GCE

Accounting

Advanced Subsidiary GCE **F012**

Accounting Applications

Mark Scheme for June 2010

Oxford Cambridge and RSA Examinations

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Question Number	Expected Answer	Marks	Additional Guidance
1 (a)	**Purchases Ledger Control Account** Balance b/d 3,200 Balance b/d 240,000 **(1)** Purchase returns 40,140 **(2)** Purchases 1,465,900 **(2)** Bank 1,204,000 **(1)** Bank 2,800 **(2)** Cash 3,100 **(1)** Discounts received 20,200 **(2)** Contra sales ledger 24,200 **(2)** Balance c/d 413,860 **(1)** 1,708,700 **(1)** 1,708,700	**[15]**	**Mark is for correct narrative and figure. Allow cash paid to creditors but not cheques paid to creditors.** **Allow cash book and dishonoured cheques, allow returned cheque.** **Allow bal b/d, bal c/d but not bal or b/d or c/d on it's own.** **Allow set off instead of Contra.**
(b)	**Revised schedule of creditors** Original balance 397,910 error (iii) 9,350 **(1)** error (v) 5,600 **(1)** error (vii) 2,800 **(1)** error (viii) (1,800) **(1)** 413,860 **(1)**	**[5]**	**If no signage assume added.** **Allow 2 entries of – 900 for error (viii)** **Correct answer only.**
(c)	A debit balance may occur in the purchase ledger control account when goods have been returned to a supplier after the invoice has been paid (1), and no refund yet made (1). Daisy Ltd may have overpaid/prepaid an amount due to a supplier (1), and this amount is owing to Daisy (1). **(2 x 2 marks)** **(1 for point plus 1 for development** **Total marks**	**[4]** **[24]**	**Candidates must identify two points.** **Must indicate that goods have already paid for.**

Question Number	Expected Answer	Marks	Additional Guidance

2 (a)	Subscriptions Account
	
	Balance b/d 2,600 **(1)** | Balance b/d 6,300 **(1)**
	Inc and Exp 86,980 **(1)** | Bank 84,400 **(1)**
	Balance c/d 4,500 **(1)** | Bad debts 280 **(1)**
	    | Balance c/d 3,100 **(1)**
	  94,080 94,080
		[7]	**Award marks for correct narrative and figure, allow bal b/d, prepaid b/d, owing b/d and corresponding c/d balances.**
			
			Allow receipts and payments instead of bank, but not subs received.
			
			Allow receipts and payments instead of bank.

(b)*	Skipper Sailing Club
	Income and Expenditure Account for the year ended 31 March 2010
	Income
	Subscriptions 86,980 **(1)**
	Profit from competitions [12,200 -(3,100+800-300)] 8,600 **(3) (1 of)**
	Profit from dinner dance 6,400 **(2)**
	Donations 1,500 **(1)**
	Interest 500 **(1)**
	  103,980
	
	Expenses
	Insurance 9,800
	Clubhouse maintenance 10,300
	General expenses 29,800 **(1)**
	Electricity 1,600 **(1)**
	Bad debts 280 **(1)**
	Depreciation 40,000 **(2)**
	Loss on sale of fixed asset 2,000 **(1)**
	  93,780
	Surplus 10,200 **(1)**
			Profit from competition (1 of) if less than 12,200.
			
			Profit from dinner dance 2 or 0, must calculate profit from fundraising activities to be awarded mark.
			
			Depreciation 2 or 0
			Loss on sale must be shown in expenses.
			Correct answer only must show as surplus not profit.
			Accept vertical and horizontal presentation of income and expenditure account and balance sheet.

Question Number	Expected Answer	Marks	Additional Guidance

	Balance Sheet as at 31 March 2010
	Fixed Assets
	Clubhouse 150,000
	Equipment 140,000
	     290,000 **(1)**
	
	Current Assets
	Stock of competition prizes 300 **(1)**
	Subscriptions owing 3,100 **(1)**
	Interest owing 500 **(1)**
	Deposit account 20,000 **(1)**
	Bank 10,500 **(2)**
	   34,400
	Current Liabilities
	Subscriptions in advance 4,500 **(1)**
	General expenses owing 400 **(1)**
	   4,900
	
	Working capital 29,500
	   319,500 **(1)**
	
	Financed by
	Accumulated Fund 309,300 **(2)**
	Surplus 10,200 **(1 of)**
	   319,500
		[28]
		QWC[3]
		[31]
			Must calculate net figure for fixed assets to be awarded mark.
			
			Accumulated fund 2 or 0.
			Must have correct narrative.
			Surplus or deficit (1 of) but must show as surplus and not profit.

Question Number	Expected Answer	Marks	Additional Guidance
(c)	Non-profit making organisations receive income from subscriptions **(1)** from members, donations **(1)**, profit from fund raising activities **(1)** and profit from sale of food and drink to members **(1).** The capital is replaced by an accumulated fund **(1)** which represents the difference between the assets and liabilities **(1)**. Any surplus from the income and expenditure account will increase the accumulated fund **(1)**. Sole traders receive capital from the owner of the business who invests their personal wealth into the business **(1)**. Sole traders increase the capital of the company by making profits from their trading activities **(1)**. Drawings reduce the capital of the business **(1).** **(2 x 3 marks)** **(1 for point plus up to 2 for development)** **Total marks**	**[6]** **[44]**	**Up to 3 marks explaining capital structure of non-profit making organisation.** **Maximum 2 marks for income (e.g. subs, donations etc).** **Up to 3 marks explaining capital structure of a sole trader.**

Question Number	Expected Answer		Marks	Additional Guidance
3 (a)		**31 December 2008** / **31 December 2009**		**Must show signage to be awarded mark.**
	(i) Gross profit % of sales	= 49.13% (1) = 59.75% (1)	[2]	**No signage 1 mark for both ratios**
	(ii) Net profit % of sales	= 16.52% (1) = 17.97% (1)	[2]	**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.**
	(iii) Stock turnover	= 15.6 times (1) = 13.25 times (1)	[2]	
	(iv) Current ratio	= 3.3:1 (1) = 1.22:1 (1)	[2]	**If expressed incorrectly no mark.**
	(v) Acid test	= 2.4:1 (1) = 0.85:1 (1)	[2]	
	(vi) ROCE	= 16.31% (1) = 25.45% (1)	[2]	

Question Number	Expected Answer	Marks	Additional Guidance
3 (b)*	Gross profit margin higher for 2009 **(1)**, lower cost of sales **(1)** or higher selling price for 2009. Net profit margin higher for 2009, business is making more profit per pound**(1)** of sales in 2009. Expenses higher in 2009 **(1).** Stock-turnover for 2008 is higher than that of 2009**(1)** showing that it may be holding too much stock **(1)**. Current ratio for 2008 is 3.3:1. Traditionally this is too high, but it may be due to having high debtors **(1)**. 2009 1.22:1 - too low but business**(1)** may have problems paying its creditors **(1)**, depending on the type of industry. Acid test ratio for 2008 is 2.4:1 a little high but can easily pay its debts **(1)**. 2009, 0.85:1, again indicating a very poor liquidity. Business does not have enough liquid assets to pay liabilities **(1)**, high creditors figure and bank overdraft **(1)**. Return on capital employed 2008 is 16.30%, a high return for the amount of capital invested. In 2009 this has increased to 25.45%, a higher return for amount of capital invested. Can be compared to interest received from bank **(1)** but would expect to be higher as more risk involved **(1).** In summary Adonis has achieved its objective of improving profitability, as its profits have increased from £76,000 to £142,000. It has increased the amount spent on advertising and this has paid off as its sales have **(1)** improved. In doing this it has reduced its liquidity, which may mean it has problems paying its liabilities which in turn may mean suppliers will stop supplying the business **(1)**. **(4 points x 3 marks)** **(1 for point plus up to 2 for development)** Total marks	[10] QWC [2] [24]	**Answers must include analysis and evaluation not just state one year is better than the other.** **Analysis is based on own figures calculated in part a, need to refer back when marking.** **1 mark each on higher/lower statement on profitability (max 2 marks).** **1 mark each for higher/lower statement on liquidity (max 2 marks)** **Up to 5 further marks for development.** **1 mark summary successful in achieving objectives of increasing profitability but not successful in achieving objective of liquidity.**

Question Number	Expected Answer	Marks	Additional Guidance
4 (a)	<u>Peacock Ltd</u> <u>Cash Budget for the three months ending 30</u> <u>September 2010</u> <u>July</u> <u>August</u> <u>September</u> Receipts Cash sales 283,200 **(1)** 288,000 **(1)** 295,200 **(1)** Receipts from debtors <u>616,000</u> **(1)** <u>660,800</u> **(1)** <u>672,000</u> **(1)** <u>899,200</u> <u>948,800</u> <u>967,200</u> Payments Cash purchases 86,400 **(1)** 88,560 **(1)** 90,720 **(1)** Payments to creditors 339,840 **(1)** 345,600 **(1)** 354,240 **(1)** Wages 240,000 **(1)** 250,200 **(2)** 252,000 **(2)** General expenses 88,000 88,000 88,000 **(1 line)** Equipment - <u>150,000</u> **(1)** <u>450,000</u> **(1)** <u>754,240</u> <u>922,360</u> <u>1,234,960</u> Net cash flow 144,960 26,440 (267,760) Opening balance 168,000 **(1)** 312,960 339,400 Closing balance <u>312,960</u> <u>339,400</u> <u>71,640</u> **(1)**	[22]	<u>**Receipts** – **if just totals shown and incorrect check for individual amounts in workings.**</u> <u>**Payments**</u> **– Purchases can show totals** **July** **Aug** **Sep** **426,240** **434,160** **444,960** **Wages can be shown separate** **July** **Aug** **Sep** **204,000** **214,200** **214,200** **36,000** **36,000** **37,800** **Can show opening balance at top of budget.** **Closing balance correct answer only.**
(b)	Allows a business to plan future expenditure **(1)** and therefore provides a way of controlling income and expenditure**(1)** and cash flow. It allows them to anticipate problems and prepare ways to overcome them **(1)**. The plans need to be co-ordinated **(1)** with different departments therefore allowing communication**(1)** within the departments. Targets can be set **(1)** within different departments, and then actual results compared with budgeted **(1)** results to see if targets have been met. This can motivate managers **(1)** especially if they have been involved in setting the budget **(1)**. Budgets can be used to control expenditure **(1)**, and for decision making **(1)**. **(2 x 3 marks)** **(1 for point plus up to 2 for development)** **Total marks**	[6] [28]	**2 points developed must discuss income <u>and</u> expenditure <u>not</u> profit and loss.**

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