

London Examinations

GCE Ordinary Level

Mark Scheme and Examiners' Report
for Accounting 7011

May/June 2000

Edexcel is one of the leading examining and awarding bodies in the UK and throughout the world. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers.

Through a network of UK and overseas offices, Edexcel's centres receive the support they need to help them deliver their education and training programmes to learners.

For further information, please contact our International Customer Relations Unit:

Tel + 44 20 7758 5656

Fax + 44 20 7758 5959

International@edexcel.org.uk

www.edexcel.org.uk/international

May/June 2000

Order Code: UO010821

All the material in this publication is copyright

© Edexcel Foundation 2001

Mark Scheme and Chief Examiner's Report
May/June 2000

ACCOUNTING 7011

Mark Scheme

Page 2 of 11

Chief Examiner's Report

Page 10 of 11

Grade Boundaries

Page 11 of 11

ACCOUNTANCY 7010, MARK SCHEME

Question 1

Item	Book of Original Entry	Accounts debited and amount	Accounts credited and amount	Effect on Net Profit	Effect on current Assets	Effect on Current Liabilities
(ii)	Returns Inward✓	Returns inward £67✓	Quinn £67✓	-£17✓	-£17✓	No effect✓
(iii)	General Journal✓	Equipment £1200✓	Office Supplies £1200✓	No effect✓	No effect✓	+£1200✓
(iv)	General Journal✓ General Journal✓ Cash Book✓	Vehicles £2500✓ Motor traders £1000✓ Motor traders £1500✓	Motor Traders £2500✓ Vehicles £1000✓ Bank £1500✓	No effect✓	-£1 500 ✓	No effect✓
(v)	Purchases Day Book✓	Purchases £1200✓	Creditors £1200✓	No effect✓	+£1200✓	+£1200✓
(vi)	Cash Book✓	Bank £4000✓	C Makin £4000✓	No effect✓	+£4000✓	No effect✓
(vii)	Sales Day Book✓	Debtors £850✓	Sales £850✓	+£230✓	+£230✓	No effect✓
(viii)	Petty Cash Book✓	Office expenses £10✓	Petty Cash £10✓	-£10✓	-£10✓	No effect✓

48 x ✓ = 24 marks

Total: 24 marks

(b) Balance Sheet at 30 September 1999

Fixed Assets

Delivery Van	3		
	500✓C		
Less depreciation			2 800✓OF
	<u>700✓C</u>		

Current Assets

Stock	5		
	600✓C		
Bank	<u>25</u>	30 953✓OF	
	353✓OF		

Less Current Liabilities

Creditors	4		
	300✓OF		
Rent owing	200✓C		
Loan Interest	<u>250✓C</u>	<u>4 750✓OF</u>	
Owing			

Working Capital

26 203

29 003

Capital	18 000✓C		
Net Profit	<u>18</u>	36 198	
	198✓OF		

Less Drawings 12 195✓C

24 003

Loan from D Holloway 5 000✓C

29 003

14 x ✓ = 7 marks

Total: 24 marks

Question 3

- (a) April 4 M. Ford ✓ has received ✓ a cheque for £367.54 ✓ from P Taylor ✓ on account and has allowed £9.80 ✓ cash discount. ✓
- April 8 M Ford ✓ has sold ✓ goods to P Taylor ✓ on credit ✓ worth £200.20 ✓
- April 29 As well as being a customer ✓ of M Ford, P Taylor is also a Supplier ✓ and the balance £62.90 ✓ from her account in M Ford's purchase ledger has been transferred ✓ to her account in the sales ledger.

15 x ✓ = 7½ marks

- (b) April 4 £374.40 ✓ – £367.54 ✓ – £6.86 ✓ = £0 ✓ OF
- April 11 £0 + £200.20 ✓ = £200.20 ✓ OF
- April 23 £200.20 – £25.00 ✓ + £345.68 ✓ = £520.88 ✓ OF
- April 29 £520.88 – £62.90 ✓ = £457.98 ✓ OF

11 x ✓ = 5½ marks

Total: 13 marks

Question 4

K Ball and L Clark

Profit and Loss Appropriation Account ✓ for year ended 31 March 2000 ✓

Salary to L Clark	20 000 ✓ C			Net Profit	76 000 ✓ C
Interest on Capital K Ball	4 320 ✓ ✓			Interest on Drawings K Ball	360 ✓ ✓
L Clark	<u>3</u> 300 ✓ ✓	<u>7 620</u>	27 620	L Clark	700 ✓ ✓
Share of profit K Ball	24 720 ✓ OF(NC)				
L Clark	<u>24 720</u> ✓ OF(NC)	<u>49 440</u>			<u>77 060</u>
		<u>77 060</u>			

14 x ✓ = 7 marks

L Clark's Capital Account

2000 March 31	Balance c/d	1999 30 000 ✓ OF	April 1	Balance b/d	25 000 ✓ C
		<u>30 000</u>	Oct 1	Bank	<u>5 000</u> ✓ C
			2000 April 1	Balance b/d	30 000 ✓

4 x ✓ = 2 marks

L Clark's Current Account

1999 April 1	Balance b/d	2000 10 000 ✓ C	March 31	Salary	20 000 ✓ OF
2000 March 31	Drawings	35 000 ✓ C	March 31	Int on Capital	3 300 ✓ OF
March 31	Int on Drawings	700 ✓ OF	March 31	Share of profit	24 720 ✓ OF
March 31	Balance c/d	2 320 ✓ OF			
		<u>48 020</u>	2000		<u>48 020</u>
			April 1	Balance b/d	2 320 ✓ OF

8 x ✓ = 4 marks

Total: 13 marks

Question 5

(a) Calculation of Purchase Price

	Business X	Business Y
Fixed Assets	46 000✓	34 000✓
Current Assets	18 000✓	16 000✓
Total Assets	64 000	50 000
Less Current liabilities	16 000✓	10 000✓
Net Assets (and also CAPITAL)	48 000✓	40 000✓

	Business X				Business Y			
Profits								
1997	(16%)	7 680	14%	5 600				
1998	(16%)	7 680	14%	5 600				
1999	(15%)	7 200 ✓	15%	6 000 ✓				
2000	(13%)	6 240	17%	6 800				
	4	28 800✓	4	24 000✓				
Average Profits		7 200✓		6 000✓				
	x1½	10 800✓		9 000✓				
	=	48 000✓		40 000✓				
Net Assets		48 000✓		40 000✓				
Purchase Price		58 800✓		49 000✓				

20 x ✓ = 10 marks

- (b) Award up to ✓✓✓ for each of two acceptable reasons, e.g. could buy **Business Y** without borrowing further funds (✓✓). **Business Y** costs less and is showing increasing profit return (✓✓✓) etc.

6 x ✓ = 3 marks

Total: 13 marks

Question 6

(a)

Thomas Williams ✓

Trading account for year ended 31 December 1999 ✓

	Furniture	Carpets
Opening stock	114 600 ✓	72 500 ✓
Purchases	<u>561 200</u> ✓	<u>568 600</u> ✓
	675 800	641 100
Less Closing stock	<u>152 200</u> ✓ ✓	<u>96 000</u> ✓ ✓
Cost of sales	<u>523 600</u> ✓ ✓	<u>545 100</u> ✓ ✓
Gross Profit	<u>261 800</u> ✓ ✓	<u>181 700</u> ✓ ✓
Sales	<u>785 400</u> ✓	<u>726 800</u> ✓

20 x ✓ = 10 marks

(b)

	Furniture	Carpets
Correct closing stock	152 200	96 000 ✓
Stock incorrectly shown as	<u>138 200</u>	<u>110 000</u> ✓
Difference	+14 000	-14 000 ✓

So £14 000 ✓ Carpets ✓ was entered as furniture ✓

6 x ✓ = 3 marks

Total: 13 marks

Question 7**Fellowes Ltd.****(a) Profit and Loss Appropriation a/c for year ended 30 April 2000.**

Balance b/d		30 000✓	
Net Profit		<u>25 000✓</u>	55 000
General Reserve		2 500✓	
Proposed Ordinary Share Dividend		5 000✓	
Proposed Preference Share Dividend		<u>1 360✓</u>	<u>8 860</u>
Balance c/d			<u>46 140✓</u>

6 x ✓ = 3 marks**(b) Balance Sheet at 30 April 2000✓**

Fixed Assets	Cost✓	Aggreg Depr	Net value✓
Premises	120 000✓	–	120 000✓
M + Plant	<u>96 000✓</u>	<u>48 000✓</u>	<u>48 000✓</u>
			<u>168 000✓</u>

Current Assets

Stock		7 500✓	
Debtors	4 600✓		
- provision for bad debts	<u>920</u>	3 680✓	
Bank		<u>9 500✓</u>	20 680✓

Less Current Liabilities

Creditors		7 500✓	
Proposed Ordinary Share Dividend		5 000✓	
Proposed Preference Share Dividend		1 360✓	
Debenture Interest Accrued		<u>180✓</u>	<u>14 040✓</u>
Working Capital			<u>6 640✓</u>
			<u>174 640</u>

20 x ✓ = 10 marks**Total: 13 marks**

ACCOUNTING 7011, CHIEF EXAMINER'S REPORT

Comments on Individual Questions

Section A

Question 1

This question format, in which candidates are required to complete a detailed table, tests a wide range of important concepts quickly.

To score well on such a question, candidates need to think carefully before writing. They should follow the instructions precisely and apply the example given in the question to their own answers.

Knowledge of the double entry was sound, except for the breakdown of item (iv). This was poorly done, indicating a general lack of understanding of the buying and selling of assets. Item (iv) carried the most marks because it was more complex than the other items. The only other aspect which candidates found difficult was books of original entry.

Question 2

Candidates scored well on this question. Examiners rigorously applied the 'own figure rule' (as they do on all questions) and this rewarded complete trading and profit and loss accounts and balance sheet. The message for candidates, clearly, is to keep going right to the end of the question even if some of the earlier parts prove challenging.

The key to a perfect answer lies with the preparation of accurate 'working accounts'. The bank account was well done but the calculation of sales and the total creditors account were poor. Where candidates understand the principle of preparing accounts from incomplete entry, rather than simply following instructions, they tend to do very well.

Section B

Question 3

The purpose of this question was to test understanding of ledger accounts and of a running balance. Candidates performed well. Any difficulties related to the transfer of the account between purchases and sales ledgers.

Question 4

The profit loss appropriation account was well done except for the calculation of interest on capital.

Many candidates were not clear about the purpose of capital and current accounts. The key to a good answer on partnership accounts lies with the understanding of double entry, especially between the appropriation and current accounts.

Question 5

This question was generally less popular than the others. Few candidates produced totally correct answers, but most who attempted this question had some idea of the arithmetical procedure to follow. Answers to the written part were generally poor and underdeveloped.

Question 6

Despite being told in the question that closing stock figures were incorrect, many candidates used them in calculating gross profit.

Only the very best candidates understood the concept of working back to a cost figure when in possession of sales figures and a mark-up.

Question 7

This was answered well by many candidates, and quite a number scored full marks.

A common mistake was to miscalculate provisions and the transfer to reserves. However, once calculated, the figures were usually processed correctly.

Concluding Remarks

A pleasing standard of work was produced in response to this question paper. Almost every candidate could tackle six questions. Double entry and the preparation of final accounts are increasingly well understood. Centres now need to build on this by developing the areas highlighted in the report.

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	74	63	52	47	37

Note: Grade boundaries may vary from year to year and from subject to subject, depending on the demands of the question paper.

Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4LN, UK

Tel + 44 1623 450 781
Fax + 44 1623 450 481

Order Code: UO010821

For more information on Edexcel qualifications please contact us:
International Customer Relations Unit,
Stewart House, 32 Russell Square, London, WC1B 5D
Tel + 44 20 7758 5656
Fax + 44 20 7758 5959
International@edexcel.org.uk
www.edexcel.org.uk/international

Edexcel Foundation is a registered charity and a Company Limited
By Guarantee Registered in England No. 1686164

