

**Edexcel International
London Examinations
GCE Ordinary Level**

Mark Scheme with Examiners' Report

London Examinations Ordinary Level GCE in Accounting (7011)

June 2003

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July 2003

Order Code: UO014189

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ACCOUNTING 7011

Mark Scheme

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ACCOUNTING 7011, MARK SCHEME

Section A Question 1

(a) (i) **Sales Day Book**

May 5	Estartit Office Supplies	1200✓	
	Less trade discount 25%	300	900✓
May 13	Ulla Ltd	4800✓	
	Less trade discount 33.3%	1600	3200✓
May 23	Escalla & Co	600✓	
	Less trade discount 20%	120	480✓
	Total transferred to Sales Acc		<u>4580✓</u>

(ii) **Sales Account and Ulla Account**

Sales Account			
		May 31	Sundries
			4580✓✓

Ulla Limited Account			
May 31	Sales	3200✓	

10 x ✓ = 5 marks

- (b) (i) Credit Note ✓
(ii) Returns inward book ✓
(iii) Returns inward book ✓

Feb 10	Barca Ltd	80✓	
	Less trade discount 25%	20✓	60✓

6 x ✓ = 3 marks

(c)

Escalla & Co Account			
May 23	Sales ✓✓	480	May 28 Bank
			456✓✓
			May 28 Discount allowed
			24✓✓
		<u>480</u>	<u>480</u>

6 x ✓ = 3 marks

(d) (i) **Advantages of Control Accounts**

Check arithmetical accuracy of ledger

Can protect against fraud

Gives total figures for debtors, sales, purchases etc

Award two per advantage up to max two advantages 4 x ✓ = 2 marks

- (ii) Award two ticks per acceptable entry (not including opening balances).

Maximum six entries gives 12 ticks

Award two ticks for correct balance c/d at end of account

Gives maximum 14 ticks for (d) (ii)

14 x ✓ = 7 marks

- (iii) **Differences**

Trial balance includes all accounts whereas sales ledger control account would cover only the accounts in the ledger concerned e.g. sales ledger.

Similarities

Both are checking systems. Both detect only arithmetical accuracy.

Award two ticks for one difference and two ticks for one similarity **4 x ✓ = 2 marks**

- (iv) **Limitations** Do not detect all errors (one tick). Award second tick to example of error not detected e.g. error of commission **4 x ✓ = 2 marks**

(Total 24 marks)

Question 2

(a) Trial Balance of T Venables at 31 March 2003 ✓

	Debit	Credit
General expenses	3 290✓	
Cash at bank	7 960✓	
Wages and salaries	38 500✓	
Cash in hand	575✓	
Discount received		906✓
Motor vans	18 000✓	
Premises	200 000✓	
Trade creditors		7 250✓
Trade debtors	8 600✓	
Drawings	22 000✓	
Stock, 1 April 2002	6 300✓	
Sales		190 000✓
Purchases	162 000✓	
Capital		269 069✓✓
	467 225	467 225

16 x ✓ = 8 marks

(b)

Transaction	Account debited	Account credited	Impact on Net Profit	Impact on Current Assets
Cheque drawn for drawings	Drawings £2000✓	Bank £2000✓	nil✓	-£2000✓
Paid general exps in cash £125	General Exps £125✓	Cash £125✓	-£125✓	£-125✓
£4140 recd from debtors and disc allowed £40	Bank £4140 ✓ Discount Allowed £40✓	Debtors £4180✓✓	-£40✓	-£40✓
Purchases on credit £10600	Purchases £10600✓	Creditors £10600✓	Nil✓✓	+£10600✓✓
Sales for cash (all paid into bank ...mark up was 50%) £15000	Bank £15000✓	Sales £15000✓	+£5000✓✓	+£5000✓✓
Sales on credit (mark up was 50%) £6000	Debtors £6000✓	Sales £6000✓	+£2000✓✓	+£2000✓✓

32 x ✓ = 16 marks

(Total 24 marks)

Question 3

(a) (i)

		Debit	Credit	Balance
1 April				900 Dr ✓
3 April	Bank		450 ✓	
3 April	Discount		50 ✓	400 ✓
8 April	Sales	600 ✓		1000 ✓
10 April	Returns		10 ✓	990 Dr ✓

- (ii) (2) 3 April £450 received by Emma Pettit from Simon Wright ✓
 (3) 3 April £50 discount was allowed by Emma Pettit to Simon Wright for prompt payment of his account ✓
 (4) 10 April £10 was allowed by Emma Pettit to Simon Wright for goods returned ✓
 (5) 30 April the account was balanced showing that Simon Wright owed Emma Pettit £990 ✓

12 x ✓ = 6 marks

(b)

Rent Account						
1 April	Balance b/d	4 000 ✓		31 March	Profit and loss	47 000 ✓
31 March	Bank	50 000 ✓		31 March	Balance c/d	7 000 ✓
		54 000				54 000
1 April	Balance b/d	7 000 ✓				

Wages Account						
31 March	Bank	283 000 ✓		1 April	Balance b/d	12 000 ✓
31 March	Balance c/d	6 000 ✓		31 March	Profit and loss	277 000 ✓
		289 000				289 000
				1 April	Balance b/d	6 000

Provision for bad debts Account						
31 March	Profit and loss	5 000 ✓		1 April	Balance b/d	20 000 ✓
31 March	Balance c/d	15 000 ✓				
		20 000				20 000
				1 April	Balance b/d	15 000

14 x ✓ = 7 marks

(Total 13 marks)

Question 4

(a) (i) Trading account of Superstop for year ended 31 December 2002 ✓✓

Carriage inwards	100 ✓				Sales	80000 ✓
Opening Stock	13330 ✓✓				Less Sales returns	200
Purchases	45000 ✓	58430				79800 ✓
Less Closing Stock	4980 ✓					
Less Purchases Rets	250 ✓	5230				
Cost of sales			53200			
Gross Profit			26600	✓✓		
			79800			79800

12 x ✓ = 6 marks

(ii)

Rate of Stock Turnover =	Cost of Sales ✓	
	Average Stock	
Rate of Stock Turnover =	53200 ✓	
	9155 ✓	
Rate of Stock Turnover =	5.81 times ✓	

4 x ✓ = 2 marks

(iii) A rate of stock turnover of 5.81 means that stock has been bought and sold 5 times over the year ended 31 December 2002. **Up to 2 ✓**

Additional helpful information would be: forecast figure; competitor's figure; previous years figures etc. Award up to 2 ticks for each point up to a maximum of two points gives maximum 4 ticks

6 x ✓ = 3 marks

(b) An overvalued closing stock at the end of 2002 would overvalue net profit in 2002 (two ticks). Since closing stock becomes opening stock in 2003 ..opening stock would be overvalued and this would undervalue net profit in 2003 (2 ticks). The figure of £1,000 is not required simply the direction of change needs to be indicated

4 x ✓ = 2 marks

(Total 13 marks)

Question 5

(a)

Delivery Vans Account					
1 Jan	Balance b/d ✓✓	13 000	1 Jan	Disposal	5 000 ✓
1 Jan	Bank ✓	10 000	31 Dec	Balance c/d	18 000 ✓
		<u>23 000</u>			<u>23 000</u>
1 Jan	Balance b/d	<u>18 000 ✓</u>			

Provision for Depreciation on Delivery Vans Account					
1 Jan	Disposal	3 000 ✓	1 Jan	Balance b/d	3 800 ✓✓
31 Dec	Balance c/d	4 400 ✓	31 Dec	Profit/loss	3 600 ✓✓
		<u>7 400</u>			<u>7 400</u>
			1 Jan	Balance b/d	<u>4 400 ✓</u>

Disposal of Delivery Vans Account					
1 Jan	Delivery Vans	5 000 ✓	1 Jan	Prov for depr	3 000 ✓✓
			1 Jan	Bank	1 000 ✓
			31 Dec	Profit/loss	1 000 ✓
		<u>5 000</u>			<u>5 000</u>

18 x ✓ = 9 marks

(b)

Profit and Loss Account for year ended 31 December 2002. ✓✓					
	Prov for depr	3 600 ✓			
	Disposal	<u>1 000 ✓</u>			

Balance Sheet at 31 December 2002. ✓					
				Fixed Assets	
				Delivery vans at cost	18 000 ✓
				Less prov for depr	4 400 ✓
					<u>13 600 ✓</u>

8 x ✓ = 4 marks

(Total 13 marks)

Question 6

(a) Income and Expenditure Account of Bromsgrove High School Camp 2002. ✓✓

Maps		420✓		Fees	30 000✓✓
Coaches		7 500✓		Maps	300✓✓
Site fees	6 000✓				
Add owing	225	6 225✓			
Food and drink	4 000✓				
Less closing stock	400	3 600✓			
Bad debts		320✓			
Depreciation		1 800✓			
Mountain rescue		280✓			
Ambulance fees		150✓			
Staff travel		2 300✓			
Total Expenditure			22 595		
SURPLUS			7 705✓		
			<u>30 300</u>		<u>30 300</u>

18 x ✓ = 9 marks

(b) At 1 August 2001 the Accumulated fund was £26 980 and was made up of

	Tents	20 000✓
	Cash at bank	6 200✓
	Pots and pans	460✓
	Debtors	320✓

4 x ✓ = 2 marks

- (c) Decrease: because the camp is running at a surplus of £7 705. There is some £10 970 at the bank even though the stock of tents has been increased. It should, therefore be possible to charge students less for Camp next year.

Increase: even though the camp is running at a surplus and there is money at the bank, it may be that the tents/pots and pans are very old and need replacing. Increasing the amount that students must pay may mean they have more modern equipment

Award up to 2 ✓ for increase or decrease with reason. Award up to a further 2 ✓ for development of answer.

Question 7

Balance Sheet of Catalonia Ltd at 31 December 2002✓

Fixed Assets	Cost	Aggreg Depr	Net Value
Premises	175650✓		175650✓
Plant & machinery	120000✓	60000	60000✓
Motor vehicles	90000✓	50000	40000✓
			275650✓
Current Assets			
Stock	88200✓		
Debtors (-£700) ✓	14000✓		
Bank and Cash (+£900) ✓	19350✓	121550✓	
Less Current Liabs (+ £75 000) ✓			
Creditors (-£900) ✓		32000✓	
Working Capital			89550✓
			365200
Authorised Capital			
1,000,000 50p Ordinary Shares✓			500000✓
Issued Capital			
500,000 50p Ordinary shares (fully paid) ✓			250000✓
Profit/loss balance (-£700 ✓ -£75 000) ✓			90200✓
Share Premium			25000✓
Shareholders' Funds			365200

20 x ✓ = 10 marks for original balance sheet

6 x ✓ = 3 marks for adjustments shown in brackets

(Total 13 marks)

ACCOUNTING 7011, CHIEF EXAMINER'S REPORT

General Comments

Candidates scored over virtually the full range of marks from 0 to 100. There were relatively few candidates scoring between 0 and 30. The overall standard was very pleasing and centres are to be congratulated on the way they prepared candidates for this examination. There were many really excellent scripts and these candidates will have an excellent foundation for GCE Advanced level.

Question 1

Candidates who were not adequately prepared could not offer acceptable day books. Some of those that could prepare the day books could not handle trade discount. The weaker candidates ignored cash discount within the Escalla & Co account. Day books and ledger accounts are basic matters that should be mastered by candidates before moving on to (for example) control accounts.

Strong candidates gave excellent answers to the control accounts. There were many ingenious answers to differences and similarities of trial balance and control accounts. Sometimes differences and similarities were rather marginal. Credit was given when candidates said: both checked arithmetical accuracy; one covered all the ledger accounts whilst the other covered only certain ledger accounts, etc.

Question 2

Large numbers of candidates were able to score full or nearly full marks on the trial balance. However the table was less well done. The earlier items proved straightforward. The later items began to reveal weaknesses in candidates' preparation. Very few candidates were able to cope with the impact on net profit and on current assets on the items involving mark up.

Question 3

- (a) A large number of candidates had clearly little or no experience of preparing a running balance account. However, there was a good understanding of what the entries meant and these were generally well explained.
- (b) Adjustments to the accounts were handled superbly by well prepared candidates. Weaker candidates had little or no idea.

Question 4

- (a) The key to this question was putting the known figures into the trading account. Most candidates could do this but only the better could convert mark up into margin and arrive at the correct opening stock.
- (b) The number of candidates demonstrating understanding of stock valuation and its impact on net profit over a two year period, is improving

Question 5

This was a demanding question to unlock. It tended to be done by the better candidates. As such the answers showed a pleasing improvement in the ability to deal with the disposal of an asset.

Question 6

- (a) Mostly acceptable income and expenditure accounts were presented. Many did, however, include the cost of the tents as an expense rather than as an asset.
- (b) Relatively few candidates realised that the accumulated fund at 1 August 2001 was made up of: tents; cash; pots and pans; and debtors.
- (c) Some ingenious answers here showing good understanding of the purposes of accounting. Either course of action was acceptable with appropriate justification.

Question 7

The majority of candidates were able to provide very well prepared company final accounts. Improvement areas would include: the identification of shareholders' funds and full narrations for Authorised and Issued Capital.

Part (b) was badly done, largely due to candidates not reading the question carefully and following the instructions. Credit for adjustments in part (b) was only given when candidates showed these adjustments within the original balance sheet, as instructed.

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	69	56	44	37	31

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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