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General Certificate of Education

Accounting ACC1

**Unit 1 Financial Accounting: The
Accounting Information System**

Mark Scheme

2008 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: 18 marks

Brian Gartside owns a shop selling beds. The bookkeeper has prepared the following trial balance at 31 December 2007 that contains errors. The difference has been entered in a suspense account.

Trial Balance at 31 December 2007

	Dr £	Cr £
Bank overdraft	5 080	
Capital		80 000
Carriage inwards		2 690
Carriage outwards	8 950	
Discounts allowed		3 730
Discounts received	2 420	
Drawings	24 560	
Mortgage on premises		74 200
Premises		165 000
Property repairs		12 040
Purchases	73 550	
Rent received		7 200
Returns inwards		1 690
Returns outwards		1 410
Sales	202 400	
Stock at 1 January 2007	43 120	
Suspense account	14 720	
Trade creditors		14 990
Trade debtors	18 710	
VAT (due from HM Revenue and Customs)	1 550	
Wages and salaries		32 110
	<u>395 060</u>	<u>395 060</u>

REQUIRED

1(a) Prepare a corrected trial balance.

Trial Balance at 31 December 2007

	Dr £	Cr £
Bank overdraft		5 080
Capital		80 000
Carriage inwards	2 690	
Carriage outwards	8 950	
Discounts allowed	3 730	
Discounts received		2 420
Drawings	24 560	
Mortgage on premises		74 200
Premises	165 000	
Property repairs	12 040	
Purchases	73 550	
Rent received		7 200
Returns inwards	1 690	
Returns outwards		1 410
Sales		202 400
Stock at 1 January 2007	43 120	
Suspense account		
Trade creditors		14 990
Trade debtors	18 710	
VAT (due from HM Revenue and Customs)	1 550	
Wages and salaries	32 110	
	387 700	387 700

1 mark for every two correct answers

10 marks

Brian Gartside has been trading for many years and has employed the same accounting staff since the business began. He is now considering the introduction of a computerised accounting system for the business.

REQUIRED

1(b) Explain **two** possible positive **and two** possible negative reactions of his staff to the proposed introduction of a computerised accounting system.

Positive reactions

- **Opportunity to develop new skills because of provision of training by the employer.**
- **Saving personal time and personal expense to develop additional skills.**
- **Increased job satisfaction – resulting in increased motivation through feeling more valued.**
- **Enhanced career prospects through personal development.**

max 4 marks

Negative reactions

- **Fewer personnel possibly needed – resultant stress through threat of redundancy.**
- **Lack of necessary skills – unwillingness to undertake personal development.**
- **Health and safety issues – eyestrain / backache etc.**
- **Disruption at the changeover time – resulting in increased workloads and stress.**
- **De-motivation - lack of the personal touch.**

1 mark for identification, 1 mark for development of each point.

max 4 marks

2

Total for this question: 9 marks

The following table shows transactions relating to Avid Motor Parts.

REQUIRED

Complete the table. An example has been given.

Item	Subsidiary book	Account to be debited	Account to be credited
Invoice for goods supplied to customer B Jones	<i>Sales day book</i>	<i>B Jones – Debtor account</i>	<i>Sales</i>
Invoice received from HP Furniture for the purchase of office furniture on credit	General journal or analysed purchased day book (1)	Fixed asset or office furniture (1)	HP Furniture - creditor account or creditor control account (1)
Paid cash to an employee for petrol expenses	Petty cash book or cash book (1)	Petrol expenses or motor expenses (1)	Petty cash or cash (1)
Received a cheque from BG Factors in settlement of their account	Cash Book (1)	Bank (1)	BG Factors - debtor account or debtor control account (1)

9 marks

3

Total for this question: 16 marks

The following is an extract from the bank statement received by Northern Traders.

Date	Details	Dr £	Cr £	Balance £
6 Dec	Balance			613 Cr
8 Dec	Credit transfer - B Williams		250	863 Cr
11 Dec	Standing order - Rent	500		363 Cr
12 Dec	Direct debit - Apex Insurance	112		251 Cr
12 Dec	Dishonoured cheque - R Royce	100		151 Cr

B Williams and R Royce are customers of the business.

REQUIRED

- 3 Explain the meaning of **each** of the following terms and state the double entry in the books of Northern Traders for the transactions shown on the bank statement extract.
- 3(a) Credit transfer
 Explanation: **An amount transferred directly (1) into a bank account (1).** 2 marks
 Ledger account to be debited: **Bank account (1)** 1 mark
 Ledger account to be credited: **B Williams (1)** 1 mark
- 3(b) Standing order
 Explanation: **An instruction to a bank (1) to make a regular fixed payment (1) in respect of rent payable.** 2 marks
 Ledger account to be debited: **Rent account (1)** 1 mark
 Ledger account to be credited: **Bank account (1)** 1 mark
- 3(c) Direct debit
 Explanation: **Authority (1) for a business to collect an amount out of a bank account (1). The amount can be varied (1) without further consent.** max 2 marks
 Ledger account to be debited: **Insurance account / Apex Insurance (1)** 1 mark
 Ledger account to be credited: **Bank account (1)** 1 mark
- 3(d) Dishonoured cheque
 Explanation: **A cheque paid into a bank account (1) that has been refused payment by the customer's bank (1). For example, insufficient funds (1).** max 2 marks
 Ledger account to be debited: **R Royce (1)** 1 mark
 Ledger account to be credited: **Bank account (1)** 1 mark

Overall max 16 marks

4

Total for this question: 10 marks

Mohammed Ismail's year end is 31 May. His books showed the following information at 31 May 2007:

- VAT on purchases was £9633.25
- VAT in the sales day book was £18 742.12
- Cash sales in the cash book were £3011.76 (including VAT)
- VAT in the purchase returns day book was £358.01
- A new machine was purchased for £3450.00 (plus VAT).

The VAT rate is 17.5%.

REQUIRED

4(a) Complete the VAT account for May 2007 and bring down any balance.

Dr				VAT Account				Cr			
Date	Details	£	p	Date	Details	£	p				
31 May	Purchases	9 633	25	(1)	1 May	Balance b/d	8 422	50			
31 May	New machine	603	75	(2)	31 May	Credit sales	18 742	12	(1)		
					31 May	Cash sales	448	56	(2)		
31 May	Balance c/d*	17 734	19		31 May	Purchases Returns	358	01	(1)		
		<u>27 971</u>	<u>19</u>				<u>27 971</u>	<u>19</u>			
					1 Jun	Balance b/d*	17 734	19			

* (1) OF for both balances

8 marks

4(b) What does the closing balance on the VAT account mean?

Closing credit balance indicates that £17 734.19 is owed to HM Revenue and Customs (1).

1 mark

4(c) Where in the financial statements will the closing balance on the VAT account appear?

Current assets/current liabilities in balance sheet (1) (answer must relate to answer in Q4b).

1 mark

5

Total for this question: 23 marks

James Seddon owns a business selling sports equipment. The following list of balances has been extracted from the books at 31 December 2007 and from information supplied by James.

	£
Bank loan (repayable October 2008)	600
Bank overdraft	7 844
Capital account at 1 December 2007	37 864
Discounts received	493
Drawings	2 200
General expenses	622
Gross profit for the month	19 320
Light and heat	815
Motor expenses	1 860
Motor vehicle	12 400
Rent and rates	1 240
Stock at 31 December 2007	42 650
Trade creditors	5 692
Trade debtors	4 310
VAT (due from HM Revenue and Customs)	526
Wages and salaries	5 190

REQUIRED

5(a) Prepare a profit and loss account for the month ended 31 December 2007.

<u>James Seddon</u>			
<u>Profit and loss account for the month ended 31 December 2007 (1)</u>			
	£	£	
Gross profit		19 320	(1)
Discount received		<u>493</u>	(1)
		19 813	
General expenses	622	(1)	
Light and heat	815	(1)	
Motor expenses	1 860	(1)	
Rent and rates	1 240	(1)	
Wages and salaries	<u>5 190</u>	(1)	
Net profit (1)		<u>9 727</u>	(10F)
		<u>10 086</u>	(10F)

10 marks

5(b) Prepare a balance sheet at 31 December 2007

<u>James Seddon</u>			
<u>Balance sheet at 31 December 2007 (1)</u>			
	£	£	
<u>Fixed Assets</u> *			
Motor vehicle		12 400	(1)
<u>Current Assets</u> *			
Stock	42 650	(1)	
Trade debtors	4 310	(1)	
VAT due from HMRC	<u>526</u>	(1)	
	<u>47 486</u>		
<u>Current Liabilities</u> *			
Bank loan (repayable 2008)	600	(1 or 0)	
Bank overdraft	7 844	(1)	
Trade creditors	<u>5 692</u>	(1)	
	<u>14 136</u>		
Net current assets		<u>33 350</u>	
		<u>45 750</u>	(1 OF)
Financed by			
Capital		37 864	(1)
Net profit for the month		<u>10 086</u>	(1 OF)
		47 950	
Drawings		<u>2 200</u>	(1)
		<u>45 750</u>	

* Plus 1 mark for all three headings

13 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)?