

Mark Scheme (Results)

Summer 2010

GCE

GCE O LEVEL ACCOUNTING (7011) Paper 01

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Section A

• Question Number	• Answer	• Mark																									
• 1(a)(i)	<ul style="list-style-type: none"> • Michael Honda • Purchases Day Book <table border="1"> <thead> <tr> <th></th> <th></th> <th>£</th> <th>£</th> <th>£</th> </tr> <tr> <th></th> <th></th> <th>Goods</th> <th>VAT</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>3 April</td> <td>Slick Cars</td> <td>9 860 /C</td> <td>986 /C</td> <td>10846 /OF</td> </tr> <tr> <td>14 April</td> <td>Sound Waves</td> <td><u>450 /C</u></td> <td><u>45 /C</u></td> <td><u>495 /OF</u></td> </tr> <tr> <td></td> <td></td> <td><u>10 310</u></td> <td><u>1 031</u></td> <td><u>11 341</u></td> </tr> </tbody> </table>			£	£	£			Goods	VAT	Total	3 April	Slick Cars	9 860 /C	986 /C	10846 /OF	14 April	Sound Waves	<u>450 /C</u>	<u>45 /C</u>	<u>495 /OF</u>			<u>10 310</u>	<u>1 031</u>	<u>11 341</u>	• • • • (6) • • • •
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1(a)(iv)	<p style="text-align: center;">General Journal</p> <table border="1"> <thead> <tr> <th></th> <th></th> <th>£</th> <th>£</th> </tr> <tr> <th></th> <th></th> <th>Debit</th> <th>Credit</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>			£	£			Debit	Credit					(4)
		£	£											
		Debit	Credit											

	10 April	Motor vehicles	2 200 /C		
		VAT	220 /C		
		Anthony Edward		2 420 /C	
		Purchase of fixed asset on credit /			

Question Number	Answer							Mark
1(b)	Bank Account							
			£				£	(10)
			Bank		Disc All		Bank	
	1 April	Balance b/f	1 955 /C		1 April	Stationery	440 /C	
	5 April	Sales	3 300 /C		11 April	Insurance	800 /C	
	28 April	Mobile Dinners	20 482 /OF	980 /C	17 April	Drawings	2 000 /C	
					30 April	Slick Cars	10 846 /OF	
					30 April	Balance c/f	11 651 /C /OF	
			<u>25 737</u>	<u>980</u>			<u>25 737</u>	

Question Number	Answer							Mark
1(c)(i)	Slick Cars Account							
			£				£	
	30 April	Bank	10 846 /OF		3 April	Purchases	10 846 /OF	(2)

Question Number	Answer							Mark
1(c)(ii)	Mobile Dinners Account							
			£				£	
	15 April	Sales	24 528 /OF		16 April	Returns	3 066 /OF	(4)
					28 April	Bank	20 482 /OF	
			<u> </u>		28 April	Discount	<u>980</u> /OF	
			<u>24 528</u>				<u>24 528</u>	

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• Question • Number	• Answer		
• 2(c)	<ul style="list-style-type: none"> • Kath and Ted Balance Sheet as at 31 March 2010 		
		£	£
	Fixed assets	Asset at cost	Acc Dep
	Equipment	36 000 JC	(16 800) JOF
	Motor van	15 000 JC	(3 000) JOF
			NBV
			19 200 JOF
			<u>12 000 JOF</u>
			31 200
	Current assets		
	Stock	610 JC	
	Debtors (6 740 - 337)	6 403 JJ	
	Insurance prepaid	74 JC	
	Bank	2 458 JC	
	Cash	<u>75 JC</u>	
			9 620
	Current liabilities		
	Creditors	3 105 JC	
	Motor expenses owing	<u>320 JC</u>	
			<u>3 425</u>
	Working capital		<u>6 195 JOF</u> <u>labelled</u>
			<u>37 395</u>
		Kath	Ted
	Capital accounts:	10 000 JC	15 000 JC
			25 000
	Current accounts:		
	Balance b/f	(1 950)	2 307 JC
	Interest on capital	1 000	1 500 JC
	Salary	8 000	10 000 JC
	Share of profits	13 554	20 331 JOF
	Interest on drawings	(1 416)	(981) JC
	Drawings	(23 600)	(16 350) JC
	Balance c/f	(4 412)	16 807 JOF
			<u>12 395</u>
			<u>37 395</u>
	<ul style="list-style-type: none"> • Fixed assets: marks depend on asset at cost and accumulated depreciation being shown • Marks for capital accounts and items in current accounts are for the figures of both partners. Marks can be awarded where candidates have produced correct ledger accounts. • 		

Section B

Question Number	Answer	Mark																																								
3(a)	<table border="1"> <thead> <tr> <th>Date</th> <th>Item</th> <th>Debit £</th> <th>Credit £</th> <th>Balance £</th> </tr> </thead> <tbody> <tr> <td>1.5.2010</td> <td>Balance b/f</td> <td></td> <td></td> <td>480.00 CR</td> </tr> <tr> <td>2.5.2010</td> <td>Cheque</td> <td>28.00</td> <td></td> <td>452.00 CR</td> </tr> <tr> <td>3.5.2010</td> <td>Direct debit: National Electricity plc</td> <td>52.80</td> <td></td> <td>399.20 CR/C</td> </tr> <tr> <td>4.5.2010</td> <td>Card purchase: Drawings Supplies</td> <td>500.00</td> <td></td> <td>100.80 DR /OF</td> </tr> <tr> <td>5.5.2010</td> <td>Bank Giro Credit: London Journals</td> <td></td> <td>162.00</td> <td>61.20 CR /OF</td> </tr> <tr> <td>6.5.2010</td> <td>Account Credit: Global Publications</td> <td></td> <td>689.00</td> <td>750.20 CR /OF</td> </tr> <tr> <td>7.5.2010</td> <td>Online transfer: savings account</td> <td>400.00</td> <td></td> <td>350.20 CR /OF / / / C</td> </tr> </tbody> </table> <p>Accept brackets or minus sign in place of DR</p>	Date	Item	Debit £	Credit £	Balance £	1.5.2010	Balance b/f			480.00 CR	2.5.2010	Cheque	28.00		452.00 CR	3.5.2010	Direct debit: National Electricity plc	52.80		399.20 CR/C	4.5.2010	Card purchase: Drawings Supplies	500.00		100.80 DR /OF	5.5.2010	Bank Giro Credit: London Journals		162.00	61.20 CR /OF	6.5.2010	Account Credit: Global Publications		689.00	750.20 CR /OF	7.5.2010	Online transfer: savings account	400.00		350.20 CR /OF / / / C	
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3(c)	<p>Advantages of setting up and operating a double-entry bookkeeping system. ✓✓✓✓</p> <p>Disadvantages or limitations of setting up and operating a double-entry bookkeeping system. ✓✓✓✓</p> <p>Evaluative or concluding statement. ✓✓</p> <p>Sample answer:</p> <p>A double-entry system shows both aspects of every transaction and gives full information. ✓✓</p> <p>It makes it easier to check for errors and omissions. ✓✓</p> <p>There is a cost of setting it up and operating it. ✓✓</p> <p>It is a more complex system and may not be necessary for a small business. ✓✓</p>	(10)

	Overall a double-entry system allows for more control if it is well operated. <i>✓✓</i>	
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Number		
4(b)	Variable costs are costs which change directly £ with the number of units produced £	(2)

• Question • Number	• Answer	• Mark														
• 5(a)	<table border="1"> <tr> <td></td> <td style="text-align: right;">£</td> </tr> <tr> <td>Profit and loss account balance from trial balance</td> <td style="text-align: right;">172 000 £C</td> </tr> <tr> <td>Less interest owing</td> <td style="text-align: right;">(17 000) £C</td> </tr> <tr> <td>Less tax</td> <td style="text-align: right;">(33 300) £C</td> </tr> <tr> <td>Less preference dividend</td> <td style="text-align: right;">(2 500) £C</td> </tr> <tr> <td>Less ordinary dividend</td> <td style="text-align: right;">(16 000) £C</td> </tr> <tr> <td>Adjusted profit and loss account balance</td> <td style="text-align: right;"><u>103 200</u> £OF</td> </tr> </table>		£	Profit and loss account balance from trial balance	172 000 £C	Less interest owing	(17 000) £C	Less tax	(33 300) £C	Less preference dividend	(2 500) £C	Less ordinary dividend	(16 000) £C	Adjusted profit and loss account balance	<u>103 200</u> £OF	• • • (6) •
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	100 000 50p preference shares, fully paid			50 000 /C
	Share premium account			122 000 /C
	Profit and loss account balance			<u>103 200</u> /OF
	Shareholders' funds			475 200 /OF
	10% bank loan 2012			<u>170 000</u> /C
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Question Number	Answer	Mark																								
6(a)	<p>Changes between 2008 and 2009:</p> <table border="1"> <tr> <td>1.</td> <td>Equipment:</td> <td>New equipment costing £1 200 was purchased. /</td> </tr> <tr> <td>2.</td> <td>Stocks of refreshments</td> <td>Increased by £25.</td> </tr> <tr> <td>3.</td> <td>Subscriptions owing</td> <td>Increased by £240.</td> </tr> <tr> <td>4.</td> <td>Rent prepaid</td> <td>Increased by £60. /</td> </tr> <tr> <td>5.</td> <td>Bank balance</td> <td>Deteriorated by £189. //</td> </tr> <tr> <td>6.</td> <td>Surplus / deficit position</td> <td>Improved by £478. //</td> </tr> <tr> <td>7.</td> <td>Loan</td> <td>A new loan of £800 was borrowed. /</td> </tr> <tr> <td>8.</td> <td>Creditors</td> <td>Creditors increased by £58. /</td> </tr> </table>	1.	Equipment:	New equipment costing £1 200 was purchased. /	2.	Stocks of refreshments	Increased by £25.	3.	Subscriptions owing	Increased by £240.	4.	Rent prepaid	Increased by £60. /	5.	Bank balance	Deteriorated by £189. //	6.	Surplus / deficit position	Improved by £478. //	7.	Loan	A new loan of £800 was borrowed. /	8.	Creditors	Creditors increased by £58. /	(8)
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6(b)(i)	<p>2008:-1.6% // c (or 1.6% //) (marks only to be awarded for correct figure- accept reasonable roundings e.g.2)</p> <p>2009: 22.3% //c (marks only to be awarded for correct figure- accept reasonable roundings e.g. 22 or 23)</p>	(4)

Question Number	Answer	Mark
6(b)(ii)	<p>2008: 24.86 : 1 //C (marks only to be awarded for correct figure- accept reasonable roundings e.g. 24.8, 24.9 or 25)</p> <p>2009: 5.97 : 1 //C (marks only to be awarded for correct figure- accept reasonable roundings e.g. 5.9 or 6)</p>	(4)

Question Number	Answer	Mark
6(c)	<p>Points in support of an improvement in performance:</p> <ul style="list-style-type: none"> • The return on accumulated fund has improved from - 1.6% to + 22.3%. • New equipment has been purchased • The loan is interest-free • The subscriptions owing have increased by a large amount and this is putting pressure on the bank balance. <p>Points in support of a deterioration:</p> <ul style="list-style-type: none"> • The current ratio has deteriorated from 24.8 : 1 to 5.97 : 1. • The equipment has been purchased partly from current funds. • The new loan will have to be repaid. • Subscriptions owing have increased. <p><i>/</i> or <i>//</i> for each point explained up to a maximum of 4 marks for each section.</p> <p><i>//</i> for a conclusion eg the return has improved but the liquidity is less; or the surplus has increased but this is not the main purpose of the club.</p>	(10)

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