Mark Scheme (Results)

January 2014

International A Level Accounting

WACO1 Paper 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.

FOR ALL QUESTIONS: No markscheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the markscheme.

SECTION A

1(a)(ii)

Journal

	Dr	CR
	£	£
Goodwill	75 000	
Delivery vehicle	9 000	
Inventory	16 000	
Trade receivables	7 000	
Trade payables		15 000
Capital Anthi		92 000 √
Land and buildings	80 000	
Capital Keri		80 000 √
Opening assets and liabilities of the partnership √		

(3)

Capital Anthi	45 000	√
Capital Keri	30 000	√
Goodwill		75 000
Goodwill of the partnership written off √		

(3)

(b)(i)

Anthi and Keri – Statement of Comprehensive Income and Appropriation Account for the year ended 31 December 2013

	£	£
Gross profit		103 350
Less expenses:		
Wages and salaries (47 000 – 15 000)	32 000	√
Loan interest (2 000 + 1 000)	3 000	√
Delivery vehicle expenses (12 250 – 650)	11 600	√
Sundry expenses	21 900	√
Depreciation – Delivery vehicles	2 800	√
Fixtures and fittings	1 200	√
Bad debts	800	√
Provision for Doubtful Debts	700	√
		74 000
Profit for the year		29 350

Interest on capital:			
Anthi	2 350		√√(√of)
Keri (2 500 + 500)	3 000		√√ (√of)
	5 350		
Salary Anthi	15 000		√
Share of profit:			
Anthi	5 400		√of if in correct ratio
Keri	3 600		√of if in correct ratio
	9 000		
		29 350	

(15)

(ii)

Capital Accounts

	Anthi	Keri		Anthi	Keri
	£	£		£	£
Goodwill	45 000	30 000 √	Journal	92 000	80 000 √
Balance c/d	47 000	70 000	Bank		20 000 √
	92 000	100 000		92 000	100 000
			Balance b/d	47 000	70 000 √of

(4)

(iii)

Current Accounts

	Anthi	Keri		Anthi	Keri
	£	£		£	£
Salary paid	15 000 √	-	Interest	2 350	3 000 √ of
Drawings	5 500	6 000 √	Salary	15 000	-
Balance c/d	2 250	600	Share of profit	5 400	3 600
	22 750	6 600		22 750	6 600
			Balance b/d	2 250	600 √of

(4)

(c)

Statement of Financial Position at 31 December 2013

		Cost	Accumulated Depreciation	Carry over	
		£	£	£	
Non-current assets					
Land and buildings				80 000	
Delivery vehicles		19 000	2 800	16 200	√of if <19 000
Fixtures and fittings		14 000	1 200	12 800	√of if <14 000
				109 000	√
Current assets					
Inventory		63 000			√
Trade receivables	17 500				√
Less PDD	700	16 800			√of
Other receivables		650			√
Cash and Bank		7 800			√
				88 250	
				197 250	
Capital and equity:					
Capital accounts:					
Anthi		47 000			
Keri		70 000			
		117 000			√of
Current accounts:					
Anthi		2 250			
Keri		600			
		2 850			√of
				119 850	
Creditors: due in less than one year					
Trade payables		25 900			√
8% Bank loan repayment		10 000			√
Other payables	(1 000 + 500)	1 500			√√
				37 400	
Creditors: due in more than one year					
8% Bank loan		40 000			√ (√of £50,000)
				40 000	
				197 250	

(15)

(d)) Valid points may include:

Positive

- Land generally does not decrease in value through deterioration
- Historically land and buildings have appreciated in value
- Annual depreciation charge would be very small due to the long life of the asset

Negative

- Buildings will deteriorate with the passage of time
- Does not comply with concept of prudence, matching or going concern
- Unrealistic not to charge
- Non current assets not overstated

Do not accept higher profit, save time, make it easier

√√ per point x 4 - MAX 2 points positive and 2 points negative

(8)

(Total 52 marks)

2 (a)

		£ Plus	£ Minus	£ Balance	
Inventory count				15 600	
	(1)	900			√√
	(2)		(750)		√√
	(3)		(500)		√√
	(4)	800			√√
	(5)	350			√√
		2 050	1 250		
Adjusted inventory balance				16 400	

(10)

(b)

	£
Assets	
Bank	1 680
Fixtures	1 700
Inventory	12 850
Trade receivables	6 170
Prepaid	300
	22 700 √
Less	
Liabilities	
Trade payables	(6 700) √
Capital	16 000 √of

(3)

(c)(i)

Gary - Statement of Comprehensive Income for the year ended 31 December 2013

		£	£	
Revenue	52 960 – 6 170 + 6 330		53 120 √√	
Less				
Cost of sales:				
Opening inventory		12 850		
Purchases	38 900 – 6 700 +9 350	41 550		√√
		54 400		
Closing inventory		(16 400)		√of
Cost of sales			38 000	
Gross profit			15 120	
Plus Other income				
Playing fees	28 800 x 5%	1 440		√
Club salary	4 500 + 500	5 000		√
Golf tuition fees		8 250		√
			14 690	
			29 810	
Less Expenses				
Rent		2 150		√
Heat and light	1 760 + 300 + 460	2 520		√√
Sundry expenses		4 420		√
Depreciation – Fixtures and fittings		450		√
			9 540	
Profit for the year			20 270	

(13)

(ii)

Statement of Financial Position at 31 December 2013

		£	£	
Non-current assets				
Fixtures and fittings			1 650	√
Current assets				
Inventory		16 400		√of
Trade receivables		6 330		√
Other receivables		500		√
			23 230	
			24 880	
		£	£	
Capital and equity:				
Capital		16 000		√of
Profit for the year		20 270		√of
		36 270		
Drawings		(29 500)		√
			6 770	
Current liabilities				
Trade payables		9 350		√
Other payables	2 360 + 250 + 460	3 070		√√√
Bank overdraft		5 690		√
			18 110	
			24 880	
				(12)

(d)(i)(ii)

1 January

Current ratio – Current assets 12 850 + 6 170 + 300 + 1 680 = 21 000 √= 3.13:1 √of
Current liabilities 6 700 6 700 √

(3)

31 December

Current assets 16 400 of + 6 330 + 500 = 23 230 of √= 1.28:1√of
Current liabilities 9 350 + 2 360 of + 250 of +460 +5 690 18 110 of √

(3)

(e) Valid points may include:

Note : OF Rule applies

Positive

- Although current ratio is low, it is still just sufficient but not 2:1
- A significant profit is still being made if drawings can be reduced liquidity will rise

Negative

- Current ratio has deteriorated significantly during the year
- A positive bank balance has now become an overdraft
- Most of the current assets are in inventory
- Drawings are greater than profit for the year, draining cash
- Trade payables have increased significantly due to lack of cash to pay them

√√ per point x 4 - MAX 2 points positive and 2 points negative

(8)

(Total 52 marks)

3(a) Vaso Technology

Manufacturing Account for the year ended 31 December 2013

	£	£	
Opening inventory of raw materials	30 000		√
Purchases of raw materials	195 000		√
	225 000		
Less Closing inventory of raw materials	(75 000)		√√
Cost of raw materials consumed		150 000	√
Production wages (134 000 + 6 500)		140 500	√
Packaging (25 000 x 70%)		17 500	√
Prime cost		308 00	√ of+w
Plus overheads:			
Packaging (25 000 x 30%)	7 500		√
Production salaries	85 000		√
Depreciation – Production equipment	16 000		√
Premises rent	22 500		√
Sundry expenses	18 000		√
		149 000	
		457 000	
Work in progress at start	52 000		√
at end	(49 000)		√
		3 000	
Production cost		460 000	√ of+w
Profit on manufacture		20 000	√ (of)
Transfer to trading account		480 000	√ of+w

(18)

(b) Office Computers Account

		£		£
1 Jan	Balance b/d	20 000 √	30 June Disposal √	6 000 √
1 Oct	Bank	8 000 √	31 Dec Balance c/d	22 000 √
		28 000		28 000
1 Jan	Balance b/d	22 000 √of		

(6)

Office Computers – Provision for Depreciation Account

		£			£
30 June	Disposal √	3 000 √	1 Jan	Balance b/d	8 000 √
31 Dec	Balance c/d	8 800 √	31 Dec	Income statement/deprec.	
				(600 +400+2 800)	3 800 √√√ (√of)
		11 800			11 800
			1 Jan	Balance b/d	8 800 √of

(8)

(c)

Statement of Comprehensive Income for the year ended 31 December 2013

	£	£	
Sales		650 000	√
Opening inventory of finished goods	78 000		√
Goods transferred from manufacturing	480 000		√ of
	558 000		
Less Closing inventory of finished goods	(63 000)		√
Cost of sales		495 000	
Gross profit		155 000	√ of
Less			
Office salaries	106 000		√
Premises rent	7 500		√
Sundry expenses	6 000		√
Depreciation office computers	3 800		√of
Loss on sale of office computers	500		√of
		(123 800)	
		31 200	
Plus Profit on manufacture		20 000	√of
Profit for the year		51 200	√ w + of
			(12)

(d) Valid points may include:

Positive

- Office computers will give equal benefit to the business in each year
- Profit will not be distorted over the early years

Negative

- Office computers will lose most of their value in the early years
- Office computers will not be accurately valued in the Financial Position Statement
- The cost of the office computers will increase as repairs are required
- Straight line is not accepted by the tax authorities.

DO NOT ACCEPT easy to calculate or consistency.

√√ per point x 4 - MAX 2 points positive and 2 points negative

(8)

(Total 52 marks)

SECTION B

4 (a)

Journal

	Dr	Cr	
	£	£	
Suspense	400		√
Discount received		400	√
Suspense	180		√
Archana		180	√
Purchases	2 500		√
Suspense		2 500	√
B Vincent	300		√
C Vissing		300	√

(8)

(b)

Purchases Ledger Control Account

	£		£
Balance b/d	430	Balance b/d	78 000
Payments to creditors	497 000 √√	Refund	4 000 √√
Discount rec'd (8 200√+400√)	8 600 √	Credit purchases	
Sales ledger contra	2 150 √√	(505 000√+2 500√)	507 500 √
Returns outwards	15 600 √√		
Balance c/d	66 370	Balance c/d	650
	590 150		590 150
Balance b/d	650 √	Balance b/d	66 370 √of

(16)

(c)

- Goods returned after payment made
- Discount received not posted
- Overpayment to creditor
- Contra from sales ledger

2 marks x 2 points **(4)**

(d)Valid points may include:

Positive

- Tests arithmetical accuracy
- Helps to identify areas where errors exist
- Through separation of duties protects against fraud
- Provides total of trade payables or trade receivables.

Negative

- Time consuming
- Requires double entry accounting and a high level of staff skill
- Some errors are not discovered by control accounts e.g errors of omission.

√√ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

5 (a)

Allocation occurs where a cost is wholly identifiable with one cost centre √√

Apportionment occurs where costs are shared and must be apportioned across the cost centres on some equitable basis √√

(4)

(b) (i)

	East Town	Weststead	Northerton	
	£000's	£000's	£000's	
Marketing	90	36	54	√√√√
Premises running costs	70	50	60	√√√√
Management salaries	550	125	225	√√√√
Depreciation	36	12	24	√√√√
	746	223	363	

(16)

(ii)

Profit for the year	750	260	500	√√
Less revised overheads	746	223	363	√√ of
Revised profit for the year	4	37	137	√√√√(√√of)

(8)

(c)Valid points may include:

Positive

- Weststead is carrying the least overhead which may be able to be saved
- Less overall management control required

Negative

- Weststead is making the second highest profit
- Some of the costs will be fixed and will need to be charged to other stores if Weststead is closed
- Loses profit
- Reduce their customer base

√√ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

6 (a)(i) Mark up Gross profit / Cost of sales — 75 000 √ x 100 √ / 250 000 √ = 30% √

(4)

(ii)Profit for the year as a Percentage of Revenue (Sales) — Profit for the year / Revenue (Sales) — 10 000 √ x 100 √ / 325 000 √ = 3.1 % √

(4)

(b) Prices are higher than last year
Cost of sales is lower due to market conditions or more efficient buying
Change in selling mix
2 x √√ per point **(4)**

(c)(i) Owners capital refers to the personal investment/equity of the owner(s) in the business √√
Capital employed refers to the total long term capital used by the owner(s) to generate profit. This may include owners' capital, plus long term loans √√ (4)

(ii) Profit for the year √ before interest √ / Owners capital + Long term liabilities √ (Capital employed) x 100 = %

(3)

(iii) Return on capital employed

Profit for the year(working 1) / Capital employed — 23 000 x 100 √ / 100 000 + 100 000 √√ = 11.5% √of

Working 1: £75 000 - £60 000 = 15 000 + 8 000 = 23 000 **(4)** (d)(i) Goodwill √ **(1)**

(ii) Location
Customer base
Reputation
√√ x 2 points

(4)

(e) Valid points may include:

OF Rule applies

Positive

- Established business with good mark-up
- Return on capital employed high
- Goodwill/reputation

Negative

- Raising the capital from a bank
- Risk of using all his savings
- Profit to revenue is low at 3.1%

√√ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

7(a)

Bourne Cricket Club – Trial Balance at 31 December 2013

	Dr	Cr	
	£	£	
Accumulated fund		30 200	√
Subscriptions (8 850 – 250)		8 600	√√
Competition fees		1 000	√
Donations		250	√
Purchases of refreshments	14 650		√
Sales of refreshments		30 250	√
Clubhouse (at cost)	35 000		√
Equipment (at cost) (4 800 – 1 800)	3 000		√
Provision for depreciation – Equipment (3 200 – 1 100)		2 100	√
Profit on sale of equipment		100	√
Wages and salaries	18 950		√
Other expenses	10 550		√
Trade payables		9 850	√
Bank (-600 + 800)	200		√√
	82 350	82 350	

(16)

(b) (i)

Subscriptions Account

	£			£	
Donations	250	√	Bank/Balance/	8 850	√
Income and expenditure √	8 550	√of	Subscriptions		
Balance c/d	1 410	√	Balance c/d	1 360	√
	10 210			10 210	
Balance b/d	1 360	√	Balance b/d	1 410	√

(8)

(ii) The matching concept √√ must apply to ensure that the income for the period is matched against the expenditure of the period.√√

(4)

(c)

Valid points may include:

Positive

- Five year membership would increase short term cash flow
- Tie members into the club long term
- Save annual collection fees
- Reduce bad debts
- May attract more members

Negative

- The discount will reduce the overall income
- Commitment to providing services long term

√√ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

ASSESSMENT GRID

	Syllabus	AO1	AO2	AO3	AO4	TOTAL
Q1						
(a)	3	2	2	2		6
(b)	3	6	12	5		23
(c)	3	5	5	5		15
(d)	3				8	8
Q2						
(a)	4	2	4	4		10
(b)	3	2	1			3
(c)	3	6	12	7		25
(d)	5	2	2	2		6
(e)	5				8	8
Q3						
(a)	3	4	10	4		18
(b)	1	4	8	2		14
(c)	3	4	4	4		12
(d)	1				8	8
Q4						
(a)	2	4	4			8
(b)	2	6	6	4		16
(c)	2	2	2			4
(d)	2				4	4
Q5						
(a)	4	4				4
(b)	4	8	8	8		24
(c)	4				4	4
Q6						
(a)	5	2	2	2		6
(b)	5			4		4
(c)	5	7	3	3		13
(d)	5	1	4			5
(e)	5				4	4
Q7						
(a)	1	4				4
(b)	3	12	8	4		24
(c)	3				4	4
Marks		**87**	**97**	**60**	**40**	**284**
Syllabus(%)		**32**	**34**	**20**	**14**	**100**

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