

Edexcel International
London Examinations
GCE Ordinary Level

Mark Scheme with Examiners' Report

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

June 2002

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Mark Scheme and Chief Examiner's Report
June 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

Q1

Item	Original Document	Book of First entry	Accounts Debited	Accounts Credited
(ii)	Invoice X X	Purchases day book / purchases X	Purchases £3 200 X	Spalding plc / creditors £3 200 X
(iii)	Paying in slip / paying in cheque book X X	Cash book / cash X	Bank £800 Discount allowed £40 X X	R Brock / debtors £840 X X
(iv)	Credit note X X	Returns outward book X	Spalding plc £120 X	Returns outward £120 X
(v)	Credit note X X	Returns inward book X	Returns inward £91 X	Victoria Keay / debtor £91 X
(vi)	Cheque book counterfoil X X	Cash book X	Cash £2 000 X	Bank £2 000 X
(vii)	Bank statement / letter X X	Cash book X	Bank charges £36 X	Bank £36 X
(viii)	Receipt / voucher X X	Petty cash book X	Office refreshments £20 X	Petty cash £20 X
(ix)	Invoice / purchase X X	General Journal X	Fittings / equipment £9 000 X	Kamara Ltd / creditors £ 9 000 X X
(x)	Invoice X X	Sales day book X	D Crump / debtor £390 X	Sales £390 X

(ii–iv) correct figure must be given

(v–x) no figure required

(48 x X = 24 marks)

Total 24 marks

Q2 Business of Thomas Copeland

(a) Cash Account

Savings / Capital	500 X		Purchases (20 x £3 + 60 x £5) / (60X + 300X) XX	360
Sales (15 x £6 + 40 x £10) / (90X + 400X) XX	490 X		Safe / fixed asset	100 X
			Running expenses	35 X
			Balance c/d	495 X
	990			990
Balance b/d	495 X			

Purchases Account

Cash	360 X		Trading	360 X
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Sales Account

Trading	490 X		Cash	490 X
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(14 x X = 7 marks)

(b) Calculation of closing stock

	Standard		Special
Purchases	20		60
Sales	15		40
Items unsold	5 X		20 X
Multiplied by cost price	£3 X		£5 X
	£15 X		£100 X

Total Stock is £115 X

Stock Account

Trading	115 X		Balance c/d	115 X
Balance b/d	115 X			

(10 x X = 5 marks)

(c)

Trading and Profit and Loss account X for month ended 31 December 2001 X

Purchases	360 X		Sales	490 X
Less closing stock	115 X			
Cost of sales		245		
Gross profit c/d		245 X		
		490		490
Running expenses	35 X		Gross profit b/d	245 X
Depreciation on safe	5 X	40		
Net profit		205 X		
		245		245

(10 x X = 5 marks)

(d)

Balance sheet X at 31 December 2001 X

Liabilities		Assets	
Capital	500 X	Safe	100 X
Net profit	205 X	Less depreciation	5 X
		Cash	495 X
		Closing stock	115 X
	705		705

(8 x X = 4 marks)

(e) (i) Since records show closing stock should be 5 standard and 20 special ...it appears that 3 standard stock have gone missing X X

(ii) This would reduce closing stock by £9 X X and net profit by £9 X X

(6 x X = 3 marks)

Total 24 marks

Q3**(a) Journal Entries**

	Debit	Credit
(i) Suspense	234 X	
B Whatton		234 X
Being correction of error of posting X		
(ii) Suspense	25 X	
Sales		25 X
Being correction of sales total undercast X		
(iii) Suspense	38 X	
Emma Pettit		38 X
Being correction of error of posting X		
(iv) Suspense	18 X	
Debtors		18 X
Being correction of error on debtors account X		
(v) Suspense	100 X	
Returns outward		100 X
Being correction of error of posting X		
(vi) Walter Spencer	92 X	
Spencer Walter		92 X
Being correction of error of commission X		

(18 x X = 9 marks)**(b) Suspense Account**

B Whatton	234 X		Balance b/d	415 X
Sales	25 X			
Emma Pettit	38 X			
Debtors	18 X			
Returns outward	100 X			
	<u>415</u>			<u>415</u>

(6 x X = 3 marks)

- (c)** The credit balance b/d on the Suspense account X indicates that the credit side of the trial balance was deficient X by £415

(2 x X = 1 mark)**Total 13 marks**

Q4

(a)

Manufacturing Account of Laice Pinfield for year ended 30 April 2002 x

Materials				Cost of goods Mfctd	1 770
Paper	500 X				
Covers (2000 x 2p)	40 XX				
Binding (2000 x 5p)	100 XX	640			
Direct labour					
Word Processing	180 X				
Copying (2000 x 30p)	600 XX				
Binding (2000 x 10p)	200 XX	980			
PRIME COST		1 620 X			
Use of equipment		150 X			
COST OF GOODS MANUFACTURED		1 770 X			1 770

(14 x X = 7 marks)

(b)

Trading and profit and loss account for year ended 30 April 2002

Finished Goods					
Cost of goods manufactured	1 770 X			Sales (+ 150%) XX	3 317 X
Less closing stock (quarter of own cost of production) $\left(\frac{1770}{2000} \times 500\right)$	443 XX				
Cost of Sales		1 327 X			
Gross profit c/d		HG will chk			
		HG will chk			HG will chk
Variable selling expenses (1500 x 10p)		150 XX		Gross profit b/d	1 990 X
Fixed selling expenses		200 X			
Net profit		1 640 X			
		HG will chk			HG will chk

(12 x X = 6 marks)

Total 13 marks

Q5

(a)

Profit and Loss Appropriation Account of Red and White Limited for year ended 30 April 2002

Proposed Pref dividend		1 200 ×		Balance b/d		9 600 ×	
General Reserve		2 000 ×		Net Profit		14 320 ×	23 920
Balance c/d		20 720 ×					
		<u>23 920</u>					<u>23 920</u>

(5 x X = 2½ marks)

(b)

Balance sheet at 30 April 2002

					Cost	Aggr Depr	Net Value
				Fixed Assets			
Issued Capital				Premises	68 620 ×	–	68 620 ×
8% Pref shares fully paid	15 000 ×			Machinery & plant	38 000 ×	28 500	9 500 ×
Ord shares (fully paid)	50 000 ×	65 000					78 120 ×
General Reserve	1 000 ×			Current Assets			
Add transfer	2 000 ×	3 000		Stock		7 500 ×	
P/L balance		20 720 ×		Debtors	6 260 ×		
SHAREHOLDER FUNDS		88 720 ×		– prov for bad debts	600 ×	5 660	
Current Liabilities				Insurance prepaid		450 ×	
Creditors	7 100 ×			Bank		5 540 ×	19 150 ×
Preference share divi prop	1 200 ×						
Electricity accrued	250 ×	8 550 ×					
		<u>97 270</u>					<u>97 270</u>

(21 x X = 10½ marks)

Total 13 marks

Q6

	Yes or No	Explanation
(a)	Yes X X	An increase in cash would increase the current assets X and therefore increase the current ratio X
(b)	Yes X X	A higher closing stock would increase current assets X and therefore increase the current ratio X
(c)	No X X	A fall in depreciation would increase net profit X and fixed assets X and therefore have no effect on the current ratio
(d)	Yes X X	An injection of cash into the business would increase cash X and therefore increase the current ratio X
(e)	No X X	Although this would increase the closing stock figure and therefore increase current assets X...it would also increase creditors and therefore current liabilities X by the same amount. This would mean no effect on the current ratio X
(f)	No X X	Amounts received from debtors would reduce debtors X and increase cash or bank. X This would have no increase on current assets ..so the current ratio would be unaffected X

(26 x X = 13 marks)

Total 13 marks

Q7

- (a)** A fixed asset is an item the business owns that tends to be permanent X X or an item owned that is used to create wealth or increase the earning power of the business etc
(2 x X = 1 mark)
- (b)** wear and tear X X
obsolescence X X
(4 x X = 2 marks)
- (c)** (i) Straight line/equal instalment X X
diminishing/reducing balance X X
(4 x X = 2 marks)
- (ii) If Ashley Leyland bought a motor van at the beginning of Year 1 for £1000 and decided to depreciate it by 10% per year on the straight line method depreciation would be £100 X X for year one and £100 X X for year 2. (Award up to 2 x X for correct figure in each year)
(4 x X = 2 marks)
- (d)** Depreciation is an expense of the business therefore it must be shown in the profit and loss account to produce an accurate net profit X
Depreciation represents a fall in the value of the relevant asset ...so must be shown in the balance sheet as a deduction from the asset to reflect that fall in value X X
Since the net profit is shown in the balance sheet accounting for depreciation will show a true and fair/accurate balance sheet. X

(e) Vehicle Disposal Account

Vehicle	10 000 X X	Prov for depreciation	8 200 X X
Profit/loss	600 X X	Cash or bank	2 400 X X
	<u>10 600</u>		<u>10 600</u>

(8 x X = 4 marks)

Total 11 marks

ACCOUNTING 7011, CHIEF EXAMINER'S REPORT

Question 1

The double entry aspect was well understood by most candidates. It was surprising, however, that many did not use the returns inward account for the overcharge to Victoria Keay. Knowledge of original documents was a major weakness. Subsidiary books, too, would be a clear development for students in many Centres.

Question 2

Although many candidates could display knowledge and application of double entry, narrations were often incorrect. Candidates must appreciate that the narration in a Ledger account indicates the name of the ledger account where the other entry appears.

Many candidates correctly calculated stock but were unable to prepare an appropriate stock account. The trading and profit and loss accounts and the balance sheet were well prepared by the majority of candidates. Credit for own figures meant that those who persevered to the end scored marks for (c) and (d) even if (a) and (b) were weak. Part (e) was generally not well done revealing a lack of understanding of the purpose of taking stock and its affect on net profit and current assets.

Question 3

Journal entries were generally accurate, though narrations were weak. The suspense account was well prepared and the answers for part (c) indicated a good understanding pf the purpose of the suspense account.

Question 4

Candidates found it demanding to relate their knowledge of Manufacturing accounts to the situation presented. Centres would be well advised to practise this type of question in teaching this topic. Practical situations within students experience can enhance understanding.

Question 5

This was a standard Company Accounts question and was generally very well done. Weaknesses related to narrations. The preference share dividend in the Appropriation account was rarely described as "proposed"; issued capital in the balance sheet rarely included "fully paid"; shareholders' funds was rarely identified in the balance sheet.

Question 6

This question required an understanding of how to place the double entry effect of transactions on the balance sheet. Although the YES/NO part was often correct ...the explanation was incorrect revealing a lack of understanding of the effect of transactions on the balance sheet.

Question 7

This question was well done even though candidates are not confident about inventing figures to illustrate a point. Preparation of the disposal account caused difficulty to all but the most able.

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	72	59	47	42	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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