



GCE

Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

Mark Scheme for January 2012

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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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F011

Mark Scheme

January 2012

Annotations

Annotation	Meaning
	Unclear
	Benefit of Doubt
	Cross
	Own figure rule
	Repeat
	Tick
	Seen

Subject-specific Marking Instructions

Every working box – whether it contains working or not – must be stamped as ‘seen’.

Accept updated terminology per IAS where appropriate e.g. Non-Current Assets.

F011

Mark Scheme

January 2012

Question	Answer	Marks	Guidance																																																																																																
1	<p data-bbox="232 217 286 244">(a)*</p> <p data-bbox="367 217 1357 280"><u>Fly by Night</u> <u>Trading and Profit and Loss Account for the year ended 30 September 2011</u></p> <table data-bbox="367 316 1357 1129"> <tr> <td data-bbox="367 316 891 343">Sales</td> <td data-bbox="891 316 1182 343"></td> <td data-bbox="1182 316 1357 343">434,230</td> <td data-bbox="367 316 1357 343"></td> </tr> <tr> <td data-bbox="367 343 891 370">Opening stock</td> <td data-bbox="891 343 1182 370">26,300</td> <td data-bbox="1182 343 1357 370"></td> <td data-bbox="367 343 1357 370"></td> </tr> <tr> <td data-bbox="367 370 891 399">Purchases</td> <td data-bbox="891 370 1182 399"><u>176,450</u> (1)</td> <td data-bbox="1182 370 1357 399"></td> <td data-bbox="367 370 1357 399"></td> </tr> <tr> <td data-bbox="367 399 891 426"></td> <td data-bbox="891 399 1182 426">202,750</td> <td data-bbox="1182 399 1357 426"></td> <td data-bbox="367 399 1357 426"></td> </tr> <tr> <td data-bbox="367 426 891 454">Purchase returns</td> <td data-bbox="891 426 1182 454"><u>8,050</u> (1)</td> <td data-bbox="1182 426 1357 454"></td> <td data-bbox="367 426 1357 454"></td> </tr> <tr> <td data-bbox="367 454 891 481"></td> <td data-bbox="891 454 1182 481">194,700</td> <td data-bbox="1182 454 1357 481"></td> <td data-bbox="367 454 1357 481"></td> </tr> <tr> <td data-bbox="367 481 891 510">Closing stock</td> <td data-bbox="891 481 1182 510"><u>24,700</u></td> <td data-bbox="1182 481 1357 510"></td> <td data-bbox="367 481 1357 510"></td> </tr> <tr> <td data-bbox="367 510 891 537">Cost of Sales</td> <td data-bbox="891 510 1182 537"></td> <td data-bbox="1182 510 1357 537"><u>170,000</u></td> <td data-bbox="367 510 1357 537"></td> </tr> <tr> <td data-bbox="367 537 891 566">Gross Profit</td> <td data-bbox="891 537 1182 566"></td> <td data-bbox="1182 537 1357 566">264,230 (1)</td> <td data-bbox="367 537 1357 566"></td> </tr> <tr> <td data-bbox="367 566 891 595">Discounts received</td> <td data-bbox="891 566 1182 595"></td> <td data-bbox="1182 566 1357 595"><u>6,270</u> (1)</td> <td data-bbox="367 566 1357 595"></td> </tr> <tr> <td data-bbox="367 595 891 622"></td> <td data-bbox="891 595 1182 622"></td> <td data-bbox="1182 595 1357 622">270,500</td> <td data-bbox="367 595 1357 622"></td> </tr> <tr> <td data-bbox="367 622 891 651">Electricity</td> <td data-bbox="891 622 1182 651">3,134</td> <td data-bbox="1182 622 1357 651"></td> <td data-bbox="367 622 1357 651"></td> </tr> <tr> <td data-bbox="367 651 891 679">Discounts allowed</td> <td data-bbox="891 651 1182 679">2,730 (1)</td> <td data-bbox="1182 651 1357 679"></td> <td data-bbox="367 651 1357 679"></td> </tr> <tr> <td data-bbox="367 679 891 708">Motor expenses</td> <td data-bbox="891 679 1182 708">1,890 (1)</td> <td data-bbox="1182 679 1357 708"></td> <td data-bbox="367 679 1357 708"></td> </tr> <tr> <td data-bbox="367 708 891 737">Salaries</td> <td data-bbox="891 708 1182 737">120,000 (2)</td> <td data-bbox="1182 708 1357 737"></td> <td data-bbox="367 708 1357 737"></td> </tr> <tr> <td data-bbox="367 737 891 766">Insurance</td> <td data-bbox="891 737 1182 766">14,000 (2)</td> <td data-bbox="1182 737 1357 766"></td> <td data-bbox="367 737 1357 766"></td> </tr> <tr> <td data-bbox="367 766 891 794">Bad debts</td> <td data-bbox="891 766 1182 794">2,900 (2)</td> <td data-bbox="1182 766 1357 794"></td> <td data-bbox="367 766 1357 794"></td> </tr> <tr> <td data-bbox="367 794 891 823">General expenses</td> <td data-bbox="891 794 1182 823">3,900 (2)</td> <td data-bbox="1182 794 1357 823"></td> <td data-bbox="367 794 1357 823"></td> </tr> <tr> <td data-bbox="367 823 891 852">Loan interest</td> <td data-bbox="891 823 1182 852">18,000 (2)</td> <td data-bbox="1182 823 1357 852"></td> <td data-bbox="367 823 1357 852"></td> </tr> <tr> <td data-bbox="367 852 891 880">Depreciation Buildings</td> <td data-bbox="891 852 1182 880">12,000 (2)</td> <td data-bbox="1182 852 1357 880"></td> <td data-bbox="367 852 1357 880"></td> </tr> <tr> <td data-bbox="367 880 891 909">Depreciation Equipment</td> <td data-bbox="891 880 1182 909">5,750 (2)</td> <td data-bbox="1182 880 1357 909"></td> <td data-bbox="367 880 1357 909"></td> </tr> <tr> <td data-bbox="367 909 891 938">Depreciation Motor vehicles</td> <td data-bbox="891 909 1182 938"><u>5,100</u> (2)</td> <td data-bbox="1182 909 1357 938"></td> <td data-bbox="367 909 1357 938"></td> </tr> <tr> <td data-bbox="367 938 891 967"></td> <td data-bbox="891 938 1182 967"></td> <td data-bbox="1182 938 1357 967"><u>189,404</u> (1)</td> <td data-bbox="367 938 1357 967"></td> </tr> <tr> <td data-bbox="367 967 891 995">Net Profit</td> <td data-bbox="891 967 1182 995"></td> <td data-bbox="1182 967 1357 995"><u>81,096</u> (1)</td> <td data-bbox="367 967 1357 995"></td> </tr> </table>	Sales		434,230		Opening stock	26,300			Purchases	<u>176,450</u> (1)				202,750			Purchase returns	<u>8,050</u> (1)				194,700			Closing stock	<u>24,700</u>			Cost of Sales		<u>170,000</u>		Gross Profit		264,230 (1)		Discounts received		<u>6,270</u> (1)				270,500		Electricity	3,134			Discounts allowed	2,730 (1)			Motor expenses	1,890 (1)			Salaries	120,000 (2)			Insurance	14,000 (2)			Bad debts	2,900 (2)			General expenses	3,900 (2)			Loan interest	18,000 (2)			Depreciation Buildings	12,000 (2)			Depreciation Equipment	5,750 (2)			Depreciation Motor vehicles	<u>5,100</u> (2)					<u>189,404</u> (1)		Net Profit		<u>81,096</u> (1)		38	<p data-bbox="1626 217 2069 312">Horizontal format as well as vertical format acceptable for both P&L a/c and B/S.</p> <p data-bbox="1626 312 2069 552">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 data-bbox="1626 552 2069 719">Adjustment for purchase returns must appear above closing stock. If purchases figure includes adjustment for purchases returns, 168,400 (2).</p> <p data-bbox="1626 719 2069 887">Accept discounts received as a negative expense. Discounts received is also acceptable below the sub-total for expenses i.e. immediately before Net Profit.</p> <p data-bbox="1626 887 2069 1023">NB The provision for doubtful debts remains unchanged. So no entry in the P&L.</p> <p data-bbox="1626 1023 2069 1230">For expenses, where appropriate the net figure must be shown to gain the mark eg salaries appear as two line items (110,000 & 10,000) (0) marks.</p> <p data-bbox="1626 1230 2069 1294">Accept combined totals for depreciation eg 22,850 (6).</p>
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Question	Answer	Marks	Guidance
	<p><u>Balance Sheet as at 30 September 2011</u></p> <p><u>Fixed Assets</u></p> <p>Land and Buildings 372,000 (1)</p> <p>Equipment 5,750 (1)</p> <p>Motor vehicles <u>7,650</u> (1)</p> <p>385,400 (1)</p> <p><u>Current Assets</u></p> <p>Stock 24,700</p> <p>Debtors 107,864 (2)</p> <p>Bank 28,342</p> <p>Prepaid: Insurance <u>3,500</u> (1)</p> <p>164,406</p> <p><u>Current Liabilities</u></p> <p>Creditors 99,300</p> <p>Accruals: General expenses 620</p> <p>Salaries 10,000 (2)</p> <p>Loan interest <u>3,000</u> (2)</p> <p>112,920</p> <p>Working Capital <u>51,486</u></p> <p>436,886</p> <p><u>Long Term Liabilities</u></p> <p>9% Loan <u>200,000</u> (1)</p> <p><u>236,886</u></p> <p><u>Financed by:-</u></p> <p>Capital 195,290</p> <p>Net Profit <u>81,096</u> (1)</p> <p>276,386</p> <p>Drawings <u>39,500</u> (1)</p> <p><u>236,886</u></p> <p style="text-align: right;">QWC</p> <p style="text-align: right;">Total Marks</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">40</p>	<p>For Land & Buildings accept Land 120,000, Buildings 252,000 (1).</p> <p>Where (2) marks are available the total must be shown and no part marks should be awarded.</p> <p>Accept combined totals for accrued expenses eg 13,620 (4).</p> <p>The Loan must appear under Long Term Liabilities to gain mark.</p> <p>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.</p> <p>Please ensure that you check all pages for this question. Place 'SEEN' at the foot of each blank page.</p>

Question	Answer	Marks	Guidance
(b)	<p>Item (i): Accruals/Matching concept (1). The matching of receipts and payments within an accounting period (1). Adjustments have to be made regarding early and late transactions (1) both at the start and at the end of the accounting period (1). £10,000 of unpaid salaries has to be accrued (1) in order to get the correct value of salaries expenses for the financial year (1).</p> <p>Item (iii): Business Entity concept (1). Only the transactions of the business should be recorded in the accounts of the business (1). The owner's private holiday is not a business expense (1) and must be shown as drawings (1) which reduces the amount of capital the owner has invested in the business (1).</p> <p>Item (v): The Prudence concept (1) requires a business to understate, rather than overstate, profit (1). Writing off a bad debt is an example of this (1), as this will increase expenses (1) and thus reduce net profit (1). This action will also reduce the value of debtors and hence current assets in the balance sheet (1).</p> <p style="text-align: center;">(1 for identifying concept, plus up to 2 for development) x 3</p>	9	<p>If the wrong concept is identified (0) per item. If the correct concept is not named but its treatment is correctly explained, Max (2) per item.</p> <p>Item (iii): Do not accept 'Drawings concept'</p> <p>Re – Item (V): No development marks if prudence described as not understating (as well as not overstating) profit/asset values.</p>

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Question			Answer				Marks	Guidance																								
2	(a)	(i)	<p style="text-align: center;">Machinery</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border-right: 1px solid black;">Balance b/d</td> <td style="width: 10%; text-align: right;">15,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 20%; border-right: 1px solid black;">Disposal</td> <td style="width: 10%; text-align: right;">8,000</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td style="border-right: 1px solid black;">Bank</td> <td style="text-align: right;">8,800</td> <td style="text-align: right;">(1)</td> <td style="border-right: 1px solid black;">Balance c/d</td> <td style="text-align: right;">25,400</td> <td></td> </tr> <tr> <td style="border-right: 1px solid black;">Bank</td> <td style="text-align: right;">9,600</td> <td></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>33,400</u></td> <td></td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>33,400</u></td> <td></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>33,400</u></td> <td></td> </tr> </table>				Balance b/d	15,000	(1)	Disposal	8,000	(1)	Bank	8,800	(1)	Balance c/d	25,400		Bank	9,600			<u>33,400</u>			<u>33,400</u>			<u>33,400</u>		3	<p>Q2 (all parts):- Where a mark is awarded for Balance b/d the following are also acceptable – Bal b/d, Balance b/f, Bal b/f. DO NOT accept Balance or Bal without b/d or b/f or vice versa. This principle also applies for Balance c/d.</p> <p>All marks are for figure plus reasonable narrative on the correct debit or credit side e.g. accept P&L. There are no (of) marks for this question.</p> <p>Q2(a)(i) Accept Bank 18,400 (1).</p>
Balance b/d	15,000	(1)	Disposal	8,000	(1)																											
Bank	8,800	(1)	Balance c/d	25,400																												
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	<u>33,400</u>			<u>33,400</u>																												
		(ii)	<p style="text-align: center;">Provision for Depreciation of Machinery</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border-right: 1px solid black;">Disposal</td> <td style="width: 10%; text-align: right;">5,750</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 20%; border-right: 1px solid black;">Balance b/d</td> <td style="width: 10%; text-align: right;">10,500</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td style="border-right: 1px solid black;">Balance c/d</td> <td style="text-align: right;">7,250</td> <td></td> <td style="border-right: 1px solid black;">Profit & Loss</td> <td style="text-align: right;">2,500</td> <td style="text-align: right;">(4)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>13,000</u></td> <td></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>13,000</u></td> <td></td> </tr> </table>				Disposal	5,750	(1)	Balance b/d	10,500	(1)	Balance c/d	7,250		Profit & Loss	2,500	(4)		<u>13,000</u>			<u>13,000</u>		6	<p>Depreciation workings: M1: 7000 @ 12.5%: 875(1) M2: 8000 @ 12.5% x 6/12: 500(1) M3: 8800 @ 12.5% x 9/12: 825(1) M4: 9600 @ 12.5% x 3/12: 300(1) 2,500</p> <p>If P&L entry is incorrect check for workings in workings box above. Accept recognisable permutations eg 1,375 (2), £1,700 (2) Accept individual figures for Profit & Loss entry.</p>						
Disposal	5,750	(1)	Balance b/d	10,500	(1)																											
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		(iii)	<p style="text-align: center;">Machinery Disposals</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; border-right: 1px solid black;">Machinery</td> <td style="width: 10%; text-align: right;">8,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 20%; border-right: 1px solid black;">Depreciation</td> <td style="width: 10%; text-align: right;">5,750</td> <td style="width: 10%; text-align: right;">(2)</td> </tr> <tr> <td style="border-right: 1px solid black;">Profit & Loss (1)</td> <td style="text-align: right;">1,750</td> <td style="text-align: right;">(1)</td> <td style="border-right: 1px solid black;">Bank</td> <td style="text-align: right;">4,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>9,750</u></td> <td></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>9,750</u></td> <td></td> </tr> </table>				Machinery	8,000	(1)	Depreciation	5,750	(2)	Profit & Loss (1)	1,750	(1)	Bank	4,000	(1)		<u>9,750</u>			<u>9,750</u>		6							
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