

Accounting

Advanced Subsidiary GCE **F012**

Accounting Applications

Mark Scheme for June 2010

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Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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(c)	<p>A debit balance may occur in the purchase ledger control account when goods have been returned to a supplier after the invoice has been paid (1), and no refund yet made (1). Daisy Ltd may have overpaid/prepaid an amount due to a supplier (1), and this amount is owing to Daisy (1).</p> <p>(2 x 2 marks) (1 for point plus 1 for development)</p> <p style="text-align: right;">Total marks</p>	<p>[4] [24]</p>	<p>Candidates must identify two points. Must indicate that goods have already paid for.</p>																																																						

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2 (a)	<p style="text-align: center;"><u>Subscriptions Account</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Balance b/d</td> <td style="width: 10%;">2,600</td> <td style="width: 5%;">(1)</td> <td style="width: 25%; border-left: 1px solid black;">Balance b/d</td> <td style="width: 10%;">6,300</td> <td style="width: 5%;">(1)</td> </tr> <tr> <td>Inc and Exp</td> <td>86,980</td> <td>(1)</td> <td>Bank</td> <td>84,400</td> <td>(1)</td> </tr> <tr> <td>Balance c/d</td> <td>4,500</td> <td>(1)</td> <td>Bad debts</td> <td>280</td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td>3,100</td> <td>(1)</td> </tr> <tr> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">94,080</td> <td></td> <td></td> <td style="border-top: 1px solid black; border-bottom: 3px double black;">94,080</td> <td></td> </tr> </table>	Balance b/d	2,600	(1)	Balance b/d	6,300	(1)	Inc and Exp	86,980	(1)	Bank	84,400	(1)	Balance c/d	4,500	(1)	Bad debts	280	(1)				Balance c/d	3,100	(1)		94,080			94,080		[7]	<p>Award marks for correct narrative and figure, allow bal b/d, prepaid b/d, owing b/d and corresponding c/d balances.</p> <p>Allow receipts and payments instead of bank, but not subs received.</p> <p>Allow receipts and payments instead of bank.</p>																														
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(b)*	<p><u>Skipper Sailing Club</u> <u>Income and Expenditure Account for the year ended 31 March 2010</u></p> <p><u>Income</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Subscriptions</td> <td style="width: 10%; text-align: right;">86,980</td> <td style="width: 5%;">(1)</td> <td style="width: 25%;"></td> </tr> <tr> <td>Profit from competitions [12,200 -(3,100+800-300)]</td> <td style="text-align: right;">8,600</td> <td>(3) (1 of)</td> <td></td> </tr> <tr> <td>Profit from dinner dance</td> <td style="text-align: right;">6,400</td> <td>(2)</td> <td></td> </tr> <tr> <td>Donations</td> <td style="text-align: right;">1,500</td> <td>(1)</td> <td></td> </tr> <tr> <td>Interest</td> <td style="text-align: right;">500</td> <td>(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">103,980</td> <td></td> <td></td> </tr> </table> <p><u>Expenses</u></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Insurance</td> <td style="width: 10%; text-align: right;">9,800</td> <td style="width: 5%;"></td> <td style="width: 25%;"></td> </tr> <tr> <td>Clubhouse maintenance</td> <td style="text-align: right;">10,300</td> <td></td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">29,800</td> <td>(1)</td> <td></td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">1,600</td> <td>(1)</td> <td></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">280</td> <td>(1)</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">40,000</td> <td>(2)</td> <td></td> </tr> <tr> <td>Loss on sale of fixed asset</td> <td style="text-align: right;">2,000</td> <td>(1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">93,780</td> <td></td> <td></td> </tr> <tr> <td>Surplus</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">10,200</td> <td>(1)</td> <td></td> </tr> </table>	Subscriptions	86,980	(1)		Profit from competitions [12,200 -(3,100+800-300)]	8,600	(3) (1 of)		Profit from dinner dance	6,400	(2)		Donations	1,500	(1)		Interest	500	(1)			103,980			Insurance	9,800			Clubhouse maintenance	10,300			General expenses	29,800	(1)		Electricity	1,600	(1)		Bad debts	280	(1)		Depreciation	40,000	(2)		Loss on sale of fixed asset	2,000	(1)			93,780			Surplus	10,200	(1)			<p>Profit from competition (1 of) if less than 12,200.</p> <p>Profit from dinner dance 2 or 0, must calculate profit from fundraising activities to be awarded mark.</p> <p>Depreciation 2 or 0 Loss on sale must be shown in expenses. Correct answer only must show as surplus not profit. Accept vertical and horizontal presentation of income and expenditure account and balance sheet.</p>
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(c)	<p>Non-profit making organisations receive income from subscriptions (1) from members, donations (1), profit from fund raising activities (1) and profit from sale of food and drink to members (1).</p> <p>The capital is replaced by an accumulated fund (1) which represents the difference between the assets and liabilities (1).</p> <p>Any surplus from the income and expenditure account will increase the accumulated fund (1).</p> <p>Sole traders receive capital from the owner of the business who invests their personal wealth into the business (1).</p> <p>Sole traders increase the capital of the company by making profits from their trading activities (1). Drawings reduce the capital of the business (1).</p> <p>(2 x 3 marks) (1 for point plus up to 2 for development)</p> <p style="text-align: right;">Total marks</p>	<p style="text-align: center;">[6] [44]</p>	<p>Up to 3 marks explaining capital structure of non-profit making organisation. Maximum 2 marks for income (e.g. subs, donations etc).</p> <p>Up to 3 marks explaining capital structure of a sole trader.</p>

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3 (b)*	<p>Gross profit margin higher for 2009 (1), lower cost of sales (1) or higher selling price for 2009.</p> <p>Net profit margin higher for 2009, business is making more profit per pound(1) of sales in 2009. Expenses higher in 2009 (1).</p> <p>Stock-turnover for 2008 is higher than that of 2009(1) showing that it may be holding too much stock (1).</p> <p>Current ratio for 2008 is 3.3:1. Traditionally this is too high, but it may be due to having high debtors (1).</p> <p>2009 1.22:1 - too low but business(1) may have problems paying its creditors (1), depending on the type of industry.</p> <p>Acid test ratio for 2008 is 2.4:1 a little high but can easily pay its debts (1).</p> <p>2009, 0.85:1, again indicating a very poor liquidity. Business does not have enough liquid assets to pay liabilities (1), high creditors figure and bank overdraft (1).</p> <p>Return on capital employed 2008 is 16.30%, a high return for the amount of capital invested.</p> <p>In 2009 this has increased to 25.45%, a higher return for amount of capital invested. Can be compared to interest received from bank (1) but would expect to be higher as more risk involved (1).</p> <p>In summary Adonis has achieved its objective of improving profitability, as its profits have increased from £76,000 to £142,000. It has increased the amount spent on advertising and this has paid off as its sales have (1) improved. In doing this it has reduced its liquidity, which may mean it has problems paying its liabilities which in turn may mean suppliers will stop supplying the business (1).</p> <p>(4 points x 3 marks) (1 for point plus up to 2 for development)</p> <p style="text-align: right;">Total marks</p>	<p>[10] QWC [2] [24]</p>	<p>Answers must include analysis and evaluation not just state one year is better than the other.</p> <p>Analysis is based on own figures calculated in part a, need to refer back when marking.</p> <p>1 mark each on higher/lower statement on profitability (max 2 marks).</p> <p>1 mark each for higher/lower statement on liquidity (max 2 marks)</p> <p>Up to 5 further marks for development.</p> <p>1 mark summary successful in achieving objectives of increasing profitability but not successful in achieving objective of liquidity.</p>

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<p>4 (a)</p>	<p><u>Peacock Ltd</u> <u>Cash Budget for the three months ending 30 September 2010</u></p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 15%; text-align: center;"><u>July</u></th> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;"><u>August</u></th> <th style="width: 10%;"></th> <th style="width: 15%; text-align: center;"><u>September</u></th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td colspan="7"><u>Receipts</u></td> </tr> <tr> <td>Cash sales</td> <td style="text-align: right;">283,200</td> <td style="text-align: center;">(1)</td> <td style="text-align: right;">288,000</td> <td style="text-align: center;">(1)</td> <td style="text-align: right;">295,200</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td>Receipts from debtors</td> <td style="text-align: right;">616,000</td> <td style="text-align: center;">(1)</td> <td style="text-align: right;">660,800</td> <td style="text-align: center;">(1)</td> <td style="text-align: right;">672,000</td> <td style="text-align: center;">(1)</td> </tr> <tr> <td></td> <td style="text-align: right; 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border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;"><u>Aug</u></th> <th style="width: 33%; text-align: center;"><u>Sep</u></th> </tr> </thead> <tbody> <tr> <td>July</td> <td style="text-align: right;">434,160</td> <td style="text-align: right;">444,960</td> </tr> <tr> <td></td> <td style="text-align: right;">426,240</td> <td></td> </tr> </tbody> </table> <p>Wages can be shown separate</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;"><u>Aug</u></th> <th style="width: 33%; text-align: center;"><u>Sep</u></th> </tr> </thead> <tbody> <tr> <td>July</td> <td style="text-align: right;">214,200</td> <td style="text-align: right;">214,200</td> </tr> <tr> <td></td> <td style="text-align: right;">36,000</td> <td style="text-align: right;">37,800</td> </tr> </tbody> </table> <p>Can show opening balance at top of budget.</p> <p>Closing balance correct answer only.</p>		<u>Aug</u>	<u>Sep</u>	July	434,160	444,960		426,240			<u>Aug</u>	<u>Sep</u>	July	214,200	214,200		36,000	37,800
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<p>(b)</p>	<p>Allows a business to plan future expenditure (1) and therefore provides a way of controlling income and expenditure(1) and cash flow. It allows them to anticipate problems and prepare ways to overcome them (1).</p> <p>The plans need to be co-ordinated (1) with different departments therefore allowing communication(1) within the departments.</p> <p>Targets can be set (1) within different departments, and then actual results compared with budgeted (1) results to see if targets have been met. This can motivate managers (1) especially if they have been involved in setting the budget (1).</p> <p>Budgets can be used to control expenditure (1), and for decision making (1).</p> <p>(2 x 3 marks) (1 for point plus up to 2 for development)</p> <p style="text-align: right;">Total marks</p>	<p>[6] [28]</p>	<p>2 points developed must discuss income <u>and</u> expenditure <u>not</u> profit and loss.</p>																																																																																																																											

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