

# Mark Scheme (Results)

January 2012

GCE Accounting (6001)  
Paper 01

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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.

Question Number	Answer	Mark																																																			
1(a)(i)	<p style="text-align: center;">Toynton Products</p> <p style="text-align: center;">Manufacturing account for the year ended 31 December 2011 (1)</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Opening inventory of raw materials</td> <td style="text-align: right;">17 000</td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;"><u>95 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">112 000</td> <td></td> </tr> <tr> <td>Closing inventory of raw materials</td> <td style="text-align: right;"><u>13 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">99 000 (2)</td> </tr> <tr> <td>Factory wages (86 000 + 2 000)</td> <td></td> <td style="text-align: right;">88 000 (1)</td> </tr> <tr> <td>Direct costs</td> <td></td> <td style="text-align: right;"><u>8 500 (1)</u></td> </tr> <tr> <td><b>PRIME COST</b></td> <td></td> <td style="text-align: right;"><b>195 500 (W+1 of)</b></td> </tr> <tr> <td>Overheads:</td> <td></td> <td></td> </tr> <tr> <td>Light, heat &amp; power</td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Salaries</td> <td style="text-align: right;">45 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Rent &amp; rates</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">16 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation on plant</td> <td style="text-align: right;"><u>25 000</u></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>104 500</u></td> </tr> <tr> <td><b>PRODUCTION COST</b></td> <td></td> <td style="text-align: right;"><b><u>300 000</u> (W+1 of)</b></td> </tr> </tbody> </table>		£	£	Opening inventory of raw materials	17 000		Purchases of raw materials	<u>95 000</u>			112 000		Closing inventory of raw materials	<u>13 000</u>				99 000 (2)	Factory wages (86 000 + 2 000)		88 000 (1)	Direct costs		<u>8 500 (1)</u>	<b>PRIME COST</b>		<b>195 500 (W+1 of)</b>	Overheads:			Light, heat & power	6 000	(1)	Salaries	45 000	(1)	Rent & rates	12 000	(1)	General expenses	16 500	(1)	Depreciation on plant	<u>25 000</u>	(1)			<u>104 500</u>	<b>PRODUCTION COST</b>		<b><u>300 000</u> (W+1 of)</b>	(12)
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1(c)	<p>Valid points may include:</p> <p>Points in favour of Toyndon Products accepting the overseas manufacturer's offer</p> <ul style="list-style-type: none"> <li>• Possible higher level of profit</li> <li>• Space and production resources can be released for other projects</li> <li>• Toyndon Products could then concentrate on selling the product</li> <li>• No manufacturing staff to manage</li> <li>• Cash raised from sale of assets</li> </ul> <p>Points against Toyndon Products accepting the overseas manufacturer's offer</p> <ul style="list-style-type: none"> <li>• Saving is only marginal and therefore could soon disappear with price rises</li> <li>• Loss of control of quality and supply of product</li> <li>• Social accounting considerations, loss of jobs, impact on the community</li> <li>• Difficulties of guaranteeing prices with exchange rates</li> <li>• Possible difficulty in disposing of assets</li> </ul> <p>2 marks per valid point. MAX two points in favour (2 x 2 marks) and two against (2 x 2 marks).</p>	(8)

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2(a)	<p>Error of reversal - The accounts and the sum are correct, but the debiting and crediting has been reversed. Only two accounts are involved. <b>2 marks</b></p> <p>Error of compensation - There are two separate and unrelated errors in the books. At least one of the sums debited and credited are incorrect in both transactions, but the two errors arithmetically cancel each other out. <b>2 marks</b></p>	(4)

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2(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> <li>• It is 'prima facie' evidence that the double entry is correct.</li> <li>• The existence of errors can be identified and action taken.</li> <li>• Forms the basis of preparing the financial statements.</li> <li>• Proves arithmetical accuracy</li> </ul> <p>Points against</p> <ul style="list-style-type: none"> <li>• Some errors will not be revealed by the trial balance e.g errors of omission.</li> <li>• The trial balance will not identify the location of the errors.</li> </ul> <p>2 marks per valid point. MAX two points in favour (2 x 2 marks) and two against (2 x 2 marks).</p>	(8)

Question Number	Answer	Mark
3(a)	A semi-fixed cost has both a fixed and a variable element in it which partly increases with the level of output (2) An example would be telephone costs (2)	(4)

Question Number	Answer	Mark
3(b)	<p>Allocation occurs when a cost can be directly attributed to a specific department (2)</p> <p>Apportionment occurs when a cost cannot be directly attributed to a single department but the cost is apportioned on a reasonable basis. E.g floor area. (2)</p>	(4)

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3(f)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> <li>• Enables accurate calculations for quotations.</li> <li>• Avoids cross subsidy of one department to another.</li> </ul> <p>Points against</p> <ul style="list-style-type: none"> <li>• More complex to work out as costs must to be divided to all departments.</li> <li>• Some cost apportionments may be arbitrary therefore the accuracy of the rates is in question.</li> </ul> <p>2 marks per valid point. MAX two points in favour (2 x 2 marks) and two against (2 x 2 marks).</p>	(8)

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4(b)	<p>Valid points may include:</p> <p>Points in favour of maintaining a full set of records</p> <ul style="list-style-type: none"> <li>• Easy reference to individual records</li> <li>• Accuracy of records</li> <li>• Can prepare financial statements at regular intervals</li> <li>• Easier to comply with tax and other governmental authorities requirements.</li> <li>• May be required by an investor or obtaining loans from the bank</li> </ul> <p>Points against maintaining a full set of records</p> <ul style="list-style-type: none"> <li>• Cost of employing a book-keeper</li> <li>• Additional time requirement.</li> </ul> <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

Question Number	Answer	Mark
5(a)	Valid answers may include: <ul style="list-style-type: none"> <li>• Each order is unique</li> <li>• Made to customers' requirements</li> <li>• Often used on large projects</li> </ul> 2 points x 2 marks	(4)

Question Number	Answer	Mark																		
5(b)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Earnings</td> <td style="text-align: right;">20 000</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Overheads</td> <td style="text-align: right;"><u>10 000</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Total</td> <td style="text-align: right;">30 000</td> <td></td> </tr> <tr> <td>Divided by</td> <td style="text-align: right;"><u>1 500</u></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Equals</td> <td style="text-align: right;">£20 per hour</td> <td style="text-align: right;">(2of) If no alien items in calculation</td> </tr> </table>		£		Earnings	20 000	(2)	Overheads	<u>10 000</u>	(2)	Total	30 000		Divided by	<u>1 500</u>	(2)	Equals	£20 per hour	(2of) If no alien items in calculation	(8)
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Question Number	Answer	Mark
5(d)	Valid answers may include; <ul style="list-style-type: none"> <li>• Preparing accounts</li> <li>• Ordering materials</li> <li>• Preparing quotations for customers</li> <li>• Travelling to jobs</li> <li>• Holidays</li> <li>• Illness</li> </ul> 4 points x 2 marks	(8)

Question Number	Answer	Mark
5(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> <li>Reasonably accurate calculation which will provide swift quotations.</li> <li>Customer knows exactly what he is paying for.</li> </ul> <p>Points against</p> <ul style="list-style-type: none"> <li>Only valid if the percentage activity on customers work remains constant.</li> </ul> <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

Question Number	Answer	Mark
6(a)	<p>(i) Percentage gross profit to revenue (sales)</p> $\frac{240 \times 100}{800} (1) = 30\% (1)$ <p>(ii) Inventory (stock) turnover</p> $\frac{560}{(30 + 40)/2} (1) = 16 \text{ times } (1)$	(6)

Question Number	Answer	Mark
6(b)	<p>(i) The gross profit to revenue (sales) is falling/deteriorating/worsening (1) and the inventory (stock) turnover is rising/improving/getting better (1)</p> <p>(ii) Prices have been reduced. The gross profit to revenue (sales) has been reduced to increase sales. Trade discounts for bulk are being given to customers. Poorer quality goods are being purchased.</p> <p>2 points x 2 marks</p>	(4)

Question Number	Answer	Mark
6(c)	<p>(i) Current ratio</p> $\frac{40 + 50}{100 + 20} = 0.75:1$ <p>(ii) Liquid (acid test) ratio</p> $\frac{50}{100 + 20} = 0.42:1$ <p>(iii) Trade payables (creditors) payment period</p> $\frac{100 \times 365}{570} = 64.03 \text{ days}$ <p>(iv) Trade receivables (debtors) collection period.</p> $\frac{50 \times 365}{800} = 22.81 \text{ days}$	(12)

Question Number	Answer	Mark
6(d)	Trade payables (creditors) payment period is increasing, which may (or may not) benefit the business (1). Trade receivables (debtors) collection period is decreasing which will benefit the business (1).	(2)

Question Number	Answer	Mark
6(e)	<p>Costas appears to be 'overtrading'. His capital and long term liabilities have not increased over the three year period to support the increased level of activity.</p> <ul style="list-style-type: none"> <li>• He should obtain long term capital in the form of a bank loan(2)</li> <li>• Introduce more capital into his business. (2)</li> <li>• Sell non-current (fixed) assets (2)</li> <li>• Mortgage or leaseback assets (2)</li> </ul> <p>2 points x 2 marks</p>	(4)

Question Number	Answer	Mark
6(f)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> <li>• He has achieved his objective of doubling revenue (sales) over three years.</li> </ul> <p>Points against</p> <ul style="list-style-type: none"> <li>• He has placed his business in jeopardy because he has not appropriately funded the expansion with long term funds.</li> </ul> <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

Question Number	Answer	Mark																														
7(a)	<p>Purchases ledger control account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;">1 980</td> <td>(1)</td> <td>Balance b/d</td> <td style="text-align: right;">12 500 (1)</td> </tr> <tr> <td>Payments to suppliers</td> <td style="text-align: right;">50 500</td> <td>(2)</td> <td>Credit purchases</td> <td style="text-align: right;">52 800 (2)</td> </tr> <tr> <td>Discount received</td> <td style="text-align: right;">3 250</td> <td>(2)</td> <td></td> <td></td> </tr> <tr> <td>Balance c/d</td> <td style="text-align: right;"><u>9 570</u></td> <td>(1)</td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>65 300</u></td> <td></td> <td>Balance b/d</td> <td style="text-align: right;"><u>65 300</u> 9 570 (1of)</td> </tr> </table>		£		£		Purchase returns	1 980	(1)	Balance b/d	12 500 (1)	Payments to suppliers	50 500	(2)	Credit purchases	52 800 (2)	Discount received	3 250	(2)			Balance c/d	<u>9 570</u>	(1)				<u>65 300</u>		Balance b/d	<u>65 300</u> 9 570 (1of)	(10)
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Question Number	Answer	Mark
7(b)	Total purchases: credit £52 800(1of) + cash £16 600 = £69 400 (1of)	(2)

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7(c)	<p>Statement of comprehensive income (trading account) for the month of October 2011</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">£</td> <td></td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>Revenue (sales)</td> <td></td> <td></td> <td style="text-align: right;">92 000</td> <td>(1)</td> </tr> <tr> <td>Sales returns</td> <td></td> <td></td> <td style="text-align: right;"><u>2 000</u></td> <td>(1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">90 000</td> <td>(1)</td> </tr> <tr> <td>Opening inventory (stock)</td> <td style="text-align: right;">17 200</td> <td></td> <td></td> <td>(1)</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>69 400</u></td> <td></td> <td></td> <td>(2of)</td> </tr> <tr> <td></td> <td style="text-align: right;">86 600</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Closing inventory (stock)</td> <td style="text-align: right;"><u>14 600</u></td> <td></td> <td></td> <td>(2of)</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td style="text-align: right;"><u>72 000</u></td> <td>(2)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td></td> <td style="text-align: right;"><u>18 000</u></td> <td>(2)</td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>90 000</u></td> <td></td> </tr> </table>		£		£		Revenue (sales)			92 000	(1)	Sales returns			<u>2 000</u>	(1)				90 000	(1)	Opening inventory (stock)	17 200			(1)	Purchases	<u>69 400</u>			(2of)		86 600				Closing inventory (stock)	<u>14 600</u>			(2of)	Cost of sales			<u>72 000</u>	(2)	Gross profit			<u>18 000</u>	(2)				<u>90 000</u>		(12)
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Question Number	Answer	Mark
7(d)	Inventory (stock) stolen £14 600 (1of) - £7 850(1) = £6 750 (2of)	(4)

Question Number	Answer	Mark
7(e)	<p>Valid points may include:</p> <p>Points in favour</p> <ul style="list-style-type: none"> <li>• Act as a check on ledger balances.</li> <li>• Detect theft or fraud</li> <li>• Show errors that the accounts might have</li> </ul> <p>Points against</p> <ul style="list-style-type: none"> <li>• Will 'narrow' errors to areas of the ledger but will not find errors.</li> <li>• Does not show errors not affecting the trial balance</li> </ul> <p>2 marks per valid point. MAX one point in favour (2 marks) and one against (2 marks).</p>	(4)

**ASSESSMENT GRID**

Question	Reference	AO1	AO2/AO3	AO4
1 (a)(i)	3	4	8	8
(a) (ii)			2	
(b) (i)		5	10	
(ii)		5	10	
(c)				
2 (a)	2/1	4		8
(b)		6	12	
(c)		4	12	
(d)		2	4	
(e)				
3(a)	4	4		8
(b)		4		
(c)		5	9	
(d)		6	10	
(e)		2	4	
(f)				
4(a)(i)	3	3	7	4
(ii)		3	5	
(iii)		3	7	
(b)				
5(a)	4	4		4
(b)		3	5	
(c)		3	5	
(d)		3	5	
(e)				
6 (a)	5	2	4	4
(b)			2	
(c)		4	8	
(d)			2	
(e)		2	2	
(f)				
7(a)	2/3	3	7	4
(b)			2	
(c)		4	8	
(d)		2	2	
(e)				



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