

Accounting

Advanced Subsidiary GCE **F011**

Accounting Principles

Mark Scheme for June 2010

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

Abbreviations, annotations and conventions that are used in this Mark Scheme vary from paper to paper. The following annotations are available for this paper.

(SO to add others)

✓ and ✗

BOD – Benefit of doubt

NBOD – No benefit of doubt

TV – Too vague

Highlighting is also available to highlight any particular points on the script.

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.

Question Number	Expected Answer	Marks	Additional Guidance																																																																																										
1*	<p><u>Sardar Patel</u> <u>Trading and Profit and Loss Account for the year ended 30 April 2010</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Sales</td> <td style="width: 20%; text-align: right;">221,750</td> <td style="width: 20%;"></td> </tr> <tr> <td>Sales returns</td> <td style="text-align: right;"><u>2,150</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">219,600</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Opening stock</td> <td style="text-align: right;">7,400</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">95,300</td> <td></td> </tr> <tr> <td>Equipment</td> <td style="text-align: right;"><u>(2,500)</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">100,200</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;"><u>1,360</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">98,840</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;"><u>640</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;">98,200</td> <td></td> </tr> <tr> <td>Closing stock</td> <td style="text-align: right;"><u>7,950</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;"><u>90,250</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Gross Profit</td> <td style="text-align: right;">129,350</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discounts received</td> <td style="text-align: right;">1,640</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent received</td> <td style="text-align: right;"><u>7,800</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td style="text-align: right;">138,790</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carriage outwards</td> <td style="text-align: right;">770</td> <td></td> </tr> <tr> <td>Discounts allowed</td> <td style="text-align: right;">2,920</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Heat and light</td> <td style="text-align: right;">3,990</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">55,720</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Motor expenses</td> <td style="text-align: right;">6,110</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">29,120</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">660</td> <td></td> </tr> <tr> <td>Provision for doubtful debts</td> <td style="text-align: right;">26</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;">1,200</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Depreciation equipment</td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Depreciation motor vehicles</td> <td style="text-align: right;"><u>5,184</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td style="text-align: right;">110,700</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;"><u>28,090</u></td> <td style="text-align: right;">(1)</td> </tr> </table>	Sales	221,750		Sales returns	<u>2,150</u>			219,600	(1)	Opening stock	7,400		Purchases	95,300		Equipment	<u>(2,500)</u>	(1)		100,200		Purchase returns	<u>1,360</u>			98,840		Drawings	<u>640</u>	(1)		98,200		Closing stock	<u>7,950</u>		Cost of sales	<u>90,250</u>	(1)	Gross Profit	129,350	(1)	Discounts received	1,640	(1)	Rent received	<u>7,800</u>	(2)		138,790	(1)	Carriage outwards	770		Discounts allowed	2,920	(2)	Heat and light	3,990	(2)	General expenses	55,720	(1)	Motor expenses	6,110	(1)	Salaries	29,120	(2)	Bad debts	660		Provision for doubtful debts	26	(2)	Loan interest	1,200	(2)	Depreciation equipment	5,000	(2)	Depreciation motor vehicles	<u>5,184</u>	(2)		110,700	(1)	Net Profit	<u>28,090</u>	(1)		<p>For <u>all</u> questions, an X must be entered at the bottom of each blank page.</p> <p>Horizontal format as well as vertical format are acceptable for both P&L a/c and B/S.</p> <p>All marks are for figure plus reasonable narrative. Where marks are given for sub totals or totals, these are for the correct figure only i.e. they are NOT own figure.</p> <p>Adjustments for equipment, purchase returns and drawings must appear before closing stock.</p> <p>If purchases figure includes adjustments for equipment, purchases returns and/or drawings award appropriate marks, e.g. 92,800 (1), 92,160 (2), 90,800 (2).</p> <p>Accept discounts received as a negative expense but NOT rent received.</p> <p>Accept non-trading entries as a block between the sub-total for expenses and the net profit.</p> <p>For expenses, where appropriate the net figure must be shown to gain the mark e.g. if heat and light appears as two line items (3720 & 270) (0) marks.</p> <p>Accept combined depreciation 10,184 (4)</p>
Sales	221,750																																																																																												
Sales returns	<u>2,150</u>																																																																																												
	219,600	(1)																																																																																											
Opening stock	7,400																																																																																												
Purchases	95,300																																																																																												
Equipment	<u>(2,500)</u>	(1)																																																																																											
	100,200																																																																																												
Purchase returns	<u>1,360</u>																																																																																												
	98,840																																																																																												
Drawings	<u>640</u>	(1)																																																																																											
	98,200																																																																																												
Closing stock	<u>7,950</u>																																																																																												
Cost of sales	<u>90,250</u>	(1)																																																																																											
Gross Profit	129,350	(1)																																																																																											
Discounts received	1,640	(1)																																																																																											
Rent received	<u>7,800</u>	(2)																																																																																											
	138,790	(1)																																																																																											
Carriage outwards	770																																																																																												
Discounts allowed	2,920	(2)																																																																																											
Heat and light	3,990	(2)																																																																																											
General expenses	55,720	(1)																																																																																											
Motor expenses	6,110	(1)																																																																																											
Salaries	29,120	(2)																																																																																											
Bad debts	660																																																																																												
Provision for doubtful debts	26	(2)																																																																																											
Loan interest	1,200	(2)																																																																																											
Depreciation equipment	5,000	(2)																																																																																											
Depreciation motor vehicles	<u>5,184</u>	(2)																																																																																											
	110,700	(1)																																																																																											
Net Profit	<u>28,090</u>	(1)																																																																																											

Question Number	Expected Answer	Marks	Additional Guidance																																																																																												
1* continued	<p><u>Sardar Patel</u> <u>Balance Sheet as at 30 April 2010</u></p> <p><u>Fixed Assets</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Equipment</td> <td style="width: 10%; text-align: right;">11,000</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Motor vehicles</td> <td style="text-align: right;"><u>7,776</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">18,776</td> <td style="text-align: right;">(2)</td> <td></td> </tr> </table> <p><u>Current Assets</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Stock</td> <td style="width: 10%; text-align: right;">7,950</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Debtors</td> <td style="text-align: right;">35,574</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">7,870</td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td>Rent receivable</td> <td style="text-align: right;">480</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>accrued</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salaries prepaid</td> <td style="text-align: right;"><u>600</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">52,474</td> <td style="text-align: right;">(1)</td> <td></td> </tr> </table> <p><u>Current Liabilities</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Creditors</td> <td style="width: 10%; text-align: right;">15,200</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Accrued heat and light</td> <td style="text-align: right;">270</td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td>Loan interest due</td> <td style="text-align: right;"><u>100</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">15,570</td> <td style="text-align: right;">(1)</td> <td></td> </tr> </table> <p>Working Capital</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="width: 10%; text-align: right;"><u>36,904</u></td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td style="text-align: right;">55,680</td> <td></td> <td></td> </tr> </table> <p><u>Long Term Liabilities</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">10% Loan</td> <td style="width: 10%; text-align: right;"><u>12,000</u></td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>43,680</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> </table> <p><u>Financed by</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Capital</td> <td style="width: 10%; text-align: right;">40,000</td> <td style="width: 10%;"></td> <td style="width: 20%;"></td> </tr> <tr> <td>Net Profit</td> <td style="text-align: right;"><u>28,090</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">68,090</td> <td></td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;"><u>24,410</u></td> <td style="text-align: right;">(2)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>43,680</u></td> <td style="text-align: right;">(1)</td> <td></td> </tr> </table> <p style="text-align: right; margin-right: 20px;">QWC</p> <p style="text-align: right; margin-right: 20px;">Total marks</p>	Equipment	11,000			Motor vehicles	<u>7,776</u>				18,776	(2)		Stock	7,950			Debtors	35,574	(2)		Bank	7,870	(2)		Rent receivable	480	(1)		accrued				Salaries prepaid	<u>600</u>	(1)			52,474	(1)		Creditors	15,200			Accrued heat and light	270	(1)		Loan interest due	<u>100</u>	(1)			15,570	(1)			<u>36,904</u>				55,680			10% Loan	<u>12,000</u>				<u>43,680</u>	(1)		Capital	40,000			Net Profit	<u>28,090</u>				68,090			Drawings	<u>24,410</u>	(2)			<u>43,680</u>	(1)		<p>[44]</p> <p>[2]</p> <p>[46]</p>	<p>For debtors a total of 35,574 must be shown, for bank 7,870 and for drawings 24,410 to gain the respective marks.</p> <p>Under current assets, if the candidate has combined rent receivable accrued and salaries prepaid 1,080 award (2) marks e.g. accept combined figure under the heading of 'accruals'.</p> <p>Under current liabilities, if candidate has combined accrued heat and light and loan interest due 370 award (2) marks e.g. accept combined figure under the heading of 'accruals'.</p> <p>10% loan must appear under the heading Long Term Liabilities to gain mark. Accept 10% loan below capital but must be under a long-term liabilities sub-heading.</p> <p>If the candidate puts Long Term Liabilities below end of year capital the mark for 43,680 will apply to the sub-total for end of year capital.</p>
Equipment	11,000																																																																																														
Motor vehicles	<u>7,776</u>																																																																																														
	18,776	(2)																																																																																													
Stock	7,950																																																																																														
Debtors	35,574	(2)																																																																																													
Bank	7,870	(2)																																																																																													
Rent receivable	480	(1)																																																																																													
accrued																																																																																															
Salaries prepaid	<u>600</u>	(1)																																																																																													
	52,474	(1)																																																																																													
Creditors	15,200																																																																																														
Accrued heat and light	270	(1)																																																																																													
Loan interest due	<u>100</u>	(1)																																																																																													
	15,570	(1)																																																																																													
	<u>36,904</u>																																																																																														
	55,680																																																																																														
10% Loan	<u>12,000</u>																																																																																														
	<u>43,680</u>	(1)																																																																																													
Capital	40,000																																																																																														
Net Profit	<u>28,090</u>																																																																																														
	68,090																																																																																														
Drawings	<u>24,410</u>	(2)																																																																																													
	<u>43,680</u>	(1)																																																																																													

Question Number	Expected Answer	Marks	Additional Guidance																
2 (a) (i)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Fixtures And Fittings</th> </tr> </thead> <tbody> <tr> <td style="width: 15%; border-right: 1px solid black;">Balance b/d (1)</td> <td style="width: 15%; text-align: right;">64,000</td> <td style="width: 15%; border-right: 1px solid black;">Balance c/d</td> <td style="width: 15%; text-align: right;">74,000 (1)</td> </tr> <tr> <td style="border-right: 1px solid black;">Bank</td> <td style="text-align: right;"><u>10,000</u> (1)</td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>74,000</u></td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>74,000</u></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>74,000</u></td> </tr> </tbody> </table>	Fixtures And Fittings				Balance b/d (1)	64,000	Balance c/d	74,000 (1)	Bank	<u>10,000</u> (1)		<u>74,000</u>		<u>74,000</u>		<u>74,000</u>	[3]	<p>For all parts of Q2(a), where (2) marks are allocated no part marks are to be given i.e. the mark awarded must be either (2) or (0), except for 2(a)(iv) where two entries for P&L may legitimately occur. It is acceptable to show the current year depreciation for the asset disposed, 1,260 (1) and depreciation of the remaining asset 3,750 (1) as separate figures.</p>
Fixtures And Fittings																			
Balance b/d (1)	64,000	Balance c/d	74,000 (1)																
Bank	<u>10,000</u> (1)		<u>74,000</u>																
	<u>74,000</u>		<u>74,000</u>																
2 (a) (ii)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Provision For Depreciation Of Fixtures And Fittings</th> </tr> </thead> <tbody> <tr> <td style="width: 15%; border-right: 1px solid black;">Balance c/d</td> <td style="width: 15%; text-align: right;">34,500 (1)</td> <td style="width: 15%; border-right: 1px solid black;">Balance b/d (1)</td> <td style="width: 15%; text-align: right;">16,000</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>34,500</u></td> <td style="border-right: 1px solid black;">Profit and Loss</td> <td style="text-align: right;"><u>18,500</u> (2)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>34,500</u></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>34,500</u></td> </tr> </tbody> </table>	Provision For Depreciation Of Fixtures And Fittings				Balance c/d	34,500 (1)	Balance b/d (1)	16,000		<u>34,500</u>	Profit and Loss	<u>18,500</u> (2)		<u>34,500</u>		<u>34,500</u>	[4]	<p>Where a mark is awarded for Balance b/d the following are acceptable – Balance b/d, Bal b/d, Balance b/f, Bal b/f, Accrued b/d, Accrued b/f. Do NOT accept Balance or Bal or Accrued without b/d or b/f nor b/d or b/f without Balance, Bal or Accrued. This narrative must also appear on the correct Dr or Cr side.</p>
Provision For Depreciation Of Fixtures And Fittings																			
Balance c/d	34,500 (1)	Balance b/d (1)	16,000																
	<u>34,500</u>	Profit and Loss	<u>18,500</u> (2)																
	<u>34,500</u>		<u>34,500</u>																
2 (a) (iii)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Motor Vehicles</th> </tr> </thead> <tbody> <tr> <td style="width: 15%; border-right: 1px solid black;">Balance b/d</td> <td style="width: 15%; text-align: right;">12,000</td> <td style="width: 15%; border-right: 1px solid black;">Disposal</td> <td style="width: 15%; text-align: right;">12,000 (2)</td> </tr> <tr> <td style="border-right: 1px solid black;">Bank</td> <td style="text-align: right;"><u>25,000</u> (1)</td> <td style="border-right: 1px solid black;">Balance c/d</td> <td style="text-align: right;"><u>25,000</u> (1)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>37,000</u></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>37,000</u></td> </tr> </tbody> </table>	Motor Vehicles				Balance b/d	12,000	Disposal	12,000 (2)	Bank	<u>25,000</u> (1)	Balance c/d	<u>25,000</u> (1)		<u>37,000</u>		<u>37,000</u>	[4]	<p>Where a mark is awarded against a balancing figure the mark is for the figure only on the correct debit or credit side. All other marks are for figure plus reasonable narrative on the correct Dr or Cr side, e.g. accept P&L.</p>
Motor Vehicles																			
Balance b/d	12,000	Disposal	12,000 (2)																
Bank	<u>25,000</u> (1)	Balance c/d	<u>25,000</u> (1)																
	<u>37,000</u>		<u>37,000</u>																
2 (a) (iv)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Provision For Depreciation Of Motor Vehicles</th> </tr> </thead> <tbody> <tr> <td style="width: 15%; border-right: 1px solid black;">Disposal</td> <td style="width: 15%; text-align: right;">4,860 (1)</td> <td style="width: 15%; border-right: 1px solid black;">Balance b/d</td> <td style="width: 15%; text-align: right;">3,600</td> </tr> <tr> <td style="border-right: 1px solid black;">Balance c/d</td> <td style="text-align: right;"><u>3,750</u> (1)</td> <td style="border-right: 1px solid black;">Profit and Loss</td> <td style="text-align: right;"><u>5,010</u> (2)</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>8,610</u></td> <td style="border-right: 1px solid black;"></td> <td style="text-align: right;"><u>8,610</u> (1)</td> </tr> </tbody> </table>	Provision For Depreciation Of Motor Vehicles				Disposal	4,860 (1)	Balance b/d	3,600	Balance c/d	<u>3,750</u> (1)	Profit and Loss	<u>5,010</u> (2)		<u>8,610</u>		<u>8,610</u> (1)	[5]	
Provision For Depreciation Of Motor Vehicles																			
Disposal	4,860 (1)	Balance b/d	3,600																
Balance c/d	<u>3,750</u> (1)	Profit and Loss	<u>5,010</u> (2)																
	<u>8,610</u>		<u>8,610</u> (1)																

Question Number	Expected Answer	Marks	Additional Guidance																																
2 (a) (v)	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center; border-bottom: 1px solid black;">Disposal Of Motor Vehicles</th> </tr> </thead> <tbody> <tr> <td style="width: 25%; border-right: 1px solid black;">Motor vehicles</td> <td style="width: 10%; text-align: right;">12,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 55%;"></td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> <td style="border-right: 1px solid black;">Depr motor vehicles</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> <td style="border-right: 1px solid black;">Bank</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> <td style="border-right: 1px solid black;">Profit and Loss</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td style="text-align: right; border-top: 1px solid black;">12,000</td> <td></td> <td style="border-right: 1px solid black;"></td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> <td style="border-right: 1px solid black; text-align: right; border-top: 1px solid black;">12,000</td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td></td> <td></td> <td style="border-right: 1px solid black; text-align: right;">(1)</td> </tr> </tbody> </table>	Disposal Of Motor Vehicles				Motor vehicles	12,000	(1)					Depr motor vehicles				Bank				Profit and Loss		12,000						12,000				(1)	[6]	
Disposal Of Motor Vehicles																																			
Motor vehicles	12,000	(1)																																	
			Depr motor vehicles																																
			Bank																																
			Profit and Loss																																
	12,000																																		
			12,000																																
			(1)																																
2 (b)*	<p>The straight line method of depreciation apportions an equal depreciation expense to every year of the asset's life (1) and is easier to calculate/reducing balance is more difficult (1). As fixtures and fittings tend to lose value evenly over time (1) this is an appropriate method for these assets (1).</p> <p>The reducing balance method apportions more depreciation expense to the early years and less to the later years (1). This method is appropriate for motor vehicles because it recognises that motor vehicles lose more value in the early years (1) and less in the later years. Accept prudence concept (1) for this method only (higher depreciation in early years understates profit & asset values)(1).</p> <p>The decreasing (1) depreciation year to year is likely to be matched by increasing repair expenses (1). In the case of motor vehicles. As motor vehicles age their repair bills increase. The reducing balance method produces a more consistent overall expense (1) for the business in respect of motor vehicles.</p> <p>(2 points x 3 marks or 3 points x 2 marks) (1 for point plus up to 2 for development)</p>	[6] QWC [2] [max 8]	<p>Be careful to avoid giving any marks for generalised comments or excessive description rather than evaluation. Only award a mark for stating that a particular method is appropriate if it is supported by relevant argument.</p> <p>Only award marks once for prudence (1) and accruals/matching (1) concepts and only when referred to appropriately.</p> <p>Both methods of depreciation must be referred to in order to gain full marks. The maximum mark available if only one method is referred to is (4) (2 x 2).</p>																																

Question Number	Expected Answer	Marks	Additional Guidance
2 (c)	<p>Jo Parkes' treatment of repair expenses as capital expenditure was incorrect (1) and contrary to the prudence concept (1).</p> <p>If Jo Parkes classifies the repair expenses on motor vehicles as capital expenditure</p> <ul style="list-style-type: none"> • motor vehicles/fixed assets will be overstated (1). • expenses will be understated (1) and profit will be overstated (1). • This will not provide a true and fair view of the business (1). <p style="text-align: right;">(1 x 2 marks – Impact on Profit) (1 x 2 marks – Impact on Fixed Asset value)</p>	[4]	<p>Be careful to avoid giving any marks for generalised comments or excessive description rather than evaluation.</p> <p>Only award mark for prudence if it is referred to in appropriate context.</p> <p>For overstated/understated accept increased/decreased.</p>
	Total marks	[34]	

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

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