

Mark Scheme with Examiners' Report GCE O Level Accounting (7011)

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June 2004

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Mark Scheme with Examiners' Report

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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.

Question 1 Mark is for figure & narration ..ignore dates. figures are C or OF (NC)

Nationwide Ltd							
Apr 1	Balance b/d	1 000	4C	Apr 16	Bank	799	4C
				Apr 16	Discount All	11	4C
				Apr 30	Bal c/d	190	4OF
		<u>1 000</u>				<u>1 000</u>	
Black Cats							
Apr 1	Balance b/d	2 500	4C	Apr 30	Bal. c/d	4500	4OF
Apr 13	Sales	2 000	4C				
		<u>4 500</u>				<u>4 500</u>	
Premier Ltd							
Apr 3	Bank	1 383	4C	Apr 1	Bal. b/d	1 500	4C
Apr 3	Disc. Rec.	17	4C				
Apr 30	Bal. c/d	100	4OF				
		<u>1 500</u>				<u>1 500</u>	
Mackem Ltd							
Apr 30	Bal. c/d	8 000	4OF	Apr 1	Bal. b/d	3 000	4C
				Apr 17	Purchases	5 000	4C
		<u>8 000</u>				<u>8 000</u>	
Capital							
Apr 30	Drawings	500	4OF	Apr 1	Bal. b/d	8 000	4C
Apr 30	Bal. c/d	7 500	4OF				
		<u>8 000</u>				<u>8 000</u>	
Garage Equipment							
Apr 12	Nuts & Bolts	10 000	4C	Apr 30	Bal. c/d	10 000	4OF
Nuts & Bolts							
Apr 30	Bal. c/d	10 000	4OF	Apr 12	G Equipment	10 000	4C
Admin Exps							
Apr 30	P. Cash (1 Fig)	98	4C	Apr 30	P/L	822	4OF
Apr 12	Bank	724	4C				
		<u>822</u>				<u>822</u>	
Selling Exps							
Apr 30	P. Cash	25	4C	Apr 30	P/L	25	4OF
Drawings							
Apr 7	Bank	500	4C	Apr 30	Capital	500	4OF

Purchases							
Apr 21	Bank	1 500	4C	Apr 30	Trading	6 500	4OF
Apr 30	Sundrs/Mackem	5 000	4C				
		<u>6 500</u>				<u>6 500</u>	
Sales							
Apr 30	Trading	17 000	4OF	Apr 29	Bank	15 000	4C
				Apr 30	Sund/BlackCats	2 000	4C
		<u>17 000</u>				<u>17 000</u>	
Discount allowed							
Apr 30	Sundr/Natwde	<u>11</u>	4C	Apr 30	P/L	<u>11</u>	4OF
Discount received							
Apr 30	P/L	<u>17</u>	4OF	Apr 30	Sundr/Prem	<u>17</u>	4C

38 x 4 = 19 Marks

Account Name	Sub Divided Ledger	
Black Cats Ltd	Sales ledger	4
Premier Ltd	Purchases ledger	4
Capital	Private ledger	4
Garage Equipment	General ledger	4
Admin Expenses	General ledger	4
Drawings	Private ledger	4
Purchases	General ledger	4
Sales	General ledger	4
Discount Received	General ledger	4
Bank	Cash book	4

10 x 4 = 5 marks

Total 24 marks

Question 2

4What

4When

(a) Calculation of correct gross profit for year ended 30/04/04

Gross profit				75 000	
Add Drawings	44C	500			
Less Carriage inward	4C	- 125		375	
				<u>75 375</u>	4OF

6 x 4 = 3 marks

(b) do not accept accrued or prepaid in place of balance

(i) Business Rates

Balance b/d or Bank	4C	4 000	P/L	4OF	4200
Balance c/d	4C	200			
		<u>1 000</u>			<u>1000</u>

(ii) Insurance

Bal. b/d or Bank	4C	2 000	P/L	4OF	1 500
			Bal. c/d	4C	500
		<u>2 000</u>			<u>2 000</u>

(iii) Provision for Depreciation on F/Equipment

Bal. c/d	4OF	6 480	Bal. b/d	4C	4 800
			P/L or Deprn	4C	1 680
		<u>6 480</u>			<u>6 480</u>

(iv) Provision for bad Debts

P/L	4OF	180	Bal. b/d	4C	600
Bal. c/d	4C	420			
		<u>600</u>			<u>600</u>

12 x 4 = 6 marks

c) Profit and loss account for year ended 30 April 2004

Bad debts	320	4C	Gross Profit	75 375	4OF
Rent	19 200	4C	Prov for bad debts	180	44C
Sales Assist Wages	21 000	4C			4OF
Carriage Out	675	4C			
Rates	4 200	44C	4OF		
Insurance	1 500	44C	4OF		
Provision for depreciation in F/Equipment	1 680	44C	4OF		
	<u>48 575</u>				
NET PROFIT	26 980	4OF			
	<u>75 555</u>			<u>75 555</u>	

14 x 4 = 7 marks

d) Balance sheet at 30 April 2004

				FIXED ASSETS			
Capital	21 720	4C		F& Eq at cost	16 000	4C	
Net Profit	26 980	4OF	48 700	Prov for deprec	6 480	4OF	9 520 4OF
Less drawings		4OF 44C	15 500				
			33 200				
CURRENT LIABILITIES				CURRENT ASSETS			
Creditors	2 200	4C		Stock		12 000	4C
Rates Owing	200	4OF	OF4	Debtors	8 400	4C	
				Less Prov for bad debt	- 420		7 980 4OF
				Insurance Prepaid		500	4OF
				Bank		5 600	4C
			35 600			26 080	4OF
						35 600	

16 x 4 = 8 marks

Total 24 Marks

Question 3

(a)

		Dr		Cr	
Drawings	(Dr)	25 000	4		
Premises				25 000	4
Being correction4 of error of principle		4			

Drawings	(Dr)	200	4		
Purchases				200	4
Being correction4 of error of omission		4			

Alan Johnston	(Dr)	300	4		
Alma Jonsen				300	4
Being correction4 of error of commission		4			

12 x 4 = 6 marks

(b)

Suspense account

Balance b/d	4of	54.95	4OF				
Returns outward	4C	50.00	4C	Discount allowed	4C	75.20	4C
				Discount allowed	4C	20.75	4C
				Bank	4C	9.00	4C
		104.95				104.95	

(Discount allowed £95.95 on credit side of Suspense account give 4444)

(c) The trial balance was deficient by £54.95 44OF on its debit side44OF

4 x 4 = 2 marks

Total 13 marks

Question 4

(a) Calculation of Sarah's Capital at 1 Jan 2003

Premises	50 000	4C		
Fixtures	10 000	4C		
Motor Vans	5 000	4C		
Debtors	1 500	4C		
Stock	3 400	4C		
Bank	800	4C	70 700	
Less Creditors			700	4C
			<u>70 000</u>	4OF

8 x 4 = 4 marks

(b)

Balance sheet of Sarah at 31 December 2003

						Fixed Assets						
Capital	70 000	4of				Premises			50 000	4c		
+ legacy	2 000	4c	72 000			Fixtures	10 000	4c				
-Drawings		4c	1 500			Less depr	800		9 200	4c		
			70 500			Motor vans	5 000	4c				
Less Net Loss		4of	2586	67 914		Less depr	1 200		3 800	4c	63 000	4of
Current Liabilities						Current Assets						
Creditors	1 200	4c				Stock			5 400	4c		
Bank O/D	1 000	4c		2 200	4of	Debtors	1 800	4c				
						Less prov	-36	4c				
						Less bad debt	-50	4c	1 714		7114	4of
				70 114							70114	

18 4 = 9 marks

Total 13 mark

Question 5

(a)

		Tom		Bill	
(iii)				16.25	44
(iv)		16.1%	44		
(v)				4:1	44

6 x 4 = 3 marks

- (b)**
- (i) Tom's business is more profitable.44
 - (ii) Tom's return on capital employed is 34.6%4 whereas Bill's is 25.8%4(from table)
 - (iii) Tom's NP% appears higher probably because his expenses are lower444
Tom is buying and selling goods at a quicker rate (Ref. ST =21) than Bill (16.25). 444

10 x 4 = 5 marks

- c)**
- (i) Tom's business has the better liquidity.44
 - (ii) Tom's current ratio is 2:14, which is superior to Bill's at 4:14.
 - (iii) Low liquidity can be improved by
 - Selling surplus assets for cash
 - Raising cash through injection of capital

High liquidity can be improved by

 - Using cash to buy assets

Award 444 for any acceptable reason. X 2 reasons
...if just eg reduce debtors (without explanation of how) give 4

10 x 4 = 5 marks

Total 13 marks

Question 6

(a)
(i)

David Hill								
		Dr		Cr.		Balance		
April 1						9 150	44	Dr
April 3	Bank			6 000	4			
April 3	Discount			50	4	3 100	4	
April 8	Sales	5 000	4			8 100	4	
April 10	Returns			110	4	7 990	4	
April 29	Contra	70	4			8 060	44	Dr

12 x 4 = 6 marks

(ii)

- (2) 1 April Kayleigh Wagg owed £50 to David Hill 44
- (3) 3 April Kayleigh Wagg received £6000 from David Hill 44
- (4) 3 April Kayleigh allowed David £50 cash discount 44
- (5) 10 April Kayleigh received returns £110 from David 44
- (6) 29 April An amount owing by Kayleigh to David £70 44 was transferred to the creditors ledger (or purchases ledger)

10 x 4 = 5 marks

(b)

Van 1 Disposal Account					
Del Vans	6 000	4c		Prov for depreciation	1 200 4c
				Cash	3 000 4c
				P/L	1 800 4of
	<u>6 000</u>				<u>6 000</u>

4 x 4 = 2 marks

Total 13 marks

Question 7

Espania Ltd 4Who

Balance sheet at 31 December 2003 4What and When

Mark the balance sheet first out of 20 4's.

Then look for the adjustments in brackets and show as a separate 6 4's

Fixed Assets	Cost		Aggregate deprn		Net Value	
Premises	700 000	4c			700 000	4c
Plant & Machinery (depreciation + £100004)	200 000	4c	60 000		140 000	4c
					840 000	4of
Current Assets						
Stock	88 200	4c				
Deb/Ins – (£5 0004)	64 000	4c				
Bank and Cash in hand	40 000	4c	192 200	4of		
Less Current Liabs						
Creditors (Prop Share Dividend £400004)			92 000	4c		
Working Capital					100 200	4of
Authorised Capital					940 200	
3 000 000 x 50p ordinary shares		4c			1 500 000	4c
Issued Capital						
1 000 000 x 50p ordinary shares		4c			500 000	4c
Share Premium					50 000	4c
P/L Balance (-£10 0004 -£5 0004 -£40 0004)					390 200	4c
Shareholders funds					940 200	4of

26 x 4 = 13 marks

ACCOUNTING 7011, CHIEF EXAMINER'S REPORT

Question 1

Candidates were required to post from books of original entry to the ledger and then to close down the ledger accounts in readiness for the preparation of the final accounts. Posting from the cash book and the petty cash book proved difficult for many candidates. Few candidates sent drawings to the capital account. Incorrect use of c/d and b/d balances meant that a number of candidates did not pick up marks for basic accounting. Although there were some superb answers many candidates found it difficult to score highly on this question.

Question 2

In part (a) it was very much the minority of candidates who were able to correct the gross profit. The preparation of the ledger accounts in part (b) showed that many candidates were unable to deal with adjustments within the accounts. Final accounts were well done, showing the usual mastery of the profit and loss account and the balance sheet. Where items are being sent to the balance sheet from the ledger account the word balance should be used rather than prepaid or accrued.

Question 3

Many candidates showed a good grasp of double entry and the ability to correct errors. In part (a) the journal entries were well done except for the narrations. Although candidates were aware of types of error frequently the narration did not explain that a correction was being made. In part (b), candidates' understanding of the suspense account is good and improving. Part (c) showed that the majority of candidates understand the purpose and operation of the suspense account.

Question 4

Although most candidates can prepare an acceptable balance sheet only the best can deal correctly with adjustments. Tracking through the effect of transactions on profit is the main difficulty. Nevertheless most candidates attempting this question scored a relatively high mark.

Question 5

Understanding profitability and liquidity are crucial concepts. Candidates could calculate well but found it more difficult to analyse and evaluate. Practice on the kind of material given in this question is essential to give candidates confidence in their ability to write good comments.

Question 6

Many candidates do not know the running balance format. The items within David Hill's account were well understood. The exceptions were the credit opening balance and the contra entry. Part (b) was well done, showing good mastery of one of the more difficult items (disposal of assets) on the syllabus.

Question 7

The company balance sheet was well done. However, the three adjustments required by part (b) caused serious difficulty. In general these adjustments were either missed out totally or done incorrectly. Although the adjustments were slightly different from those appearing in past questions, the performance of candidates was poorer than in the past.

ACCOUNTING 7011, GRADE BOUNDARIES

Grade	A	B	C	D	E
Lowest mark for award of grade	69	57	45	40	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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