

Accounting

Advanced Subsidiary GCE

Unit **F011**: Accounting Principles

Mark Scheme for January 2012

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates 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 2012

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

Annotations

Annotation	Meaning
	Unclear
	Benefit of Doubt
	Cross
	Own figure rule
	Repeat
	Tick
	Seen

Subject-specific Marking Instructions

Every working box – whether it contains working or not – must be stamped as ‘seen’.

Accept updated terminology per IAS where appropriate e.g. Non-Current Assets.

Question	Answer	Marks	Guidance																																																																																																
1	<p data-bbox="232 217 282 244">(a)*</p> <p data-bbox="371 217 1357 280"><u>Fly by Night</u> <u>Trading and Profit and Loss Account for the year ended 30 September 2011</u></p> <table data-bbox="371 316 1357 1129"> <tr> <td data-bbox="371 316 891 343">Sales</td> <td data-bbox="891 316 1182 343"></td> <td data-bbox="1182 316 1357 343">434,230</td> <td data-bbox="371 316 1357 343"></td> </tr> <tr> <td data-bbox="371 343 891 370">Opening stock</td> <td data-bbox="891 343 1182 370">26,300</td> <td data-bbox="1182 343 1357 370"></td> <td data-bbox="371 343 1357 370"></td> </tr> <tr> <td data-bbox="371 370 891 399">Purchases</td> <td data-bbox="891 370 1182 399"><u>176,450</u> (1)</td> <td data-bbox="1182 370 1357 399"></td> <td data-bbox="371 370 1357 399"></td> </tr> <tr> <td data-bbox="371 399 891 426"></td> <td data-bbox="891 399 1182 426">202,750</td> <td data-bbox="1182 399 1357 426"></td> <td data-bbox="371 399 1357 426"></td> </tr> <tr> <td data-bbox="371 426 891 454">Purchase returns</td> <td data-bbox="891 426 1182 454"><u>8,050</u> (1)</td> <td data-bbox="1182 426 1357 454"></td> <td data-bbox="371 426 1357 454"></td> </tr> <tr> <td data-bbox="371 454 891 481"></td> <td data-bbox="891 454 1182 481">194,700</td> <td data-bbox="1182 454 1357 481"></td> <td data-bbox="371 454 1357 481"></td> </tr> <tr> <td data-bbox="371 481 891 510">Closing stock</td> <td data-bbox="891 481 1182 510"><u>24,700</u></td> <td data-bbox="1182 481 1357 510"></td> <td data-bbox="371 481 1357 510"></td> </tr> <tr> <td data-bbox="371 510 891 537">Cost of Sales</td> <td data-bbox="891 510 1182 537"></td> <td data-bbox="1182 510 1357 537"><u>170,000</u></td> <td data-bbox="371 510 1357 537"></td> </tr> <tr> <td data-bbox="371 537 891 566">Gross Profit</td> <td data-bbox="891 537 1182 566"></td> <td data-bbox="1182 537 1357 566">264,230 (1)</td> <td data-bbox="371 537 1357 566"></td> </tr> <tr> <td data-bbox="371 566 891 595">Discounts received</td> <td data-bbox="891 566 1182 595"></td> <td data-bbox="1182 566 1357 595"><u>6,270</u> (1)</td> <td data-bbox="371 566 1357 595"></td> </tr> <tr> <td data-bbox="371 595 891 622"></td> <td data-bbox="891 595 1182 622"></td> <td data-bbox="1182 595 1357 622">270,500</td> <td data-bbox="371 595 1357 622"></td> </tr> <tr> <td data-bbox="371 622 891 651">Electricity</td> <td data-bbox="891 622 1182 651">3,134</td> <td data-bbox="1182 622 1357 651"></td> <td data-bbox="371 622 1357 651"></td> </tr> <tr> <td data-bbox="371 651 891 679">Discounts allowed</td> <td data-bbox="891 651 1182 679">2,730 (1)</td> <td data-bbox="1182 651 1357 679"></td> <td data-bbox="371 651 1357 679"></td> </tr> <tr> <td data-bbox="371 679 891 708">Motor expenses</td> <td data-bbox="891 679 1182 708">1,890 (1)</td> <td data-bbox="1182 679 1357 708"></td> <td data-bbox="371 679 1357 708"></td> </tr> <tr> <td data-bbox="371 708 891 737">Salaries</td> <td data-bbox="891 708 1182 737">120,000 (2)</td> <td data-bbox="1182 708 1357 737"></td> <td data-bbox="371 708 1357 737"></td> </tr> <tr> <td data-bbox="371 737 891 766">Insurance</td> <td data-bbox="891 737 1182 766">14,000 (2)</td> <td data-bbox="1182 737 1357 766"></td> <td data-bbox="371 737 1357 766"></td> </tr> <tr> <td data-bbox="371 766 891 794">Bad debts</td> <td data-bbox="891 766 1182 794">2,900 (2)</td> <td data-bbox="1182 766 1357 794"></td> <td data-bbox="371 766 1357 794"></td> </tr> <tr> <td data-bbox="371 794 891 823">General expenses</td> <td data-bbox="891 794 1182 823">3,900 (2)</td> <td data-bbox="1182 794 1357 823"></td> <td data-bbox="371 794 1357 823"></td> </tr> <tr> <td data-bbox="371 823 891 852">Loan interest</td> <td data-bbox="891 823 1182 852">18,000 (2)</td> <td data-bbox="1182 823 1357 852"></td> <td data-bbox="371 823 1357 852"></td> </tr> <tr> <td data-bbox="371 852 891 880">Depreciation Buildings</td> <td data-bbox="891 852 1182 880">12,000 (2)</td> <td data-bbox="1182 852 1357 880"></td> <td data-bbox="371 852 1357 880"></td> </tr> <tr> <td data-bbox="371 880 891 909">Depreciation Equipment</td> <td data-bbox="891 880 1182 909">5,750 (2)</td> <td data-bbox="1182 880 1357 909"></td> <td data-bbox="371 880 1357 909"></td> </tr> <tr> <td data-bbox="371 909 891 938">Depreciation Motor vehicles</td> <td data-bbox="891 909 1182 938"><u>5,100</u> (2)</td> <td data-bbox="1182 909 1357 938"></td> <td data-bbox="371 909 1357 938"></td> </tr> <tr> <td data-bbox="371 938 891 967"></td> <td data-bbox="891 938 1182 967"></td> <td data-bbox="1182 938 1357 967"><u>189,404</u> (1)</td> <td data-bbox="371 938 1357 967"></td> </tr> <tr> <td data-bbox="371 967 891 995">Net Profit</td> <td data-bbox="891 967 1182 995"></td> <td data-bbox="1182 967 1357 995"><u>81,096</u> (1)</td> <td data-bbox="371 967 1357 995"></td> </tr> </table>	Sales		434,230		Opening stock	26,300			Purchases	<u>176,450</u> (1)				202,750			Purchase returns	<u>8,050</u> (1)				194,700			Closing stock	<u>24,700</u>			Cost of Sales		<u>170,000</u>		Gross Profit		264,230 (1)		Discounts received		<u>6,270</u> (1)				270,500		Electricity	3,134			Discounts allowed	2,730 (1)			Motor expenses	1,890 (1)			Salaries	120,000 (2)			Insurance	14,000 (2)			Bad debts	2,900 (2)			General expenses	3,900 (2)			Loan interest	18,000 (2)			Depreciation Buildings	12,000 (2)			Depreciation Equipment	5,750 (2)			Depreciation Motor vehicles	<u>5,100</u> (2)					<u>189,404</u> (1)		Net Profit		<u>81,096</u> (1)		38	<p data-bbox="1626 217 2069 312">Horizontal format as well as vertical format acceptable for both P&L a/c and B/S.</p> <p data-bbox="1626 312 2069 552">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 unless specifically indicated.</p> <p data-bbox="1626 552 2069 719">Adjustment for purchase returns must appear above closing stock. If purchases figure includes adjustment for purchases returns, 168,400 (2).</p> <p data-bbox="1626 719 2069 887">Accept discounts received as a negative expense. Discounts received is also acceptable below the sub-total for expenses i.e. immediately before Net Profit.</p> <p data-bbox="1626 887 2069 1023">NB The provision for doubtful debts remains unchanged. So no entry in the P&L.</p> <p data-bbox="1626 1023 2069 1230">For expenses, where appropriate the net figure must be shown to gain the mark eg salaries appear as two line items (110,000 & 10,000) (0) marks.</p> <p data-bbox="1626 1230 2069 1302">Accept combined totals for depreciation eg 22,850 (6).</p>
Sales		434,230																																																																																																	
Opening stock	26,300																																																																																																		
Purchases	<u>176,450</u> (1)																																																																																																		
	202,750																																																																																																		
Purchase returns	<u>8,050</u> (1)																																																																																																		
	194,700																																																																																																		
Closing stock	<u>24,700</u>																																																																																																		
Cost of Sales		<u>170,000</u>																																																																																																	
Gross Profit		264,230 (1)																																																																																																	
Discounts received		<u>6,270</u> (1)																																																																																																	
		270,500																																																																																																	
Electricity	3,134																																																																																																		
Discounts allowed	2,730 (1)																																																																																																		
Motor expenses	1,890 (1)																																																																																																		
Salaries	120,000 (2)																																																																																																		
Insurance	14,000 (2)																																																																																																		
Bad debts	2,900 (2)																																																																																																		
General expenses	3,900 (2)																																																																																																		
Loan interest	18,000 (2)																																																																																																		
Depreciation Buildings	12,000 (2)																																																																																																		
Depreciation Equipment	5,750 (2)																																																																																																		
Depreciation Motor vehicles	<u>5,100</u> (2)																																																																																																		
		<u>189,404</u> (1)																																																																																																	
Net Profit		<u>81,096</u> (1)																																																																																																	

Question	Answer	Marks	Guidance
	<p><u>Balance Sheet as at 30 September 2011</u></p> <p><u>Fixed Assets</u></p> <p>Land and Buildings 372,000 (1)</p> <p>Equipment 5,750 (1)</p> <p>Motor vehicles <u>7,650</u> (1)</p> <p>385,400 (1)</p> <p><u>Current Assets</u></p> <p>Stock 24,700</p> <p>Debtors 107,864 (2)</p> <p>Bank 28,342</p> <p>Prepaid: Insurance <u>3,500</u> (1)</p> <p>164,406</p> <p><u>Current Liabilities</u></p> <p>Creditors 99,300</p> <p>Accruals: General expenses 620</p> <p>Salaries 10,000 (2)</p> <p>Loan interest <u>3,000</u> (2)</p> <p>112,920</p> <p>Working Capital <u>51,486</u></p> <p>436,886</p> <p><u>Long Term Liabilities</u></p> <p>9% Loan <u>200,000</u> (1)</p> <p><u>236,886</u></p> <p><u>Financed by:-</u></p> <p>Capital 195,290</p> <p>Net Profit <u>81,096</u> (1)</p> <p>276,386</p> <p>Drawings <u>39,500</u> (1)</p> <p><u>236,886</u></p> <p style="text-align: right;">QWC</p> <p style="text-align: right;">Total Marks</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">40</p>	<p>For Land & Buildings accept Land 120,000, Buildings 252,000 (1).</p> <p>Where (2) marks are available the total must be shown and no part marks should be awarded.</p> <p>Accept combined totals for accrued expenses eg 13,620 (4).</p> <p>The Loan must appear under Long Term Liabilities to gain mark.</p> <p>Show QWC mark(s) just below the end of the balance sheet. If (0) marks for the question then QWC must also be (0) and if (0) signify with an X.</p> <p>Please ensure that you check all pages for this question. Place 'SEEN' at the foot of each blank page.</p>

Question	Answer	Marks	Guidance
(b)	<p>Item (i): Accruals/Matching concept (1). The matching of receipts and payments within an accounting period (1). Adjustments have to be made regarding early and late transactions (1) both at the start and at the end of the accounting period (1). £10,000 of unpaid salaries has to be accrued (1) in order to get the correct value of salaries expenses for the financial year (1).</p> <p>Item (iii): Business Entity concept (1). Only the transactions of the business should be recorded in the accounts of the business (1). The owner's private holiday is not a business expense (1) and must be shown as drawings (1) which reduces the amount of capital the owner has invested in the business (1).</p> <p>Item (v): The Prudence concept (1) requires a business to understate, rather than overstate, profit (1). Writing off a bad debt is an example of this (1), as this will increase expenses (1) and thus reduce net profit (1). This action will also reduce the value of debtors and hence current assets in the balance sheet (1).</p> <p style="text-align: center;">(1 for identifying concept, plus up to 2 for development) x 3</p>	9	<p>If the wrong concept is identified (0) per item. If the correct concept is not named but its treatment is correctly explained, Max (2) per item.</p> <p>Item (iii): Do not accept 'Drawings concept'</p> <p>Re – Item (V): No development marks if prudence described as not understating (as well as not overstating) profit/asset values.</p>

Question			Answer				Marks	Guidance																								
2	(a)	(i)	<p style="text-align: center;">Machinery</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;">Balance b/d</td> <td style="width: 10%; text-align: right;">15,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 30%; border-bottom: 1px solid black;">Disposal</td> <td style="width: 10%; text-align: right;">8,000</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">8,800</td> <td style="text-align: right;">(1)</td> <td>Balance c/d</td> <td style="text-align: right;">25,400</td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">9,600</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>33,400</u></td> <td></td> <td></td> <td style="text-align: right;"><u>33,400</u></td> <td></td> </tr> </table>				Balance b/d	15,000	(1)	Disposal	8,000	(1)	Bank	8,800	(1)	Balance c/d	25,400		Bank	9,600						<u>33,400</u>			<u>33,400</u>		3	<p>Q2 (all parts):- Where a mark is awarded for Balance b/d the following are also acceptable – Bal b/d, Balance b/f, Bal b/f. DO NOT accept Balance or Bal without b/d or b/f or vice versa. This principle also applies for Balance c/d.</p> <p>All marks are for figure plus reasonable narrative on the correct debit or credit side e.g. accept P&L. There are no (of) marks for this question.</p> <p>Q2(a)(i) Accept Bank 18,400 (1).</p>
Balance b/d	15,000	(1)	Disposal	8,000	(1)																											
Bank	8,800	(1)	Balance c/d	25,400																												
Bank	9,600																															
	<u>33,400</u>			<u>33,400</u>																												
		(ii)	<p style="text-align: center;">Provision for Depreciation of Machinery</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;">Disposal</td> <td style="width: 10%; text-align: right;">5,750</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 30%; border-bottom: 1px solid black;">Balance b/d</td> <td style="width: 10%; text-align: right;">10,500</td> <td style="width: 10%; text-align: right;">(1)</td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;">7,250</td> <td></td> <td>Profit & Loss</td> <td style="text-align: right;">2,500</td> <td style="text-align: right;">(4)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>13,000</u></td> <td></td> <td></td> <td style="text-align: right;"><u>13,000</u></td> <td></td> </tr> </table>				Disposal	5,750	(1)	Balance b/d	10,500	(1)	Balance c/d	7,250		Profit & Loss	2,500	(4)		<u>13,000</u>			<u>13,000</u>		6	<p>Depreciation workings: M1: 7000 @ 12.5%: 875(1) M2: 8000 @ 12.5% x 6/12: 500(1) M3: 8800 @ 12.5% x 9/12: 825(1) M4: 9600 @ 12.5% x 3/12: 300(1) 2,500</p> <p>If P&L entry is incorrect check for workings in workings box above. Accept recognisable permutations eg 1,375 (2), £1,700 (2)</p> <p>Accept individual figures for Profit & Loss entry.</p>						
Disposal	5,750	(1)	Balance b/d	10,500	(1)																											
Balance c/d	7,250		Profit & Loss	2,500	(4)																											
	<u>13,000</u>			<u>13,000</u>																												
		(iii)	<p style="text-align: center;">Machinery Disposals</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%; border-bottom: 1px solid black;">Machinery</td> <td style="width: 10%; text-align: right;">8,000</td> <td style="width: 10%; text-align: right;">(1)</td> <td style="width: 30%; border-bottom: 1px solid black;">Depreciation</td> <td style="width: 10%; text-align: right;">5,750</td> <td style="width: 10%; text-align: right;">(2)</td> </tr> <tr> <td>Profit & Loss (1)</td> <td style="text-align: right;">1,750</td> <td style="text-align: right;">(1)</td> <td>Bank</td> <td style="text-align: right;">4,000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>9,750</u></td> <td></td> <td></td> <td style="text-align: right;"><u>9,750</u></td> <td></td> </tr> </table>				Machinery	8,000	(1)	Depreciation	5,750	(2)	Profit & Loss (1)	1,750	(1)	Bank	4,000	(1)		<u>9,750</u>			<u>9,750</u>		6							
Machinery	8,000	(1)	Depreciation	5,750	(2)																											
Profit & Loss (1)	1,750	(1)	Bank	4,000	(1)																											
	<u>9,750</u>			<u>9,750</u>																												

Question	Answer	Marks	Guidance
(b)	Profit & Loss Account extract: <u>Revenues</u> Profit on disposal of fixed asset (1) 1,750 <u>Expenses</u> Depreciation of machinery (1) 2,500	2	Marks are for reasonable narrative only under the correct heading. For 'Revenues' accept reasonable alternatives including indication that Profit on disposal is an addition to Gross Profit.
(c)	Balance Sheet extract: <u>Fixed Assets (1)</u> Machinery Cost 25,400 (1) Depreciation 7,250 (1) NBV 18,150	3	Accept Machinery 18,150 (2) .
(d)*	4 x 3 (Max 9) <ul style="list-style-type: none"> • the accounts show a true and fair view. • the fixed asset values are not overstated in the Balance Sheet. • the business is not overvalued. • provide information for management about fixed asset values. For example, written down value, estimate of the current/resale value or an indication of when fixed assets might be due for replacement. • profit is not overstated in the profit and loss account. • to spread the capital cost over the estimated useful life of an asset. • to avoid large fluctuations in profit (i.e. by charging capital expenditure in the profit and loss account in the year incurred). • estimating is preferable to not showing any reduction in asset values in the accounts. • to comply with the prudence concept. • to comply with the accruals/matching concept. One mark for a valid point plus up to two marks for development.	9 QWC 2 Total Marks 11	N.B. Although not the topic for this question, where a candidate discusses causes of depreciation (wear and tear obsolescence etc), award maximum of (1) per point + (2) for development. No marks for description of the bookkeeping process for, or calculation/methods of, depreciation. No development marks if prudence described as not understating (as well as not overstating) profit/asset values.
	Total	80	

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

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

© OCR 2012

