



GCE

Accounting

Unit **F012**: Accounting Applications

Advanced Subsidiary GCE

Mark Scheme for June 2018

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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.

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Question	Answer	Mark	Guidance																												
1 (a)	<p style="text-align: center;">Purchases Ledger Control Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%; border-bottom: 1px solid black;">Bank</td> <td style="width: 15%; text-align: right;">432,500(1)</td> <td style="width: 35%; border-bottom: 1px solid black;">Balance b/d</td> <td style="width: 15%; text-align: right;">112,500</td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">6,700(2)</td> <td>Purchases</td> <td style="text-align: right;">436,600(2)</td> </tr> <tr> <td>Discounts received</td> <td style="text-align: right;">6,750(2)</td> <td></td> <td></td> </tr> <tr> <td>Contra</td> <td style="text-align: right;">20,800</td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>82,350</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>549,100(1)</u></td> <td></td> <td style="text-align: right;"><u>549,100</u></td> </tr> </table>	Bank	432,500(1)	Balance b/d	112,500	Purchase returns	6,700(2)	Purchases	436,600(2)	Discounts received	6,750(2)			Contra	20,800			Balance c/d	<u>82,350</u>				<u>549,100(1)</u>		<u>549,100</u>	8					
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1 (b)	<p><u>Schedule of Creditors</u></p> <table style="width: 100%;"> <tr> <td>Original balance</td> <td style="text-align: right;">81,350</td> </tr> <tr> <td>(iv) Credit purchase</td> <td style="text-align: right;">2,100(1)</td> </tr> <tr> <td>(v) Purchase returns</td> <td style="text-align: right;"><u>(1,100)(1)</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>82,350</u></td> </tr> </table>	Original balance	81,350	(iv) Credit purchase	2,100(1)	(v) Purchase returns	<u>(1,100)(1)</u>		<u>82,350</u>	2																					
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1 (c)	<p style="text-align: center;">Sales Ledger Control Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%; border-bottom: 1px solid black;">Balance b/d</td> <td style="width: 15%; text-align: right;">216,600</td> <td style="width: 35%; border-bottom: 1px solid black;">Bank</td> <td style="width: 15%; text-align: right;">1,012,700(1)</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">945,500(1)</td> <td>Sales returns</td> <td style="text-align: right;">8,700(1)</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">2,900(2)</td> <td>Discounts allowed</td> <td style="text-align: right;">17,200(2)</td> </tr> <tr> <td></td> <td></td> <td>Bad debts</td> <td style="text-align: right;">7,100(1)</td> </tr> <tr> <td></td> <td></td> <td>Contra</td> <td style="text-align: right;">20,800(1)</td> </tr> <tr> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>98,500</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1,165,000</u></td> <td></td> <td style="text-align: right;"><u>1,165,000(1)</u></td> </tr> </table>	Balance b/d	216,600	Bank	1,012,700(1)	Sales	945,500(1)	Sales returns	8,700(1)	Bank	2,900(2)	Discounts allowed	17,200(2)			Bad debts	7,100(1)			Contra	20,800(1)			Balance c/d	<u>98,500</u>		<u>1,165,000</u>		<u>1,165,000(1)</u>	10	
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(e)*	<p>Using control accounts can help to localise errors .They allow errors to be identified in a relatively small area of the ledgers, for example errors in the purchases ledger or sales ledger. This saves time and makes it easier to keep accurate accounts .</p> <p>Control accounts can be used to provide an independent check on the purchases ledger and sales ledger. Control accounts are usually completed by a supervisor, whilst the purchases and sales ledger are completed by the ledger clerks therefore providing a division of duties. The balance on the control account, and the total of the balances from the purchases and sales ledger have to be equal. This, therefore also acts as a deterrent against fraud.</p> <p>Control accounts can be used to provide totals of creditors and debtors. These can be calculated quickly if control accounts are used. It is less time consuming than adding together all the creditors and debtors balances from the purchases and sales ledgers.</p> <p>The total debtors and creditors calculated using control accounts can be used to compile the trading profit and loss account and the balance sheet.</p> <p>Control accounts are often used to calculate sales and purchases when a business has incomplete records and information is missing.</p> <p>QWC (2)</p> <p>(3 x 3 marks) (1 for point plus up to 2 for development)</p>	11	
1 (f)	<p>The Purchases Journal is a book of prime/first/original entry. When goods are purchased on credit the purchase is first recorded in the purchases journal, the purchases journal is totalled and the total in then transferred to the purchases account in the general ledger and the individual amounts transferred to the creditors accounts in the purchases ledger. The purchases journal is not part of the double entry system.</p> <p>The Cash Book is a book of prime/original/first entry. It is also part of the double-entry system. A cash book can be either two column or three column, both show the cash and the bank accounts brought into one book Debit columns for cash and bank are side by side, credit columns for cash and bank are also side by side this allows the receipts and payments for the period can be seen on the same page. A three column cash book also incorporates a memorandum column on both sides to record the discounts allowed on the debit side and the discounts received on the credit side, allowing totals of discounts allowed and discounts received to be</p>	6	

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	<p>transferred to the discounts allowed/received accounts.</p> <p>((3 x 1 mark) x 2)</p>																																																														
2 (a)*	<p><u>Poppy Bee</u> <u>Trading and Profit and Loss Account for the year ended 31 March 2018</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales (125,000-15,400+18,200+3,000+1,200+2,500)</td> <td style="width: 20%; text-align: right;">134,500</td> <td style="width: 20%; text-align: right;">(5)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">14,800</td> <td></td> </tr> <tr> <td>Purchases (72,000-6,800+6,100+1,400-500)</td> <td style="text-align: right;"><u>72,200</u></td> <td style="text-align: right;">(4)</td> </tr> <tr> <td></td> <td style="text-align: right;">87,000</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>20,500</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">66,500</td> <td></td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">68,000</td> <td></td> </tr> <tr> <td>Discounts received</td> <td style="text-align: right;"><u>1,400</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">69,400</td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">11,000</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">14,500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">15,800</td> <td></td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">12,400</td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">2,500</td> <td></td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">400</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">364</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation equipment</td> <td style="text-align: right;">6,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation delivery van</td> <td style="text-align: right;"><u>2,500</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">65,464</td> <td></td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;"><u>3,936</u></td> <td style="text-align: right;">(1)</td> </tr> </table>	Sales (125,000-15,400+18,200+3,000+1,200+2,500)	134,500	(5)	Opening stock	14,800		Purchases (72,000-6,800+6,100+1,400-500)	<u>72,200</u>	(4)		87,000		Closing stock	<u>20,500</u>		Cost of sales	66,500		Gross Profit	68,000		Discounts received	<u>1,400</u>	(1)		69,400		Wages	11,000		General expenses	14,500	(1)	Motor expenses	15,800		Rent	12,400		Discounts allowed	2,500		Loan interest	400	(1)	Provision for doubtful debts	364	(1)	Depreciation equipment	6,000	(1)	Depreciation delivery van	<u>2,500</u>	(1)		65,464		Net Profit	<u>3,936</u>	(1)	30	
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2 (b)	<p>If a sole trader does not keep adequate records then the business may not have records of all the transactions, then the business will therefore be unaware of the total sales and purchases in a period. This may result in it not having records of its stockholdings which could result in it and running out of certain lines of stock. Therefore, being unable to meet customer demand, which could result in the business losing future business.</p> <p>The business may not have a record of debtors which could lead to poor credit control. They will not be able to send out invoices and reminders of amounts owing from debtors. They would also not be aware when a debtor has reached their credit limit this could therefore lead to debtors exceeding their credit limits and still being supplied with goods. This may lead to debtors not paying their accounts, which could lead to bad debts and cash flow difficulties.</p> <p>The business may not have a record of creditors, which could lead to the business not paying the amounts owed to its suppliers. This could lead to suppliers refusing to supply further goods and this could eventually lead to the failure of the business.</p> <p>The business may not have records of expenses that have been paid or are owing, and, therefore it will not have any control of these, which may lead to overspending on expenses and, therefore, cash flow difficulties.</p> <p>The business will be unable to prepare a trial balance and final accounts and, therefore, be unable to calculate how much profit or loss it has made in a period.</p> <p>If the business cannot provide details of its profits banks will be reluctant to loan it money, as there is no adequate record of its ability to repay the money. It will also not have adequate records for HMRC to calculate the taxation due.</p> <p>(3 x 3 marks) (1 for point plus up to 2 for development)</p>	9	

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3 (a)	<p><u>Ava and Lukas</u> <u>Appropriation Account for the year ended 30 April 2018</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Net Profit</td> <td style="width: 15%;"></td> <td style="width: 15%; text-align: right;">73,600</td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> <tr> <td>Interest on drawings:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Ava</td> <td style="text-align: right;">1,008</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Lukas</td> <td style="text-align: right;"><u>1,232</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2,240(1)</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">75,840</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Interest on capital:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Ava</td> <td style="text-align: right;">1,560(1)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Lukas</td> <td style="text-align: right;"><u>1,440(1)</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>3,000</u></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">72,840</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary</td> <td>Ava</td> <td style="text-align: right;"><u>22,000(1)</u></td> <td style="text-align: right;"><u>22,000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">50,840</td> <td></td> <td></td> </tr> <tr> <td>Share of profits:</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Ava</td> <td style="text-align: right;">30,504(1)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Lukas</td> <td style="text-align: right;"><u>20,336</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>50,840</u></td> <td></td> <td></td> </tr> </table>	Net Profit		73,600				Interest on drawings:						Ava	1,008					Lukas	<u>1,232</u>							<u>2,240(1)</u>						75,840				Interest on capital:						Ava	1,560(1)					Lukas	<u>1,440(1)</u>							<u>3,000</u>						72,840				Salary	Ava	<u>22,000(1)</u>	<u>22,000</u>						50,840			Share of profits:						Ava	30,504(1)					Lukas	<u>20,336</u>								<u>50,840</u>			5	
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3 (d)	<p>The significance of a debit balance on a partners current account is that this may occur on when a partner has taken more drawings out of the current account than he has had earned or has been credited to the account.</p> <p>This is highlighted when a current account is used rather than having a fluctuating capital account, which would only show a reduced capital balance.</p> <p>A debit balance can be seen immediately and can highlight a cause for concern within the partnership.</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p>	4																																																									

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4	(a)	(i)	<u>1 April 2016 –</u> <u>31 March 2017</u>	<u>1 April 2017 – 31</u> <u>March 2018</u>	5	
		<u>Equipment</u> Equipment 1 32,500 (1) Equipment 2 2,500 (1) Equipment 3 <hr/> <u>35,000</u>	 32,500 (1) 5,000 (1) 6,800 (1) <hr/> <u>44,300</u>			
		(ii)	<u>Motor Vehicles</u> Motor vehicle 1 5,440 (1) Motor vehicle 2 <hr/> <u>5,440</u>	 5,440 (1) 2,640 (1) <hr/> <u>8,080</u>	3	
4	(b)	(i)	<u>1 April 2016 –</u> <u>31 March 2017</u>	<u>1 April 2017 –</u> <u>31 March 2018</u>	5	
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