



GCE

Accounting

Unit **F012**: Accounting Applications

Advanced Subsidiary GCE

Mark Scheme for June 2014

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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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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.

Quality of Written Communication

Level	Mark	Description
3	3	All account headings, terms and balances are included appropriately and in line with accounting conventions. All figures are legible with effective use made of columns and sub-totals. All accounts are ruled off as appropriate.
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)	(i)	Sales	Dr 12,600 (1)	Cr	<p>Must show tick where marks are awarded. Seen at the bottom of each page to show it has been viewed.</p> <p>Must be correct figure and details for mark.</p> <p>Must identify as to whether debit or credit if not set out in correct format.</p> <p>Debtors and creditors names must be used to be awarded mark.</p> <p>Allow 2 marks for combined suspense entry of 2,400.</p> <p>Discounts allowed and received must be worded correctly and shown separately.</p> <p>Bank – can allow cash book but not cash.</p> <p>Depreciation acceptable instead of Provision for depreciation.</p> <p>Allow P&L.</p> <p>If there are 4 entries for any transaction check net values and effect are correct.</p> <p>[18] Reversed entries no marks.</p>
			Suspense		12,600 (1)	
		(ii)	Purchases	3,200 (1)		
			Gillies Ltd		3,200 (1)	
		(iii)	Suspense	9,100 (1)		
			Gumtree Ltd		9,100 (1)	
		(iv)	Discounts received	1,200 (1)		
			Suspense		1,200 (1)	
			Discounts allowed	1,200 (1)		
			Suspense		1,200 (1)	
		(v)	Midge Ltd	4,000 (1)		
			Bank		4,000 (1)	
		(vi)	Machinery	56,000 (1)		
	Purchases		56,000 (1)			
(vii)	Profit and Loss	11,200 (1)				
	Prov for Depreciation		11,200 (1)			
(viii)	Suspense	2,500 (1)				
	Purchases		2,500 (1)			

Question	Answer	Mark	Guidance																																				
(b)	<p><u>Statement of revised Net Profit</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Original net profit</td> <td style="width: 20%;"></td> <td style="width: 30%; text-align: right;">38,200</td> </tr> <tr> <td></td> <td style="text-align: center;">Increase</td> <td style="text-align: center;">Decrease</td> </tr> <tr> <td>(i) Sales overcast</td> <td></td> <td style="text-align: right;">12,600(1)</td> </tr> <tr> <td>(ii) Purchases omitted</td> <td></td> <td style="text-align: right;">3,200(1)</td> </tr> <tr> <td>(iv) Discounts received</td> <td></td> <td style="text-align: right;">1,200(1)</td> </tr> <tr> <td>(iv) Discounts allowed</td> <td></td> <td style="text-align: right;">1,200(1)</td> </tr> <tr> <td>(vi) Machinery purchase</td> <td style="text-align: right;">56,000(1)</td> <td></td> </tr> <tr> <td>(vii) Prov for Dep'n</td> <td></td> <td style="text-align: right;">11,200(1)</td> </tr> <tr> <td>(viii) Drawings</td> <td style="text-align: right;"><u>2,500(1)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">58,500</td> <td style="text-align: right;"><u>(29,400)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>29,100</u></td> </tr> <tr> <td>Revised net profit</td> <td></td> <td style="text-align: right;"><u><u>67,300(2)</u></u></td> </tr> </table>	Original net profit		38,200		Increase	Decrease	(i) Sales overcast		12,600(1)	(ii) Purchases omitted		3,200(1)	(iv) Discounts received		1,200(1)	(iv) Discounts allowed		1,200(1)	(vi) Machinery purchase	56,000(1)		(vii) Prov for Dep'n		11,200(1)	(viii) Drawings	<u>2,500(1)</u>			58,500	<u>(29,400)</u>			<u>29,100</u>	Revised net profit		<u><u>67,300(2)</u></u>	<p>[9]</p>	<p>Correct answers only.</p> <p>Must identify whether increase or decrease. If no signage assume increase.</p> <p>Must identify error with a reasonable narrative or error number. If just a list of figures do not award marks.</p> <p>Allow Discounts 2,400(2) or Discounts allowed 2400(2).</p> <p>Revised net profit correct answer only.</p>
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(c)	<p>Error of omission; where a transaction is completely omitted from books. There is neither a debit or credit entry. Item (ii), credit purchase from Gillies, omitted from the books. There has been neither a debit or credit entry for the £3,200.</p> <p>Error of original entry; where an item is entered, but both debit and credit entries are of the same incorrect figure. Item (v), a cheque paid to a creditor for £4,900, has been entered as £900 in both the debit and credit entries.</p> <p>Error of principle; where an item is entered in the wrong class/type of account, but the correct figure has been used. Item (vi), purchase of fixed asset of machinery, has been entered in the purchases account.</p> <p>(3 marks x 3 points) (1 for point plus up to 2 for development)</p>	<p>[9]</p>	<p>1 mark for identifying the error 2 marks for development.</p> <p>Must correctly identify name of error, no marks if just repeats what is stated in the question without relating it to the error.</p> <p>Allow error of transposition instead of error of original entry.</p>																																				
	<p>Total marks</p>	<p>[36]</p>																																					

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	(a)	<p><u>Mount Isa Tennis Club</u> <u>Bar Trading Account for the year ended 31 March 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Bar Sales</td> <td style="width: 20%;"></td> <td style="width: 20%; text-align: right;">66,000(1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">12,000</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>44,000(2)</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">56,000</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>13,200</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>42,800(1)</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">23,200</td> </tr> <tr> <td>Bar staff wages</td> <td></td> <td style="text-align: right;"><u>28,000(1)</u></td> </tr> <tr> <td>Loss on Bar</td> <td></td> <td style="text-align: right;"><u><u>(4,800)(1)</u></u></td> </tr> </table>	Bar Sales		66,000 (1)	Opening stock	12,000		Purchases	<u>44,000(2)</u>			56,000		Closing stock	<u>13,200</u>		Cost of sales		<u>42,800(1)</u>			23,200	Bar staff wages		<u>28,000(1)</u>	Loss on Bar		<u><u>(4,800)(1)</u></u>	[6]	<p>Only give marks for correct answer with reasonable narrative.</p> <p>Must identify cost of sales, either next to the figure or at the top of the section.</p> <p>Do not give marks for creditors 44,000, must state purchases.</p> <p>Allow deficit/surplus instead of Loss on Bar.</p> <p>Look for working for subs in workings boxes for both (a) and (b) Can show workings for subscriptions in subs account</p>																																																										
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	(b)*	<p><u>Income and Expenditure Account for the year ended 31 March 2014</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3"><u>Income</u></td> </tr> <tr> <td>Subscriptions</td> <td></td> <td style="text-align: right;">13,700(3)</td> </tr> <tr> <td>Competition profit (7,600-[400+2,400-200])</td> <td></td> <td style="text-align: right;">5,000(2)</td> </tr> <tr> <td>Dinner dance profit (4,500-2,000-1,100)</td> <td></td> <td style="text-align: right;">1,400(2)</td> </tr> <tr> <td>Donations</td> <td></td> <td style="text-align: right;"><u>1,500</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">21,600</td> </tr> <tr> <td colspan="3"><u>Expenditure</u></td> </tr> <tr> <td>Loss on bar</td> <td style="text-align: right;">4,800(1)</td> <td></td> </tr> <tr> <td>Maintenance</td> <td style="text-align: right;">10,500</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">5,200(1)</td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">750(1)</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">200(2)</td> <td></td> </tr> <tr> <td>Prov for depreciation - Equipment</td> <td style="text-align: right;"><u>2,800(1)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>24,250</u></td> </tr> <tr> <td>Deficit</td> <td></td> <td style="text-align: right;"><u><u>(2,650)(1)</u></u></td> </tr> </table>	<u>Income</u>			Subscriptions		13,700 (3)	Competition profit (7,600-[400+2,400-200])		5,000 (2)	Dinner dance profit (4,500-2,000-1,100)		1,400 (2)	Donations		<u>1,500</u>			21,600	<u>Expenditure</u>			Loss on bar	4,800 (1)		Maintenance	10,500		Insurance	5,200 (1)		Electricity	750 (1)		Bad debts	200 (2)		Prov for depreciation - Equipment	<u>2,800(1)</u>				<u>24,250</u>	Deficit		<u><u>(2,650)(1)</u></u>		<table style="width: 100%; border-collapse: collapse; margin-left: auto; margin-right: auto;"> <tr> <td colspan="4" style="text-align: center;"><u>Subs account</u></td> </tr> <tr> <td style="width: 25%;"></td> <td style="width: 15%;"></td> <td style="width: 25%;"></td> <td style="width: 35%;"></td> </tr> <tr> <td>Bal b/d</td> <td style="text-align: right;">1,200</td> <td>Bal b/d</td> <td style="text-align: right;">800(1)</td> </tr> <tr> <td></td> <td></td> <td>Bank</td> <td style="text-align: right;">1,000</td> </tr> <tr> <td></td> <td></td> <td>Bank</td> <td style="text-align: right;">12,000</td> </tr> <tr> <td>I & E</td> <td style="text-align: right;">13,700</td> <td>Bank</td> <td style="text-align: right;">600</td> </tr> <tr> <td></td> <td></td> <td>Bad</td> <td></td> </tr> <tr> <td></td> <td></td> <td>Debts</td> <td style="text-align: right;">200</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;"><u>600</u></td> <td>Bal c/d</td> <td style="text-align: right;"><u>900(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>79,900</u></td> <td></td> <td style="text-align: right;"><u>79,900</u></td> </tr> </table> <p>If the same figures are shown on both debit and credit sides do not award mark.</p> <p>Award marks for the following workings +800(1), +12,000 +900(1,)</p> <p>Must calculate profit from social events to be awarded mark. (Do not allow items separate in income and expenditure) (2 or 0) Loss on bar must be shown in expenses. Must show prov for dep'n and not just equipment.</p>	<u>Subs account</u>								Bal b/d	1,200	Bal b/d	800 (1)			Bank	1,000			Bank	12,000	I & E	13,700	Bank	600			Bad				Debts	200	Bal c/d	<u>600</u>	Bal c/d	<u>900(1)</u>		<u>79,900</u>		<u>79,900</u>
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Question	Answer	Mark	Guidance
	<p><u>Balance Sheet as at 31 March 2014</u></p> <p><u>Fixed Assets</u></p> <p>Clubhouse 60,000</p> <p>Equipment <u>11,000</u></p> <p>71,000</p> <p><u>Current Assets</u></p> <p>Stock 13,200</p> <p>Subscriptions in arrears 900(1)</p> <p>Insurance prepaid 600(1)</p> <p>Stock of competition prizes <u>200(1)</u></p> <p>14,900</p> <p><u>Current Liabilities</u></p> <p>Bank 5,200(1)</p> <p>Bar creditors 3,800</p> <p>Subscriptions in advance 600(1)</p> <p>Electricity owing <u>250(1)</u></p> <p>9850</p> <p>Working capital <u>5,050</u></p> <p><u>76,050</u></p> <p><u>Financed by:</u></p> <p>Accumulated Fund 78,700(2)</p> <p>Deficit <u>(2,650)(1)</u></p> <p><u>76,050</u></p> <p style="text-align: right;">QWC</p> <p style="text-align: right;">Total marks</p>	<p>[3]</p> <p>[26]</p> <p>[32]</p>	<p>Correct answer only must show as Deficit not loss. Can also show surplus as a negative figure.</p> <p>Accept vertical and horizontal presentation of income and expenditure account and balance sheet. Allow new terminology.</p> <p>Correct answer only for current assets and current liabilities, items must be in the correct section.</p> <p>Accumulated fund 2 or 0. Must have correct narrative. Deficit but must not be shown as profit/loss.</p> <p>QWC: must be identified at the end of the question by showing 1, 2 or 3 ticks. If no mark awarded then mark with a red x to indicate that it has been considered.</p>

Question		Answer		Mark	Guidance	
3	(a)		<u>Barney</u>	<u>Carey</u>		Must show to 2 decimal places for mark, check figures in calculation, correct answer may be there, don't just look at the answers in the box. ROCE can be expressed as 10%. Signage must be correct. If expressed incorrectly no mark.
		Gross profit as a percentage of sales	28.95% (1)	48.67% (1)		
		Net profit as a percentage of sales	13.16% (1)	18.67% (1)		
		Stock turnover	7.71 times (1)	6.70 times (1)		
		Return on capital employed	10% (1)	4.67% (1)		
		Current ratio	2.5:1 (1)	0.84:1 (1)		
		Liquid (acid test) ratio	1:1 (1)	0.36:1 (1)	[12]	
	(b)*	<p><u>Profitability:</u> Gross profit percentage, net profit percentage, ROCE.</p> <p>Gross profit percentage is significantly higher for Carey than for Barney. This may be because</p> <ul style="list-style-type: none"> • Carey has a lower cost of sales or • Has a higher selling price. <p>Net profit percentage is higher for Carey than it is for Barney; however,</p> <ul style="list-style-type: none"> • Carey's expenses are significantly higher than those of Barney. <p>ROCE: Barney's is significantly higher than that of Carey's</p> <ul style="list-style-type: none"> • Return on capital employed is a significant profitability ratio. • This could be compared to the current bank interest rate as an 			1 mark on higher/lower statement on profitability (max 1 mark). 1 mark for higher/lower statement on liquidity (max 1 mark) Answers must include analysis and evaluation not just state one business is better than the other. Analysis is based on own figures calculated in part (a), need to refer back when marking.	

Question	Answer	Mark	Guidance
	<p>alternative form of investment.</p> <ul style="list-style-type: none"> • Could also be compared to trends over a period of time. <p><u>Liquidity:</u> Stock turnover, current ratio, liquid ratio.</p> <p>Stock turnover for Barney is higher than that of Carey</p> <ul style="list-style-type: none"> • Showing that it is moving its stock quicker which could indicate a higher profitability. • This may be due to a lower selling price. <p>The current ratio of Barney is higher than Carey's</p> <ul style="list-style-type: none"> • the ideal ratio is 1.5-2.0:1 • Barney can comfortably pay its current liabilities • Carey is below the ideal ratio which could mean that it may have problems paying its debts. <p>The acid test ratio of Barney is better than Carey's</p> <ul style="list-style-type: none"> • The ideal ratio is 1.0–1.5:1 • Carey is only 0.36:1, this indicates that Carey has poor liquidity • Carey has high creditors and a bank overdraft. <p>Carey may have higher profitability than Barney but it has poor liquidity, this may lead to serious cash flow problems in the future.</p> <p>Up to 6 points x 3 marks (maximum 12 marks)</p> <p style="text-align: right;">QWC</p> <p style="text-align: right;">Total marks</p>	<p>[2] [14] [26]</p>	<p>Up to 9 further marks for development and a final mark for a summary.</p> <p>1 mark summary Carey successful in achieving its profitability but Carey has poor liquidity.</p> <p>QWC: Must be identified at the end of the question with 1 or 2 ticks. If no marks awarded then mark with a red cross to show it has been considered. Must address the question to gain any QWC marks.</p>

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<p>4</p> <p>(a)</p>	<p><u>Airlie Bay</u> <u>Cash Budget for each of the three months July August September 2014</u></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">July</th> <th style="text-align: center;">August</th> <th style="text-align: center;">September</th> </tr> </thead> <tbody> <tr> <td colspan="4"><u>Receipts</u></td> </tr> <tr> <td>Capital</td> <td style="text-align: right;">5,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Loan</td> <td style="text-align: right;">6,000(1)</td> <td></td> <td></td> </tr> <tr> <td>Cash sales</td> <td style="text-align: right;">23,400(1)</td> <td style="text-align: right;">25,220(1)</td> <td style="text-align: right;">13,520(1)</td> </tr> <tr> <td>Receipts from debtors</td> <td></td> <td style="text-align: right;">23,400(1)</td> <td style="text-align: right;">25,220(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">34,400</td> <td style="text-align: right; border-top: 1px solid black;">48,620</td> <td style="text-align: right; border-top: 1px solid black;">38,740</td> </tr> <tr> <td colspan="4"><u>Payments</u></td> </tr> <tr> <td>Payments to creditors</td> <td></td> <td style="text-align: right;">20,160(1)</td> <td style="text-align: right;">16,800(1)</td> </tr> <tr> <td>Cash purchases</td> <td style="text-align: right;">13,440(1)</td> <td style="text-align: right;">11,200(1)</td> <td style="text-align: right;">7,280(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">2,800(1)</td> <td style="text-align: right;">3,080</td> <td style="text-align: right;">3,080(1)</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">4,320(1)</td> <td style="text-align: right;">5,400(1)</td> <td style="text-align: right;">5,640(1)</td> </tr> <tr> <td>Equipment</td> <td></td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">5,000(1 line)</td> </tr> <tr> <td>Loan interest</td> <td></td> <td></td> <td style="text-align: right;">75(1)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">20,560</td> <td style="text-align: right; border-top: 1px solid black;">44,840</td> <td style="text-align: right; border-top: 1px solid black;">37,875</td> </tr> <tr> <td>Net cash flow</td> <td style="text-align: right;">13,840</td> <td style="text-align: right;">3,780</td> <td style="text-align: right;">865</td> </tr> <tr> <td>Opening balance</td> <td style="text-align: right;">0</td> <td style="text-align: right;">13,840</td> <td style="text-align: right;">17,620</td> </tr> <tr> <td>Closing balance</td> <td style="text-align: right; border-top: 1px solid black;">13,840</td> <td style="text-align: right; border-top: 1px solid black;">17,620</td> <td style="text-align: right; border-top: 1px solid black;">18,485(1)</td> </tr> </tbody> </table>		July	August	September	<u>Receipts</u>				Capital	5,000(1)			Loan	6,000(1)			Cash sales	23,400(1)	25,220(1)	13,520(1)	Receipts from debtors		23,400(1)	25,220(1)		34,400	48,620	38,740	<u>Payments</u>				Payments to creditors		20,160(1)	16,800(1)	Cash purchases	13,440(1)	11,200(1)	7,280(1)	General expenses	2,800(1)	3,080	3,080(1)	Wages	4,320(1)	5,400(1)	5,640(1)	Equipment		5,000	5,000(1 line)	Loan interest			75(1)		20,560	44,840	37,875	Net cash flow	13,840	3,780	865	Opening balance	0	13,840	17,620	Closing balance	13,840	17,620	18,485(1)	<p>[20]</p>	<p>Budget must be in a reasonable layout not just a list of figures.</p> <p><u>Receipts</u> – if just totals shown and incorrect check for individual amounts in workings.</p> <p>Loan and capital with correct narratives must be shown as receipts and not included in the opening balance.</p> <p><u>Payments</u> – Purchases can show totals</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">July</td> <td style="width: 33%;">Aug</td> <td style="width: 33%;">Sep</td> </tr> <tr> <td>13,440</td> <td>31,360</td> <td>24,080</td> </tr> </table> <p>Wages can be shown separately but total wages must be correct.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%;">July</td> <td style="width: 33%;">Aug</td> <td style="width: 33%;">Sep</td> </tr> <tr> <td>4,320</td> <td>4,320</td> <td>4,560</td> </tr> <tr> <td></td> <td>1,080</td> <td>1,080</td> </tr> </table> <p>Can show opening balance at top of budget.</p> <p>Closing balance correct answer only.</p> <p>Benefits should relate to cash flow, not profits.</p>	July	Aug	Sep	13,440	31,360	24,080	July	Aug	Sep	4,320	4,320	4,560		1,080	1,080
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<p>(b)</p>	<p>Budgeting allows a business to plan for the future, foreseeing future problems and take remedial action, by amending the budget, where appropriate and make decisions. Can be used to obtain a bank loan.</p> <p>Budgeting allows a business to control its expenditure by comparing its actual data with that of its planned data and can increase efficiency. Differences can be investigated and corrective action can then be taken.</p>																																																																																									

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	<p>A business can co-ordinate and ensure that all of the budgets are linked together and that they are working towards the same goal and do not conflict with each other.</p> <p>A budget can be used as a motivational tool by involving managers in the setting of the budget so that they take ownership and are motivated to keep within the budget.</p> <p>(2 x 3 marks) (1 for point up to 2 marks for development)</p>	<p>[6]</p> <p>Total marks [26]</p>	

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