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RECOGNISING ACHIEVEMENT

GCE

Accounting

Advanced Subsidiary GCE **F011**

Accounting Principles

Mark Scheme for June 2010

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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.

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Abbreviations, annotations and conventions that are used in this Mark Scheme vary from paper to paper. The following annotations are available for this paper.

(SO to add others)

✓ and ✗
BOD – Benefit of doubt
NBOD – No benefit of doubt
TV – Too vague

Highlighting is also available to highlight any particular points on the script.

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Quality of Written Communication

The rubric states:
* *In these two questions/sub questions, you will be assessed on the quality of you 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 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 questions. 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.

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Question Number	Expected Answer	Marks	Additional Guidance
1*	Sardar Patel Trading and Profit and Loss Account for the year ended 30 April 2010 Sales 221,750 Sales returns 2,150 219,600 (1) Opening stock 7,400 Purchases 95,300 Equipment (2,500) (1) 100,200 Purchase returns 1,360 98,840 Drawings 640 (1) 98,200 Closing stock 7,950 Cost of sales 90,250 (1) Gross Profit 129,350 (1) Discounts received 1,640 (1) Rent received 7,800 (2) 138,790 (1) Carriage outwards 770 Discounts allowed 2,920 (2) Heat and light 3,990 (2) General expenses 55,720 (1) Motor expenses 6,110 (1) Salaries 29,120 (2) Bad debts 660 Provision for doubtful debts 26 (2) Loan interest 1,200 (2) Depreciation equipment 5,000 (2) Depreciation motor vehicles 5,184 (2) 110,700 (1) Net Profit 28,090 (1)		**For all questions, an X must be entered at the bottom of each blank page.** **Horizontal format as well as vertical format are acceptable for both P&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 NOT own figure.** **Adjustments for equipment, purchase returns and drawings must appear before closing stock.** **If purchases figure includes adjustments for equipment, purchases returns and/or drawings award appropriate marks, e.g. 92,800 (1), 92,160 (2), 90,800 (2).** **Accept discounts received as a negative expense but NOT rent received.** **Accept non-trading entries as a block between the sub-total for expenses and the net profit.** **For expenses, where appropriate the net figure must be shown to gain the mark e.g. if heat and light appears as two line items (3720 &270) (0) marks.** **Accept combined depreciation 10,184 (4)**

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Question Number	Expected Answer	Marks	Additional Guidance
1* continued	Sardar Patel Balance Sheet as at 30 April 2010 Fixed Assets Equipment 11,000 Motor vehicles 7,776 18,776 (2) Current Assets Stock 7,950 Debtors 35,574 (2) Bank 7,870 (2) Rent receivable accrued 480 (1) Salaries prepaid 600 (1) 52,474 (1) Current Liabilities Creditors 15,200 (1) Accrued heat and light 270 (1) Loan interest due 100 (1) 15,570 (1) Working Capital 36,904 55,680 Long Term Liabilities 10% Loan 12,000 (1) 43,680 Financed by Capital 40,000 Net Profit 28,090 68,090 Drawings 24,410 (2) 43,680 (1)	[44] QWC [2] Total marks [46]	**For debtors a total of 35,574 must be shown, for bank 7,870 and for drawings 24,410 to gain the respective marks.** **Under current assets, if the candidate has combined rent receivable accrued and salaries prepaid 1,080 award (2) marks e.g. accept combined figure under the heading of 'accruals'.** **Under current liabilities, if candidate has combined accrued heat and light and loan interest due 370 award (2) marks e.g. accept combined figure under the heading of 'accruals'.** **10% loan must appear under the heading Long Term Liabilities to gain mark. Accept 10% loan below capital but must be under a long-term liabilities sub-heading.** **If the candidate puts Long Term Liabilities below end of year capital the mark for 43,680 will apply to the sub-total for end of year capital.**

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Question Number	Expected Answer	Marks	Additional Guidance
2 (a) (i)	Fixtures And Fittings Balance b/d **(1)** 64,000 / Balance c/d 74,000 **(1)** Bank 10,000 **(1)** / 74,000 74,000 / 74,000	[3]	**For all parts of Q2(a), where (2) marks are allocated no part marks are to be given i.e. the mark awarded must be either (2) or (0), except for 2(a)(iv) where two entries for P&L may legitimately occur. It is acceptable to show the current year depreciation for the asset disposed, 1,260 (1) and deprecation of the remaining asset 3,750 (1) as separate figures.**
2 (a) (ii)	Provision For Depreciation Of Fixtures And Fittings Balance c/d 34,500 **(1)** / Balance b/d **(1)** 16,000 Profit and Loss 18,500 **(2)** 34,500 / 34,500	[4]	**Where a mark is awarded for Balance b/d the following are acceptable – Balance b/d, Bal b/d, Balance b/f, Bal b/f, Accrued b/d, Accrued b/f. Do NOT accept Balance or Bal or Accrued without b/d or b/f nor b/d or b/f without Balance, Bal or Accrued. This narrative must also appear on the correct Dr or Cr side.**
2 (a) (iii)	Motor Vehicles Balance b/d 12,000 / Disposal 12,000 **(2)** Bank 25,000 **(1)** / Balance c/d 25,000 **(1)** 37,000 / 37,000	[4]	**Where a mark is awarded against a balancing figure the mark is for the figure only on the correct debit or credit side. All other marks are for figure plus reasonable narrative on the correct Dr or Cr side, e.g. accept P&L.**
2 (a) (iv)	Provision For Depreciation Of Motor Vehicles Disposal 4,860 **(1)** / Balance b/d 3,600 Balance c/d 3,750 **(1)** / Profit and Loss 5,010 **(2)** 8,610 / 8,610 **(1)**	[5]	

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Question Number	Expected Answer	Marks	Additional Guidance
2 (a) (v)	Disposal Of Motor Vehicles Motor vehicles 12,000 **(1)** | Depr motor vehicles 4,860 **(1)** Bank 2,600 **(1)** Profit and Loss 4,540 **(2)** 12,000 | 12,000 **(1)**	**[6]**	
2 (b)*	The straight line method of depreciation apportions an equal depreciation expense to every year of the asset's life **(1)** and is easier to calculate/reducing balance is more difficult **(1).** As fixtures and fittings tend to lose value evenly over time **(1)** this is an appropriate method for these assets **(1)**. The reducing balance method apportions more depreciation expense to the early years and less to the later years **(1)**. This method is appropriate for motor vehicles because it recognises that motor vehicles lose more value in the early years **(1)** and less in the later years. Accept prudence concept **(1)** for this method only (higher depreciation in early years understates profit & asset values)**(1).** The decreasing **(1)** depreciation year to year is likely to be matched by increasing repair expenses **(1)**. In the case of motor vehicles. As motor vehicles age their repair bills increase. The reducing balance method produces a more consistent overall expense **(1)** for the business in respect of motor vehicles. **(2 points x 3 marks or 3 points x 2 marks)** **(1 for point plus up to 2 for development)**	**[6]** **QWC [2]** **[max 8]**	**Be careful to avoid giving any marks for generalised comments or excessive description rather than evaluation. Only award a mark for stating that a particular method is appropriate if it is supported by relevant argument.** **Only award marks once for prudence (1) and accruals/matching (1) concepts and only when referred to appropriately.** **Both methods of depreciation must be referred to in order to gain full marks. The maximum mark available if only one method is referred to is (4) (2 x 2).**

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Question Number	Expected Answer	Marks	Additional Guidance
2 (c)	Jo Parkes' treatment of repair expenses as capital expenditure was incorrect **(1)** and contrary to the prudence concept **(1).** If Jo Parkes classifies the repair expenses on motor vehicles as capital expenditure • motor vehicles/fixed assets will be overstated **(1).** • expenses will be understated **(1)** and profit will be overstated **(1).** • This will not provide a true and fair view of the business **(1).** **(1 x 2 marks – Impact on Profit)** **(1 x 2 marks – Impact on Fixed Asset value)**	**[4]**	**Be careful to avoid giving any marks for generalised comments or excessive description rather than evaluation.** **Only award mark for prudence if it is referred to in appropriate context.** **For overstated/understated accept increased/decreased.**
	Total marks	**[34]**	

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