

Mark Scheme January 2008

GCE O Level

GCE O Level Accounting 7011

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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.

7011/01 Mark Scheme January 2008

Question Number	Answer	Mark
1(a)		(13)

General Journal

		Debit	Credit
Nov 20	Fittings & equipment	2 500/	C
	VAT	250/	C
	Modern Fittings Ltd		2 750/of
Being purchase of fittings on credit/			

Purchases Journal

		Goods		VAT		Total	
Nov 6	Leek & Co	6 000	/	C			
	Less trade discount 25%	1 500	/	C			
		4 500	/ of	450	/ of	4 950	/ of
Nov 13	Zak Ltd	10 000	/	C			
	less trade discount 20%	2 000	/	C	2 or 0		
		8 000	/ of	784	// C	8 784	/ of
	Totals to ledger	12 500	/ of	1 234	/ of	13 734	

Cash Book

		Bank				Disc Rec		Bank	
Nov 1	Balance b/d	3 500	/	Nov 1	Petty cash			180	/ C
No30	Sales (inc VAT)	33 000	/	Nov 4	Insurance			800	/ C
				Nov 9	Zak Ltd	69	/	C3 381	/ C
				No 26	Zak Ltd	160	/	C8 624	/ C
						229	/ of		

26 x / = 13 marks

If fittings included in Purchases Journal, no marks for General Journal, even if correct.

Question Number	Answer	Mark
1(b)		(11)

Stock Account

		£					
Nov 1	Balance b/d	12 000	/ C				

Fittings and Equipment Account

		£					
Nov 1	Balance b/d	16 000	/ C				
Nov 20	Modern fittings	2 500	/ C				

Zak Ltd

		£					
Nov 9	Bank	3 381	/ of		Nov 1	Balance b/d	3 450 / C
Nov 9	Disc (rec)	69			Nov13	Purchases	8 784 / of
Nov 26	Bank	8 624	/ of				
Nov 26	Disc (rec)	160					

Bank / Disc. Must be separate /OF. If total must be 3450 C. Save with 2nd payment, but must say Bank and Disc.

Hag Ltd

		£					
Nov 13	Petty cash	90	/C		Nov 1	Balance b/d	90 /C

Capital Account

					Nov 1	Balance b/d	28 010 /C

Leek & Co Account

					Nov 6	Purchases	4 950 / of

VAT Account

		£					
Nov 20	Modern Fittings	250	/ of		Nov15	Bank (sales)	3 000 /C
Nov 30	Sundries (Pch)	1 234	/ of				
Nov 30	Petty cash	2	/ C				

Modern Fittings Account

		£					
					Nov20	F & Equip	2 500 /C
					Nov20	VAT	250 /of

Sales Account

		£					
					Nov30	Bank / Cash	30 000 / of c (accept cash)

Purchases Account

		£					
Nov 30	Sundries	12 500	/ of				

Total, not individual items.

Cleaning Account

		£					
Nov 30	Petty cash	100					

Postage Account

		£					
Nov 30	Petty cash	37	/				

(for both cleaning and postage)

Discount Received

						£	
				Nov30	Sundries	229	/ OF

Insurance

		£					
Nov 4	Bank	800	/ C				

22 x / = 11 marks

Question Number	Answer	Mark
2(a)		(3)

calculation of gross profit for year ended 31 Dec 2007

Original gross profit	65000/ C
add stock drawings	58// (// fig C, // action)
less carriage inwards	-25//
corrected gross profit	<u>65033/of</u>

6 x // = 3 marks

Question Number	Answer	Mark
2(b)		(6)

Business Rates Account

Dec 31	Balance/bank	3 000	// c	Dec31	P/L	3 500	// of
	Balance c/d	500	// c				
		<u>3 500</u>				<u>3 500</u>	

Accept 'accrual'/'pre-payment' as well as 'balance c/d'.

3 x // = 1½ marks

Insurance Account

Dec 31	Balance/bank	2 400	// c	Dec31	P/L	1 400	// of
				Dec31	Balance c/d	1 000	// c
		<u>2 400</u>				<u>2 400</u>	

3 x // = 1½ marks

Provision for Deprn on F & E Account

Dec 31	Balance/bank	4 230	// of	Jan 1	Balance b/d	1 800	// c
				Dec31	P/L	2 430	// c
		<u>4 230</u>				<u>4 230</u>	

3 x // = 1½ marks

Provision for Bad Debts Account

			c				
Dec 31	P/L	285	✓		Jan 1	Balance b/d	600
Dec 31	Balance c/d	315	✓ of				
		600					600
		600					600

3 x ✓ = 1½ marks

Question Number	Answer	Mark
2(c)		(7)

Profit and loss account for year ended 31 December 2007

Gross profit		65033£ of	
add prov for bad debts		285££ of	(£ fig, £action)
		65318	
Less			
Bad debts	120£C		
Rent	18200£ c		
Rates	3500£ of		
Wages	23000£C		
Carriage outwards	575££ c		(600£ or 625£)
Insurance	1400££ of		
Prov for depn on F&E	2430££ of	49225	
Net Profit		16093£ of	
		NC	14 x £ = 7 marks

Question Number	Answer	Mark
2(d)		(8)

(d) Balance Sheet at 31 December 2007

Fixed Assets

furniture & equipment at cost

18000/£

less provision for deprn

4230/£ of

13770/£ of
NCSM

Current Assets

Stock

10000/£

Debtors

6300/£

5985/£

less provision for bad debts

-315/£ of

Prepaid insurance

1000/£

Bank

15500/£

32485/£ of
NCSM

less Current liabilities

Creditors

2200/£

Rates accrued

500/£

2700/£ of
NCSM

Working Capital

29785

43555

Capital

49520/£

Net Profit

16093/£ of

65613

22058/£

(or

22000/£

43555

less Drawings

58/£

(or 21942/£)

16 x £ = 8 marks

Question Number	Answer	Mark
3(a)		(8)

Where 2J split between DIRECTION and FIGURE

Item	Trial balance	Net profit
(i)	No effect	Lower than it should be by £460
(ii)	Debit side would exceed credit side by £450J	Lower than it should be by £450J
(iii)	No effect J	Lower than it should be by £600J (J fig, J dir)
(iv)	Debit side would exceed the credit side by £200J	Lower than it should be by £200J
(v)	Credit side would exceed the debit side by £300J	Higher than it should be by £300J
(vi)	No effect J	No effect J

16 x J = 8 marks

Question Number	Answer	Mark
3(b)	<p>If a suspense account had been opened to make the trial balance agree, what would have been the suspense account balance and on which side?</p> <p>The suspense account would have needed a credit balance of £350</p> <p style="text-align: right;">4 x J = 2 marks</p>	(2)

Question Number	Answer	Mark
3(c)		(3)

Suspense Account

			Balance b/d	350J OF / C C / J OF / J
Bad debt recovered	450 / C		Discount received	150 / C
Returns inward	200 / C		Discount allowed	150 / C
	<u>650</u>			<u>650</u>

6 x J = 3 marks

Question Number	Answer	Mark
4(a)		(4)

Give ticks for correct/OF figures and narration. Items must not be included in BOTH cash book and bank reconciliation statement. This is known as “duplication” and will result in non award of mark in cash book and bank reconciliation statement. Such items will be marked “D” by examiners

Bank reconciliation statement at 31 December 2007

Bank statement balance at 31 Dec 2007		2 460-40 ✓ C
Add amounts not yet credited by bank		370-30 ✓ ✓ (✓ fig, ✓ adding)
		2 830-70
Less		
Cheques not yet presented		
Beale	330-20 ✓ (fig and action)	
Khan	475-00 ✓	
Acharya	76-00 ✓	881-20
Corrected balance		1 949-50 ✓ ✓ of(nc) ✓ OF ✓ ✓ C

8 x ✓ = 4 marks

Question Number	Answer	Mark
4(b)		(4)

Write up the cash book and work back to calculate original balance on 31 December 2007.

Cash Book (bank columns only)				
Narration	£		Narration	£
Balance b/d	1 759-64 ✓ ✓ of	✓ ✓ C ✓ OF		
Juggasaw	51-50 ✓ c		Trade association	101-20 ✓ c
(371-50 ✓ ✓)Jenko	320-00 ✓ c		Charges	80-44 ✓ c
			Balance c/d	1 949- 50 ✓ ✓ of
	<u>2 131-14</u>			<u>2 131-14</u>

2 or 0 of

Give ticks for initial Balance b/d only if OF Balance c/d is included form the Bank rec.

If narration and figure don't match, award marks for correct actions according to the figure.

8 x ✓ = 4 marks

Question Number	Answer	Mark
4(c)	<p>Evaluate the usefulness of a bank rec statement to Julia Campbell's business</p> <p>Award ✓ ✓ for conclusion ✓ ✓ ✓ ✓ for reason in favour and ✓ ✓ ✓ ✓ for reason against</p> <p>Example answer: Very useful ✓ ✓ because it seeks to find the correct amount of money held at the bank ✓ ✓ by correcting both versions...they should then be the same ✓ ✓ However, errors can still be present. ✓ ✓ The reconciliation does not guarantee the correct bank balance. ✓ ✓</p> <p>1 mark for conclusion but cannot be an attempt at a justification e.g. 'it is very useful'.</p> <p style="text-align: right;">10 x ✓ = 5 marks</p>	(5)

Question Number	Answer	Mark
5(a)(i)		(4)

Calculation of Total Sales

Total Debtors Account

Balance b/d	740/£	Bank	7 340/£
SALES	7 280/£	Balance c/d	680/£
	<u>8 020</u>		<u>8 020</u>

Credit sales	7 280/£
Cleaning shop windows	200/£
Cash sales	98 800/£
TOTAL SALES	<u><u>106 280/£</u></u>

8 x £ = 4 marks

Question Number	Answer	Mark
5(a)(ii)		(2)

Rent Account

Balance b/d	800/£	Profit and loss	6 880/£
Bank / cash	6 900/£	Balance c/d	820/£
	<u>7 700</u>		<u>7 700</u>

4 x £ = 2 marks

Question Number	Answer	Mark
5(a)(iii)		(2)

Stock Account

Balance b/d	10 200/£	C	Trading	10 200/£
Trading	15 000/£	OF	Balance c/d	15 000/£

4 x £ = 2 marks

Question Number	Answer	Mark
5(b)	<p>Up to $\mathcal{L}\mathcal{L}\mathcal{L}\mathcal{L}$ for a point explaining value of accruals using example for Joan's business Up to $\mathcal{L}\mathcal{L}\mathcal{L}\mathcal{L}$ for a point explaining absence of accruals/alternative method Up to $\mathcal{L}\mathcal{L}$ for conclusion</p> <p>Maximum $\mathcal{L}\mathcal{L}\mathcal{L}\mathcal{L}$ if accruals concept explained without reference to Joan's business.</p> <p>Example answer The rent account has been adjusted so that the rent consumed during this accounting period is transferred to the P/L account to give an accurate profit $\mathcal{L}\mathcal{L}$. Rent prepaid at the end of the year is shown in the balance sheet as at asset $\mathcal{L}\mathcal{L}$ Without this adjustment, profit would be inaccurate $\mathcal{L}\mathcal{L}$ and balance sheet would not give a fair view $\mathcal{L}\mathcal{L}$. Overall, it is essential that accruals concept is applied to give an accurate profit and a true and fair balance sheet $\mathcal{L}\mathcal{L}$.</p> <p style="text-align: right;">10 x \mathcal{L} = 5 marks</p>	(5)

Question Number	Answer	Mark
6(a)		(6)

K Knife and F Fork

Profit and loss Appropriation Account for 8 months ended 31 December 2007

Interest on Capital				Net Profit	90 000 \mathcal{L}
K Knife	1 840 \mathcal{L} of			Interest on Drawings	
F Fork	560 \mathcal{L} of	2 400		Knife	300 \mathcal{L}
Salary to Fork		24 000 \mathcal{L} of	26 400	Fork	260 \mathcal{L}
Share of Profit					
K Knife	32 080 \mathcal{L} of				
F Fork	32 080 \mathcal{L} of		64 160		
			90 560		90 560

12 x \mathcal{L} = 6 marks

Question Number	Answer	Mark
6(b)		(5)

Current Account of F Fork

Dec 31	Drawings	26 000	\mathcal{L} of	Dec31	Int on Capital	560	\mathcal{L} of
Dec 31	Int on drawings	260	\mathcal{L} of				
Dec 31	Capital -Fork	25 380	\mathcal{L} of	Dec31	Salary	24 000	\mathcal{L} of
Dec 31	Balance c/d	5 000	\mathcal{L} of	Dec31	Share of Prft	32 080	\mathcal{L} of

		56 640				56 640	
				Jan 1	Balance b/d	5 000	₺

10 x ₺ = 5 marks

Question Number	Answer	Mark
6(c)		(2)

Capital Account of F Fork

Dec 31	Balance c/d	39 380	₺	Apr 1	Balance b/d	14 000	₺
				Dec31	Current -F	25 380	₺
		39 380				39 380	
				Jan 1	Balance b/d	39 380	₺

4 x ₺ = 2 marks

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