GCE

Accounting

Advanced GCE **A2 H401**

Advanced Subsidiary GCE **AS H001**

Mark Schemes for the Units

June 2007

H001/H401/MS/R/07

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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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CONTENTS

Advanced GCE Accounting (H401)

Advanced Subsidiary GCE Accounting (H001)

MARK SCHEMES FOR THE UNITS

Unit	Content	Page
F001	Unit 1 – Accounting Principles	1
F002	Unit 2 – Financial Accounting	7
*	Grade Thresholds	13

Mark Scheme F001
June 2007

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.

1*

Akshar Jaberi
Trading and Profit and Loss Account for the year ended 30 April 2007

Sales			952,000	
Sales returns			8,200	
			943,800	**(1)**
Opening stock	36,700	**(1)**		
Purchases	557,000	**(1)**		
	593,700			
Carriage inwards	2,250	**(1)**		
	595,950			
Drawings	7,000	**(1)**		
	588,900			
Purchase returns	9,600	**(1)**		
	579,350			
Closing stock	43,650	**(1)**		
Cost of sales			535,700	
Gross profit			408,100	
Discounts received			2,750	**(1)**
Rent receivable			12,000	**(2)**
			422,850	
Carriage outwards	3,250	**(1)**		
Discounts allowed	4,800	**(1)**		
Loan interest	6,000	**(2)**		
Bad debts	1,150	**(2)**		
Salaries	63,200	**(2)**		
Insurance	8,640	**(2)**		
Motor expenses	18,800	**(2)**		
General expenses	32,100	**(1)**		
Provision for doubtful debts	1,590	**(2)**		
Depreciation motor vehicles	30,000	**(1)**		
Depreciation office equipment	7,600	**(1)**		
			177,130	
Net profit			245,720	

Balance Sheet as at 30 April 2007						
Fixed Assets						
Premises					900,000	
Motor vehicles					90,000	
Office equipment					37,900	
					1,027,900	**(2)(1 of)**
Current Assets						
Stock			43,650	**(1)**		
Debtors			77,910	**(2)**		
Insurance			1,860	**(1)**		
Rent receivable owing			2,000	**(1)**		
Bank			12,900	**(1)**		
Cash			2,300			
			140,620			
Current Liabilities						
Creditors	47,200	**(1)**				
Loan interest	500	**(1)**				
Salaries	1,200	**(1)**				
Motor expenses	600	**(1)**				
			49,500			
Working capital					91,120	
					1,119,020	
Long Term Liabilities (**1**)						
6% Loan					100,000	**(1)**
					1,019,020	
Financed by						
Capital					805,300	**(1)**
Net profit					245,720	**(1 of)**
					1,051,020	
Drawings					32,000	**(1)**
					1,019,020	
						[44]
					QWC	**[2]**
					Total marks	**[46]**

2

(a)

Bad Debts

T Saffron	60	**(1)**	Profit and Loss	**(1)**	350	**(1)**
O Mint	200	**(1)**				
V Turmeric	90	**(1)**				
	350				350	

[5]

Provision for Doubtful Debts

Profit and Loss	**(1)**	135	**(1)**	Bal b/d	920	**(1)**
Bal c/d	**(1)**	785	**(1)**			
		920			920	

[5]

(b)

Balance Sheet (Extracts)

Current Assets

Debtors	15,800		
Provision for Doubtful Debts	785		
	15,015	**(2)(1 of)**	**[2]**

(c)

Obtain credit references before allowing customers credit.
Set credit limits.
Monitor all debts, sending reminders for overdue debts.
Stop orders that exceed credit limit.
Continuously update sales ledger.
Produce aged debtors schedule.

[2 x 1] **[2]**

(d)

Monitor sales to customers ensuring that they do not exceed their credit limits.
Ensure that they do not have overdue debts.
Monitor customer payments, to make sure they pay what they owe when payment is due.
Improve cash flow.

Candidates are expected to explain the importance of monitoring and controlling debtors and justify their reasons. **[4]**

[(1 + 1) x 2]

(e)

When a business makes a provision for doubtful debts, it is acting in accordance with the prudence concept. It is recognising that profits might not be as high as would otherwise be stated, as when goods are sold on credit it is inevitable that some debtors will not pay.

The profit and loss account should provide for the loss in revenue and should make an adjustment in the expenses therefore not overstating the profit.

Amounts expected to be received from debtors should not be overstated in the balance sheet. The asset of debtor should be reduced by the provision for doubtful debts, therefore not overstating assets.

Candidates are expected to explain the prudence concept in relation to doubtful debts and discuss the effects of its application on the profit and loss account and balance sheet.

[3 x 2] **[6]**

Total marks **[24]**

3

(a)

Machinery

Balance b/d	460,000	**(1)**	Disposals	60,000	**(1)**
Bank	80,000	**(1)**	Balance c/d	480,000	**(1)**
	540,000			540,000	

[4]

Provision for Depreciation

Disposals	33,750	**(1)**	Balance b/d	150,000	**(1)**
Balance c/d **(1)**	231,000	**(1)**	Profit and Loss	114,750	**(2)**
	264,750			264,750	

[6]

Disposal of Machinery

Machinery	60,000	**(1)**	Provision for dep'n	33,750	
			Bank	24,000	**(1)**
			Profit and Loss **(1)**	2,250	**(1)**
	60,000			60,000	

[4]

(b)

Balance Sheet Extract

Machinery	480,000		
Provision for depreciation	231,000		
Net Book value	249,000	**(2)(1 of)**	**[2]**

(c)*

Estimating the life of the asset.
Deciding which method to use straight line or reducing balance method.
Deciding what percentage rate to apply.
Estimating the residual value of the asset.
Deciding what assets should be depreciated and what should be written off in Profit and Loss account as an expense. Materiality concept.

*Candidates are expected to cover at least **two** problems in accounting for depreciation with appropriate evaluation.* **[6]**
Maximum 2 marks for analysis plus max 4 marks for evaluation. **QWC** **[2]**

(d)

Capital expenditure is shown on the balance sheet and revenue expenditure is shown on the profit and loss account. If expenditure is not classified correctly, the result is that the final accounts will be inaccurate and misleading.

If capital expenditure is treated as revenue expenditure then the profit in the profit and loss account will be understated. The value of assets in the balance sheet will also be understated.

If revenue expenditure is treated as capital expenditure then the expenses in the profit and loss account will be understated and the profit will be overstated. The value of assets in the balance sheet will be overstated.

Candidates are expected to distinguish the differences and identify the effects on the profit and loss account and balance sheet. **[3 + 3]**

[6]

Total marks **[30]**

Mark Scheme F002
June 2007

Quality of Written Communication

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* *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.*

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-	0	Responses which fail to achieve the standard required for Level 1.

1

(a)

Stock Valuation as at 31 March 2007

Closing stock per stock take 10 April 2007:						162,500	**(1)**
		Additions		Deductions			
(i)	Sales	144,000	**(2)**				
(ii)	Purchases			150,000	**(1)**		
(iii)	Sales returns			6,160	**(2)**		
(iv)	Purchases returns	8,500	**(1)**				
(v)	Free samples			4,600	**(1)**		
(vi)	Damaged stock			5,600	**(2)**		
(viii)	Off-site stock	7,680	**(2)**				
		160,180		166,360		(6,180)	
Stock valuation as at 31 March 2007						156,320	**(2)**

[14]

(b)

Item (vi) Stock must be valued at lower of cost and net realisable value **(2)**, therefore stock must be valued at net realisable value as this is now lower than cost. Application of the prudence concept **(1)**.
Up to 3 marks.

Item (vii) Stock valuation should only include goods that will be sold to customers **(1)**.
The cleaning materials are for use in the factory and therefore should not be recorded as stock for resale **(1)**.
The business was correct in not including cleaning materials in its stock valuation **(1)**.
Up to 3 marks. **[6]**

(c) Lack of financial control.
Inaccurate and/or incomplete knowledge of the business's financial position.
Inability to chase debtors due to lack of current information.
Lack of up to date information on cash-flow, sales revenue and profitability.
Risk of not paying creditors on time; creditors may retaliate eg by stopping further supplies.
Difficulties with forward planning or obtaining external finance.

*To achieve maximum marks candidates are expected to consider at least **three** issues. Maximum 4 marks for analysis and maximum 6 marks for evaluation.* **[10]**

Total marks [30]

2

(a)

Merstham Sailing Club
Bar Trading Account for the year ended 31 March 2007

Sales			18,000	**(2)**	
Opening stock	1,530				
Purchases (13,940 + 950 -600)	14,290	**(2)**			
	15,820				
Closing stock	1,420				
Cost of sales			14,400	**(1)**	
Bar profit			3,600	**(2)**	**[7]**

(b)

Receipts and Payments balance

Balance as at 1 4 06	4,870		
Add income	38,750	**(1of)**	
	43,620		
Less payments	39,870	**(1)**	
Balance as at 31 3 07	3,750	**(1of)**	**[3]**

(c)

Subscriptions Account

Balance b/d	1,950	**(1)**	Balance b/d	2,400	**(1)**
Income and Expenditure	16,800	**(2)**	Bank	17,550	**(2)**
Balance c/d	1,800	**(1)**	Bad debts	600	**(2)**
	20,550			20,550	

[9]

(d) *

Income and Expenditure Account for the year ended 31 March 2007

Income				3,600	
Bar Profit				16,800	**(1of)**
Subscriptions				900	**(1)**
Raffle (1200 – 300)				850	**(1)**
Dinner dance (2000 – 1150)				22,150	
Expenditure					
Equipment repairs			550	**(1)**	
Insurance			750	**(2)**	
Buildings maintenance (2,000 + 630 **(1)**)			2,630		
Heat and Light			700	**(1)**	
Bad debts (Subscriptions)			600	**(1of)**	
Depreciation:	Buildings		6,800	**(1)**	
	Equipment		6,344	**(1)**	
				18,374	
Surplus **(1)**				3,776	**(1)**

[12]

QWC **[2]**

[14]

(e)

Accumulated fund as at 1 April 2006	97,070		
Surplus of income over expenditure	3,776		
Accumulated fund as at 31 March 2007	100,846	**(2) (1of)**	**[2]**

Total marks [35]

3

(a)

The Journal

		Dr		Cr	
(i)	T Maunder	3,000	**(1)**		
	J Mander			3,000	**(1)**
(ii)	Suspense	2,400	**(1)**		
	J D Supplies			2,400	**(1)**
(iii)	Motor vehicle repairs	760	**(1)**		
	Motor vehicles			760	**(1)**
(iv)	Discounts received	850	**(1)**		
	Suspense			850	**(1)**
	Discounts allowed	850	**(1)**		
	Suspense			850	**(1)**
(v)	Suspense	2,700	**(1)**		
	R Grant			2,700	**(1)**
(vi)	Suspense	800	**(1)**		
	Sales			800	**(1)**

[14]

(b)

Suspense Account

J D Supplies	2,400	**(1)**	Bal b/d	4,200	**(1)**
R Grant	2,700	**(1)**	Discounts received	850	**(1)**
Sales	800		Discounts allowed	850	
	5,900			5,900	

[4]

(c)

Original net profit			17,000	
Motor vehicle repair	(760)	**(1)**		
Discounts allowed	(850)	**(2)**		
Discounts received	(850)			
Sales undercast	800	**(1)**		
			1,660	
Corrected net profit			15,340	**(1of)**

[5]

(d)

An error of principle occurs when an entry has been made in the wrong class of account. **(1)**
Example: item (iii) above **(1)**

[2]

(e) *

Advantages:
speed
accuracy
volume of data processing
storage
security.

Disadvantages:
cost
training
technical problems
operator error
security.

Judgement as to whether advantages outweigh disadvantages.

To achieve maximum marks a maximum 4 marks for analysis and maximum 4 marks for evaluation.
*Minimum of 3 points must be considered (must include **both** advantages and disadvantages).* **[8]**

QWC [2]

[10]

Total Marks [35]

Advanced Subsidiary GCE (Accounting) (H001))
Summer 2007 Assessment Series

Unit Threshold Marks

	Unit	**Maximum Mark**	**a**	**b**	**c**	**d**	**e**	**u**
F001	Raw	100	72	63	54	45	36	0
	UMS	100	80	70	60	50	40	0
F002	Raw	100	63	54	45	36	27	0
	UMS	100	80	70	60	50	40	0

Specification Aggregation Results

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	**A**	**B**	**C**	**D**	**E**	**U**
H001	200	160	140	120	100	80	0
H401	400	360	280	240	200	160	0

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

	A	B	**C**	**D**	**E**	**U**	**Total Number of Candidates**
H001	11.4	23.8	38.4	56.8	74.0	100.0	1902

1902 candidates aggregated this series

For a description of how UMS marks are calculated see;
http://www.ocr.org.uk/exam_system/understand_ums.html

Statistics are correct at the time of publication

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