

Mark Scheme (Results)

January 2013

GCE Accounting (6001/01)

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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1(b)	<p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Will have ownership control of premises without having to seek landlord's permission for renovations • Security of tenure guaranteed • An investment for the long term future of the business as property tends to rise in price • Savings in rent <p>Points against:</p> <ul style="list-style-type: none"> • Major capital outlay • Converts a healthy cash balance into an overdraft • The interest on the loan is greater than the rent • Capital employed increases and return decreases • Responsible for maintenance of the premises • More depreciation • More bank interest • Burden of a bank loan <p>√√ per valid point x 4 points. MAX 2 points for and MAX two points against.</p> <p>Note: do NOT accept</p> <ul style="list-style-type: none"> • More non-current assets • Increased profit • More payment for utilities 	(8)

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2(a)	Accrued income ✓✓. A debit balance on the Rent Receivable Account means that Arpen is owed rent ✓✓ by a tenant who is therefore a debtor of the business. ✓✓ MAX 4 x ✓	(4)

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2(b) (i)	<p style="text-align: center;">Sundry Expenses Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 30%; text-align: center;">£</td> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td>1 January</td> <td>Balance b/d</td> <td style="text-align: right;">600</td> <td>31 December</td> </tr> <tr> <td>14 May</td> <td>Bank</td> <td style="text-align: right;">500 ✓</td> <td>Income Statement ✓</td> </tr> <tr> <td>30 October</td> <td>Bank</td> <td style="text-align: right;">900</td> <td>Balance c/d</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>2 000</u></td> <td style="text-align: right;">450</td> </tr> <tr> <td>1 January</td> <td>Balance b/d</td> <td style="text-align: right;">450 ✓</td> <td style="text-align: right;"><u>2 000</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">of (if on debit)</td> <td></td> </tr> </table>		£		£	1 January	Balance b/d	600	31 December	14 May	Bank	500 ✓	Income Statement ✓	30 October	Bank	900	Balance c/d			<u>2 000</u>	450	1 January	Balance b/d	450 ✓	<u>2 000</u>			of (if on debit)		(4)
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Question Number	Answer	Mark
2(c)	<p>(i) Prudence – ✓✓ losses should be charged as soon as they are identified. The depreciation on machinery will be high in the early years not evenly spread over the life of the asset.</p> <p>(ii) Consistency – ✓✓ when a method of depreciation is chosen for a non-current asset this should be consistently applied over the life of the asset to ensure that the accounts are not distorted.</p>	(4)

Question Number	Answer	Mark
2(d)	Capital expenditure – <u>purchase or enhancement of non-current assets</u> . ✓✓ Revenue expenditure – <u>day to day expenses</u> which will be used within an accounting year. ✓✓	(4)

Question Number	Answer	Mark
2(e)	Machine installation – Capital expenditure ✓✓ Annual machine insurance – Revenue expenditure ✓✓	(4)

Question Number	Answer	Mark																																													
2(f)(i) 2(f)(ii)	<p style="text-align: right;">£</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 40%;">Depreciation charged (straight line) –</td> <td style="width: 10%;">2010</td> <td style="width: 15%; text-align: right;">6 800</td> <td style="width: 10%; text-align: right;">✓</td> <td style="width: 25%;"></td> </tr> <tr> <td></td> <td>2011</td> <td style="text-align: right;"><u>6 800</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">13 600</td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td colspan="5">Depreciation (reducing balance) –</td> </tr> <tr> <td></td> <td>2010 (36 000-0) x 25%</td> <td style="text-align: right;">9 000</td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td></td> <td>2011 (36 000 -9 000) x 25%</td> <td style="text-align: right;"><u>6 750</u></td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">15 750</td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td>Adjustment</td> <td>Increase in provision</td> <td style="text-align: right;">2 150</td> <td style="text-align: right;">✓</td> <td></td> </tr> <tr> <td></td> <td>Depreciation charge 2012</td> <td style="text-align: right;">7 463</td> <td style="text-align: right;">✓ ✓ (✓of)</td> <td></td> </tr> </table> <p>Working 2012 charge – (36 000 + 9 600- 15 750) x 25% = £7 463</p> <p>Note: if adjustment £2 150 stated award 6 x ✓ without reviewing workings.</p>	Depreciation charged (straight line) –	2010	6 800	✓			2011	<u>6 800</u>					13 600	✓		Depreciation (reducing balance) –						2010 (36 000-0) x 25%	9 000	✓			2011 (36 000 -9 000) x 25%	<u>6 750</u>	✓				15 750	✓		Adjustment	Increase in provision	2 150	✓			Depreciation charge 2012	7 463	✓ ✓ (✓of)		(8)
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Question Number	Answer	Mark
2(h)	<p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Greater depreciation will be charged in the early years which reflects the situation with machinery • Carry over value will be closer to market value resulting in more accurate financial statement value. • Evens out total cost of ownership when repair costs are added to depreciation. • Provides a more realistic book value <p>Points against:</p> <ul style="list-style-type: none"> • Distorts profit calculation • Not consistent with previous practice. • Not appropriate if machine used equally from year to year <p>✓✓ per valid point x 4 points. MAX 2 points for and MAX two points against.</p> <p>NOT</p> <ul style="list-style-type: none"> • Difficult to calculate • Time consuming • Costly 	(8)

Question Number	Answer	Mark
3(a)(i)	<p>Realisation – Profit is regarded as having been earned when the <u>goods are passed to the customer and he incurs liability for them.</u> ✓✓</p> <p>Breach- The sale or return has not realised the profit as the customer has not incurred liability for them. ✓</p>	(3)

Question Number	Answer	Mark
3(a)(ii)	Accrual (matching)-Net profit is the difference between income and expenditure rather than cash receipts and cash expenditure. <u>Revenues matched with expenses for a period.</u> ✓✓ Breach-Adjustments for general expenses.✓	(3)
Question Number	Answer	Mark
3(a)(iii)	Going concern-Unless it is known to the contrary, it is assumed that the business will exist and <u>operate for an indefinitely long period of time.</u> ✓✓ Breach- Charging the full cost of non-current assets to a single accounting period.✓	(3)

Question Number	Answer	Mark																																																																																																
3(b)	<p style="text-align: center;">Xevana – Statement of Comprehensive Income for the year ended 31 December 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 15%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue (110 000 – 2 000)</td> <td></td> <td style="text-align: right;">108 000</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Less Purchases</td> <td style="text-align: right;">103 500</td> <td></td> <td></td> </tr> <tr> <td>Less Purchase returns</td> <td style="text-align: right;"><u>(2 300)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">101 200</td> <td></td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>1 200</u></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td style="text-align: right;">102 400</td> <td></td> <td></td> </tr> <tr> <td>Less Closing inventory (16 000 + 1 600)</td> <td style="text-align: right;"><u>(17 600)</u></td> <td></td> <td style="text-align: center;">✓✓(✓of other than 20 000)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(84 800)</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">23 200</td> <td></td> </tr> <tr> <td>Plus other income:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit on sale of fixtures and fittings</td> <td></td> <td style="text-align: right;">200</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Rent receivable (1 000 + 1 000)</td> <td></td> <td style="text-align: right;">2 000</td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;"><u>1 870</u></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">27 270</td> <td></td> </tr> <tr> <td>Less expenses:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">2 400</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Rent and rates</td> <td style="text-align: right;">4 000</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">6 000</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>General expenses (4 550 + 470 ✓ – 750 ✓)</td> <td style="text-align: right;">4 270</td> <td></td> <td></td> </tr> <tr> <td>Depreciation: Fixtures and fittings</td> <td style="text-align: right;">400</td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;"><u>1 500</u></td> <td></td> <td style="text-align: center;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(18 570)</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>8 700</u></td> <td></td> </tr> </tbody> </table> <p style="margin-left: 40px;">If discount received is deducted from purchases (103 500 – 1 870) = 101 630 ✓</p>		£	£		Revenue (110 000 – 2 000)		108 000	✓	Less Purchases	103 500			Less Purchase returns	<u>(2 300)</u>				101 200			Carriage inwards	<u>1 200</u>		✓		102 400			Less Closing inventory (16 000 + 1 600)	<u>(17 600)</u>		✓✓(✓of other than 20 000)	Cost of sales		<u>(84 800)</u>		Gross profit		23 200		Plus other income:				Profit on sale of fixtures and fittings		200	✓	Rent receivable (1 000 + 1 000)		2 000	✓	Discount received		<u>1 870</u>	✓			27 270		Less expenses:				Carriage outwards	2 400		✓	Rent and rates	4 000		✓	Wages	6 000		✓	General expenses (4 550 + 470 ✓ – 750 ✓)	4 270			Depreciation: Fixtures and fittings	400		✓	Motor vehicles	<u>1 500</u>		✓			<u>(18 570)</u>		Profit for the year		<u>8 700</u>		(14)
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3(e)	<p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Provides a framework of consistency in preparing all financial statements • Provides assurance to users about the preparation of the accounts • Can be used internationally to compare business • True and fair view • Meets legal requirements • Profit can be relied upon <p>Points against:</p> <ul style="list-style-type: none"> • Concepts can be contradictory • Many non-financial aspects of a business are not considered by accounting concepts • Open to wide interpretation <p>√√ per valid point x 4 points. MAX 2 points for and MAX two points against.</p> <p>Do NOT accept</p> <ul style="list-style-type: none"> • Costly • Time consuming 	(8)

Question Number	Answer	Mark
4(a)	<p>Profitability is the difference between the income and expenditure√√ for a period of time.</p> <p>The profit is compared with a common yardstick such as revenue or capital employed.√√</p>	(4)

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4(b)(i)	<p>Molara – Statement of Comprehensive Income for the year ended 31 December 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">140 000</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">12 000</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>119 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">131 000</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;"><u>(27 000)</u></td> <td style="text-align: right;">√√</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(104 000)</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;"><u>36 000</u></td> </tr> </tbody> </table>		£	£	Revenue		140 000	Less			Opening inventory	12 000		Purchases	<u>119 000</u>			131 000		Closing inventory	<u>(27 000)</u>	√√	Cost of sales		<u>(104 000)</u>	Gross profit		<u>36 000</u>	
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4(c)	$\frac{\text{Profit for the year before Interest}}{\text{Capital} + \text{Long term liabilities}} \times 100 = \frac{12\,000 \text{ OF} + 1\,200 \text{ ✓}}{19\,000 + 15\,000 \text{ ✓}} \times 100 = 38.8\% \text{ ✓of}$	(3)

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4(e)(i)	Current ratio; $\frac{\text{Current assets } 37\,000 \checkmark}{\text{Current liabilities } 11\,000 \checkmark} = 3.4:1 \checkmark \text{of}$	(6)
4(e)(ii)	Liquid (acid test) ratio $\frac{37\,000 - 27\,000}{11\,000} = \frac{10\,000}{11\,000} \checkmark = 0.91:1 \checkmark \text{of}$ Note: For of must state :1.	

Question Number	Answer	Mark
4(f)	Valid answers may include: Points for <ul style="list-style-type: none"> The percentage gross profit to sales was achieved The current ratio is very good Points against: <ul style="list-style-type: none"> She failed to meet her overall profit total Most of the current assets are in stock $\checkmark\checkmark$ per valid point x 2 points. MAX 1 point for and MAX 1 point against.	(4)

Question Number	Answer	Mark
5(a)(i)	$\begin{array}{r} \text{Depreciation } (100\,000 - 25\,000) \times 25\% \\ \text{Power } (2\,000 \times 75\%) \times 5 \times \text{£}0.50 \\ \text{Managers salary } (18\,000/9) \\ \text{Cleaners salary } (12\,000/6) \\ \text{Heat \& light } (6\,000 \times 200/1\,000) \\ \hline \textbf{Total overhead cost} \end{array}$ $\begin{array}{r} \text{£} \\ 18\,750 \checkmark\checkmark \\ 3\,750 \checkmark \\ 2\,000 \checkmark \\ 2\,000 \checkmark \\ \underline{1\,200 \checkmark} \\ \textbf{27\,700} \checkmark\checkmark(\checkmark \text{of}) \end{array}$	(8)

Question Number	Answer	Mark
5(a)(ii)	$\frac{\text{Total overhead cost}}{\text{Productive hours}} = \frac{27\,700 \checkmark \text{of}}{1\,500 \checkmark\checkmark} = \text{£}18.46 \text{ per hour } \checkmark \text{of}$	(4)

Question Number	Answer	Mark
5(b)	Labour productivity is the relationship between the input and the outputs. $\checkmark\checkmark$ The measurement is usually the number of units produced per hour. $\checkmark\checkmark$ Production made in a specified period $\checkmark\checkmark$ Do NOT accept : Output produced.	(4)

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	£		£											
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Balance b/d	28 070 ✓	of (if on debit)																												

Question Number	Answer	Mark																				
6(c)(iv)	<p style="text-align: center;">Provision for Doubtful Debts Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td style="text-align: right;">Income statement</td> <td style="text-align: right;">75</td> <td style="text-align: left;">√Balance b/d</td> <td style="text-align: right;">1 450</td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>1 375</u></td> <td></td> <td style="text-align: right;"><u>1 450</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1 450</u></td> <td style="text-align: left;">Balance b/d</td> <td style="text-align: right;">1 375</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">√of(if on credit)</td> </tr> </table>		£		£	Income statement	75	√Balance b/d	1 450	Balance c/d	<u>1 375</u>		<u>1 450</u>		<u>1 450</u>	Balance b/d	1 375				√of(if on credit)	(3)
	£		£																			
Income statement	75	√Balance b/d	1 450																			
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			√of(if on credit)																			

Question Number	Answer	Mark
6(d)	<p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Ensures that profit is not overstated • Complies with the prudence concept <p>Points against:</p> <ul style="list-style-type: none"> • Only an estimate based upon historical experience • Actual bad debts may be significantly different from the estimate <p>√√ per valid point x 2 points. MAX 1 point for and MAX 1 point against.</p> <p>Do NOT accept:</p> <ul style="list-style-type: none"> • Time consuming 	(4)

Question Number	Answer	Mark
7(a)	<p>Valid answers may include:</p> <ul style="list-style-type: none"> • Decision to cease trading • Introduction of new partner(s) • Retirement • Death • Action of the courts • To become a limited company • No prospect of profit <p>2 points x √√</p>	(4)

Question Number	Answer	Mark
7(b)	<p>Provisions of 1890 Partnership Act</p> <ul style="list-style-type: none"> • Salaries- unless otherwise agreed between the partners <u>no salaries are payable</u> √√ • Interest on loans- <u>5% interest is paid to partners on loans over and above agreed capital</u> √√ 	(4)

Question Number	Answer	Mark																																								
7(c)(i)	<p style="text-align: center;">Dissolution Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%;"></th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Premises</td> <td style="text-align: right;">60 000 ✓</td> <td>Trade payables</td> <td style="text-align: right;">10 000 ✓</td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;">14 000 ✓</td> <td>Premises Highton & Co</td> <td style="text-align: right;">65 000 ✓</td> </tr> <tr> <td>Fixtures & fittings</td> <td style="text-align: right;">9 400 ✓</td> <td>Motor vehicle-Martina</td> <td style="text-align: right;">4 500 ✓</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">18 700 ✓</td> <td style="padding-left: 20px;">Naju</td> <td style="text-align: right;">7 000 ✓</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">12 400 ✓</td> <td>Fixtures and inventory</td> <td style="text-align: right;">21 000 ✓</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">9 800 ✓</td> <td>Trade receivables</td> <td style="text-align: right;">11 700 ✓</td> </tr> <tr> <td>Dissolution expenses</td> <td style="text-align: right;">2 700 ✓</td> <td>Loss on dissolution-Martina</td> <td style="text-align: right;">5 200 ✓of</td> </tr> <tr> <td></td> <td></td> <td style="padding-left: 20px;">Naju</td> <td style="text-align: right;"><u>2 600 ✓of</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>127 000</u></td> <td></td> <td style="text-align: right;"><u>127 000</u></td> </tr> </tbody> </table> <p style="text-align: right;">MAX 9 x ✓</p>		£		£	Premises	60 000 ✓	Trade payables	10 000 ✓	Motor vehicles	14 000 ✓	Premises Highton & Co	65 000 ✓	Fixtures & fittings	9 400 ✓	Motor vehicle-Martina	4 500 ✓	Inventory	18 700 ✓	Naju	7 000 ✓	Trade receivables	12 400 ✓	Fixtures and inventory	21 000 ✓	Trade payables	9 800 ✓	Trade receivables	11 700 ✓	Dissolution expenses	2 700 ✓	Loss on dissolution-Martina	5 200 ✓of			Naju	<u>2 600 ✓of</u>		<u>127 000</u>		<u>127 000</u>	(9)
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Question Number	Answer	Mark																																										
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Question Number	Answer	Mark
7(d)	<p>Valid answers may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Formalises agreement • Terms are clear to all partners which avoids argument • States responsibilities • Profits and losses can be divided in desired ratios. <p>Points against:</p> <ul style="list-style-type: none"> • Cost and time • Changes more difficult to implement <p>✓✓ per valid point x 2 points. MAX 1 point for and MAX 1 point against.</p>	(4)

	Syllabus	ASSESSMENT GRID				TOTAL
		AO1	AO2	AO3	AO4	
Q1						
	(a) 3	15	15	14		44
	(b) 3				8	8
Q2						
	(a) 1	4				4
	(b) 1	2	8	2		12
	(c) 1	4				4
	(d) 1	1	2	1		4
	(e) 1	4				4
	(f) 1		4	4		8
	(g) 1	2	4	2		8
	(h) 1				8	8
Q3						
	(a) 1	9				9
	(b) 3	4	8	2		14
	(c) 2	1	4	1		6
	(d) 3	3	9	3		15
	(e) 3				8	8
Q4						
	(a) 5	4				4
	(b) 5		5	4		9
	(c) 3	3	4	2		9
	(d) 5		3	3		6
	(e) 5				4	4
Q5						
	(a) 4		6	6		12
	(b) 4	4				4
	(c) 4		5	5		10
	(d) 4			2		2
	(e) 4				4	4
Q6						
	(a) 1	6				6
	(b) 1	2	2	1		5
	(c) 1/2	6	9	2		17
	(d) 1				4	4
Q7						
	(a) 3	4				4
	(b) 3	4				4
	(c) 3	9	9	2		20
	(d) 3				4	4
Marks		91	97	56	40	284

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Welsh Assembly Government

