

Edexcel International
London Examinations
GCE Ordinary Level

Mark Scheme with Examiners' Report

**London Examinations Ordinary Level GCE in
Accounting (7011)**

January 2002

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Mark Scheme and Chief Examiner's Report
January 2002

ACCOUNTING 7011

Mark Scheme

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Chief Examiner's Report

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Grade Boundaries

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ACCOUNTING 7011, MARK SCHEME

1.	Item	Book of first entry	Account debited	Account credited
(b)	Cash book	✓	Electricity £130	✓ Cash book (bank column) £130 (allow Bank)
(c)	Petty cash book	✓	Cleaning £6	✓ Petty cash £6 (must be petty cash)
(d)	Returns inward book	✓	Returns inward £25	✓ A Ferguson £25
(e)	General Journal	✓	Profit and loss £140	✓ Carriage outwards £140
	General Journal	✓	Trading £96	✓ Carriage inwards £96
(f)	General Journal	✓	Furniture £800	✓ Office Supplies Ltd £800
	General Journal	✓	Stationery £90	✓ Officer Supplies £90
(g)	General Journal	✓	P Scholes £40	✓ R Scholes £40
(h)	Cash Book	✓	Bank £108	✓ Cash £108
(i)	General Journal	✓	Stock £5 000	✓ Trading £5 000
(j)	General Journal	✓	Delivery vans £5 000	✓ Motor traders £5 000
	General Journal	✓	Motor traders £800	✓ Delivery vans £800
	Cash book	✓	Motor traders £4 200	✓ Cash book (bank column) £4 200
(k)	General Journal	✓	Profit and loss £38	✓ Provision for doubtful debts £38
(l)	Sales day book	✓	N Neville £500	✓ Sales £500
(m)	Returns outward book	✓	R Keene £75	✓ Returns outward £75

(48 × ✓ = 24 marks)

Total 24 marks

2. (a) **Total Creditors Account**

Bank	35 250 ✓		Purchases	37 850 ✓
Balance c/d	2 600 ✓			
	<u>37 850</u>			<u>37 850</u>

Calculation of Sales

Shop takings	52 600 ✓	
Miscellaneous expenses	5 200 ✓	
Drawings	15 600 ✓	73 400

(6 × ✓ = 3 marks)

(b) **Bank Account**

Capital	10 000 ✓		Rent	3 300 ✓
Loan	5 000 ✓		Rates	2 500 ✓
Shop takings	52 600 ✓		Creditors	35 250 ✓
			Delivery van	7 600 ✓
			Del van running expenses	1 500 ✓
			Electricity	980 ✓
			Drawings	156 ✓
			Wages	3 690 ✓
			Balance c/d	12 624 ✓
	<u>67 600</u>			<u>67 600</u>

(12 × ✓ = 6 marks)

(c) **Trading and profit and loss account for year ended 30 September 2001**

Purchases		37 850 ✓	Sales	73 400 ✓
Less closing stock		2 760 ✓		
Cost of sales		<u>35 090</u>		
Gross profit c/d		38 310 ✓		
		<u>73 400</u>		<u>73 400</u>
Rent	3 300 ✓		Gross profit	38 310 ✓
Add owing	300	3 600 ✓		
Rates		2 500 ✓		
Del van exps		1 500 ✓		
Light and heat		980 ✓		
Wages		3 690 ✓		
Interest on loan owing		500 ✓		
Depr. On delivery van		1 520 ✓		
Miscellaneous exps		5 200 ✓		
		19 490		
Net profit		18 820 ✓		
		<u>38 310</u>		<u>38 310</u>

(15 × ✓ = 7½ marks)

Balance sheet at 30 September 2001

Fixed Assets F/A			
Delivery van		7 600 ✓	
Less depreciation		1 520 ✓	6 080 ✓
Current Assets C/A			
Stock	2 760 ✓		
Bank	12 624 ✓	15 384 ✓	
Less Current Liabilities C/L			
Creditors	2 600 ✓		
Rent owing	0 300 ✓		
Interest on loan owing	0 500 ✓	3 400 ✓	
Working capital			11 984 ✓
			18 064
Capital	10 000 ✓		
Net profit	18 820 ✓	28 820	
Less drawings		15 756 ✓	13 064
Loan			5 000 ✓
			18 064

(15 × ✓ = 7½ marks)

Total 24 marks

3. (a) **Bad Debts Account**

2000 Dec 31 debtors	760 ✓	2000 Dec 31 profit/loss	760 ✓
2001 Dec 31 debtors	235 ✓	2001 Dec 31 profit/loss	235 ✓

Provision for Bad Debts Account

2000 Dec 31 balance c/d	450 ✓✓	2000 Jan 1 balance b/d	360 ✓✓
		Dec 31 profit/loss	90 ✓✓✓
	450		450
2001 Dec 31 profit/loss	180 ✓✓✓	2001 Jan 1 balance b/d	450 ✓✓
Dec 31 balance c/d	270 ✓✓		
	450		450
		2002 Jan 1 balance b/d	270 ✓✓

(20 × ✓ = 10 marks)

(b) **Balance sheet at 31 December 2001 ✓**

Current Assets		
Debtors	9 000 ✓ c	
Less provision for bad debts	270 ✓ o/f	8 730 ✓ o/f

(4 × ✓ = 2 marks)

- (c) So that the net profit is accurate (adjusted by the provision) ✓ and the balance sheet shows a true reflection of the business (debtors adjusted by the provision) ✓.

(2 × ✓ = 1 mark)

Total 13 marks

4. Ryhope Cricket Club

Income and Expenditure account for year ended 31 December 2001 ✓

Expenditure			Income		
Ground Maintenance		1 500 ✓	Subscriptions	7 200 ✓	
Light and heat	640 ✓		Add subs in advance for 2001	92 ✓	
Add owing	98	738 ✓	Less subs in advance for 2002	94 ✓	7 198
General expenses		460 ✓			
Insurance	580 ✓				
Less prepaid	220	360 ✓			
Depreciation on equipment		3 300 ✓			
Surplus		840 ✓			
		7 198			7 198

(12 × ✓ = 6 marks)

Balance sheet at 31 December 2001 ✓✓

Fixed Assets			
Ground and pavilion		100 000 ✓	
Equipment	22 000 ✓		
Less depreciation	3 300	18 700 ✓	118 700 ✓
Current Assets			
Insurance paid in advance	220 ✓		
Cash at bank	7 520 ✓	7 740 ✓	
Less Current Liabilities			
Subs in advance	94 ✓		
Light and heat owing	98 ✓	192 ✓	
Working capital			7 548
			126 248
Accumulated fund			125 408 ✓
Surplus			840 ✓
			126 248

(14 × ✓ = 7 marks)

Total 13 marks

5. Hallom Limited

Profit and loss appropriation account for year ended 30 April 2001

Balance b/d		90 000 ✓
Net profit		40 400 ✓
		130 400
General reserve	5 000 ✓	
Ordinary share dividend	40 000 ✓	
Preference share dividend	600 ✓	45 600
Balance c/d		84 800 ✓

(6 × ✓ = 3 marks)

Balance sheet at 30 April 2001

Fixed Assets	Cost/ Valuation	Agg Depreciation	Net Value
Premises	350 000		350 000 ✓
Machinery and plant	200 000 ✓	50 000	150 000 ✓
			500 000 ✓
Current Assets			
Stock	39 175 ✓		
Debtors	20 000 ✓		
Cash at bank	25 000 ✓	84 175 ✓	
Less Current Liabilities			
Debenture interest accrued	175 ✓		
Ordinary share dividend	40 000 ✓		
Creditors	8 600 ✓		
Preference share dividend	600 ✓	49 375 ✓	
Working Capital			34 800 ✓
			534 800
Represented by			
400 000 £1 ordinary shares		400 000 ✓	
10 000 £1 6% pref shares		10 000 ✓	
		84 800 ✓	
General reserve	20 000 ✓		
Add transfer	5 000	25 000 ✓	
Shareholders' Funds			519 800
Debentures 7%			15 000 ✓
			534 800

(20 × ✓ = 10 marks)

Total 13 marks

6. Phillips and Clough

Working (marks awarded within Statement of Profit)

Opening Statement

Closing Statement

Capital	32 214	Debtors	5 960	Capital	41 562	Debtors	4 940
Creditors	4 600	Cash	95	Creditors	6 200	Cash	106
Bank O/D	2 600	Stock	7 200	Accruals	45	Bank	3 100
		Equipment	20 000			Stock	9 600
		Vehicles	6 000			Equipment	25 000
		Exps in Adv	159			Vehicles	4 800
						Prepayments	261
	<u>39 414</u>		<u>39 414</u>		<u>47 807</u>		<u>47 807</u>

Statement of Profit for year ended 31 December 2001

Closing Capital		41 562	✓✓
Less Opening Capital		32 214	✓✓
Apparent profit		9 348	
Add back Drawings			
Phillips	20 500	✓	
Clough	16 900	✓✓	37 400
Net Profit		46 748	✓

(8 × ✓ = 4 marks)

Balance Sheet at 31 December 2001

Fixed Assets			
Equipment		25 000	✓
Vehicles		4 800	✓
			29 800 ✓
Current Assets			
Stock	9 600	✓	
Debtors	4 940	✓	
Expenses in advance	261	✓	
Bank	3 100	✓	
Cash	106	✓	18 007 ✓
Less Current Liabilities			
Creditors	6 200	✓	
Expenses in arrears	45	✓	6 245 ✓
			11 762
			<u>41 562</u>
Capital Accounts			
K Phillips	16 107	✓	
B Clough	16 107	✓	32 214
Current Accounts			
K Phillips			
Share of Profit	23 374	✓	
Less drawings	20 500	✓	2 874
B Clough			
Share of Profit	23 374	✓	
Less drawings	16 900	✓	6 474
			9 348
			<u>41 562</u>

(18 × ✓ = 9 marks)

Total 13 marks

7. (a) Differ because of cheques not presented ✓✓. Cheques 2182 and 2183 ✓ had not been presented to bank. When these are taken into account the bank statement balance would agree with the cash book balance (£5 400-10)✓.

(4 × ✓ = 2 marks)

- (b) **Bank Account**

Balance b/d	5 112-80 ✓	Redditch Council	101-00 ✓✓
Bangles Ltd	510-21 ✓✓	Charges	32-19 ✓✓
		Balance c/d	5 489-82 ✓✓
	5 623-01		5 623-01
Balance b/d	5 489-82 ✓		

(10 × ✓ = 5 marks)

- (c) **Bank Reconciliation Statement at 30 November 2001**

Balance as per bank statement	6 184-12	✓
Less cheque not yet presented	694-30	✓✓
Corrected balance	5 489-82	✓

Ali should now update the bank statement balance by adjusting ✓ the existing balance for any missing item(s) as shown above ✓.

(6 × ✓ = 3 marks)

- (d) Examples may include:
 Dividends received direct by bank, missed from cash book ✓✓
 Standing order paid by the bank and forgotten by the cash book ✓✓
 Cheques paid at end of month (in cash book) but missed from the bank statement ✓✓

(6 × ✓ = 3 marks)

Total 13 marks

ACCOUNTING 7011, CHIEF EXAMINERS REPORT

General Comments

Candidates at all levels found this paper more challenging than usual. Final accounts were well understood; however, basic double entry is always the key to doing well on this paper and centres should focus on this aspect if they want their candidates to improve.

Question 1

This tested understanding of the fundamental concept of double entry. It also tested knowledge of books of first entry. The format was a familiar one since such tables have been included on previous papers.

The straightforward items (f), (h), (l) and (m) were well done. Items involving the correction of errors and year end transfers were badly done, as were items relating to provision for bad debts and sale of motor van.

In item (c), candidates invariably debited the window cleaner, thereby creating a debtor, rather than debiting cleaning which would be an expense account.

Candidates who have thoroughly practised the preparation of books of first entry and double entry through the ledger should find little difficulty with such a question.

Where centres have done less well than expected, they are advised to study the mark scheme and the comments in this report.

Question 2

For most this proved the more successful of the compulsory questions. The main problems were encountered with the calculation of sales and the preparation of the total creditors account.

The bank account was generally well done, though marks were not given for poor narrations. The narration must always indicate the name of the account where the double entry appears. Writing "D. Shirt" instead of drawings is an example of an unacceptable narration frequently found in the bank account.

The final accounts were usually well done.

Question 3

This was a straightforward question on a topic that candidates usually find challenging. The key to doing well is to keep the concepts of bad debts and provision for bad debts totally separate. Deal with bad debts first and then provision for bad debts. Candidates either understood the concepts and did well or did not understand the concepts and did badly. As with other questions, ledger accounts (and therefore double entry) were poorer than the final accounts.

Question 4

Generally well done. The main difficulty was with the calculations of subscriptions and depreciation. Sometimes candidates placed items on the wrong side of the income and expenditure account. Candidates should always label the income side and the expenditure side so that the examiner can give credit for what the candidate knows. Most of this question was on final accounts, hence the good performance.

Question 5

This company accounts question focused on final accounts and therefore candidates scored well. The main difficulty was experienced with the treatment of dividends. Although the balance sheet was well done, narrations for share capital were very weak. The narration should indicate how many shares and the value of each share.

Question 6

Again the final account aspect of this question was well done. Most candidates did not realise that the net profit could only be worked as the difference between capital at the end and start. Failure to calculate the net profit meant poor current accounts in the balance sheet.

Question 7

This was by far the least popular question on the paper. Reconciling the bank account is a fundamental accounting technique that candidates usually do well. Those attempting this question did badly, exposing a lack of understanding of the basic concept involved.

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	72	59	46	41	33

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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