



GCE

## Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

# Mark Scheme for January 2013

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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

F011

Mark Scheme

January 2013

**Subject-specific Marking Instructions**

Every working box – whether it contains 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 *	<p><u>John Barfog</u> <u>Trading and Profit and Loss Account for the year ended 30 September 2012</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 20%; text-align: right;">129,900</td> <td style="width: 20%;"></td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;">505</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">129,395</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">23,220</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">64,100</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">540</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">86,780</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">1,500</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">85,280</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;">25,800</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right; border-top: 1px solid black;">59,480</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">69,915</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Commission received</td> <td style="text-align: right;">1,100</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent received</td> <td style="text-align: right;">1,850</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">72,865</td> <td></td> </tr> <tr> <td>Carriage out</td> <td style="text-align: right;">275</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">8,750</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">890</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">490</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">27,600</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">3,300</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">1,430</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">800</td> <td style="text-align: right;">(2)</td> </tr> </table>	Sales	129,900		Sales returns	505			129,395	(1)	Opening stock	23,220		Purchases	64,100	(1)	Purchase returns	540	(1)		86,780		Drawings	1,500	(2)		85,280		Closing stock	25,800		Cost of sales	59,480		Gross Profit	69,915	(1)	Commission received	1,100	(1)	Rent received	1,850	(1)		72,865		Carriage out	275	(1)	General expenses	8,750	(1)	Discounts allowed	890	(1)	Bad debts	490	(2)	Salaries	27,600	(2)	Insurance	5,000	(2)	Electricity	3,300	(2)	Motor expenses	1,430	(2)	Loan interest	800	(2)	41	<p>In all questions accept international terminology.</p> <p>Horizontal format as well as vertical format acceptable for both P&amp;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 <b>NOT</b> own figure unless specifically indicated.</p> <p>Adjustments for purchase returns and drawings must appear above closing stock. If purchases figure includes adjustment for purchases returns, 63,560<b>(2)</b>. Other permutations are possible/acceptable e.g. purchases less drawings 62,600<b>(3)</b> or purchases less both adjustments 62,060<b>(4)</b>.</p> <p>For expenses, where appropriate the net figure must be shown to gain the mark e.g. salaries appearing as two line items (25,300 &amp; 2,300) <b>(0)</b> marks.</p>
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Question	Answer	Marks	Guidance
	Depreciation: Buildings      16,000 <b>(2)</b> Motor vehicles <u>  1,900</u> <b>(2)</b>		Accept combined total for depreciation i.e. 17,900 <b>(4)</b> .
	66,435		
	Net Profit	<u>  6,430</u>	
	<u>Balance Sheet as at 30 September 2012</u>		
	<u>Fixed Assets</u>		
	Land and buildings	194,000	
	Motor vehicles	<u>  7,600</u>	
		201,600 <b>(1)</b>	
	<u>Current Assets</u>		
	Stock	25,800	
	Debtors	3,425 <b>(2)</b>	Where <b>(2)</b> marks are available the total must be shown and no part marks should be awarded.
	Prepaid electricity	<u>  1,100</u> <b>(1)</b>	
		30,325	
	<u>Current Liabilities</u>		
	Creditors	7,010	
	Bank	2,115 <b>(2)</b>	
	8% Loan	10,000 <b>(2)</b>	
	Loan interest	200 <b>(1)</b>	
	Accrued salaries	2,300 <b>(1)</b>	Accept combined totals for accrued expenses and loan interest e.g. 3,250 <b>(3)</b> , 3,450 <b>(4)</b> .
	Accrued insurance	700 <b>(1)</b>	
	Accrued motor expenses	<u>  250</u> <b>(1)</b>	
		22,575	
	Working Capital	<u>  7,750</u>	
		<u>209,350</u>	

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## Mark Scheme

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Question			Answer	Marks	Guidance
			Financed by:- Capital 221,320 Net Profit <u>6,430</u> (1) 227,750 Drawings <u>18,400</u> (1) <u><u>209,350</u></u>		For Drawings mark some indication of deduction is required.
			<b>QWC</b>	<b>2</b>	
			<b>Total</b>	<b>43</b>	

Question		Answer		Marks	Guidance		
2	(a)	(i)	Sangita	1	For Q2(a),(b)&(c) the workings boxes must be checked and marked as seen. <b>Q2 (a)(all parts):-</b> Where a mark is awarded for Balance c/d the following are also acceptable – Bal c/d, Balance c/f, Bal b/f. <b>DO NOT</b> accept Balance or Bal without c/d or c/f or vice versa. This principle also applies for Balance b/d. <b>All</b> marks are for figure plus reasonable narrative on the correct debit or credit side e.g. accept P&L. There are no <b>(of)</b> marks for this question.		
		Bal b/d	<u>3,400</u>			Bad debts	<u>3,400</u> (1)
		(ii)	Jason			1	
		Bal b/d	<u>770</u>				Bal c/d
	(iii)	Bad Debts	2				
	Sangita	<u>3,400</u> (1)		Profit and Loss		<u>3,400</u> (1)	
	(iv)	Provision for Doubtful Debts	5				
	Bal c/d	785 (2)		Bal b/d		700 (1)	
				Profit and Loss		<u>85</u> (2)	
		<u>785</u>				<u>785</u>	
(b)	Profit and Loss Account extract: <u>Expenses</u>			2			
	Bad debts	3,400 (1)					
	Provision for doubtful debts	85 (1of)					
(c)	Balance Sheet extract: <u>Current Assets</u>			4			
	Debtors	8,415 (2)					
	Provision for doubtful debts	<u>785</u> (1of)					
		7,630 (1)		Accept Debtors 7,630(4)			



Question	Answer	Marks	Guidance
(d) *	<p>Appropriate mention of the Prudence concept <b>(1)</b> and <b>correct</b> explanation of this concept <b>(1)</b>.</p> <p>No provision for debts up to one month old:</p> <p><b>Either:</b> Policy reasonable <b>(1)</b> as debtors up to one month is part of normal trading <b>(1)</b>, most are likely to pay <b>(1)</b>.</p> <p><b>Or:</b> Wiser to extend general provision <b>(1)</b> to include all debtors under three months old <b>(1)</b>.</p> <p>Write off as bad any debt outstanding for over 12 months: Unlikely to recover debt <b>(1)</b> unless legal action taken <b>(1)</b>, therefore, write off prudent <b>(1)</b>.</p> <p>Specific provisions for any debts outstanding between four and twelve months: Higher risk of these debts becoming bad <b>(1)</b>, therefore wise <b>(1)</b>.</p> <p>General provision of 3% of remaining debtors: Reasonable/wise <b>(1)</b>. Percentage used should be based on experience <b>(2)</b>; however, bears no relationship to level of bad debt write off <b>(2)</b>.</p> <p>Actions which could be taken:</p> <ul style="list-style-type: none"> <li>• no mention of credit control policies, are they taking place <b>(2)</b>? Eg, credit checks <b>(1)</b>, credit limits <b>(1)</b>, statements <b>(1)</b>, phone calls <b>(1)</b>, threat of/legal action <b>(1)</b>, cash discounts <b>(1)</b>, stop supplying if debts remain unpaid <b>(1)</b>, factor debts <b>(1)</b>.</li> <li>• Sangita's debt: was it chased sooner <b>(1)</b>? This debt represents 11.3% of turnover <b>(1)</b>. Materiality concept <b>(2)</b>. Legal action <b>(1)</b> v legal costs <b>(1)</b>.</li> </ul> <p><b>(5x3 marks) Maximum 10 marks</b></p> <p>(1 for point plus up to 2 for development)</p>	10	<p>No marks for simply describing Arif's policy.</p> <p>Accept stop supplying if debts remain unpaid <b>(1)</b>.</p>
	<b>QWC</b>	<b>2</b>	
	<b>Total</b>	<b>12</b>	

Question		Answer	Marks	Guidance
(e)	(i)	<p><b>Either</b> Cash discounts are given as an incentive to debtors to pay promptly <b>(2)</b>. They reduce the amount a debtor has to pay <b>(1)</b> but do not alter the selling price <b>(1)</b> of the product or service.</p> <p><b>Or</b> Cash discounts are given by suppliers as an incentive to credit customers to pay promptly <b>(2)</b>. In the books of the customer they reduce the amount that has to be paid <b>(1)</b> but do not alter the purchase price <b>(1)</b> of the product or service.</p> <p>Trade discounts are offered to business customers <b>(1)</b> to encourage them to buy more, regularly or in larger quantities <b>(2)</b> at a price lower than to the general public <b>(1)</b>.</p> <p>(Maximum <b>(2)</b> for reference to Cash Discounts and maximum <b>(2)</b> for reference to Trade Discounts.)</p>	4	
	(ii)	<p>Cash discounts are recorded as discounts allowed <b>(1)</b> in the three-column cash book <b>(1)</b>; in the discounts allowed account <b>(1)</b> and appear as an expense <b>(1)</b> in the Profit and Loss Account <b>(1)</b>.</p> <p>If candidate correctly describes the treatment of cash discounts as discounts received, award marks. If candidate refers to both discounts received and discounts allowed, award marks for discounts allowed only.</p> <p>Trade discounts are not shown as an item in the accounts <b>(2)</b> but, where they have been given, the selling price to a customer would be reduced <b>(1)</b> and the trade discount may be shown on the invoice <b>(1)</b>.</p> <p>(Maximum (3) for reference to Cash Discounts and maximum (3) for reference to Trade Discounts.)</p>	6	
<b>Total</b>			<b>37</b>	

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