

**Edexcel International  
London Examinations  
GCE Ordinary Level**

**Mark Scheme with Examiners' Report**

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

January 2004

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April 2004

Order Code UO 014772

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# ACCOUNTING 7011, MARK SCHEME

**KEY – please note the following abbreviations used in the mark scheme**

**OF** (= Own Figure) is a system whereby a candidate misses a mark only once for a mistake. The mistake is noted where it first occurs and consequential incorrect figures or operations are awarded full marks as though they were correct.

**NC** (= Non Contaminated) applies when a mark is allocated to a sub heading / sub total. The mark for that sub heading is awarded only if the category of items does not contain an item that does not belong.

## SECTION A

### Question 1

#### General Ledger

Sales Account						
				Nov 1	Balance b/d	5 000✓
				Nov 8	G Sobers	570✓
				Nov 15	D Bradman	800✓

Purchases Account						
Nov 1	Balance b/d	2 300✓				
Nov 11	F Tyson	320✓				
Nov 19	D Bradman	300✓				
Nov 26	D Statham	240✓				

Returns Outward Account						
				Nov 1	Balance b/d	350✓
				Nov 15	F Tyson	40✓

Discount Received Account						
				Nov 1	Balance b/d	26✓
				Nov 6	D Statham	20✓
				Nov 30	F Tyson	68✓

Bank Account						
Nov 1	Balance b/d	980✓		Nov 6	D Statham	180✓
Nov 4	G Sobers	660✓		Nov 30	F Tyson	612✓

#### Purchases Ledger

D Statham Account						
Nov 6	Bank	180✓		Nov 1	Balance b/d	200✓
Nov 6	Discount Received	20✓		Nov 26	Purchases	240✓
Nov 30	Bal c/d OF(NC)	240✓				
		<u>440</u>				<u>440</u>

F Tyson Account						
Nov 15	Returns Outward	40✓		Nov 1	Balance b/d	400✓
Nov 30	Bank	612✓		Nov 26	Purchases	320✓
Nov 30	Discount Received	68✓				
		<u>720</u>				<u>720</u>

D Bradman Account						
Nov 30	D BradmanOF(NC)	300✓		Nov 19	Purchases	300✓

**Question 1 (continued)**

**Sales Ledger**

G Sobers Account						
Nov 1	Balance b/d	660✓		Nov 4	Bank	660✓
Nov 8	Sales	570✓				

D Bradman Account						
Nov 1	Balance b/d	590✓		Nov 30	D Bradman OF(NC)	300✓
Nov 15	Sales	800✓				

Purchases Ledger Control Account						
Nov 30	Returns Outward	40✓	OF	Nov 1	Balance b/d OF	600✓
Nov 30	Discount Received	88✓	OF	Nov 30	Purchases OF	860✓
Nov 30	Bank	792✓	OF			
Nov 30	Sales Ledger (Transfer)	300✓	OF			
Nov 30	Balance c/d	240✓		OF(NC)		
		<u>1460</u>				<u>1460</u>
				Dec 1	Balance b/d OF	<u>240✓</u>

**42 x ✓ = 21 marks**

**Sales Day Book✓**

Nov 8	G Sobers	600✓	
	Less trade discount 5%	30✓	570✓
Nov 15	D Bradman		800✓
Nov 30	Total transferred to Sales Account✓		<u>1370✓</u>

**6 x ✓ = 3 marks**

**Total 24 marks**

## Question 2

### Trading and Profit and Loss Account for year ended 31 December 2003

Opening Stock	12 000✓			Sales	310 000✓
Purchases	106 000✓			Less Returns inward	3 100✓
-Drawings-W	1 800✓	116 200			306 900
Less Closing St		5 960✓			
Cost of sales			110 240		
Gross Profit			196 660✓	OF(NC)	
			<u>306 900</u>		<u>306 900</u>

Wages		30 000✓		Gross Profit	OF	196 600✓
General Exps	36 000✓					
Add owing	2 400	38 400✓				
Rent		18 000✓				
Depr on vans	1600✓					
Depr on F & F	300✓	1 900				
Int on Loan -M		3 000✓				
			91 300			
Net Profit			105 360✓	OF(NC)		
			<u>196 600</u>			<u>196 600</u>

16 x ✓ = 8 marks

### Appropriation Account for year ended 31 December 2003

Interest on Capital				Net Profit	OF	105 360✓
M	5 000✓					
W	3 000✓	8 000				
Salary to Wise		24 000✓	32 000			
Share of Profit						
M	55 020✓	OF(NC)				
W	18 340✓	OF(NC)	73 360			
			<u>103 360</u>			<u>105 360</u>

6 x ✓ = 3 marks

### Current Accounts of Morcambe and Wise

		M	W			M	W
J1	Balance b/d	2 000✓		J1	Balance b/d		1 000✓
D31	Drawings	20 000✓	31 800✓✓	D 31	Int on Cap OF(NC)	5 000✓	3 000✓
D31	Bal OF(NC)	41 020✓	14 540✓	D 31	Share of Pr OF(NC)	55 020✓	18 340✓
				D 31	Salary OF(NC)		24 000✓
				D 31	Int on Loan OF (✓)	3 000✓✓	
		<u>63 020</u>	<u>46 340</u>			<u>63 020</u>	<u>46 340</u>

14 x ✓ = 7 marks

**Question 2 (continued)**

**Balance sheet at 31 December 2003✓**

Fixed Assets				
Premises			205 800✓	
Motor vehicles at cost	16 000			
Less provision for depreciation	4 800		11 200✓	
Fixtures & Fittings	3 000			
Less provision for depreciation	1 200		1 800✓	218 800✓ OF(NC)
Current Assets				
Stock	5 960			
Debtors	28 500			
Bank	12 600		47 060✓	
Less Current Liabilities				
<b>Creditors</b>		17 900		
General Exps owing	2 400		20 300✓	
Working Capital				26 760
				<b>245 560</b>
Capital Accounts				
Morcambe	100 000✓			
Wise	60 000✓		160 000	
Current Accounts				
Morcambe	OF(NC)	41 020✓		
Wise	OF(NC)	14 540✓	55 560	215 560
Loan from Morcambe				30 000✓
				<b>245 560</b>

**12 x ✓ = 6 marks**

**Total 24 marks**

## SECTION B

### Question 3

(a)

- (i) A bad debt is an amount owed by a debtor that will definitely not be received (✓✓) whereas a provision for bad debts is an amount by which profits have been reduced in anticipation of future bad debts (✓✓)

4 x ✓ = 2 marks

- (ii) The accounting principle involved is prudence (✓✓) and means anticipating possible losses rather than overstating profits (✓✓) Prudence is important because it leads to the production of true and fair accounts (✓✓)

6 x ✓ = 3 marks

(b)

(i)

Provision for Bad Debts Account						
2001 Dec 31	Balance c/d	4 000✓	OF	2001 Dec 31	Profit and loss	4 000✓
2002 Dec 31	Profit/loss	1 000✓		2002 Jan 1	Balance b/d	4 000✓
Dec 31	Balance c/d	3 000✓	OF			
		4 000				4 000
2003 Dec 31	Balance c/d	4 200✓	OF	2003 Jan 1	Balance b/d	3 000✓
				Dec 31	Profit and loss	1 200✓
		4 200				4 200

8 x ✓ = 4 marks

(ii)

Bad Debts Account						
2003 Dec 31	Debtors	5 600✓		2003 Dec 31	Profit and loss	5 600✓
					OF	

2 x ✓ = 1 mark

(iii)

Bad Debts Recovered Account						
2002 Dec 31	Profit and loss	200✓		2002 May 6	Bank	200✓
	OF					

2 x ✓ = 1 mark

(iv)

Profit and loss Account Extract for year ended 31 December 2002✓						
	Bad debts	OF	4 500✓		Prov for Bad debts	1 000✓
					OF	
					Bad debts Recovered	200✓
					OF	

4 x ✓ = 2 marks

**Total 13 marks**

### Question 4

(a)

#### Manufacturing Account for year ended 31 December 2003

Raw Materials				Cost of Finished Goods	529 400✓
Opening Stock	20 200✓			OF(NC)	
Purchases	250 000✓	270 200			
Less CI Stock	18 000✓				
Less Rets Outw	200✓	18 200			
CORMC			252 000✓	OF(NC)	
Factory Wages			150 000✓		
PRIME COST			402 200✓	OF(NC)	
Factory O/H's					
Indirect M Exps	25 000✓				
Depr on P/M	100 000✓		125 000		
Work in Progress					
Opening Stock	5 600✓				
Less CI Stock	3 200✓		2 400		
			529 400		529 400

12 x ✓ = 6 marks

(b)

#### Trading Account for year ended 31 December 2003✓✓

Finished Goods				Sales	595 000✓
Opening Stock	15 500✓			Less returns inward	1 000✓
Cost of F G OF	529 400✓	544 900			
Less CI Stock		26 000✓			
Cost of Sales			518 900		
Gross Profit			75 100✓	OF(NC)	
			594 000		594 000

8 x ✓ = 4 marks

(c)

#### Profit and Loss Account for year ended 31 December 2003

Selling and Adm	25 600✓			Gross Profit OF	75 100✓
Depr on Veh	18 000✓				
Depr on O E	1 000✓				
Veh Runn Exps	15 590✓		60 190		
Net Profit			14 910✓		
			75 100		75 100

6 x ✓ = 3 marks

Total 13 marks



### Question 5

(a)

**Redditch Golf Club Balance Sheets at beginning and end of 2003**

	1 Jan 2003	31 Dec 2003		1 Jan 2003	31 Dec 2003
LIABILITIES			ASSETS		
<b>Accumulated Fund</b>	1 045 680✓✓ OF(NC) ✓	1 132 450✓✓ OF(NC) ✓	Equipment	56 000✓	80 000✓
Bank overdraft	3 000✓		Clubhouse	1 000 000✓	1 000 000✓
Subs in advance	1 220✓	2 250✓	Bank		60 000✓
Exps owing	2 960✓	3 900✓	Subs in arrears	2 460✓	2 500✓
Creditors	10 600✓	8 400✓	Stock of Refreshmts	5 000✓	4 500✓
	<b>1 063 460</b>	<b>1 147 000</b>		<b>1 063 460</b>	<b>1 147 000</b>

20 x ✓ = 10 marks

(b)

**Redditch Golf Club Balance Sheets at beginning and end of 2003**

**(Statement of Surplus for year ended 31 December 2003)**

Accumulated fund at 31 December	OF	1 132 450✓
Less Accumulated fund at 1 January	OF	1 045 680✓
Apparent Surplus		86 770
Less Capital Receipt		10 000✓✓
<b>SURPLUS</b>	<b>OF(✓)</b>	<b>76 770✓✓</b>

6 x ✓ = 3 marks

**Total 13 marks**

### Question 6

(a)

- (i) Award one ✓ for each acceptable ratio and a further ✓ for each acceptable formula giving max of ✓✓✓✓. Current ratio (Current assets: current liabilities) and Acid Test/Quick Assets ratio (Current Assets less stock: current liabilities)

**4 x ✓ = 2 marks**

- (ii) Award one ✓ for any acceptable profitability ratio and a further one ✓ for an acceptable formula. Return on Capital Employed/Gross Profit to sales etc

**2 x ✓ = 1 mark**

- (iii) Sometimes a business can have good profits yet be unsuccessful due to a lack of control of liquidity. Knowing about ratio analysis and applying a 2:1 Current ratio may have made such a business successful. Award up to ✓✓ for a first acceptable statement and a further two ✓✓ for a development of the answer.

**4 x ✓ = 2 marks**

(b)

	Working Capital	Owner's Capital	Fixed Assets
(i)	<i>Not marking required - figures given on question paper</i>		
(ii)	+£1 000✓	+£1 000✓	No effect✓
(iii)	+£400✓	-£500✓	-£900✓
(iv)	No effect✓	-£5 000✓✓	-£5 000✓
(v)	-£40✓	-£40✓	No effect✓
(vi)	No effect✓	No effect✓	+£8 500✓

**16 x ✓ = 8 marks**

**Total 13 marks**

## Question 7

### Balance Sheet of Raynor Ltd at 31 December 2003

Fixed Assets	Cost	Agg Depr	Net Value
Premises	100 000		100 000✓
Plant and Machinery	380 000✓	22 000	358 000✓
<b>Current Assets</b>		OF(NC)	458 000✓
Stock	28 000✓		
Debtors	15 500✓		
Insurance prepaid	1 000✓		
Bank	40 090✓	84 590✓	OF(NC)
<b>Less Current Liabilities</b>			
Creditors	12 600✓		
Income received in advance	490✓		
Proposed Preference share dividend	12 500✓		
Ordinary share dividend due	12 500✓		
Debenture interest due	1 500✓	39 590✓	OF(NC)
Working Capital		OF	45 000✓
			503 000
<b>Authorised Capital</b>			
1 000 000 50p ordinary shares	500 000		
500 000 £1 5% preference shares	500 000		1 000 000✓
<b>Issued Capital</b>			
250 000 50p ordinary shares fully paid	125 000✓		
250 000 £1 5% preference shares fully paid	250 000✓		375 000
P/L balance (£100 000 + 1 000✓ – 1 500✓ – 12 500✓)			87 000✓
General reserve			16 000✓
Shareholders Funds		OF(NC)	478 000✓
6% Debentures			25 000✓
			503 000

### For part calculation of P/L balance and placement in Balance Sheet award

£100 000✓	£99 500✓✓✓	£86 000✓✓✓	£88 500✓✓
£101 000✓✓	£87 500✓✓	£98 500✓✓	

26 x ✓ = 13 marks

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

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## **General Comments**

The majority of candidates for this examination produced a pleasing standard of work displaying an understanding of double entry and the preparation of final accounts. There were some really excellent scripts where candidates scored full or almost full marks.

There is no choice of questions on Part A of the paper. There is limited choice in Part B. The least popular question in Part B was question 3.

## **Question 1**

This was generally well done by most candidates who were able to demonstrate mastery of double entry. The preparation of the control account tested most candidates and even the best had difficulty with the contra entry. Preparation of the sales day book also caused difficulty and a significant number of candidates transferred the total of the day book to the sales ledger.

## **Question 2**

Numerous candidates scored full marks on this partnership question. Notable errors were the omission of drawings from the trading account; and interest on loan from the profit and loss account. In general terms, however, the framework of this question was well understood and most candidates followed its complex demands very successfully.

## **Question 3**

This was definitely the least popular question in Part B. Those candidates who attempted it generally performed poorly. Candidates found it difficult to sift through the information in the question to decide exactly what was required. However, it was the lack of understanding of each of the elements of bad debts, bad debts recovered, and provision for bad debts that caused the problem. As with most topics, learning double entry is crucial. A sound knowledge of double entry provides the tools to do most questions and this is what learners need to concentrate on.

## **Question 4**

On the whole this question was well done. The secret here is to understand the process. What exactly is happening when a firm makes goods and which account takes which part of the process? It is crucial that candidates understand the make up of prime cost. They also need to understand the make up of cost of finished goods. These items form the manufacturing account. The trading account is the account of the warehouse and the profit and loss is the account of the office. Visualising the process is the key to writing an excellent answer.

### Question 5

Although the average mark on this question was above half, very few scored full marks. Those that did score full marks understood the concept of increased net worth and could apply this concept to club accounts. Most could prepare the required opening and closing statements (expenses prepaid and accrued and income in advance and in arrears were often incorrect) but few realised that surplus or deficit could be found by comparing the closing and opening accumulated fund.

### Question 6

The section on ratios was generally well done with most candidates displaying a good understanding of profitability and liquidity. However, the more demanding section on the effect of transactions on the balance sheet was well done only by the most able candidates. Again the secret of success lies in understanding double entry and being able to trace the effects through to the balance sheet. Learners are advised to practise extending double entry to its final destination on the balance sheet.

### Question 7

This was generally well done. However, tracing the effects of transactions through to the balance sheet was a major difficulty for most. Many candidates did not change the profit and loss balance at all, even though virtually every transaction affects it. Shareholders' funds and its constituent parts continue to be challenging to many, as does narrations for issued capital.

## **ACCOUNTING 7011, GRADE BOUNDARIES**

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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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