

Edexcel International
London Examinations
GCE Ordinary Level

Mark Scheme with Examiners' Report

London Examinations Ordinary Level GCE in Accounting (7011)

January 2003

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Mark Scheme and Chief Examiner's Report
January 2003

ACCOUNTING 7011

Mark Scheme

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Grade Boundaries

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ACCOUNTING, 7011 MARK SCHEME

Question 1

(a) & (c)

Bank Account

Ap 1 Capital	6 000 ✓	Ap 2 Purchases	4 600 ✓
Ap 19 A Juggasaw	975 ✓	Ap 7 Insurance	48 ✓
		Ap 27 Drawings	200 ✓
		Ap 30 Balance c/d	2 127 ✓
	<u>6 975</u>		<u>6 975</u>
May 1 Balance b/d	<u>2 127 ✓</u>		

Capital Account

Ap 30 Drawings	200 ✓	Ap1 Bank	6 000 ✓
Ap 30 Net Loss	5 781 ✓		
Ap 30 Balance c/d	19 ✓		
	<u>6 000</u>		<u>6 000</u>
		May Balance b/d	<u>19 ✓</u>

Purchases Account

Ap 2 Bank	4 600 ✓	Ap 30 Trading	10 800 ✓
Ap10 PC Computers	6 200 ✓		
	<u>10 800</u>		<u>10 800</u>

Insurance Account

Ap 7 Bank	48 ✓	Ap 30 Profit/loss	48 ✓
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PC Computers Ltd

Ap 28 Returns outward	92 ✓	Ap10 Purchases	6 200 ✓
Ap 30 Balance c/d	6 108 ✓		
	<u>6 200</u>		<u>6 200</u>
		May 1 Balance b/d	<u>6 108 ✓</u>

Sales Account

Ap 30 Trading	5 000 ✓	Ap 12 A Juggasaw	1 000 ✓
		Ap 25 S Wright Ltd	4 000 ✓
	<u>5 000</u>		<u>5 000</u>

A Juggasaw Account

Ap 12 Sales	1 000 ✓	Ap 19 Bank	975 ✓
		Ap 19 Discount allowed	25 ✓
	<u>1 000</u>		<u>1 000</u>

Discount Allowed

Ap19 A Juggasaw	25 ✓	Ap 30 Profit/loss	25 ✓
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S Wright Account

Ap 25 Sales	4 000 ✓	Ap 30 Balance c/d	4 000 ✓
May 1 Balance b/d	<u>4 000 ✓</u>		

Drawings Account

Ap 27 Bank	200 ✓	Ap 30 Capital	200 ✓
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Returns Outward Account

AP 30 Trading	92 ✓	Ap 28 PC Computers Ltd	92 ✓
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36 x ✓ = 18 marks

(b) Trial Balance ✓ of Kayleigh Wagg at 30 April 2002 ✓

	Debit	Credit
Bank	2 127 ✓	
Capital		6 000 ✓
Purchases	10 800 ✓	
Insurance	48 ✓	
PC Computers Ltd		6 108 ✓
Sales		5 000 ✓
Discount Allowed	25 ✓	
S Wright	4 000 ✓	
Drawings	200 ✓	
Returns outward		92 ✓
	17 200	17 200

12 x ✓ = 6 marks
Total marks = 24

Question 2

(a)

Bank Account

Total Creditors Account

Capital	14 000 ✓	Drawings	16 000 ✓	Bank	11 300 ✓	Purchases	24 200 ✓
Debtors	9 500 ✓	Creditors	11 300 ✓	Rets Out	34 ✓		
Sales	9 400 ✓	Expenses	4 900 ✓	Dis Rec	200 ✓		
Bal c/d	16 200 ✓	Purchases	8 900 ✓	Bal c/d	12 666 ✓		
		Motor van	8 000 ✓		24 200		24 200
	49 100		49 100			Balance b/d	12 666 ✓

Sales Account

Total Debtors Account

		Bank	9 400 ✓	Sales	32 000 ✓	Bank	9 500 ✓
		Debtors	32 000 ✓			Disc allowed	500 ✓
			41 000			Returns inw	96 ✓
						Bad debts	725 ✓
						Balance c/d	21 179 ✓
					32 000		32 000
				Bal b/d	21 179		

Purchases Account

Bank	8 900 ✓		
Creditors	24 200 ✓		
	33 100		

26 x ✓ = 13 Marks

Trading and Profit and loss account of Stephen Waller for 3 months ended 31 March 2002

Purchases		33 100 ✓		Sales	41 400 ✓	
Returns Out	34 ✓			Returns inward	96 ✓	41 304
Closing Stock	1 962 ✓	1 996	31 104			
Gross Profit c/d			10 200 ✓			
			<u>41 304</u>			<u>41 304</u>
Expenses		4 900 ✓		Gross Profit b/d	10 200 ✓	
Discount allowed		500 ✓		Discount	200 ✓	10 400
Bad debts		725 ✓	6 125			
Net Profit			4 275 ✓			
			<u>10 400</u>			<u>10 400</u>

12 x ✓ = 6 marks

Balance Sheet at 31 March 2002

Capital	14 000 ✓			Fixed Assets		
Net Profit	4 275 ✓	18 275		Motor van		8 000 ✓
Drawings		16 000 ✓	2 275			
Current Liabs				Current Assets		
Creditors	12 666 ✓			Stock	1 962 ✓	
Bank overdraft	16 200 ✓		28 866 ✓	Debtors	21 179 ✓	23 141 ✓
			<u>31 141</u>			<u>31 141</u>

10 x ✓ = 5 mark
Total = 24 marks

Question 3

- (a) (i) **Assuming a motor van is bought on Jan 1 Year 1 for £10 000 and depreciation is taken at 10% per year on the reducing balance method.**

At the end of Year 1 depreciation would be calculated by $10\% \times £10\,000 = £1\,000$
At the end of Year 2 depreciation would be 10% of £9 000 = £900

- (ii) **Continuing with the above example-using the equal instalment method**

At the end of Year 1 depreciation would be 10% of £10 000 = £1 000
At the end of Year 2 depreciation would be 10% of £10 000 = £1 000
Or at the end of Year 2 depreciation would be £1 000 because it is the same every year

10 x ✓ = 5 marks

- (b) **Method 1**

At the end of Year 1 debit depreciation with £1 000 and credit motor van with £1 000

Method 2

At the end of Year 1 debit Profit and loss with £1 000 and credit provision for depreciation with £1 000

8 x ✓ = 4 marks

(c) Effect

Depreciation reflects the reduction in the asset value in the balance sheet ✓✓ and the reduction of the net profit ✓✓

Importance

Including depreciation in the balance sheet shows assets and profits at true and fair figures ✓✓✓✓

8 x ✓ = 4 marks

Total = 13 marks

Question 4

(a) Journal entries

	Debit	Credit
(i) Advertising	600 ✓	
Bank		600 ✓
(ii) Cash	1 000 ✓	
Sales		1 000 ✓
(iii) Purchases	1 200 ✓	
Creditors		1 200 ✓
(iv) Creditors	1600 ✓	
Discount received		100 ✓
Bank		1 500 ✓
(v) Cash	200 ✓	
Profit/loss	100 ✓	
Motor van		300 ✓

12 x ✓ = 6 marks

(b) Item (iii) would have no effect ✓ on working capital because the increase in current asset ✓ (stock) would be cancelled out by the increase in the creditors. ✓ There would be no effect ✓ on proprietor's capital because simply buying goods has no effect on net profit. ✓

Item (iv) would increase working capital by £100 ✓ because bank would be reduced by £1 500 ✓ (current assets) and creditors would be reduced by £1 600 ✓ (current liabilities). Proprietor's capital would be increased by £100 ✓ due to the increase in net profit caused by discount received. ✓

Item (v) would increase working capital by £200 ✓ due to the increase in cash of £200. ✓ Proprietor's capital would be decreased by £100 ✓ due to the loss of £100 on sale of vehicle. ✓

14 x ✓ = 7 mark

Total marks = 13

Question 5

Income and Expenditure account of the Charford Social Club for year ended 31 December 2002

Expenditure ✓			Income ✓		
Rent		500 ✓		Subscriptions	4 200 ✓
Wages		5 200 ✓		Less last years	80 ✓
Light and heat	1 870 ✓			Less next years	120 ✓
Add electricity owing	100	1 970 ✓		Add in arrears	90 ✓
Draw prizes		400 ✓		Sale of draw tickets	900 ✓
Dance expenses		340 ✓		Sale of dance tickets	1 000 ✓
Refreshments	1 500 ✓			Sale of refreshments	4 000 ✓
Add owing	600 ✓			Deficit	640 ✓✓
Less last years	500 ✓	1 600 ✓			
Depr. on furniture		620 ✓			
			10 630		10 630

26 x ✓ = 13 marks

Question 6

Manufacturing Account of Jason Chevassut for year ended 31 December 2002

Raw materials				Cost of goods manufactured	568 450 ✓
Opening Stock	17 000 ✓✓				
Purchases	231 000 ✓✓	248 000			
Less closing stock		14 900 ✓✓	233 100		
Direct wages			292 450 ✓✓		
PRIME COST			525 550 ✓		
Supervisors wages	36 000 ✓✓				
Heating and Lighting	8 000 ✓✓		44 000		
			569 550		
Work in Progress					
Opening stock	1 500 ✓✓				
Less closing stock	2 600 ✓✓		-1100		
			568 450		568 450

18 x ✓ = 9 marks

Trading Account for year ended 31 December 2002 ✓

Finished Goods				Sales	990 000	✓
Opening stock	18 600	✓				
Cost of goods manufactured	568 450	✓	587 050			
Less closing stock			12 000	✓	575 050	
Heating and lighting	4 000	✓				
Wages	29 920	✓		33 920		
				608 970		
Gross profit				381 030	✓	
				990 000		990 000

8 x ✓ = 4 marks
Total Marks = 13

Question 7

(a) Statement of Affairs of Fred and Sam Wong at 31 December 2002 ✓

Capital Accounts				Premises	40 000	✓
Fred	25 000	✓		Bank	12 000	✓
Sam	25 000	✓	50 000	Stock	850	✓
Current Accounts				Fittings & equipment	3 000	✓
Fred	2 000-50	✓✓		Cash	88	✓
Sam	2 000-50	✓✓	4 001			
Creditors			1 937			
			55 938		55 938	

12 x ✓ = 6 marks

(b) Current Account of Fred

Drawings	18 000	✓	Interest on Capital	1 250	✓
Balance c/d	2 000-50	✓	Salary	18 000	✓
			Share of profit	750-50	✓✓
	20000-50			20 000-50	

6 x ✓ = 3 marks

(c) Profit and loss Appropriation account for year ended 31 December 2002

Interest on Capital				Net Profit	40 001	✓✓
Fred	1 250	✓				
Sam	1 250	✓	2 500			
Salaries						
Fred	18 000	✓				
Sam	18 000	✓	36 000			
Share of profit						
Fred	750-50	✓				
Sam	750-50	✓	1 501			
			40 001		40 001	

8 x ✓ = 4 marks

Total marks = 13

ACCOUNTING 7011 CHIEF EXAMINER'S REPORT

General Comments

It is encouraging to note that the general standard of work presented in this examination indicated that most candidates were well prepared. As required by the syllabus, the examination paper focuses strongly on an appreciation of double entry. Double entry is the foundation on which all understanding is built. Candidates showed a good awareness of double entry and were able to apply it where necessary.

There is no choice of questions in part A of the paper. There is limited choice in part B. The least popular questions in section B were question 3 and question 7.

Question 1

The main difficulty in this question was the need to recognise that the "computer parts" account was in fact purchases. Many candidates also missed completing the capital account by entering the net loss and drawings. It is important to understand that these items would diminish the owner's capital and to be able to show this within the capital account.

Question 2

The trading and profit and loss accounts, together with the balance sheet were usually well done, with most students picking up marks for their own figures. The debtors and creditors accounts were poorly done with the majority of students finishing up with balances on the wrong side. Scoring high marks on this paper can be achieved through understanding the ledger accounts and double entry. The final accounts simply flow on from this, and not the other way round.

Question 3

Although some candidates write extremely well, written rather than numerical answers appear to cause candidates difficulty. They are certainly less popular. Once again the heart of this question was ledger accounts and double entry. Candidates who focus too strongly on the final accounts have great difficulty with this type of question. Knowing the different methods of calculating depreciation, the different methods of entry in the books, and significance of depreciation are all crucial.

Question 4

Many candidates showed a good ability with double entry, even on the more difficult items (iv) and (v). Some of the weaker candidates gave ledger accounts rather than journal entries. This resulted in a significant loss of marks. Part (b) was less well done. It was the requirement to explain that caused most difficulty. Some candidates produced a grid and showed that they could trace through the effects on working capital and proprietor's capital. Part marks were received for this. Where the word 'explain' is used, high marks will only be achieved for an explanation.

Question 5

This question required a lot of complicated adjustments. Generally it was well done by the majority who showed a sound understanding of the accounts of non-profit making organisations. The key to obtaining a good mark on this type of question was to show working. Where candidates did this, considerable credit was given.

Question 6

Manufacturing accounts do not rely on double entry. Those candidates that were familiar with the format applied this well to the items and scored highly.

Question 7

Candidates found this question difficult and it was not a popular choice. The key to success was spotting that the topic was as much based on the increased net worth aspect of incomplete entry as partnerships. Of those that attempted it, most managed to score up to half marks by doing a statement of affairs. Only the very best candidates scored more than 10 marks on this question

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	70	58	47	42	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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