



Mark Scheme (Results)

Summer 2013

GCE Accounting (6001/01)

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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.

Question Number	Answer	Mark																																										
1(a)(i)	<p>Capital - 1 May 2012</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 60%;"></th> <th style="text-align: right; width: 30%;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Assets</td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">17 750</td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">23 400</td> <td></td> </tr> <tr> <td>Wages prepaid</td> <td style="text-align: right;">850</td> <td></td> </tr> <tr> <td>Computer equipment</td> <td style="text-align: right;">5 000</td> <td></td> </tr> <tr> <td>Fixtures and fittings</td> <td style="text-align: right;"><u>11 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">58 000/</td> <td></td> </tr> <tr> <td>Liabilities</td> <td></td> <td></td> </tr> <tr> <td>Bank</td> <td style="text-align: right;">6 000</td> <td></td> </tr> <tr> <td>5% Bank loan</td> <td style="text-align: right;">10 000</td> <td></td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;"><u>19 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">(35 000)/</td> <td></td> </tr> <tr> <td>Capital</td> <td style="text-align: right;">23 000 /of</td> <td style="text-align: center; vertical-align: middle;">(3)</td> </tr> </tbody> </table>		£		Assets			Inventory	17 750		Trade receivables	23 400		Wages prepaid	850		Computer equipment	5 000		Fixtures and fittings	<u>11 000</u>			58 000/		Liabilities			Bank	6 000		5% Bank loan	10 000		Trade payables	<u>19 000</u>			(35 000)/		Capital	23 000 /of	(3)	
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1(d)	<p>Valid points may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Time saved • Cost saving of professional accountant • Less time consuming • Can provide total of trade receivables/trade payables • Check liquidity • Can compare performance • Can calculate profit • Errors can be identified • Less cost of professional accountant/ of paperwork • More accurate <p>Points against</p> <ul style="list-style-type: none"> • Unable to accurately keep track of trade payables and trade receivables • Lack of information to prepare financial statements • Lack of information for decision making <p>NOT</p> <ul style="list-style-type: none"> • Gain more profit • Difficult to prepare • Less errors <p>✓✓ per valid point x Max two point in favour and two points against</p>	(8)

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2(a)	<p style="text-align: center;">Giant Burgers</p> <p style="text-align: center;">Manufacturing Account for the year ended 30 April 2013</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Opening inventory</td> <td style="text-align: right;">4 500</td> <td></td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td style="text-align: right;"><u>62 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">66 500</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;"><u>7 500</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of raw materials consumed</td> <td style="text-align: right;">59 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Production wages</td> <td style="text-align: right;">280 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Packaging (27 000 - 6 000)</td> <td style="text-align: right;"><u>21 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>PRIME COST</td> <td></td> <td style="text-align: right;">360 000</td> <td style="text-align: right;">✓w+f</td> </tr> <tr> <td>Plus</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Production overheads:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Production management salaries</td> <td style="text-align: right;">53 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Machine repairs</td> <td style="text-align: right;">28 650</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Rent and rates (22 000 x 70%)</td> <td style="text-align: right;">15 400</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Electricity and gas (15 500 + 500 x 70%)</td> <td style="text-align: right;">11 200</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Sundry expenses</td> <td style="text-align: right;">18 750</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Depreciation - machinery and equipment</td> <td style="text-align: right;"><u>15 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>142 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">502 000</td> <td></td> </tr> <tr> <td>Work in progress:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>At 1 May 2012</td> <td style="text-align: right;">6 000</td> <td></td> <td></td> </tr> <tr> <td>At 30 April 2013</td> <td style="text-align: right;"><u>(4 000)</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>PRODUCTION COST (288 000 packs)</td> <td></td> <td style="text-align: right;"><u>504 000</u></td> <td style="text-align: right;">✓w+of</td> </tr> <tr> <td>Profit on production</td> <td></td> <td style="text-align: right;"><u>72 000</u></td> <td style="text-align: right;">✓of</td> </tr> <tr> <td>TRANSFER TO FINISHED GOODS (288 000 packs)</td> <td></td> <td style="text-align: right;"><u><u>576 000</u></u></td> <td style="text-align: right;">✓w+f</td> </tr> </tbody> </table>		£	£		Opening inventory	4 500			Purchases of raw materials	<u>62 000</u>				66 500			Closing inventory	<u>7 500</u>			Cost of raw materials consumed	59 000		✓	Production wages	280 000		✓	Packaging (27 000 - 6 000)	<u>21 000</u>		✓	PRIME COST		360 000	✓w+f	Plus				Production overheads:				Production management salaries	53 000		✓	Machine repairs	28 650		✓	Rent and rates (22 000 x 70%)	15 400		✓	Electricity and gas (15 500 + 500 x 70%)	11 200		✓	Sundry expenses	18 750		✓	Depreciation - machinery and equipment	<u>15 000</u>		✓			<u>142 000</u>				502 000		Work in progress:				At 1 May 2012	6 000			At 30 April 2013	<u>(4 000)</u>		✓	PRODUCTION COST (288 000 packs)		<u>504 000</u>	✓w+of	Profit on production		<u>72 000</u>	✓of	TRANSFER TO FINISHED GOODS (288 000 packs)		<u><u>576 000</u></u>	✓w+f	(14)
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2(b)(i)	Prime cost £360 000 /of = £1.25 per pack /of	(3)
	Packs produced 288 000 /	

Question Number	Answer	Mark
2(b)(ii)	Production cost £504 000 /of =£1.75 per pack /of	(3)
	Packs produced 288 000 /	

Question Number	Answer	Mark
2(c)	<p>Reasons:</p> <ul style="list-style-type: none"> • <u>Measure efficiency</u> of production and selling activities. • A <u>notional profit</u> can be generated in the production department • Can <u>compare cost of manufacture</u> with purchasing the product <p>// x one point</p>	(2)

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2(e)	<p>Going concern - Assumes, unless the contrary is known, that the business will have a <u>life of unlimited duration</u>.//</p> <p>Consistency - that a consistent method of depreciating the non-current asset should be <u>used throughout its life</u>.//</p>	(4)

Question Number	Answer	Mark
2(f)	<p>Valid points may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Increased market share/sales • Fixed costs can be shared over a larger number of units of production/sales • Economies of sale • Expansion with a known and reliable customer • Gives a positive contribution on extra output <p>Points against</p> <ul style="list-style-type: none"> • Profit on extra packs sold to Tulip Supermarkets would be very low • Profit on existing packs sold to Tulip supermarkets would be lowered • Very small profit margin per pack of burgers sold to Tulip Supermarkets • Probably higher fixed costs • Other customers may request same discounts <p>NOT</p> <ul style="list-style-type: none"> • Increased wastage • Lower quality <p>// per valid point x Max two point in favour and two points against</p>	(8)

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3(d)(i) 3(d)(ii)	(i) The subscriptions total will be (30 x £30) less. ✓ Income / surplus will be £900 lower ✓ (ii) Bank will increase by (30 x £700 ✓ - 30 x £100 ✓) £18 000 greater	(4)

Question Number	Answer	Mark																				
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3(f)	<p>Valid points may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Cash flow up front • Ties members to the club for a long period • Reduce bad debts • Attract more members <p>Points against</p> <ul style="list-style-type: none"> • Lower overall subscriptions over the years affecting surplus • Services must be provided for ten years whatever the level of future costs <p>✓✓ per valid point x Max two point in favour and two points against</p>	(8)

Question Number	Answer	Mark
4(a)	<p>The partner's <u>loan is paid at 5% interest</u> unless otherwise agreed</p> <p>The <u>interest is charged</u> to the main body of the <u>income statement</u></p> <p>In the financial <u>position statement</u> it will appear as a <u>creditor due</u> in less than or over one year</p> <p>✓✓ x 2 points</p>	(4)

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4(c)	<p>Valid points may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Clarity upon the distribution of profit • Avoids disputes at a later date <p>Points against</p> <ul style="list-style-type: none"> • Formality of creating the agreement • Cost of preparation <p>NOT</p> <ul style="list-style-type: none"> • Cover for absence/holidays • Wide expertise available • Time consuming <p>✓✓ per valid point x Max one point in favour and one point against</p>	(4)

Question Number	Answer	Mark
5(a)	<p>Inventory rotation refers to the <u>physical movement</u> of inventory through the stores. The oldest stock will normally be sold first to avoid deterioration. ✓✓</p> <p>Inventory valuation refers to the <u>theoretical value</u> of the inventory that is sold or issued to production. ✓✓ This may be influenced by the need to charge the customer the most recent prices paid.</p>	(4)

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5(d)(ii)	The closing inventory will be £14 400 compared to the present £20 500. Therefore profit will be lower ✓✓ by £6 100	(2)

Question Number	Answer	Mark
5(e)	<p>Valid points may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Profit will be more prudently lower • Issues to customers more accurately reflect replacement value <p>Points against</p> <ul style="list-style-type: none"> • Not approved by the tax authorities • Inventory does not reflect market replacement value • Does not reflect rotation <p>✓✓ per valid point x Max one point in favour and one point against</p>	(4)

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6(a)(i)	<p style="text-align: center;">Shopalot Statement of Comprehensive Income for the year ended 30 April 2013</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue - Rent (£4 000 x 4 x 9)</td> <td style="text-align: right;">144 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">Service charge (£1 500 x 4 x 9)</td> <td style="text-align: right;">54 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 40px;">2% in income</td> <td style="text-align: right;"><u>27 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">225 000</td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Security</td> <td style="text-align: right;">30 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Cleaning</td> <td style="text-align: right;">21 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Administration</td> <td style="text-align: right;">24 500</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Electricity</td> <td style="text-align: right;">9 700</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Government rates</td> <td style="text-align: right;">26 500</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Depreciation - Building</td> <td style="text-align: right;">10 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">Conversion</td> <td style="text-align: right;">20 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td style="padding-left: 20px;">Computers</td> <td style="text-align: right;">45 000</td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: right;"><u>44 000</u></td> <td></td> <td style="text-align: right;">✓</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>230 700</u></td> <td></td> </tr> <tr> <td>Loss for the year</td> <td></td> <td style="text-align: right;"><u>(5 700)</u></td> <td></td> </tr> </tbody> </table>		£	£		Revenue - Rent (£4 000 x 4 x 9)	144 000		✓	Service charge (£1 500 x 4 x 9)	54 000		✓	2% in income	<u>27 000</u>		✓			225 000		Less				Security	30 000		✓	Cleaning	21 000		✓	Administration	24 500		✓	Electricity	9 700		✓	Government rates	26 500		✓	Depreciation - Building	10 000		✓	Conversion	20 000		✓	Computers	45 000		✓	Loan interest	<u>44 000</u>		✓			<u>230 700</u>		Loss for the year		<u>(5 700)</u>		(12)
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6(c)	ROCE $\frac{\text{Profit for the year before interest}}{\text{Capital + Non-current liabilities}} = \frac{(5\,700) \text{ of } + 44\,000 \text{ of } \pounds}{400\,000 + 550\,000 \pounds} = 4\% \pounds \pounds$ of	(4)

Question Number	Answer	Mark
6(d)	Valid points may include: Points for <ul style="list-style-type: none"> • A very strong cash position (of) • Further income and profit if tenth shop can be rented Points against <ul style="list-style-type: none"> • Loss for the year (of) • Building not fully occupied NOT <ul style="list-style-type: none"> • Total assets higher ✓✓ per valid point x Max one point in favour and one point against	(4)

Question Number	Answer	Mark
7(a)(i)	Current ratio $\frac{50\,000 \pounds}{40\,000 \pounds} = 1.25:1 \pounds$	(3)

Question Number	Answer	Mark
7(a)(ii)	Liquid acid test ratio $\frac{13\,000 \pounds}{40\,000 \pounds} = 0.325:1 \pounds$	(3)

Question Number	Answer	Mark
7(b)	Both ratios are low ✓ There appears to be excess inventory ✓	(2)

Question Number	Answer				Mark	
7(c)	Current Assets		Current Liabilities		(12)	
		Plus, minus ,no effect	Value (£)	Plus, minus ,no effect		Value (£)
	Action 1	Minus £	1 000 £	Minus £		£5 000 £
	Action 2	Minus £	5 000 £	Minus £		£4 500 £
	Action 3	No effect £	£0 £	Minus £		£600 £

Question Number	Answer	Mark																					
7(d)	<p style="text-align: center;">Adnam Statement Financial Position at 30 March 2013</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td colspan="3">Current Assets</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">(37 000 £ - 16 000 £)</td> <td style="text-align: right;">21 000</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">(13 000+10 000 £-5 000£)</td> <td style="text-align: right;">18 000</td> </tr> <tr> <td colspan="3">Current Liabilities</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">(35 000 - 12 000)</td> <td style="text-align: right;">23 000 £</td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right;">(-5 000 + 10 000 £+ 4 500 £- 11 400£)</td> <td style="text-align: right;">1 900</td> </tr> </tbody> </table>			£	Current Assets			Inventory	(37 000 £ - 16 000 £)	21 000	Trade receivables	(13 000+10 000 £-5 000£)	18 000	Current Liabilities			Trade payables	(35 000 - 12 000)	23 000 £	Bank overdraft	(-5 000 + 10 000 £+ 4 500 £- 11 400£)	1 900	(8)
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Question Number	Answer	Mark
7(e)	<p>Valid points may include:</p> <p>Points for</p> <ul style="list-style-type: none"> • Inventory is reduced • Trade payables reduced • Liquidity has improved <p>Points against</p> <ul style="list-style-type: none"> • Still no funds in the bank (of) • Trade receivables increased and need to recover debts <p>££ per valid point x Max one point in favour and one point against</p>	(4)

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