

**GCE**

**Accounting**

Unit **F011**: Accounting Principles

Advanced Subsidiary GCE

**Mark Scheme for June 2017**

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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.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

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## Annotations

1		281	?	Unclear
2		31	BOD	Benefit of doubt
3		21	Cross	Cross
4		721	OFR	Own figure rule
5		271	REP	Repeat
6		811	SEEN	Noted but no credit given
7		11	Tick	Tick

## MARK SCHEME:

Question	Answer	Mark	Guidance																																																																					
1 (a)*	<p data-bbox="376 357 1301 427"><u>Moelwyn</u> <u>Trading and Profit and Loss Account for the year ended 31 March 2017</u></p> <table data-bbox="376 475 1525 1425"> <tr> <td data-bbox="376 475 1189 507">Sales</td> <td data-bbox="1189 475 1323 507">825,000</td> <td data-bbox="1323 475 1525 507"></td> </tr> <tr> <td data-bbox="376 515 1189 547">Sales returns</td> <td data-bbox="1189 515 1323 547"><u>27,260</u></td> <td data-bbox="1323 515 1525 547"></td> </tr> <tr> <td data-bbox="376 555 1189 587"></td> <td data-bbox="1189 555 1323 587">797,740</td> <td data-bbox="1323 555 1525 587"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 627 1189 659">Opening stock</td> <td data-bbox="1189 627 1323 659">38,140</td> <td data-bbox="1323 627 1525 659"></td> </tr> <tr> <td data-bbox="376 667 1189 699">Purchases</td> <td data-bbox="1189 667 1323 699">362,500</td> <td data-bbox="1323 667 1525 699"></td> </tr> <tr> <td data-bbox="376 707 1189 738">Carriage inwards</td> <td data-bbox="1189 707 1323 738">5,650</td> <td data-bbox="1323 707 1525 738"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 746 1189 778">Purchases returns</td> <td data-bbox="1189 746 1323 778"><u>18,620</u></td> <td data-bbox="1323 746 1525 778"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 786 1189 818"></td> <td data-bbox="1189 786 1323 818">387,670</td> <td data-bbox="1323 786 1525 818"></td> </tr> <tr> <td data-bbox="376 826 1189 858">Drawings</td> <td data-bbox="1189 826 1323 858">7,300</td> <td data-bbox="1323 826 1525 858"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 866 1189 898">Closing stock</td> <td data-bbox="1189 866 1323 898"><u>44,390</u></td> <td data-bbox="1323 866 1525 898"></td> </tr> <tr> <td data-bbox="376 906 1189 938">Cost of sales</td> <td data-bbox="1189 906 1323 938"><u>335,980</u></td> <td data-bbox="1323 906 1525 938"></td> </tr> <tr> <td data-bbox="376 946 1189 978">Gross Profit</td> <td data-bbox="1189 946 1323 978">461,760</td> <td data-bbox="1323 946 1525 978"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 986 1189 1018">Commission received</td> <td data-bbox="1189 986 1323 1018">14,000</td> <td data-bbox="1323 986 1525 1018"><b>(2)</b></td> </tr> <tr> <td data-bbox="376 1026 1189 1058">Rent received</td> <td data-bbox="1189 1026 1323 1058"><u>57,000</u></td> <td data-bbox="1323 1026 1525 1058"><b>(2)</b></td> </tr> <tr> <td data-bbox="376 1066 1189 1098"></td> <td data-bbox="1189 1066 1323 1098">532,760</td> <td data-bbox="1323 1066 1525 1098"></td> </tr> <tr> <td data-bbox="376 1106 1189 1137">Bad debts</td> <td data-bbox="1189 1106 1323 1137">17,750</td> <td data-bbox="1323 1106 1525 1137"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 1145 1189 1177">Provision for doubtful debts</td> <td data-bbox="1189 1145 1323 1177">4,654</td> <td data-bbox="1323 1145 1525 1177"><b>(2)</b></td> </tr> <tr> <td data-bbox="376 1185 1189 1217">Salaries</td> <td data-bbox="1189 1185 1323 1217">134,450</td> <td data-bbox="1323 1185 1525 1217"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 1225 1189 1257">Motor expenses</td> <td data-bbox="1189 1225 1323 1257">16,340</td> <td data-bbox="1323 1225 1525 1257"><b>(1)</b></td> </tr> <tr> <td data-bbox="376 1265 1189 1297">Loan interest</td> <td data-bbox="1189 1265 1323 1297">4,860</td> <td data-bbox="1323 1265 1525 1297"><b>(2)</b></td> </tr> <tr> <td data-bbox="376 1305 1189 1337">Electricity</td> <td data-bbox="1189 1305 1323 1337">38,856</td> <td data-bbox="1323 1305 1525 1337"><b>(2)</b></td> </tr> <tr> <td data-bbox="376 1345 1189 1377">Insurance</td> <td data-bbox="1189 1345 1323 1377">23,400</td> <td data-bbox="1323 1345 1525 1377"><b>(2)</b></td> </tr> <tr> <td data-bbox="376 1385 1189 1417">Carriage out</td> <td data-bbox="1189 1385 1323 1417">6,440</td> <td data-bbox="1323 1385 1525 1417"><b>(2)</b></td> </tr> </table>	Sales	825,000		Sales returns	<u>27,260</u>			797,740	<b>(1)</b>	Opening stock	38,140		Purchases	362,500		Carriage inwards	5,650	<b>(1)</b>	Purchases returns	<u>18,620</u>	<b>(1)</b>		387,670		Drawings	7,300	<b>(1)</b>	Closing stock	<u>44,390</u>		Cost of sales	<u>335,980</u>		Gross Profit	461,760	<b>(1)</b>	Commission received	14,000	<b>(2)</b>	Rent received	<u>57,000</u>	<b>(2)</b>		532,760		Bad debts	17,750	<b>(1)</b>	Provision for doubtful debts	4,654	<b>(2)</b>	Salaries	134,450	<b>(1)</b>	Motor expenses	16,340	<b>(1)</b>	Loan interest	4,860	<b>(2)</b>	Electricity	38,856	<b>(2)</b>	Insurance	23,400	<b>(2)</b>	Carriage out	6,440	<b>(2)</b>	43	
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Question	Answer	Mark	Guidance
	General expenses	14,060 (2)	
	Depreciation: Land & buildings	10,880	
	Motor vehicles	<u>12,544</u>	
		284,234 (1)	
	Net Profit	<u>248,526 (1)</u>	
	<u>Balance Sheet as at 31 March 2017</u>		
	<u>Fixed Assets</u>		
	Land & buildings	163,200 (1)	
	Motor vehicles	<u>50,176 (1)</u>	
		213,376	
	<u>Current Assets</u>		
	Stock	44,390	
	Debtors	88,971 (2)	
	Bank	99,818	
	Commission received owing	710 (1)	
	Rent received owing	<u>14,250 (1)</u>	
		248,139	
	<u>Current Liabilities</u>		
	Creditors	97,300	
	Accruals: Electricity	9,714 (1)	
	Insurance	1,800 (1)	
	General expenses	3,250 (1)	
	Loan	13,500 (1)	
	Loan interest	<u>1,215 (1)</u>	
		126,779	
	Working Capital	<u>121,360</u>	
		334,736	

Question		Answer	Mark	Guidance												
		<p><u>Long Term Liabilities</u></p> <p>Loan <span style="float: right;">40,500 (1)</span></p> <p style="text-align: right;"><u>294,236</u></p> <p><u>Financed by:-</u></p> <p>Capital <span style="float: right;">95,300</span></p> <p>Net Profit <span style="float: right;">248,526 (1 of)</span></p> <p style="text-align: right;">343,826</p> <p>Drawings <span style="float: right;">49,590 (2)</span></p> <p style="text-align: right;"><u>294,236</u></p> <p style="text-align: right;"><b>QWC (2)</b></p>														
<b>2</b>	<b>(a)</b>	Provision for Depreciation of Motor Vans account: Balance b/d 1 April 2016 <span style="float: right;">7,800(1)</span>	<b>1</b>													
	<b>(b)</b>	<b>(i)</b>														
		<p style="text-align: center;">Machinery</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border-right: 1px solid black;">Bal b/d</td> <td style="width: 25%;">27,000</td> <td style="width: 25%; border-right: 1px solid black;">Disposal</td> <td style="width: 25%;">27,000 (1)</td> </tr> <tr> <td style="border-right: 1px solid black;">Bank</td> <td><u>36,000</u></td> <td style="border-right: 1px solid black;">Bal c/d</td> <td><u>36,000 (1)</u></td> </tr> <tr> <td style="border-right: 1px solid black;"></td> <td><u>63,000</u></td> <td style="border-right: 1px solid black;"></td> <td><u>63,000</u></td> </tr> </table>	Bal b/d	27,000	Disposal	27,000 (1)	Bank	<u>36,000</u>	Bal c/d	<u>36,000 (1)</u>		<u>63,000</u>		<u>63,000</u>	<b>2</b>	
Bal b/d	27,000	Disposal	27,000 (1)													
Bank	<u>36,000</u>	Bal c/d	<u>36,000 (1)</u>													
	<u>63,000</u>		<u>63,000</u>													
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Bal b/d	12,000	Bal c/d	27,000 (1)													
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(vi)	Machinery was disposed of at a loss. (1of)	1																					

Question	Answer	Mark	Guidance
(c)*	<p><b>Machinery</b> Machinery is depreciated by the reducing balance method which implies that it loses more value in the earlier years of its life. Appropriate for machinery as it recognises more value will be lost in earlier years. As the machinery gets older the lower depreciation will be offset by increasing maintenance costs. This will ensure a more even charge each year in the accounts.</p> <p><b>Motor vans</b> Straight line apports equal depreciation each year and not appropriate. Motor vans tend to lose value quicker in the earlier years of their life and also maintenance costs increase as they get older. Reducing balance method more appropriate because it recognises that motor vans lose more value in earlier years.</p> <p><b>Each method 4 marks (1 for appropriateness and max 3 marks for discussion)</b></p> <p style="text-align: right;"><b>QWC 2</b></p>	10	
(d) (i)	<p>Going concern assumes that a business will carry on trading as normal for the foreseeable future and its accounts are prepared on that basis. Fixed assets are valued on the basis of continuing use in the business and depreciated accordingly. Depreciation is applied each year and total depreciation is deducted from cost will give a written down value on a going concern basis. If the business were about to cease trading, fixed assets would have to be valued on the basis of estimated sales value which for most fixed assets, with the exception of land, is likely to be lower than the net book value previously shown in the business balance sheet.</p> <p><b>(1 for concept explanation and max 4 marks for discussion of application)</b></p>	5	



Question	Answer	Mark	Guidance
	<p>(ii) The accruals/matching concept states that revenues earned during a financial year must be matched by expenses incurred in the same financial year, not when they are received or paid. The whole cost of a fixed asset is not charged to the profit and loss account in the year of purchase but instead depreciation is charged annually in the profit and loss account. Calculations are based on the expected useful life of the fixed asset and its estimated fall in value over the full period.</p> <p>As the benefits derived from the use of a fixed asset are spread over several accounting periods, depreciation attempts to match the benefits derived from use of the fixed assets in an accounting period with a fair proportion of the cost of the fixed asset consumed in the same period.</p> <p><b>(1 for concept explanation and max 4 marks for discussion of application)</b></p>	<b>5</b>	

	A01	A02	A03		Total
1(a)*	19	24			43
2(a)		1			1
2(b)(i)	2				2
2(b)(ii)	1				1
2(b)(iii)		5			5
2(b)(iv)		3			3
2(b)(v)	1	3			4
2(b)(vi)	1				1
2(c)*			10		10
2(d)(i)			5		5
2(d)(ii)			5		5
	24	36	20		80

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