Edexcel
advancing learning, changing lives

GCE

Mark Scheme Summer 2009

GCE Accounting (8011-9011)

A PEARSON COMPANY

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.

- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.

- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.

- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.

- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.

- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Answer	Mark
1(a)	**Sales** **Purchases**	

1(a)

Sales	£	Purchases	£
Cash -Wages	7 800 √	Supplier payments	48 000 √
Operating Ex	5 400 √	Discount received	2 500 √
Sales banked	19 850 √		50 500
Credit sales	77 600 √	Creditors 1 May	4 300 √
	110 650		46 200
Discount allowed	3 200 √	Creditors 30 April	4 800 √
	113 850	PURCHASES	51 000 √
Debtors 1 May	9 800 √		
	104 050		
Debtors 30 April	7 950 √		
SALES	112 000 √		

Note: Control Account format is accepted as an alternative layout.

(13)

Question Number	Answer	Mark
1(b)	Rania – Trading and Profit and loss account for the year ended 30 April 2009.	

1(b) Rania – Trading and Profit and loss account for the year ended 30 April 2009.

	£	£	
Sales		112 000	√OF
Opening stock	8 250		√
Purchases	51 000		√OF
Carriage	5 900		√
	65 150		
Closing stock	5 150		√
Cost of sales		60 000	√
Gross profit		52 000	
Plus			
Discount received	2 500		√
Profit on sale of equipment	150		√
		2 650	
		54 650	
Less			
Discount allowed	3 200		√
Depreciation on equipment	1 800		√
Operating expenses	12 650		√
5 400 + 7 250			
Rent 5 500 + 500	6 000		√
Staff wages	7 800		√
Delivery expenses	11 800		√
Loan interest	800		√
		44 050	
Net profit		10 600	
		54 650	

	Balance sheet as at 30 April 2009			
	£	£		
Fixed assets				
Equipment		12 000	√	
Current assets				
Stock	5 150		√	
Debtors	7 950		√	
	13 100			
Current liabilities				
Creditors	4 800		√	
Accrued	1 300		√√	
500 + 800				
Bank overdraft	2 400		√	
	(8 500)			
Net current assets		4 600		
		16 600		
Long term liabilities				
8% Bank loan		(10 000)	√√	
		6 600		
Financed by:				
Capital	21 000		√	
Net profit	10 600		√OF	
	31 600			
Drawings	25 000		√	
		6 600		
Note: 8% Bank loan can alternatively be recorded under Financed by:				**(27)**

Question Number	Answer	Mark
1(c)	Day-work – this is an hourly rate irrespective of the output of the employee. Calculation is hours attended √ x hourly rate. √ Piecework- this is a rate per piece of work completed irrespective of how long that 'piece' takes to complete. Calculation is rate per piece √ x number of pieces completed. √	**(4)**

Question Number	Answer	Mark
1(d)	Valid answers may include: In favour of the decision: • less supervisory control will be needed • more work may be completed by the employee in the same time • opportunity to increase earnings for employee. Against the decision: • difficulty of measuring this type of work • difficulty in setting the piecework rate • quality of work may diminish. √√ per point. MAX two points in favour and two points against.	**(8)**

(Total 52 marks)

Question Number	Answer	Mark

2(a)	Sayeda trading and profit and loss account for the year ending 30 April 2009
	
	        £ £
	Sales – credit 205 000
	 cash 19 000
	          224 000 √
	Opening stock 21 000
	Purchases 195 000
	       216 000
	Closing stock 56 000 √
	Cost of sales 160 000 √
	Gross profit 64 000 √
	Expenses 37 000 √
	Depreciation 15 000 √
	         52 000
	Net profit 12 000 √
	         64 000
		(7)

Question Number	Answer	Mark
2(b)	Mark up $\frac{64\,000 \times 100}{160\,000}$ = 40% √√√ Stock turnover $\frac{160\,000}{(21\,000 + 56\,000)/2}$ = 4.16 times √√√ √ ROCE $\frac{12\,000 \times 100}{15\,000 + 40\,000}$ = 21.8% √√√ **OR** $\frac{12\,000+ 4\,000 \times 100}{15\,000 + 40\,000}$ = 29.18 √√√ Debtors collection period (days) $\frac{14\,000 \times 365}{205\,000}$ = 25 days √√√ Creditors payment period (days) $\frac{35\,000 \times 365}{195\,000}$ =65.5 days √√√ Note: all reasonable rounding accepted.	**(15)**

Question Number	Answer	Mark
2(c)(i)	The term profitability refers to the ability to generate sufficient excess of income over expenditure √√ compared to a common 'yardstick' such as capital employed to generate that profit or sales. √√ Note: if a ratio such as GP to sales or ROCE is used to explain profitability √√ for 'yardstick'.	**(4)**

Question Number	Answer	Mark
2(c)(ii)	The mark up is well above the sector average which is good and means that the business is profitable. √√OF The return on capital employed is above the sector average, which is good and means that the return on the owners' investment is greater than the average in the sector. √√OF The debtors' collection period is lower than the sector meaning that the sector collects debts more quickly. The business should pay attention to this to improve liquidity. √√OF	**(6)**

Question Number	Answer	Mark
2(d)	Valid answers may include: In favour of the decision: • if prices are reduced by 20%, sales may increase significantly • cheaper goods may give a greater mark up • it could lead to expansion of business and of spreading fixed costs further. Against the decision: • poorer quality goods may lose the reputation of the business • reduced prices may lower the mark up • the business may be selling more goods for less profit. √√ per point. MAX two points in favour and two points against.	**(8)**

Question Number	Answer	Mark
2(e)	1. Money measurement. √√ People are not considered assets which are recorded in the accounts. People can also leave with limited notice and the skill is lost without monetary compensation. √ 2. Historic cost. √√ Market prices may fluctuate but no profit on premises may be assumed until the profit is realised through a sale. 3. Accruals or matching. √√ Adjust has to be made between the amount actually spent and that which is used up, or incurred in the period, to enable matching of the income for the period with the expenditure to generate that income. √ 4. Consistency. √√ When a depreciation policy has been selected it should be used consistently to enable comparison of periods to be undertaken. A change of policy would distort profits. √	
		(12)

(Total 52 marks)

Question Number	Answer	Mark
3(a)(i)	Valid answers may include: • bad debts relate to the current accounting period • bad debts can be measured with certainty because they relate to past events • PDD relate to existing debtors, but they are an estimation of the percentage of debts that will become 'bad', probably in the next accounting period • the provision is only an estimation based upon empirical information and cannot be ascertained with certainty. √√ for one point x 3. MAXIMUM two points relating to bad debts and two points relating to provisions for doubtful debts.	(6)

Question Number	Answer	Mark
3(a)(ii)	Conservatism or prudence. √√	(7)

Question Number	Answer	Mark

3(b)	Journal
	
	                                Dr Cr
	                                £ £
	
	 Fixed assets 2 000 √
	 General expenses 2 000 √
	
	 Bank/Cash 300 √
	 Bad debts 700 √
	 A.Malan 1 000 √
	 OR
	 Bad debts 700 √
	 A.Malan 700 √√
	
	 Wages and salaries 243 √
	 Suspense 243 √
		(7)

Question Number	Answer	Mark

3(c)	Provision for doubtful debts account
	     £ £
	      Balance b/d 565 √
	 Balance c/d 580 √ Profit and loss 15 √
	     580 580
	      Balance b/d 580 √OF
	
	 Note: OF if balance b/d on credit side.
	
	 Electricity account
	     £ £
	 Balance b/d 340√ Profit and loss 2 605 √
	 Bank/cash 3 000 Balance c/d 735 √
	     3 340 3 340
	 Balance b/d 735√OF
	
	 Note: OF if balance b/d on debit side.
		(9)

Question Number	Answer	Mark
3(d)	Trading and profit and loss account for the year ended 30 April 2009.	

	£	£	
Sales		132 000	√
Opening stock	5 600		√
Purchases	66 600		√√
	72 200		
Closing stock	5 700		√√
Cost of sales		66 500	
Gross profit		65 500	
Less			
Rent (9 100-2 400)	6 700		√√
Electricity (3 000+340-735)	2 605		√√
General expenses (9 450-2 000)	7 450		√√
Bad debts	700		√√
Wages and salaries (28 100+243)	28 343		√√
Depreciation	7 500		√√
Increase in PDD	15		√√
		53 313	
Net profit		12 187	(20)

Question Number	Answer	Mark
3(e)	Valid answers may include: **In favour of the decision:** • perpetual inventory will enable the issuing of stock to be more closely related to prices paid • accurate and up to date valuation of stock is available at all times • LIFO will issue stock at close to the replacement cost in inflationary times. **Against the decision:** • perpetual inventory is more complex to operate than periodic inventory • LIFO provides a lower closing stock value and therefore lowers gross profit in the final accounts • LIFO is not accepted by SSAP or the Revenue • breaches consistency concept • time consuming using perpetual basis. √√ per point. MAX two points in favour and two points against. Note: Comments on difficult to calculate, prudent, physical deterioration reduced, no marks.	**(8)**

(Total 52 Marks)

Section B

Question Number	Answer	Mark
4(a)	Profit and Loss Appropriation Account for the year ended 31 December 2008	

Profit and Loss Appropriation Account for the year ended 31 December 2008

	£	£
Net profit		38 000
Interest on capital		
Eleni	1 500 √	
Gianna	1 000 √	
	2 500	
Salaries		
Eleni	7 500	
Gianna	10 000	
	17 500 √	
		(20 000)
		18 000
Share of profit		
Eleni	12 000 √OF	
Gianna	6 000 √OF	
	18 000	

OF If no alien items such as drawings included.

(5)

Question Number	Answer	Mark
4(b)		

Current accounts

	Eleni £	Gianna £		Eleni £	Gianna £
Balance b/d	3 000		Balance b/d		500 √
Drawings	17 500	16 600 √	Interest on capital	1 500	1 000 √OF
			Salaries	7 500	10 000 √
Balance c/d	500	900 √OF	Share of profit	12 000	6 000 √OF
	21 000	17 500		21 000	17 500
			Balance b/d	500	900

(6)

Question Number	Answer	Mark
4(c)		

Journal

		Dr £	Cr £	
Delivery vehicle		8 000		√
Stock		7 500		√
Bank		9 500		
Capital	Gianna	4 000		√√
Capital	Eleni		16 000	√√
Capital	Michalis		13 000	√√

Note: Goodwill may have several entries. Marks awarded for net figure.

(8)

Question Number	Answer	Mark

4(d)	**Balance sheet as at 31 December 2008**
	
	                          £ £
	Fixed assets
	Lease 40 000
	Delivery vehicle 8 000 √
	Fixtures 14 000
	                                62 000 √
	
	Current assets
	Stock 36 000 √
	Debtors less PDD 32 300 √
	Bank 4 500 √
	                      72 800
	Current liabilities
	Creditors 58 400 √
	Net current assets/Working capital 14 400 √
	                            76 400
	
	Financed by:
	            Eleni Gianna Michalis
	Capital a/c 46 000 16 000 13 000 75 000 √
	
	Current a/c 500CR 900CR 1 400 √OF
	                             76 400
	
	Note: To gain capital mark all three partners capitals must be correct.
		(9)

Question Number	Answer	Mark

4(e)	Valid answers may include:
	Non-financial factors:
	   • job security
	   • has a stake in the business
	   • improves the prestige/standing of Michalis
	   • 'tied' to this business, cannot easily leave for other employment.
	Financial factors:
	   • investment required from personal assets
	   • unlimited liability for losses
	   • loss of security of regular salary
	   • will generate £10 000 income from the partnership, but £14 000 as office manager
	   • Michalis will have a stake in the business and its profits
	   • extra work put into the business would result in extra income.
	√√ for a financial factor plus √√ for a non financial factor.
	Note: **Points must be from the perspective of Michalis, <u>NOT</u> the business.**
		(4)

(Total 32 marks)

Question Number	Answer	Mark
5(a)	Fixed cost – A cost that is fixed, in the short term, for a range of production output or sales and does not vary with the units produced or sold. √√ Example- Rent √ also accept General Expenses and Marketing. Variable cost - A cost which rises directly in proportion to the production output or sales of a unit. √√ Example - Raw Material √ also accept Hanif's labour.	
		(6)

Question Number	Answer	Mark
5(b)		

		£	£	
•	Sales- Garden centre 80 x 70		5 600 √	
	General sales 80 x 100		8 000 √	
			13 600	
	Less			
	Raw materials 4 500 – 900	3 600		√√
	Rent	600		√√
	General expenses 1 600 – 75	1 525		√√
	Marketing expenses 2 000 + 375	2 375		√√
	Depreciation	300		√√
			8 400	
	Profit		5 200	

(12)

		£	
•	Cost per picnic bench:		
	Costs	8 400	√OF from (b)
	Divided by production	160	√
	Cost per picnic bench	52.50	
	Hanif labour 7.5 hours x £5	37.50	√
	Total cost	90.00	√OF

(4)

Question Number	Answer	Mark
5(c)	Liquid (acid test) ratio $\qquad$ $\dfrac{700 + 200 + 75 + 375}{6\ 000} = \dfrac{1\ 350}{6\ 000} = \qquad 0.225:1$ √	
		(6)

Question Number	Answer	Mark
5(d)	Valid answers may include: **In favour:** • a profit is being made • can make own decisions • benefits from own entrepreneurship. **Against:** • drawings are greater than the profit made • costs of production high when selling some units at £70 • low liquidity • loss of security of a guaranteed income • considerable administrative burden of keeping accounts, making tax returns etc. √√ for one advantage x √√ for one point against.	
		(4)

(Total 32 marks)

Question Number	Answer	Mark
6(a)	Allocation - Costs only relate to a specific department, product or activity and can therefore be allocated to that cost centre. √√	
	Apportionment - Costs relate to the whole business or more than one department, product or activity and therefore require apportionment on the most reasonable basis available. √√	**(4)**

Question Number	Answer	Mark
6(b)		

	Machining	Assembly	Administration	
	£	£	£	
Allocated	14 400	15 300	13 300	√√
Supervision	12 000	24 000	9 000	√√
Electricity	12 000	4 000	2 000	√√
Rent	3 600	4 200	1 200	√√
Depreciation	18 000	4 500	4 500	√√
	60 000	52 000	30 000	
Re-allocation	12 000	18 000		√√OF
	72 000	70 000		
Recovery rate:	72 000	70 000		√√OF
	8 000	14 000		√√
Recovery rate	£9 per hour	£5 per hour		√√OF

Mark: **(18)**

Question Number	Answer	Mark
6(c)	Under/over recovery:	

Budgeted	14 800 x £5	=	£74 000	√√OF
Actual overhead			£77 500	√√
Under recovery			£3 500	√√OF

Mark: **(6)**

Question Number	Answer	Mark
6(d)	Valid answers may include: **In favour:** • provides a basis for recovering overhead costs • reasonable pre-estimate of how costs are actually incurred. **Against:** • complicated calculation • only an estimate of the costs incurred by each department • reasonable basis not always available. √√ for one advantage x √√ for one point against.	**(4)**

(Total 32 marks)

Question Number	Answer	Mark
7(a)	Purchase ledger control account £ £ Purchase returns 1 500 √√ Balance b/d 4 000 √ Payments 57 000 √√ Credit purchases 64 000 √√ Discount received 2 000 √√ Balance c/d 7 500 √ 68 000 68 000	**(10)**

Question Number	Answer	Mark
7(b)	Valid points: • The purchases ledger control account balances. • Therefore it is reasonable to assume that no fraud has been taking place. √√ for identifying that the control account balances plus √√ for identifying that no fraud has been committed. MAX √√ if account in (a) does not balance.	**(4)**

Question Number	Answer	Mark
7(c)	Valid answers may include: **In favour:** • control accounts are an independent checking mechanism, checking arithmetical accuracy • control accounts allow for separation of duties and will be prepared by an independent person. **Against:** • the control account may not balance for a number of reasons only one of which is fraud • most commonly, a control account will not balance because of errors in double entry not because of fraud. √√ for one advantage and √√ for one point against.	**(4)**

Question Number	Answer	Mark
7(d)	**Trading account for the year ended 30 April 2009**	

	£	£	£	
Sales			90 000 √	
Opening stock		26 500 √		
Purchases	64 000 √			
Purchase returns	1 500 √			
		62 500		
		89 000		
Closing stock		11 000 √		
Cost of sales			78 000	
Gross profit			12 000 √	
			90 000	**(6)**

Question Number	Answer	Mark
7(e)	Calculation:	

	Closing stock £	COGS £	Gross profit £	
Actual	11 000	78 000	12 000	
With 25% mark up	17 000 √√	72 000 √√	18 000 √√	
Stock destroyed	6 000 √√(√OF)			**(8)**

(Total 32 marks)