

# **London Examinations**

## **GCE Ordinary Level**

**Mark Scheme and Examiners' Report**  
**for Accounting 7011**

**January 2001**

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Mark Scheme and Chief Examiner's Report  
January 2001

## **ACCOUNTING 7011**

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### **Mark Scheme**

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# ACCOUNTING 7011, MARK SCHEME

## Question 1

- (a) (i) invoice ✓✓  
 (ii) credit note ✓✓

4 x ✓ = 2 marks

- (b) Sales Day Book, Sales Return Book, Petty Cash Book

Sales Day Book records all credit sales. Trade discount will be shown here. The name of the debtor will be shown in the Sales Day Book. At period end, the total is transferred into the Sales Account.

Award ✓ for naming the book and one ✓ for each relevant point made about the book. (maximum 4 points) Gives total of ✓✓✓✓✓

Example points for Sales Returns Book: (✓ for each point maximum 4 points)

- Records returns of sales
- Trade discount shown
- Name of debtor included
- At period end transferred to Sales Returns Account

Example points for Petty Cash:

- Records minor cash items allowing immediate response on small items
- Allows subdivision of work
- Usually analysed by expenditure column

**Total 5 x ✓ x 2 books  
 Gives 10 x ✓ = 5 marks**

- (c)

		K Ball a/c✓			
May 11	Bank	300✓	May 1	Balance b/d	700✓
May 11	Disc Received	15✓	May 16	Purchases	400✓
May 29	Rets outward	85✓			
May 31	Balance c/d	700✓			
		1 100			
			June 1	Balance b/d	1 100
					700✓

8 x ✓ = 4 marks

- (d)

Purchases Ledger Control Account✓✓

Ret outward	150✓✓	Balance b/d	2050✓✓
Disc Received	90✓✓	Purchases	2020✓✓
Bank	1800✓✓		
Balance c/d	2030✓✓		
	4070		
		Balance b/d	2030✓✓
			4070

16 x ✓ = 8 marks

- (e) Peter Reid might find the purchases ledger control account useful because:  
 Checks entries in that ledger (arithmetical accuracy)  
 Allows subdivision of work  
 Protects against fraud  
 Award ✓✓ to each acceptable point

**2 points gives 4 x ✓ = 2 marks**

(f)

Motor Van Disposal Account			
Motor Van	11 000✓✓		
	11 000	Roker motors P/L	9 500✓✓
			1 500✓✓ 11 000

**6 x ✓✓ = 3 marks**

**Total: 24 marks**

## Question 2

(a)

### Calculation of Total Sales

Total Debtors Account			
Balance b/d	11 354✓		
Sales	15 282✓	Bank	18 830✓
	26 636	Balance c/d	7 806✓
Balance b/d	7 806		26 636
Credit Sales	15 282		
Cash Sales	18 240✓		
Total Sales	33 522✓		

### Calculation of Total Purchases

Total Creditors Account			
Bank	19 228✓		
Balance c/d	5 600✓	Balance b/d	2 614✓
	24 828	Purchases	22 214✓
Credit Purchases	22 214		24 828
Cash Purchases	4 200✓		
Total purchases	26 414✓		

**12 x ✓ = 6 marks**

(b)

Bobbie Saxton

Trading and Profit/Loss Accounts for year ended 31 October 2000

Sales			33 522✓
Opening Stock	14 920✓		
Purchases	<u>26 414✓</u>	41 334	
Less Closing Stock		<u>11 000✓</u>	
Cost of Sales			<u>30 334✓</u>
Gross Profit			<u>3 188✓</u>
Wages		10 940✓	
Rent and Rates	8 200✓		
Add owing	<u>96</u>	8 296✓	
Vehicle running expenses		3 590✓	
Heating & lighting	1 382✓		
- last years	-300✓		
+ owing	<u>+120✓</u>	1 202	
General expenses		1 271✓	
Depr. On equipment	345✓		
Depr. On vehicle	<u>1 300✓</u>	1645	
NET LOSS			<u><u>23 756✓</u></u>

17 x ✓ = 8½ marks

(c)

Balance Sheet at 31 October 2000 ✓

FIXED ASSETS			
Equipment	35 865✓		
Plus additions	2 000✓		
Less depreciation	<u>345✓</u>	37 520	
Vehicle	9 500✓		
Less depreciation	<u>1 300</u>	8 200✓	45 720✓
CURRENT ASSETS			
Stock	11 000✓		
Debtors	7 806✓		
Cash in hand	<u>230✓</u>	19 036✓	
LESS CURRENT LIABS			
Creditors	5 600✓		
Rent/Rates owing	96✓		
Heat/Light owing	120✓		
Bank overdraft	<u>39 903✓</u>	45 719✓	
Working Capital			<u>-26 683</u>
			<u>19 037</u>
Capital		57 739✓	
- Net loss	-23 756✓		
- Drawings	-15 000✓	-38 756	
			<u><u>18 983</u></u>

19 x ✓ = 9 ½ marks

Error on question paper heating and lighting written as £1 382 rather than £1 328.

**NB:** accept £39 957 as an alternative bank overdraft to accommodate mistake and make balance sheet agree at £18 983.

**Total: 24 marks**

### Question 3

	(a)	(b)	(c)
Assets at 1 Jan 2000	43 560✓	96 300	32 800✓
Liabilities at 1 Jan 2000	29 450✓	35 600	11 900✓
OPENING CAPITAL	<u>14 110✓</u>	<u>60 700</u>	<u>20 900✓</u>
Assets at 31 Dec 2000	52 670✓	120 500	36 900✓
Liabs at 31 Dec 2000	32 000✓	52 800✓	15 600✓
CLOSING CAPITAL	<u>20 670✓</u>	<u>67 700</u>	<u>21 300✓</u>
CLOSING CAPITAL	20 670	67 700	21 300
Less OPENING CAPITAL	<u>14 110</u>	<u>60 700✓</u>	<u>20 900</u>
	6 560✓	7 000	400✓
Add book drawings	<u>15 000✓</u>	<u>18 000✓</u>	<u>7 200✓</u>
	21 560	25 000	7 600
Less new capital	-	5 000✓	- 9 900✓✓
NET PROFIT	<u>21 560✓</u>	<u>20 000✓</u>	<u>- 2 300✓✓</u>

26 x ✓ = 13 marks

Total: 13 marks

### Question 4

#### Redditch Golf ✓ club

#### Income and expenditure Account✓ for year ended 31 December 2000✓

INCOME			
Subscriptions		80 000✓	
Less subs in arrears for 99	- 500✓		
Less subs in advance for 01	- 400✓		
Add subs rec'd in 99	+250✓		
Add subs in arrears	+320 ✓	- 330	
			<u>79 670✓✓</u>
Catering Receipts			222 500✓
Opening stock	2 500✓		
Purchase of materials			
(140 000✓+ 200✓)	<u>140 200✓</u>	142 700	
Less closing stock		<u>2 800✓</u>	
		139 900	
Catering Wages		<u>23 000✓</u>	
Cost of Catering			<u>162 900</u>
Profit on Catering			59 600✓✓
TOTAL INCOME			<u>139 270</u>
EXPENDITURE			
Secretaries Salary		22 500✓	
Sundry Expenses		16 200✓	
Groundstaff Wages		45 000✓	
Admin Exps		27 000✓	
Depreciation Grass Mower		<u>590✓</u>	
TOTAL EXPENDITURE			<u>111 290</u>
SURPLUS			<u>27 980✓✓</u>

26 x ✓ = 13 marks

Total: 13 marks

### Question 5

	Original Figure	Change	Correct Figure
Gross Profit for 1999	25 000	-500✓✓	24 500✓✓
Gross Profit for 2000	29 800	+500✓✓	30 300✓✓
Net Profit for 1999	14 200	-500✓✓	13 700✓✓
Net Profit for 2000	17 650	+500✓✓	18 150✓✓
Stock 31 Dec 1999	8 900	-500	8 400
Stock 31 Dec 2000	9 250	No change✓✓	9 250✓✓
Capital 31 Dec 1999	40 000	-500✓✓	39 500✓✓
Capital 31 Dec 2000	45 980	+500✓	46 480✓

**26 x ✓ = 13 marks**

**Total: 13 marks**

### Question 6

- (a) Yes✓✓ charging lower prices means Alan is giving some of his profits to his friends.✓✓
- (b) No ✓✓ accountant's fee would be charged to the P/L account and would not therefore affect the Gross Profit✓✓✓
- (c) Yes✓✓ reducing sales prices will lower the Gross Profit and, therefore, eat into the GP %✓✓
- (d) Yes✓✓ those goods had a cost and if not matched by income will reduce Gross Profit and, therefore, GP %✓✓
- (e) Yes✓✓ reducing sales price will reduce Gross Profit since costs remain the same, therefore GP % will fall. ✓✓
- (f) No✓✓ Bad debts are charged to the P/L Account and do not affect the Gross Profit. ✓✓✓

**26 x ✓ = 13 marks**

**Total: 13 marks**



**Question 7****M Bridges✓****Manufacturing and Trading accounts for year ended 31 December 2000✓**Raw Materials

Opening Stock	12 000✓		
Purchases	<u>320 000✓</u>	332 000	
Less Closing Stock		<u>15 000✓</u>	
Cost of Raw Materials consumed			317 000✓
Direct wages			350 000✓
Direct power			<u>93 000✓</u>
PRIME COST			760 000✓
Factory Supervisors Wages	36 000✓		
Factory Heating & Lighting (½)	2 000✓		
Factory Rates (½)	<u>4 000✓</u>		
<u>Work in Progress</u>			42 000
Opening Stock	7 000✓		
Less Closing Stock	9 000✓		<u>-2 000</u>
Cost of Goods manufactured			<u>800 000✓</u>
<u>Finished Goods</u>			
Sales			1 000 000✓
Less Returns Inward			2 500✓
			997 500
Opening Stock	10 000✓		
Cost of Goods manu.	<u>800 000✓</u>	810 000	
Less closing stock		<u>11 000✓</u>	
		799 000	
Warehouse rates ( $\frac{1}{4}$ )	2 000✓		
Warehouse heat & light( $\frac{1}{4}$ )	1 000✓		
Warehouse wages	<u>30 000✓</u>	<u>33 000</u>	
Cost of sales			<u>832 000✓</u>
GROSS PROFIT			<u>165 500✓✓</u>

**26 x ✓ = 13 marks****Total: 13 marks**

# **ACCOUNTING 7011, CHIEF EXAMINER'S REPORT**

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## **General comments**

It is pleasing to note that almost every candidate was able to attempt all required questions on this paper. Centres are clearly working hard with candidates to improve the quality of performance. It is also good to note the significant rise in the number of candidates following this syllabus and taking this examination.

## **Question 1**

Performance on the question showed that most candidates had a reasonable understanding of day books, ledgers and control accounts. Where difficulties were experienced, these related to written rather than numerate aspects and to the operation of the disposal accounts.

The best candidates prepared only the accounts asked for, whereas many average and below average candidates prepared *every* ledger account. As ever, reading the question carefully to avoid unnecessary work is of crucial importance.

## **Question 2**

This question was well answered, showing a widespread command of the preparation of final accounts. However, only the better candidates could provide accurate calculations of total purchases and total sales.

## **Question 3**

This question tested candidates' knowledge, understanding and application of the increased net worth method of incomplete entry. Marks tended to be polarised around the very high or very low ends of the scale. Where candidates understood the straightforward technique involved, they scored very well.

## **Question 4**

Most candidates attempted this question and scored well in the income and expenditure account. As anticipated, greater difficulty was experienced with the calculations of subscriptions and the profit/loss on catering.

## **Question 5**

This question required an understanding of how stock is valued and the links between closing stock, opening stock, gross profit, net profit and capital. Like Question 3, the question format was not standard. Again this tended to polarise candidates around the extremes of very high or very low marks.

## **Question 6**

The majority of candidates scored well on the Yes/No part of this question, indicating an understanding of why there may be differences between forecast and actual profit figures. However, it was the domain only of the better candidates to write appropriate explanations.

### Question 7

Virtually every candidate attempted this manufacturing account question. Unlike some of the other questions, this one was very much standard. Most candidates showed they had a good understanding of this topic. Where difficulties were encountered, they related to the inclusion of warehouse expenses in the manufacturing account. Credit was given to warehouse expenses only if they appeared in the trading account.

## **ACCOUNTING 7011, GRADE BOUNDARIES**

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Grade	A	B	C	D	E
Lowest mark for award of grade	71	58	45	40	34

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

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

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

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