Oxford Cambridge and RSA

GCE

Accounting

Unit **F011:** Accounting Principles

Advanced Subsidiary GCE

Mark Scheme for June 2017

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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.

Annotations

1	?	281	?	Unclear
2	BOD	31	BOD	Benefit of doubt
3	✗	21	Cross	Cross
4	OFR	721	OFR	Own figure rule
5	REP	271	REP	Repeat
6	SEEN	811	SEEN	Noted but no credit given
7	✓	11	Tick	Tick

MARK SCHEME:

Question			Answer				Mark	Guidance
1	(a)*		Moelwyn Trading and Profit and Loss Account for the year ended 31 March 2017				43	
			Sales		825,000			
			Sales returns		27,260			
					797,740	(1)		
			Opening stock	38,140				
			Purchases	362,500				
			Carriage inwards	5,650 (1)				
			Purchases returns	18,620 (1)				
				387,670				
			Drawings	7,300 (1)				
			Closing stock	44,390				
			Cost of sales		335,980			
			Gross Profit		461,760	(1)		
			Commission received		14,000	(2)		
			Rent received		57,000	(2)		
					532,760			
			Bad debts	17,750 (1)				
			Provision for doubtful debts	4,654 (2)				
			Salaries	134,450 (1)				
			Motor expenses	16,340 (1)				
			Loan interest	4,860 (2)				
			Electricity	38,856 (2)				
			Insurance	23,400 (2)				
			Carriage out	6,440 (2)				

Question			Answer					Mark	Guidance
			General expenses		14,060	**(2)**			
			Depreciation:	Land & buildings	10,880				
				Motor vehicles	12,544				
						284,234	**(1)**		
			Net Profit			248,526	**(1)**		
			Balance Sheet as at 31 March 2017						
			Fixed Assets						
			Land & buildings			163,200	**(1)**		
			Motor vehicles			50,176	**(1)**		
						213,376			
			Current Assets						
			Stock		44,390				
			Debtors		88,971 **(2)**				
			Bank		99,818				
			Commission received owing		710 **(1)**				
			Rent received owing		14,250 **(1)**				
					248,139				
			Current Liabilities						
			Creditors		97,300				
			Accruals:	Electricity	9,714 **(1)**				
				Insurance	1,800 **(1)**				
				General expenses	3,250 **(1)**				
			Loan		13,500 **(1)**				
			Loan interest		1,215 **(1)**				
					126,779				
			Working Capital			121,360			
						334,736			

<table>
<tr><th colspan="3">Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td></td><td></td><td></td><td><u>Long Term Liabilities</u>
Loan 40,500 (1)
294,236

<u>Financed by</u>:-
Capital 95,300
Net Profit 248,526 (1 of)
343,826
Drawings 49,590 (2)
294,236

QWC (2)</td><td></td><td></td></tr>
<tr><td>2</td><td>(a)</td><td></td><td>Provision for Depreciation of Motor Vans account: Balance b/d 1 April 2016 7,800(1)</td><td>1</td><td></td></tr>
<tr><td></td><td>(b)</td><td>(i)</td><td>Machinery
Bal b/d 27,000 | Disposal 27,000 (1)
Bank 36,000 | Bal c/d 36,000 (1)
63,000 | 63,000</td><td>2</td><td></td></tr>
<tr><td></td><td></td><td>(ii)</td><td>Motor Vans
Bal b/d 12,000 | Bal c/d 27,000 (1)
Bank 15,000 |
27,000 | 27,000</td><td>1</td><td></td></tr>
</table>

<table>
<tr><th colspan="3">Question</th><th>Answer</th><th>Mark</th><th>Guidance</th></tr>
<tr><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td>(iii)</td><td>
<table>
<tr><th colspan="7">Depreciation of Machinery</th></tr>
<tr><td>Disposal</td><td>15,336</td><td>(2)(1of)</td><td>Bal b/d</td><td>12,420</td><td></td></tr>
<tr><td>Bal c/d</td><td>10,800</td><td></td><td>P&L</td><td>13,716</td><td>(3)(1of)</td></tr>
<tr><td></td><td>26,136</td><td></td><td></td><td>26,136</td><td></td></tr>
</table>
</td><td>5</td><td>Disposal:
12,420(1) + 2,916(1) = 15,336

P&L:
2,916(1) + 10,800(2) = 13,716</td></tr>
<tr><td></td><td></td><td>(iv)</td><td>
<table>
<tr><th colspan="6">Depreciation of Motor Vans</th></tr>
<tr><td>Bal c/d</td><td>11,700</td><td>Bal b/d</td><td>7,800</td><td>(1of)</td></tr>
<tr><td></td><td></td><td>P&L</td><td>3,900</td><td>(2)</td></tr>
<tr><td></td><td>11,700</td><td></td><td>11,700</td><td></td></tr>
</table>
</td><td>3</td><td>P&L:
2,400(1) + 1,500(1) = 3,900</td></tr>
<tr><td></td><td></td><td>(v)</td><td>
<table>
<tr><th colspan="5">Disposal of Machinery</th></tr>
<tr><td>Machinery</td><td>27,000</td><td>Depreciation</td><td>15,336</td><td>(1of)</td></tr>
<tr><td></td><td></td><td>Bank</td><td>8,100</td><td>(1)</td></tr>
<tr><td></td><td></td><td>P&L</td><td>3,564</td><td>(2)(1of)</td></tr>
<tr><td></td><td>27,000</td><td></td><td>27,000</td><td></td></tr>
</table>
</td><td>4</td><td></td></tr>
<tr><td></td><td></td><td>(vi)</td><td>Machinery was disposed of at a loss. (1of)</td><td>1</td><td></td></tr>
</table>

Question			Answer	Mark	Guidance
	(c)*		**Machinery** Machinery is depreciated by the reducing balance method which implies that it loses more value in the earlier years of its life. Appropriate for machinery as it recognises more value will be lost in earlier years. As the machinery gets older the lower depreciation will be offset by increasing maintenance costs. This will ensure a more even charge each year in the accounts. **Motor vans** Straight line apportions equal depreciation each year and not appropriate. Motor vans tend to lose value quicker in the earlier years of their life and also maintenance costs increase as they get older. Reducing balance method more appropriate because it recognises that motor vans lose more value in earlier years. **Each method 4 marks** **(1 for appropriateness and max 3 marks for discussion)** **QWC 2**	**10**	
	(d)	(i)	Going concern assumes that a business will carry on trading as normal for the foreseeable future and its accounts are prepared on that basis. Fixed assets are valued on the basis of continuing use in the business and depreciated accordingly. Depreciation is applied each year and total depreciation is deducted from cost will give a written down value on a going concern basis. If the business were about to cease trading, fixed assets would have to be valued on the basis of estimated sales value which for most fixed assets, with the exception of land, is likely to be lower than the net book value previously shown in the business balance sheet. **(1 for concept explanation and max 4 marks for discussion of application)**	**5**	

Question			Answer	Mark	Guidance
		(ii)	The accruals/matching concept states that revenues earned during a financial year must be matched by expenses incurred in the same financial year, not when they are received or paid. The whole cost of a fixed asset is not charged to the profit and loss account in the year of purchase but instead depreciation is charged annually in the profit and loss account. Calculations are based on the expected useful life of the fixed asset and its estimated fall in value over the full period. As the benefits derived from the use of a fixed asset are spread over several accounting periods, depreciation attempts to match the benefits derived from use of the fixed assets in an accounting period with a fair proportion of the cost of the fixed asset consumed in the same period. **(1 for concept explanation and max 4 marks for discussion of application)**	**5**	

	AO1	AO2	AO3		Total
1(a)*	19	24			43
2(a)		1			1
2(b)(i)	2				2
2(b)(ii)	1				1
2(b)(iii)		5			5
2(b)(iv)		3			3
2(b)(v)	1	3			4
2(b)(vi)	1				1
2(c)*			10		10
2(d)(i)			5		5
2(d)(ii)			5		5
	24	36	20		80

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