

# **Accounting**

Advanced GCE A2 H401

Advanced Subsidiary GCE AS H001

## **Mark Schemes for the Units**

---

**January 2010**

**H001/H401/MS/10J**

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of pupils of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, OCR Nationals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support which keep pace with the changing needs of today's society.

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.

© OCR 2010

Any enquiries about publications should be addressed to:

OCR Publications  
PO Box 5050  
Annesley  
NOTTINGHAM  
NG15 0DL

Telephone: 0870 770 6622  
Facsimile: 01223 552610  
E-mail: [publications@ocr.org.uk](mailto:publications@ocr.org.uk)

## **CONTENTS**

**Advanced GCE Accounting (H401)**

**Advanced Subsidiary GCE Accounting (H001)**

### **MARK SCHEMES FOR THE UNITS**

<b>Unit/Content</b>	<b>Page</b>
F003 – Management Accounting	1
F004 – Company Accounts and Interpretation	5
Grade Thresholds	11

# F003 – Management Accounting

## 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*, as follows:.

### 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.

1(a) (i)  $\frac{114,000}{160 - 84} = 1,500(2)$

£240,000(1) [3]

(ii)  $8,000 - 1,500 = 6,500 (1 \text{ of})$   
£1,040,000(1) [2]

(iii)	SP	160	
	VC	<u>84</u>	
	Cont	76	(2)
	Qty	x <u>8,000</u>	
		608,000	
	FC	<u>114,000</u>	(1)
	Profit	<u>494,000</u>	(1)

[4]

(b)

	<u>Option 1</u>	<u>Option 2</u>	<u>Option 3</u>
SP	164	166	160
VC	<u>84</u>	<u>90</u>	<u>81</u>
Cont	80 (2)	76 (2)	79 (2)
Qty	x <u>8,480</u>	x <u>8,600</u>	x <u>8,000</u>
	678,400	653,600	632,000
FC	<u>184,000</u> (1)	<u>114,000</u> (1)	<u>114,000</u> (1)
Profit	<u>494,400</u> (1)	<u>539,600</u> (1)	<u>518,000</u> (1)

[12]

(c)  $80Q(1) - 184,000(1) = 494,000(1)$   
 $Q = 8,475(2)$  [5]

(d)\* Local employer may face redundancies; multiplier impact on other employers in the community.

Industrial relations; switching to an overseas supplier may lead to local unrest and protests, leading to adverse publicity.

Reliability of new supplier, will deliveries be on time? How will urgent requirements be dealt with? Transport and communication issues.

Price stability; has the overseas supplier offered a lower price to get the business? How long will this price be fixed?

Quality issues, difficulties and time in resolving problems compared to ability to quickly visit local supplier.

**Candidates are expected to evaluate three effects. Max 3 marks for analysis and max 6 marks for evaluation.**

(9)  
QWC (2)  
[11]

**Total marks [37]**

- 2(a) (i)** Material 1  $(4.40 - 4.30)640 = 64\text{F}(2)$   
 Material 2  $(8.60 - 8.80)240 = 48\text{A}(2)$  [4]
- (ii)** Material 1  $(600 - 640)4.40 = 176\text{A}(2)$   
 Material 2  $(250 - 240)8.60 = 86\text{F}(2)$  [4]
- (iii)** Machining  $(9.00 - 9.20)470 = 94\text{A}(2)$   
 Assembly  $(8.00 - 7.90)280 = 28\text{F}(2)$  [4]
- (iv)** Machining  $(490 - 470)9.00 = 180\text{F}(2)$   
 Assembly  $(260 - 280)8.00 = 160\text{A}(2)$  [4]

**(b)**Reconciliation Statement for Budgeted (Standard) Cost and Actual Cost for Batch B313

Standard cost	Material		4,790	
	Labour		<u>6,490</u>	
			11,280	(2)
	<u>Adverse</u>	<u>Favourable</u>		
MPV M1		64		
MPV M2	48			
MUV M1	176			
MUV M2		86		
LRV M/C	94			
LRV ASSY		28		
LEV M/C		180		
LEV ASSY	<u>160</u>			
	478	358		(1)
			120	
Actual cost			<u>11,400</u>	(2)

[6]

- (c)** Material 1 cheaper quality  
 using more
- Material 2 better quality  
 using less
- Machining higher skilled labour  
 more efficient
- Assembly lower skilled labour  
 less efficient

**Candidates are expected to discuss the relationship between opposing variances.  
 Up to 2 marks for analysis and evaluation of each component.** [8]

Total marks [30]

3(a)\*

## Contract Account

Plant	1,140,000 (1)	Material returns	128,000 (1)
Materials	2,790,000 (1)	Materials c/d	132,300 (1)
Dir lab 1,620,000		Plant hire c/d	12,000
Dir lab c/d <u>74,600</u>		Materials sale	2,900
	1,694,600 (1)	Plant c/d	780,000
Plant hire	155,000	Cost to date c/d	5,294,900 (1)
Architects fees	72,300		
General expenses	138,200		
Head office	<u>360,000 (1)</u>		
	<u>6,350,100</u>		<u>6,350,100</u>
Cost to date b/d	5,294,900	Work cert	6,000,000 (2)
Notional profit c/d	<u>1,020,000 (1)</u>	Work not cert c/d	<u>314,900</u>
	<u>6,314,900</u>		<u>6,314,900</u>
Profit and Loss	578,000 (2)	Notional profit b/d	1,020,000
Profit provn c/d	<u>442,000</u>		
	<u>1,020,000</u>		<u>1,020,000</u>
Materials b/d	132,300 (1)	Dir lab b/d	74,600 (1)
Plant hire b/d	12,000 (1)	Profit provn b/d	442,000 (1)
Plant b/d	780,000 (2)		
Work not cert b/d	314,900 (1)		

**QWC (2)**  
**[21]**

- (b) Prudence – formula reduces profit to allow for unforeseen problems/costs.

Realisation – conflict between profit when earned versus uncertainty over final outcome.

**Each concept, 1 mark for analysis and up to 2 marks for evaluation. [6]**

- (c) Redundancy compensation, based on length of service, which would encourage employees who have been with the company for a long period, to opt for retirement.

Enhance pensions; company could make up extra years required so that employees retiring early would be compensated.

Phased workload leading up to retirement, this would help employees adapt easier to finishing work. Education for retirement could be built into workload.

Social programme, this would help keep employees in touch with the company and give opportunity to be active.

**Up to 2 marks for analysis and up to 4 marks for evaluation. Candidates may score 3 marks for any one aspect evaluated well. [6]**

**Total marks [33]**

# F004 – Company Accounts and Interpretation

## Quality of Written Communication

The rubric states:

*\* In these two questions/sub questions, you will be assessed on the quality of your 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 be 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.



1 (a)\*

Medley plcProfit and Loss Account for the year ended 31 October 2009

Turnover		1,868,000 (1)
Cost of sales		<u>873,125 (2)</u>
		994,875
Distribution costs	405,750 (4)	
Administrative expenses	<u>268,375 (5)</u>	<u>674,125</u>
Profit on ordinary activities		320,750
Other income		<u>51,500 (1)</u>
Profit on ordinary activities before tax		372,250
Corporation tax		<u>81,250 (1)</u>
Profit after tax		291,000 (1)
Profit and loss b/f		<u>(45,000)</u>
		246,000
Dividends	156,250 (1)	
Reserves	<u>56,250 (1)</u>	<u>212,500</u>
Retained profit		<u>33,500</u>

Cost of sales

$$67,500 + 875,000 - 69,375 = 873,125$$

Distribution costs

$$231,250 + 3,500 + 118,750 + 41,000 + 11,250 = 405,750$$

Administrative expenses

$$137,500 + 118,750 - 4,375 + 9,000 - 3,750 + 11,250 = 268,375$$

Balance Sheet as at 31 October 2009

Calls not paid		10,000	(1)
<u>Fixed assets</u>			
Land and buildings		812,500	(1)
Vehicles		164,000	(1)
Office equipment		<u>52,500</u>	(1)
		1,029,000	
<u>Current Assets</u>			
Stock	69,375		
Debtors	72,750	(1)	
Prepayments	4,375	(1)	
Commission owing	1,500	(1)	
Bank	<u>93,750</u>		
	241,750		
<u>Creditors: Amounts due in less than one year</u>			
Creditors	46,750		
Accruals	3,500	(1)	
Dividends	156,250	(1)	
Corporation Tax	<u>81,250</u>	(1)	
	287,750		
Net current assets		<u>(46,000)</u>	(1)
		<u>993,000</u>	
<u>Capital and reserves</u>			
Ordinary share capital		500,000	
Share premium		125,000	
Revaluation reserve		165,750	(1)
General reserve		168,750	(1)
Profit and loss		<u>33,500</u>	(1)
		<u>993,000</u>	
		<b>QWC</b>	<b>(2)</b>
			<b>[33]</b>

**(b) (i)**

When a company offers new shares for sale, it can issue them at more than their nominal value and the shares are issued at a premium.

The directors require extra finance and believe that the company would be attractive to investors who would be willing to pay above the nominal value.

If the market value of its shares is high and investors expect to be able to resell the shares for more than the premium price.

**1 + 1 x 2 - One mark for the identification of each reason and one mark for an explanation of each reason.**

**[4]**

**(b) (ii)**

It reduces the value of each share, making shares more marketable on the stock market

Shareholders do not have to find the cash to pay for their new shares

The effect of a bonus issue on the company's balance sheet is to transfer a sum equivalent to the nominal value of the bonus shares from the share premium account to?

Shareholders may prefer a cash dividend and decide to sell the shares which could reduce the market value of the shares

For the company making a bonus issue helps maintain the company's cash balances. Bonus shares can be issued from the company's share premium account, without reducing the company's revenue reserves.

**Up to 2 marks for analysis**

**Up to 4 marks for evaluation**

**[6]**

**Total marks [43]**

**2 (a)****(i)**

## Bank

Application and Allotment	72,000 (1)	Application and Allotment	12,000 (1)	
Application and Allotment	129,000 (1)			
First and Final Call	35,600 (1)			[4]

**(ii)**

## Application and Allotment

Bank	12,000 (1)	Bank	72,000 (1)	
Share Premium (1)	45,000 (1)	Bank	129,000 (1)	
Ordinary Share Capital (1)	144,000 (1)			[7]

**(iii)**

## Ordinary Share Capital

		Application and Allotment	144,000 (1)	
		First and Final Call	36,000 (1)	
				[2]

**(iv)**

## Share Premium

		Application and Allotment	45,000 (1)	
				[2]

**(v)**

## First and Final Call

Ordinary Share Capital	36,000 (1)	Bank	35,600 (1)	
		Bal c/d	400 (1)	
				[3]

**(b)\***

Loans are long-term debt capital. Loans are taken out by the company to raise capital and the bank will receive a fixed rate of interest on the loan. Long-term loans are secured on the assets of the company. A company may decide to borrow when it requires an injection of capital in the business and consider a loan as an alternative to an issue of shares because loan holders do not have a vote.

An overdraft is a short term borrowing facility from a bank. The business could consider an overdraft if it has a short-term cash flow problem. The overdraft would provide cash for the payments which are required to be made to creditors and other short-term debts.

A company could enter into a factoring arrangement with a bank or factoring company. The factoring company would pay a proportion of the amount of the debts owed. Factoring is used to maintain a cash flow because the factoring company will pay an amount on the invoice value to the company. A company which requires constant cash flow and does not want to have the problems of managing debtors and chasing bad debts would consider a factoring agreement.

**(Each source 1 mark for analysis explanation of each source of finance and up to 2 marks for an evaluation of when the use of each source would be appropriate)** (9)

QWC (2)

[11]

Total marks [29]

**3 (a)**

Loss	(186,250)	(1)
Bal b/d	345,000	(1)
Dividends	<u>101,250</u>	(1)
Retained profit	<u>57,500</u>	(1)

Net cash flow from operating activities

Net loss for the year	(186,250)	
Depreciation charge for the year	77,500	(2)
Loss on disposal	21,250	(2)
Increase in stock	(7,500)	(1)
Increase in debtors	(12,500)	(1)
Increase in creditors	<u>45,000</u>	(1)
	<u>(62,500)</u>	(1)

Bolt plc

Cash Flow Statement for the year ended 31 October 2009

Net cash flow from operating activities **(1)** (62,500)

Taxation

Corporation tax (47,500) **(1)**

Capital expenditure

Purchase of fixed assets (221,250) **(2)**

Proceeds of sale 3,750 **(1)**

Equity dividends paid (86,250) **(2)**  
(413,750)

Financing

Issue of shares 400,000 **(2)**

Decrease in cash 13,750 **(1)**

**[22]**

**(b)**

Debentures are long term loan capital and would increase the debt capital of the company which would increase gearing,

Debentures pay a fixed rate of interest and the amount borrowed is charged on the assets of the company. If the debenture is not repaid, the asset could be lost.

Debentures are a higher risk and debenture interest is an expense to the profit and loss account and must be paid regardless of the profit position, but ordinary dividends are an appropriation of profit.

Debenture holders do not have voting rights unlike ordinary shareholders and an issue of debentures would not affect control of the company.

**Up to 2 marks for analysis**

**Up to 4 marks for evaluation**

**[6]**

**Total marks [28]**

# Grade Thresholds

Advanced GCE Accounting (H001 H401)  
January 2010 Examination Series

## Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
<b>F003</b>	Raw	100	80	70	60	50	40	0
	UMS	100	80	70	60	50	40	0
<b>F004</b>	Raw	100	85	75	65	56	47	0
	UMS	100	80	70	60	50	40	0

## Specification Aggregation Results

Overall threshold marks in UMS (ie after conversion of raw marks to uniform marks)

Overall Grade	Maximum Mark	A	B	C	D	E
<b>H001</b>	200	160	140	120	100	80
<b>H401</b>	400	320	280	240	200	160

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
<b>H001</b>	100.0	100.0	100.0	100.0	100.0	100.0	2
<b>H401</b>	23.3	30.0	56.67	76.67	100.0	100.0	30

For a description of how UMS marks are calculated see:

<http://www.ocr.org.uk/learners/ums/index.html>

Statistics are correct at the time of publication.

**OCR (Oxford Cambridge and RSA Examinations)**  
**1 Hills Road**  
**Cambridge**  
**CB1 2EU**

**OCR Customer Contact Centre**

**14 – 19 Qualifications (General)**

Telephone: 01223 553998

Facsimile: 01223 552627

Email: [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

**Oxford Cambridge and RSA Examinations**  
**is a Company Limited by Guarantee**  
**Registered in England**  
**Registered Office; 1 Hills Road, Cambridge, CB1 2EU**  
**Registered Company Number: 3484466**  
**OCR is an exempt Charity**



**OCR (Oxford Cambridge and RSA Examinations)**  
**Head office**  
**Telephone: 01223 552552**  
**Facsimile: 01223 552553**