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General Certificate of Education

Accounting ACC1

Unit 1 Financial Accounting: The Accounting Information System

Mark Scheme

2007 examination - January series

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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MARK SCHEME

INSTRUCTIONS TO EXAMINERS

You should remember that your marking standards should reflect the levels of performance of candidates, mainly 17 years old, writing under examination conditions.

Positive Marking

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as candidates penalise themselves in terms of the time they have spent.

Mark Range

You should use the whole mark range available in the mark scheme. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Alternative Answers / Layout

The answers given in the mark scheme are not exhaustive and other answers may be valid. If this occurs, examiners should refer to their Team Leader for guidance. Similarly, candidates may set out their accounts in either a vertical or horizontal format. Both methods are acceptable.

Own Figure Rule

In cases where candidates are required to make calculations, arithmetic errors can be made so that the final or intermediate stages are incorrect. To avoid a candidate being penalised repeatedly for an initial error, candidates can be awarded marks where they have used the correct method with their own (incorrect) figures. Examiners are asked to annotate a script with **OF** where marks have been allocated on this basis. **OF** always makes the assumption that there are no extraneous items. Similarly, **OF** marks can be awarded where candidates make correct conclusions or inferences from their incorrect calculations.

Quality of Written Communication

Once the whole script has been marked the work of the candidate should be assessed for the Quality of Written Communication, using the criteria at the end of the mark scheme. The mark should be shown separately on the candidate's script.

1

Total for this question: 20

Bill Burgess runs a business selling mobile phones. A trial balance at 31 October 2006 has been prepared, but the following balances have not yet been included.

	£
Premises	10 400
Debtors	3 610
Creditors	1 870
Capital	10 000
Mortgage on premises (repayable 2025)	3 000
Drawings	14 400

REQUIRED

- (a) Complete the trial balance below. Enter any difference as 'balance at bank'.

Trial Balance at 31 October 2006

Account	Debit £	Credit £
Sales		57 120
Purchases	18 340	
Stock at 1 November 2005	5 300	
Motor expenses	8 850	
Wages	12 460	
Motor vehicles	2 000	
Premises	10 400 (1)	
Debtors	3 610 (1)	
Creditors		1 870 (1)
Capital		10 000 (1)
Mortgage on premises (repayable 2025)		3 000 (1)
Drawings	14 400 (1)	
Balance at bank		3 370 (1)OF
Totals	75 360	75 360

7 marks

- 1 (b) Complete the table below to show under which balance sheet heading each of the following items should appear. Place a tick in the appropriate column. The first item has been completed as an example.

	Fixed Assets	Current Assets	Current Liabilities	Long-Term Liabilities	Capital
Capital					✓
Debtors		✓			
Premises	✓				
Mortgage on premises (repayable 2025)				✓	
Drawings					✓
Bank overdraft			✓		

1 mark for each correct answer

5 marks

After the trial balance was completed, it was discovered that the payment of £4500 for the purchase of a motor vehicle had been debited to the motor expenses account.

REQUIRED

- (c) Identify the name of this type of error. **1 mark**
Error of principle (1)
- (d) Explain why the trial balance should still balance.
Debit (1) and credit entries (1) both present. Both entries are debit entries (2).
Error involves mis-posting only (1), not an omission (1) **max 2 marks**
- (e) Explain how the error would affect the net profit for the year.
Effect (max 1 mark)
Profit understated by £4500 (1)
Marker note: Do not allow in isolation +/-£4500 or £4500(£4500) – hedging.

Reasons (max 2 marks)

- Motor vehicles are fixed assets, motor expenses are running costs (2)**
Motor vehicles on balance sheet, motor expenses on profit and loss account (2)

3 marks

1

After discovering the above error, Bill Burgess tells you that he is thinking of computerising his accounting records.

REQUIRED

- (f) Write a memorandum to Bill advising him of **three** advantages and **one** disadvantage of computerising his accounting records.

To: Bill Burgess

From: A. Student

Date: 11 January 2007

Re: Advantages and disadvantage of computerisation of accounting records

Advantages

- **Speed – processes are automatic**
- **Accuracy – multi-tasking and automatic posting**
- **Availability of management information**
- **Legibility – avoids errors**
- **Efficiency – better use of resources**
- **Automatic document production – invoices, statements, cheques etc**
- **Up-to-date information – available through automatic updating**

2 marks for each (max 6 marks)

1 mark for identification, 1 mark for development

Disadvantages

- **Cost – hardware and software**
- **Training needs – time and cost**
- **System failure – danger of loss of work if not backed up**
- **Security – viruses, hackers etc**
- **Staff de-motivation – suspicion of change**

2 marks for a disadvantage (max 2 marks)

1 mark for identification, 1 mark for development

8 marks

2

Total for this question: 12

Razia Alam runs a shop selling soft furnishings. The following list of balances has been extracted from her books of account at 31 December 2006.

	£
Carriage inwards	1 425
Carriage outwards	912
Drawings	6 400
Light and heat	1 246
Motor vehicle	2 000
General expenses	4 193
Postage and stationery	462
Purchases	31 840
Rent and rates	3 248
Returns inwards	1 678
Returns outwards	720
Sales	59 210
Shop assistant's wages	5 966
Stock at 1 January 2006	4 750
Additional information	
Stock at 31 December 2006	5 800

REQUIRED

Prepare a trading account for the year ended 31 December 2006.

Razia Alam
Trading Account for the year ended 31 December 2006 (1)

Sales		59 210	(1)
Less: Returns inwards		<u>1 678</u>	(1)
		57 532	
Opening stock		4 750	(1)
Purchases	31 840		(1)
Less: Returns outwards	<u>720</u>	31 120	(1)
Carriage inwards		<u>1 425</u>	(1)
		37 295	
Less: Closing stock		<u>5 800</u>	(1)
Cost of goods sold (1)		31 495	(1) OF
Gross profit (1)		<u>26 037</u>	(1) OF

12 marks

3

Total for this question: 11 marks

The totals of Mike Cook's trial balance at 31 October 2006 did not agree. The totals were:

Debit £84 359 Credit £84 392

On investigation, the following errors were discovered.

- (1) A cash payment of £112 for repairs had been debited to the repairs account twice.
- (2) A cheque payment of £178 for travel expenses had been credited to the travel expenses account.
- (3) Discount received of £120 was entered in the cash book, but had not been posted to the general ledger.
- (4) The wages account had been overcast by £100.
- (5) A cheque for £65 for petrol had been debited as £56 in the motor expenses account.

REQUIRED

- (a) Enter the trial balance difference in the suspense account below. Make any necessary entries to correct the errors.

Suspense Account

Dr	£	Details	£	Cr
Trial balance difference	33 (1)	Travel expenses	356 (2) 178 (1)	
Repairs	112 (1)	Fuel	9 (2) or (0)	
Discount received	120 (1)			
Wages	100 (1)			
	<u>365</u> *		<u>365</u> *	

* (1 OF) for closing off the account and (1) for at least 4 correct narratives.

10 marks

- (b) Identify the ledger in which this suspense account should be prepared.

General ledger

1 mark

4

Total for this question: 27 marks

The following information has been extracted from the books of Delaney Paints for the month ended 30 November 2006.

	£
Sales ledger balances at 1 November 2006	23 261
Purchase ledger balances at 1 November 2006	14 908
Credit sales	14 720
Credit purchases	11 804
Returns outwards	533
Returns inwards	260
Discounts received	42
Discounts allowed	77
Payments to credit suppliers	9 643
Receipts from credit customers	15 106
Customer's cheque dishonoured	102
Contra (debit balance set off from the sales ledger to the purchase ledger)	55

Note: Delaney Paints maintain control accounts as part of their double entry system.

REQUIRED

- (a) Prepare a sales ledger control account and a purchase ledger control account. Balance each account at 30 November 2006 and bring down any balances.

Sales Ledger Control Account

Dr				Cr			
Date	Details	£		Date	Details	£	
1 Nov	B/fwd	23 261	(1)	30 Nov	Ret inwards	260	(1)
30 Nov	Sales	14 720	(1)	30 Nov	Disc allowed	77	(1)
30 Nov	Bank	102	(1)	30 Nov	Bank	15 106	(1)
				30 Nov	Contra	55	(2)
				30 Nov	C/fwd	22 585	*(1)OF
		38 083				38 083	
1 Dec	B/fwd	22 585	*				

1 mark for an appropriate narrative for each item
 * 1OF for both balances
 1 mark for correct dates

11 marks

4

Purchase Ledger Control Account

Dr				Cr			
Date	Details	£		Date	Details	£	
30 Nov	Ret outwards	533	(1)	1 Nov	B/fwd	14 908	(1)
30 Nov	Disc received	42	(1)	30 Nov	Purchases	11 804	(1)
30 Nov	Bank	9 643	(1)				
30 Nov	Contra	55	(2)				
30 Nov	C/fwd	16 439	*(1)OF				
		26 712				26 712	
				1 Dec	B/fwd	16 439	*

1 mark for an appropriate narrative for each item
 *1 OF for both balances
 1 mark for correct dates

10 marks**Overall 21 marks**

- (b) Explain, with reasons, where the closing balances on the sales ledger control account and the purchase ledger control account would appear in the final accounts of Delaney Paints.

Sales ledger control account balance

- Balance sheet (1) under current assets (1) ie trade debtors (1) represents money owing to Delaney Paints (1). **max 3 marks**

Purchase ledger control account balance

- Balance sheet (1) under current liabilities (1) ie trade creditors (1) represents money owing by Delaney Paints (1). **max 3 marks**

6 marks

QUALITY OF WRITTEN COMMUNICATION

After the candidate's script has been marked, the work should be assessed for the Quality of Written Communication, using the following criteria.

Marks

- 0** Accounts and financial statements are unclear and poorly presented. There is little or no attempt to show workings or calculations. Descriptions and explanations lack clarity and structure. There is very limited use of specialist vocabulary. Answers may be legible but only with difficulty. Errors in spelling, punctuation and grammar are such that meaning is unclear.
- 1-2** There is some attempt to present accounts and financial statements in an appropriate format. Workings are missing or are not clearly linked to the answers. Descriptions and explanations are understandable but they lack a logical structure. There is some use of specialist vocabulary but this is not always applied appropriately. In most cases answers are legible, but errors in spelling, punctuation and grammar are such that meaning may be unclear.
- 3** Accounts and financial statements are generally well presented but there are a few errors. Workings are shown and there is some attempt to link them to the relevant account(s). Descriptions and explanations are usually clearly expressed but there are some weaknesses in the logical structure. There is a good range of specialist vocabulary which is used with facility. Answers are legible. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed.
- 4** Accounts and financial statements are well organised and clearly presented. Workings are clearly shown and easy to follow. Descriptions and explanations are clearly expressed. Arguments are logically structured. There is wide use of specialist vocabulary which is used relevantly and precisely. Answers are clearly written and legible. Spelling is accurate and the standard conventions of punctuation and grammar are followed so that meaning is clear.

To help them to make judgements, examiners should focus on the following issues.

Are there clear presentations of formats and prose answers?

Are there clear and logical workings, where appropriate?

Is the whole script legible, understandable and logically argued (including spelling, punctuation and grammar)?

Is there a grasp of accounting terminology (eg avoiding slang, avoiding text language, avoiding abbreviations in prose answers)?