

Accounting

Advanced Subsidiary GCE

Unit **F012**: Accounting Applications

Mark Scheme for January 2012

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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.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Own figure rule
	Repeat
	Noted but no credit given
	Tick

Subject-specific Marking Instructions

Every working box - whether it contains working or not - must be stamped as 'seen'.

Question	Answer	Marks	Guidance																																																																																						
1 (a)	<p style="text-align: center;">Sales Ledger Control Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 35%;">Balance b/d</td> <td style="width: 10%; text-align: right;">96,100</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 35%;">Sales returns</td> <td style="width: 10%; text-align: right;">26,500</td> <td style="width: 10%; text-align: right;">(2)</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">335,300</td> <td style="text-align: right;">(2)</td> <td>Discounts allowed</td> <td style="text-align: right;">18,740</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Bank (dishonoured)</td> <td style="text-align: right;">4,130</td> <td style="text-align: right;">(2)</td> <td>Bad debts</td> <td style="text-align: right;">4,600</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Bank</td> <td style="text-align: right;">298,800</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Contra purchases ledger</td> <td style="text-align: right;">1,290</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>85,600</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>435,530</u></td> <td></td> <td></td> <td style="text-align: right;"><u>435,530</u></td> <td></td> </tr> </table>	Balance b/d	96,100	(1)	Sales returns	26,500	(2)	Sales	335,300	(2)	Discounts allowed	18,740	(2)	Bank (dishonoured)	4,130	(2)	Bad debts	4,600	(1)				Bank	298,800	(1)				Contra purchases ledger	1,290	(1)				Balance c/d	<u>85,600</u>	(1)		<u>435,530</u>			<u>435,530</u>		13	<p>Must show tick where marks are awarded. Place 'SEEN' at the bottom of each page to show that it has been seen.</p> <p>Mark is for correct narrative and figure 2 or 0.</p> <p>Do not allow receipts from debtors must state Bank.</p> <p>Allow cash book and dishonoured cheques, allow returned cheque.</p> <p>Allow bal b/d, bal c/d but not bal or b/d or c/d on its own.</p> <p>Allow set off instead of Contra.</p> <p>Allow marks if adjustments are shown separate, as below. Only award mark if both items are included.</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="4" style="text-align: center;">Sales Ledger Control Account</th> </tr> <tr> <td style="width: 25%;">Bal b/d</td> <td style="width: 10%; text-align: right;">96,100</td> <td style="width: 25%;">Sales returns</td> <td style="width: 40%; text-align: right;">25,300</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">329,700</td> <td>Disc allow</td> <td style="text-align: right;">18,000</td> </tr> <tr> <td>Bank (DC)</td> <td style="text-align: right;">450</td> <td>Bad debts</td> <td style="text-align: right;">4,600</td> </tr> <tr> <td></td> <td></td> <td>Bank</td> <td style="text-align: right;">298,800</td> </tr> <tr> <td></td> <td></td> <td>Contra</td> <td style="text-align: right;">1,290</td> </tr> <tr> <td>Bank (DC)</td> <td style="text-align: right;">3,680</td> <td>Cash sales</td> <td style="text-align: right;">500</td> </tr> <tr> <td>Sales</td> <td style="text-align: right;">6,100</td> <td>Sales returns</td> <td style="text-align: right;">1,200</td> </tr> <tr> <td></td> <td></td> <td>Disc allow</td> <td style="text-align: right;">740</td> </tr> <tr> <td></td> <td></td> <td>Bal c/d</td> <td style="text-align: right;"><u>85,600</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>436,030</u></td> <td></td> <td style="text-align: right;"><u>436,030</u></td> </tr> </table>	Sales Ledger Control Account				Bal b/d	96,100	Sales returns	25,300	Sales	329,700	Disc allow	18,000	Bank (DC)	450	Bad debts	4,600			Bank	298,800			Contra	1,290	Bank (DC)	3,680	Cash sales	500	Sales	6,100	Sales returns	1,200			Disc allow	740			Bal c/d	<u>85,600</u>		<u>436,030</u>		<u>436,030</u>
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(c)	<p>Control accounts can be used to provide totals of debtors and creditors (1). These can be calculated quickly (1) if control accounts are used. It is less time consuming than adding together all the debtors or creditors balances from the sales and purchases ledgers (1).</p> <p>The total debtors and creditors (1) calculated quickly (1) using control accounts can be used to compile the trading profit and loss account and the balance sheet / final accounts (1).</p> <p>Control accounts are often used to calculate sales and purchases (1) when a business has incomplete records (1) and information is missing (1).</p> <p>Control accounts can be used to localise errors (1). They allow errors to be identified in a relatively small area of the ledgers (1), for example errors in the sales ledger (1) or purchases ledger (1). This saves time (1) and makes it easier to keep accurate accounts (1).</p> <p>Control accounts can be used to provide an independent check (1) on the sales ledger and purchases ledger. Control accounts are usually completed by a supervisor (1), whilst the ledger clerks complete the purchases and sales ledger (1). The balance on the control account, and the total of the balances from the sales and purchases ledger have to be equal (1). This, therefore, acts as a deterrent against fraud (1).</p> <p>(3 points x 3 marks) (1 for point plus up to 2 for development)</p>	9	<p>Be careful to avoid giving many marks for generalised comments</p> <p>Development marks should relate to uses 1 mark for point up to 2 marks for development</p> <p>If just list of reasons shown – maximum 3 marks</p> <p>If debtors or creditors only stated then give 1 mark.</p>
	Total	28	

Question		Answer	Marks	Guidance																																																
2	(a)	<p><u>Statement of revised stock valuation as at 31 October 2011</u></p> <table> <thead> <tr> <th></th> <th>Increases</th> <th>Decreases</th> <th></th> </tr> </thead> <tbody> <tr> <td>Original stock valuation</td> <td></td> <td></td> <td>207,500</td> </tr> <tr> <td>(i) Goods at a meeting</td> <td>2,400 (1)</td> <td></td> <td></td> </tr> <tr> <td>(ii) Sales returns</td> <td></td> <td>11,680 (2)</td> <td></td> </tr> <tr> <td>(iii) Purchases</td> <td></td> <td>22,000 (1)</td> <td></td> </tr> <tr> <td>(iv) Sales</td> <td>99,200 (2)</td> <td></td> <td></td> </tr> <tr> <td>(v) Damaged stock</td> <td></td> <td>1,400 (1)</td> <td></td> </tr> <tr> <td>(vi) Office cleaning materials</td> <td></td> <td>120 (1)</td> <td></td> </tr> <tr> <td>(vii) Purchase returns</td> <td>9,800 (1)</td> <td></td> <td></td> </tr> <tr> <td>(viii) Free samples</td> <td></td> <td><u>200</u> (1)</td> <td></td> </tr> <tr> <td></td> <td>111,400</td> <td>(35,400)</td> <td>76,000</td> </tr> <tr> <td>Revised stock valuation</td> <td></td> <td></td> <td>283,500 (1)</td> </tr> </tbody> </table>		Increases	Decreases		Original stock valuation			207,500	(i) Goods at a meeting	2,400 (1)			(ii) Sales returns		11,680 (2)		(iii) Purchases		22,000 (1)		(iv) Sales	99,200 (2)			(v) Damaged stock		1,400 (1)		(vi) Office cleaning materials		120 (1)		(vii) Purchase returns	9,800 (1)			(viii) Free samples		<u>200</u> (1)			111,400	(35,400)	76,000	Revised stock valuation			283,500 (1)	11	<p>Must show whether figures have been added or deducted for mark, if no signage assume added.</p> <p>Mark figure only</p> <p>Where 2 marks are awarded 2 or 0</p> <p>Figure for revised stock valuation correct answer only</p>
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	(b)	<p>Item (v) Goods should be valued at the lower of cost and net realisable value (1) as per SSAP9 (IAS2) (1). This is based on the prudence concept (1) which stated that assets should be understated (1). Since the stock was originally valued incorrectly at £2,000 only the difference in value needs to be deducted (1) in the statement of revised stock valuation. (1 mark for concept, plus up to 2 for development)</p> <p>Item (vi) The term 'stock' refers to those items which are to be resold for a profit (1). Office cleaning materials are not resold (1) and, therefore, should not be included in the stock valuation (1) as it would overstate the asset of stock figure (1). These are expenses (1). Unused office cleaning materials at the end of the financial year should be classified as a prepaid expense (1). (1 mark for concept, plus up to 2 for development)</p>	6																																																	
			Total	17																																																

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3	(a)	<p style="text-align: center;">Capital Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Alex</th> <th style="text-align: center;">Benjamin</th> <th style="text-align: center;">Crystal</th> <th></th> <th style="text-align: center;">Alex</th> <th style="text-align: center;">Benjamin</th> <th style="text-align: center;">Crystal</th> </tr> </thead> <tbody> <tr> <td>Revaluation</td> <td style="text-align: right;">20,000</td> <td style="text-align: right;">20,000 (1)</td> <td></td> <td>Bal b/d</td> <td style="text-align: right;">280,000 (1)</td> <td style="text-align: right;">290,000</td> <td></td> </tr> <tr> <td>Goodwill</td> <td style="text-align: right;">40,000 (1)</td> <td style="text-align: right;">40,000</td> <td style="text-align: right;">40,000 (1)</td> <td>Bank</td> <td></td> <td></td> <td style="text-align: right;">240,000 (1)</td> </tr> <tr> <td>Bal c/d</td> <td style="text-align: right;">370,000 (1)</td> <td style="text-align: right;">380,000 (1)</td> <td style="text-align: right;">200,000 (1)</td> <td>Revaluation</td> <td style="text-align: right;">90,000 (1)</td> <td style="text-align: right;">90,000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Goodwill</td> <td style="text-align: right;">60,000</td> <td style="text-align: right;">60,000 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>430,000</u></td> <td style="text-align: right;"><u>440,000</u></td> <td style="text-align: right;"><u>240,000</u></td> <td></td> <td style="text-align: right;"><u>430,000</u></td> <td style="text-align: right;"><u>440,000</u></td> <td style="text-align: right;"><u>240,000</u></td> </tr> </tbody> </table>							Alex	Benjamin	Crystal		Alex	Benjamin	Crystal	Revaluation	20,000	20,000 (1)		Bal b/d	280,000 (1)	290,000		Goodwill	40,000 (1)	40,000	40,000 (1)	Bank			240,000 (1)	Bal c/d	370,000 (1)	380,000 (1)	200,000 (1)	Revaluation	90,000 (1)	90,000						Goodwill	60,000	60,000 (1)			<u>430,000</u>	<u>440,000</u>	<u>240,000</u>		<u>430,000</u>	<u>440,000</u>	<u>240,000</u>	10	<p>Where a mark is awarded for balance b/d the following are acceptable bal b/d or bal b/f. Do NOT accept balance, bal without b/d or b/f nor b/f or b/d without balance. Allow stock and fixed assets instead of revaluation. Revaluation adjustments can be netted off as can Goodwill adjustment marks can be awarded if only net figure shown – Revaluation Alex 70,000cr (1) Ben 70,000cr (1) Goodwill Alex 20,000cr (1) Ben 20,000cr (1) Crystal 40,000dr (1)</p>
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	(b)	(i)	<p><u>Alex and Benjamin</u> <u>Appropriation Account for the half year ended 30 June 2011</u></p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Net Profit</td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;">160,000 (1)</td> <td></td> <td></td> </tr> <tr> <td>Share of profits</td> <td style="text-align: center;">Alex</td> <td></td> <td style="text-align: right;">80,000 (1)</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">Benjamin</td> <td></td> <td style="text-align: right;"><u>80,000</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>160,000</u></td> <td></td> <td></td> </tr> </tbody> </table>						Net Profit					160,000 (1)			Share of profits	Alex		80,000 (1)						Benjamin		<u>80,000</u>										<u>160,000</u>			2	Correct answer only.															
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	(ii)	<u>Alex, Benjamin and Crystal</u> <u>Appropriation Account for the half year ended 31 December 2011</u>			5	Appropriations must be correctly added or deducted to be awarded mark.
		Net Profit		160,000		
		Interest on capital	Alex	18,500 (1)		
			Benjamin	19,000 (1)		
			Crystal	<u>10,000 (1)</u>		
				<u>47,500</u>		
				112,500		
		Salaries	Alex	15,000 (1)		
			Benjamin	15,000		
			Crystal	<u>15,000</u>		
				<u>45,000</u>		
				67,500		
		Share of profits	Alex	22,500 (1of)		
			Benjamin	22,500		
			Crystal	<u>22,500</u>		
				<u>67,500</u>		

Question		Answer						Marks	Guidance																																																															
	(c)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="7" style="text-align: center;">Current Account</th> </tr> <tr> <th></th> <th style="text-align: center;">Alex</th> <th style="text-align: center;">Benjamin</th> <th style="text-align: center;">Crystal</th> <th></th> <th style="text-align: center;">Alex</th> <th style="text-align: center;">Benjamin</th> <th style="text-align: center;">Crystal</th> </tr> </thead> <tbody> <tr> <td>Bal b/d</td> <td style="text-align: right;">9,600 (1)</td> <td></td> <td></td> <td>Bal b/d</td> <td></td> <td style="text-align: right;">1,400 (1)</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">30,000 (1)</td> <td style="text-align: right;">28,000 (1)</td> <td style="text-align: right;">24,000 (1)</td> <td>Share of profits (1)</td> <td style="text-align: right;">80,000 (1)</td> <td style="text-align: right;">80,000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Share of profits</td> <td style="text-align: right;">22,500</td> <td style="text-align: right;">22,500</td> <td style="text-align: right;">22,500 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Salary (1)</td> <td style="text-align: right;">15,000</td> <td style="text-align: right;">15,000</td> <td style="text-align: right;">15,000 (1)</td> </tr> <tr> <td>bal c/d</td> <td style="text-align: right;"><u>96,400 (1)</u></td> <td style="text-align: right;"><u>109,900 (1)</u></td> <td style="text-align: right;"><u>23,500 (1)</u></td> <td>Int on capital (1)</td> <td style="text-align: right;"><u>18,500</u></td> <td style="text-align: right;"><u>19,000</u></td> <td style="text-align: right;"><u>10,000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>136,000</u></td> <td style="text-align: right;"><u>137,900</u></td> <td style="text-align: right;"><u>47,500</u></td> <td></td> <td style="text-align: right;"><u>136,000</u></td> <td style="text-align: right;"><u>137,900</u></td> <td style="text-align: right;"><u>47,500</u></td> </tr> </tbody> </table>						Current Account								Alex	Benjamin	Crystal		Alex	Benjamin	Crystal	Bal b/d	9,600 (1)			Bal b/d		1,400 (1)		Drawings	30,000 (1)	28,000 (1)	24,000 (1)	Share of profits (1)	80,000 (1)	80,000						Share of profits	22,500	22,500	22,500 (1)					Salary (1)	15,000	15,000	15,000 (1)	bal c/d	<u>96,400 (1)</u>	<u>109,900 (1)</u>	<u>23,500 (1)</u>	Int on capital (1)	<u>18,500</u>	<u>19,000</u>	<u>10,000</u>		<u>136,000</u>	<u>137,900</u>	<u>47,500</u>		<u>136,000</u>	<u>137,900</u>	<u>47,500</u>	14	Where a mark is awarded for balance b/d the following are acceptable bal b/d or bal b/f. Do NOT accept balance, bal without b/d or b/f nor b/f or b/d without balance. Marks awarded for narrative must be on correct side. Check the int on capital figure with the figure used on the appropriation account to award own figure marks. Share of profits can be totalled.
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	(d)	<p>Crystal can bring in additional capital (1). This will allow the business to expand (1).</p> <p>Crystal can bring to the partnership additional expertise (1). This will allow the partners to specialise (1).</p> <p>The workload can be shared (1). This will ease the burden on individual partners (1).</p> <p>Easier to take holidays (1) as more cover is available (1).</p> <p>(3 points x 2 marks) (1 for point, plus 1 for development)</p>							Be careful to avoid giving too many marks for generalised comments. Development marks should relate to advantages. 1 mark for point up to 1 mark for development. If just list reasons shown – max 3 marks.																																																															
Total							37																																																																	

Question		Answer	Marks	Guidance																																																				
4	(a)*	<p><u>Dominic England</u> <u>Trading and Profit and Loss Account for the year ended 31 December 2011</u></p> <table> <tr> <td>Sales (239,400+22,400-18,200+44,600+1,200+600)</td> <td>290,000</td> <td>(5)</td> </tr> <tr> <td>Opening stock</td> <td>12,300</td> <td>(1)</td> </tr> <tr> <td>Purchases</td> <td><u>236,400</u></td> <td>(1)</td> </tr> <tr> <td></td> <td>248,700</td> <td></td> </tr> <tr> <td>Closing stock</td> <td><u>16,700</u></td> <td>(2)</td> </tr> <tr> <td>Cost of sales</td> <td><u>232,000</u></td> <td></td> </tr> <tr> <td>Gross profit</td> <td>58,000</td> <td>(1of)</td> </tr> <tr> <td>Expenses</td> <td>32,350</td> <td>(2)</td> </tr> <tr> <td>Depreciation fixed assets</td> <td>9,600</td> <td>(2)</td> </tr> <tr> <td>Prov for doubtful debts</td> <td><u>448</u></td> <td>(1)</td> </tr> <tr> <td></td> <td><u>42,398</u></td> <td></td> </tr> <tr> <td>Net Profit</td> <td><u>15,602</u></td> <td>(1)</td> </tr> </table>	Sales (239,400+22,400-18,200+44,600+1,200+600)	290,000	(5)	Opening stock	12,300	(1)	Purchases	<u>236,400</u>	(1)		248,700		Closing stock	<u>16,700</u>	(2)	Cost of sales	<u>232,000</u>		Gross profit	58,000	(1of)	Expenses	32,350	(2)	Depreciation fixed assets	9,600	(2)	Prov for doubtful debts	<u>448</u>	(1)		<u>42,398</u>		Net Profit	<u>15,602</u>	(1)	27	<p>If sales are incorrect must show workings to be awarded individual marks. If no workings are shown and the figure is incorrect do not award any marks.</p> <p>Give marks for control account entries if shown:</p> <table style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;">SLCA</th> </tr> </thead> <tbody> <tr> <td style="border-right: 1px solid black;">Bal b/d</td> <td style="text-align: right;">18,200</td> <td style="border-right: 1px solid black;">Bank</td> <td style="text-align: right;">239,400</td> </tr> <tr> <td style="border-right: 1px solid black;">Credit sales</td> <td style="text-align: right;">243,600</td> <td style="border-right: 1px solid black;">bal c/d</td> <td style="text-align: right;">22,400</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black;"><u>261,800</u></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black;"><u>261,800</u></td> </tr> </tbody> </table> <p>243,600+1,200+44,600+600 = 290,000</p> <p>All expenses mark is for net figure only.</p> <p>Gross profit (1of) only if it is 20% of sales figure.</p> <p>Net Profit correct answer only.</p>	SLCA				Bal b/d	18,200	Bank	239,400	Credit sales	243,600	bal c/d	22,400		<u>261,800</u>		<u>261,800</u>
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Question	Answer	Marks	Guidance
	<u>Balance Sheet as at 31 December 2011</u> <u>Fixed Assets</u> Fixed Assets 96,400 (1) <u>Current Assets</u> Stock 16,700 Debtors 21,952 (1) General expenses prepaid 3,450 (1) Bank 22,000 Cash <u>600</u> 64,702 <u>Current Liabilities</u> Creditors <u>16,800 (1)</u> Working capital <u>47,902</u> 144,302 Financed by Capital 123,300 (1) Additional capital introduced <u>50,000 (1)</u> 173,300 Net profit <u>15,602 (1of)</u> 188,902 Drawings <u>44,600 (1)</u> <u>144,302</u>	24	<u>Fixed Assets</u> Correct answer only <u>Current Assets</u> Correct answers only <u>Current Liabilities</u> Correct answer only <u>Financed by</u> Capital can show as total of 173,300 for 2 marks Net Profit 1 of – but must be same figure as in profit and loss account Must show QWC has been considered even if 0
	QWC	3	

Question		Answer	Marks	Guidance
	(b)	<p>The business will not have a record of sales and purchases (1), so it will be unable to compare sales from previous periods to analyse whether they are on target or not (1).</p> <p>The business may not have a record of debtors (1), therefore it will not be able to send out invoices and reminders of amounts owing from debtors (1). This may lead to debtors not paying their accounts (1), which could lead to bad debts (1), and/or cash flow difficulties (1).</p> <p>The business may not have a record to creditors (1), which could lead to the business not paying the amounts owed to its suppliers (1). This could lead to suppliers refusing to supply further goods (1) this could eventually lead to the failure of the business.</p> <p>The business may not have records of expenses which have been paid or are owing (1), therefore they will not have any control over these (1), which may lead to overspending on expenses and cash flow difficulties (1). The profit figure may be incorrect (1) as the business may not have adequate records of accruals and prepayments (1).</p> <p>It may be difficult to correctly calculate the profit (1) as accruals and prepayments are not shown in the cashbook (1).</p> <p>If the business does not have adequate records, (1) banks will be reluctant to loan it money (1), as there is no adequate record of their ability to repay the money (1). It will also not have adequate records for the HMR&C (1) in order to calculate taxation (1).</p> <p>(3 points x 3 marks) (1 for point, plus up to 2 for development)</p>	9	
			QWC	2
			Total	38

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