style="text-align: right;"><u>2,540</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">80,960</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">24,000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">49,000</td> <td></td> <td></td> </tr> <tr> <td>Purchases returns</td> <td style="text-align: right;"><u>2,780</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">70,220</td> <td></td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>790</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">71,010</td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;"><u>1,550</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">69,460</td> <td></td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>21,000</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;"><u>48,460</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">32,500</td> <td></td> <td></td> </tr> <tr> <td>Discounts received</td> <td style="text-align: right;">127</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Commission received</td> <td style="text-align: right;"><u>2,000</u></td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">34,627</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">9,600</td> <td></td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">1,600</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">11,500</td> <td></td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">2,000</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">465</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">1,000</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">115</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">1,230</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">65</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">7,430</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Provision for depreciation of equipment</td> <td style="text-align: right;">1,375</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Provision for depreciation of motor vehicle</td> <td style="text-align: right;"><u>2,250</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>38,630</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Net Profit/(Loss)</td> <td style="text-align: right;"><u>(4,003)</u></td> <td style="text-align: right;">(2)(1of)</td> <td></td> </tr> </table>	Sales	83,500			Sales returns Sales	<u>2,540</u>				80,960	(1)		Opening stock	24,000			Purchases	49,000			Purchases returns	<u>2,780</u>	(1)			70,220			Carriage inwards	<u>790</u>	(1)			71,010			Drawings	<u>1,550</u>	(1)			69,460			Closing stock	<u>21,000</u>			Cost of sales	<u>48,460</u>	(1)		Gross Profit	32,500			Discounts received	127	(1)		Commission received	<u>2,000</u>	(2)			34,627	(1)		Rent	9,600			Insurance	1,600	(1)		Salaries	11,500			Electricity	2,000	(1)		Bad debts	465	(1)		Loan interest	1,000	(1)		Discounts allowed	115	(1)		Motor expenses	1,230	(2)		Provision for doubtful debts	65	(2)		General expenses	7,430	(2)		Provision for depreciation of equipment	1,375	(1)		Provision for depreciation of motor vehicle	<u>2,250</u>	(1)			<u>38,630</u>	(1)		Net Profit/(Loss)	<u>(4,003)</u>	(2)(1of)			<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 i.e. they are NOT own figure unless specifically indicated.</p> <p>Adjustments for purchases returns, carriage inwards and drawings must appear above closing stock. If purchases figure includes adjustments for purchases returns, carriage inwards and/or drawings award appropriate marks e.g. 46,220(1), 44,670(2), 47,450(1). Accept discounts received as a negative expense. Discounts received and commission received are all acceptable 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 (7,200 & 230) (0) marks.</p> <p>Accept Depreciation 3,625 (2)</p> <p>For Net Profit/(Loss) (2) must clearly</p>
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			indicate that figure is a loss. For (1of) any figure + heading (accept Net Profit).
	<u>Balance Sheet as at 31 March 2011</u>		Where (2) marks are available the total must be shown and no part marks should be awarded.
	<u>Fixed Assets</u>	5,500	(1)
	Equipment		
	Motor vehicle	<u>6,750</u>	(1)
		12,250	(2)(1of))
	<u>Current Assets</u>		
	Stock	21,000	
	Debtors	7,448	(2)
	Insurance prepaid	300	(1)
	Electricity prepaid	200	(1)
	Commission owed	500	(1)
	Bank	<u>4,950</u>	(1)
		34,398	(1)
	<u>Current Liabilities</u>		
	Creditors	6,230	
	General expenses owing	230	(1)
	10% Loan	<u>10,000</u>	(1)
		16,460	(1)
	Working Capital/Net Current Assets	<u>17,938</u>	(1)
		<u>30,188</u>	
	<u>Financed by</u>		
	Capital	45,541	
	Net Profit/(Loss) (1)	<u>(4,003)</u>	
		41,538	
	Drawings	<u>11,350</u>	(2)
		<u>30,188</u>	
			[43]
		QWC	[2]
	Total Marks for Q(1)(a)		[45]

Accept Prepayments 500 **(2)** & Accrued receipts/income 500 **(1)**.

Accept Accrual(s)/Accrued expense(s) 230 **(1)**.

The Loan must appear under Current Liabilities to gain mark.

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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Question Number	Expected Answer	Mark	Additional Guidance
1 (b)	<p>Capital expenditure, the purchase and/or improvement of fixed assets(1), can be defined as expenditure on items that will last for more than one accounting period(1) whereas expenditure on items that will last for less than one year are treated as revenue expenditure (1), sometimes referred to as day-to-day running expenses(1). Capital expenditure is entered in the Balance Sheet(1) with depreciation only in the Profit and Loss Account(1).</p> <p>Depreciation, which spreads the cost of capital expenditure, is charged over several accounting periods(1) and is an application of the matching/accruals concept(1). If capital expenditure is entered in full in the Profit and Loss Account(1), then profit would be understated(1) and asset values would also be understated(1).</p> <p>Revenue expenditure should be entered in full in the Profit and Loss Account(1). If revenue expenditure is entered in the Balance Sheet(1) then profit would be overstated(1) and asset values would also be overstated(1).</p> <p style="text-align: right;">(1 for point plus up to 2 for development) Max 8</p> <p style="text-align: right;">Total marks</p>	<p>[8]</p> <p>[53]</p>	<p>Reference to any concepts other than matching/accruals (0) marks.</p>

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2 (a) (i)	<p style="text-align: center;">Salaries</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank</td> <td style="width: 50%; text-align: right;">26,000</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;"><u>1,995</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>27,995</u> (1)</td> </tr> </table> </td> <td style="width: 50%;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">2,550</td> </tr> <tr> <td>Profit and Loss</td> <td style="text-align: right;"><u>25,445</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>27,995</u> (1)</td> </tr> </table> </td> </tr> </table>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank</td> <td style="width: 50%; text-align: right;">26,000</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;"><u>1,995</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>27,995</u> (1)</td> </tr> </table>	Bank	26,000	Bal c/d	<u>1,995</u>		<u>27,995</u> (1)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">2,550</td> </tr> <tr> <td>Profit and Loss</td> <td style="text-align: right;"><u>25,445</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>27,995</u> (1)</td> </tr> </table>	Bal b/d	2,550	Profit and Loss	<u>25,445</u>		<u>27,995</u> (1)	[3]	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 principle also applies for Balance c/d.
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(iv)	<p style="text-align: center;">Rent</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; border-right: 1px solid black;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank</td> <td style="width: 50%; text-align: right;">12,500</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12,500</u> (1)</td> </tr> </table> </td> <td style="width: 50%;"> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">950</td> </tr> <tr> <td>Profit and Loss</td> <td style="text-align: right;">10,500</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;"><u>1,050</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12,500</u> (1)</td> </tr> </table> </td> </tr> </table>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bank</td> <td style="width: 50%; text-align: right;">12,500</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12,500</u> (1)</td> </tr> </table>	Bank	12,500		<u>12,500</u> (1)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Bal b/d</td> <td style="width: 50%; text-align: right;">950</td> </tr> <tr> <td>Profit and Loss</td> <td style="text-align: right;">10,500</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;"><u>1,050</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12,500</u> (1)</td> </tr> </table>	Bal b/d	950	Profit and Loss	10,500	Bal c/d	<u>1,050</u>		<u>12,500</u> (1)	[3]	
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F011

Mark Scheme

June 2011

Question Number	Expected Answer	Mark	Additional Guidance																																				
	<p>(b)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;">Cash</th> <th style="width: 15%; text-align: center;">Bank</th> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;">Cash</th> <th style="width: 15%; text-align: center;">Bank</th> </tr> </thead> <tbody> <tr> <td>Bal b/d</td> <td style="text-align: center;">208</td> <td></td> <td>Bal b/d</td> <td></td> <td style="text-align: center;">685</td> </tr> <tr> <td>Sales</td> <td style="text-align: center;">175</td> <td style="text-align: center;">(1)</td> <td>P.Black</td> <td></td> <td style="text-align: center;">135 (1)</td> </tr> <tr> <td>A.Scott</td> <td style="text-align: center;"><u> </u></td> <td style="text-align: center;"><u>928</u> (1)</td> <td>Gen. exp.</td> <td style="text-align: center;">105 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;"><u>383</u></td> <td style="text-align: center;"><u>928</u></td> <td>Bal c/d</td> <td style="text-align: center;"><u>278</u> (1)</td> <td style="text-align: center;"><u>108</u> (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td style="text-align: center;"><u>383</u></td> <td style="text-align: center;"><u>928</u></td> </tr> </tbody> </table>		Cash	Bank		Cash	Bank	Bal b/d	208		Bal b/d		685	Sales	175	(1)	P.Black		135 (1)	A.Scott	<u> </u>	<u>928</u> (1)	Gen. exp.	105 (1)			<u>383</u>	<u>928</u>	Bal c/d	<u>278</u> (1)	<u>108</u> (1)					<u>383</u>	<u>928</u>		<p>Guidance for 2(a) applies to 2(b).</p> <p>The cash book must be in the correct format otherwise (0) marks but accept Cash (Dr) column transposed with Bank (Dr) column along with Cash (Cr) column transposed with Bank (Cr) column.</p>
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	<p>(c)*</p> <p>The accruals concept (1) states that a business must match expenses and revenues (1) to the time period (1) in which those expenses or revenues were incurred (1). Either :- Adding accruals (1) and subtracting prepayments (1) in the Profit and Loss Account (1) generates a correct figure for net profit (1). Or:- Failure to add accruals (1) and subtract prepayments (1) in the Profit and Loss Accounting (1) would generate an inaccurate figure for net profit (over/understated) (1). Either:-Recording prepaid expenses (and/or accrued revenues) as current assets (1) and accrued expenses (and/or prepaid revenues) as current liabilities (1) generates a fair valuation of the business (1) in the Balance Sheet (1). Or:- Failing to record prepaid expenses (and/or accrued revenues) as current assets (1) and accrued expenses (and/or prepaid revenues) as current liabilities (1) will result in an incorrect valuation of the business (1) in the Balance Sheet (1).</p> <p style="text-align: center;">(3x3 marks) (1 for point plus up to 2 for development)</p> <p style="text-align: right;">QWC</p>	<p>[6]</p> <p>[9]</p> <p>[2]</p> <p>[11]</p>	<p>Allow (1) mark for Prudence concept only if linked to accounting for accruals helps to avoid overstating profit.</p>																																				
	Total Marks		[27]																																				

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