

GCE 2004

June Series



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

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Mark Scheme

Accounting

Unit ACC1

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 any 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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June 2004

ACC1

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: 17 marks**

Country Fair Stalls has partly completed its petty cash book, as shown on page 3, for the week ended 8 May 2004.

REQUIRED

(a) Complete the entries for the week by recording the following items. **10 marks**

May 4	Voucher number 003	Petrol	£16.49 including VAT at 17.5%
May 6	Voucher number 004	Window cleaning	£15.00 no VAT
May 7	Voucher number 005	Envelopes	£16.00, VAT at 17.5% to be added
May 7	Voucher number 006	Parcel post	£10.00 no VAT

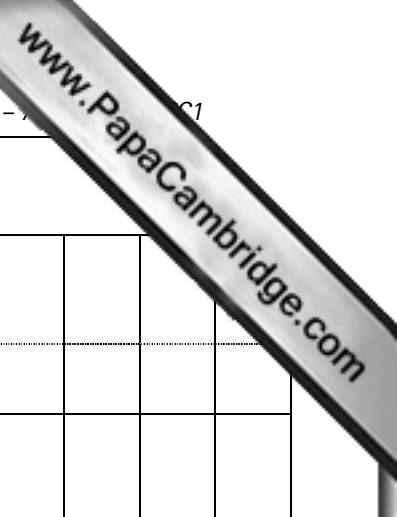
(b) Total the petty cash book, carry down the balance and restore the imprest. **3 marks**

(c) In which section (subheading) of the balance sheet would the closing balance of petty cash appear?

Current assets **1 mark**

(d) How could the closing balance of petty cash be checked?

Count the cash in the box (1) and it should agree (1) with the balance in the petty cash book (1). **3 marks**



Country Fair Stalls' Petty Cash Book

Dr		Cr														
		Received	Date	Details	Total	VAT		Stationery		Postage		Motor Expenses		Cleaning		
£	p			£	p	£	p	£	p	£	p	£	p	£	p	
100	00	May 1	Cash Float (Balance brought down)													
		May 2	Petrol 001	20	43	3	04					17	39			
		May 3	Postage 002	5	45					5	45					
		May 4	Petrol 003	16	49 (1)	2	45 (1)					14	04 (1)	o/f		
		May 6	Windows 004	15	00 (1)									15	00 (1)	
		May 7	Stationery 005	18	80 (1)	2	80 (1)	16	00 (1)							
		May 7	Postage 006	10	00 (1)					10	00 (1)					
				86	17	8	29	16	00	15	45	31	43	15	00	
		May 8	Balance c/d	13	83	(1) analysis totals										
100	00			100	00											
13	83(1)o/f	May 8	Balance b/d													
86	17(1)o/f	Labelled	Cash													

2

Total for this question: 12 marks

On 30 April 2004 the following figures were extracted from the ledgers of Country Crafts.

	£
Bank loan (repayable 2010)	20 000
Bank overdraft	3 900
Buildings	85 000
Capital at 1 May 2003	113 160
Creditors	4 700
Debtors	6 900
Drawings	16 250
Net profit for the year	6 940
Plant and machinery	22 500
Stock at 30 April 2004	7 850
Vehicles	10 200

REQUIRED

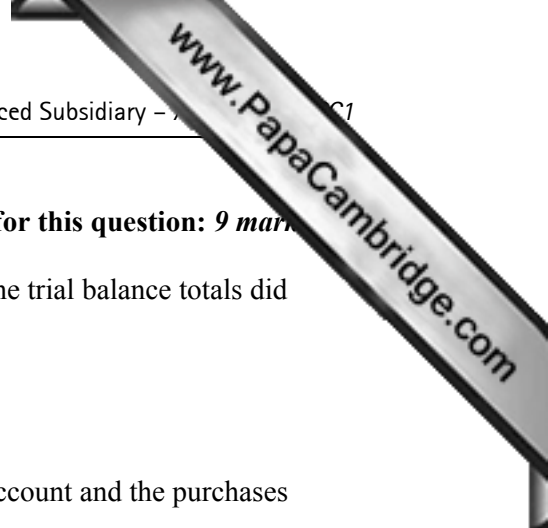
Prepare a balance sheet as at 30 April 2004.

Country Crafts Balance Sheet as at 30 April 2004

	£		£		£	
Fixed Assets						
Buildings				85 000		(1)
Plant & machinery				22 500		(1)
Vehicles				<u>10 200</u>		(1)
				<u>117 700</u>		
Current assets						
Stock			7 850			(1)
Debtors			<u>6 900</u>			(1)
			<u>14 750</u>			
Current liabilities						
Creditors	4 700	(1)				
Bank overdraft	<u>3 900</u>	(1)	<u>(8 600)</u>	(1)	<u>(6 150)</u>	
					<u>123 850</u>	
Long term liabilities						
Bank loan				<u>(20 000)</u>		(1)
				<u>103 850</u>		
Capital						
Capital at 1 May 2003				113 160		(1)
Net profit				6 940		(1)
Drawings				<u>(16 250)</u>		(1)
				<u>103 850</u>		

12 marks

No mark if item is in wrong section or if +/- confused.



3

Total for this question: 9 marks

On 30 April 2004 the owner of China Products prepared a trial balance. The trial balance totals did not agree. A suspense account was opened.

The following errors have been discovered.

- (1) The sales account had been overcast by £200.
- (2) A purchase invoice for £500 had been entered in both the supplier’s account and the purchases account as £50.
- (3) Rent paid of £650 had been correctly entered in the cash book, but had been entered in the rent account as £400.

REQUIRED

(a) Make appropriate entries in the suspense account. Show the opening balance.

Dr		Suspense Account				Cr	
Date 2004	Details	£	Date 2004	Details	£		
30 Apr	Balance/error o/f no aliens	450(1)	30 Apr	Sales	200 (1)		
		<u>450</u>		Rent	<u>250 (1)</u>		
					<u>450</u>		

No reversals

3 marks

(b) Give an example of an error of commission. Explain why it will not be revealed by a trial balance.

Example: **Correct example e.g. J Jones payment entered in B Jones a/c.**

2 marks

Explanation: **As the entry is made on the correct side of the ledger (1), the trial balance will still balance (1) although the entry is in the wrong a/c (1).**

3 marks

(c) Which account should you prepare to discover if there are errors in the debtors’ accounts?

(Sales Ledger) control account (1).

1 mark

4

Total for this question: 18 marks

James Baker has received a bank statement for his business and is preparing a bank reconciliation statement.

REQUIRED

(a) Why are bank reconciliation statements prepared?

To check the correctness (1) of the bank account in the cash book (1) and correctness of the bank statement (1) and to show the items that must be entered (1) to update the accounts (1). **max 3 marks**

(b) The bank statement includes the following entries. Explain the meaning of each of them. Identify the ledger entries James Baker will have to make.

Standing order paid to Perfect Insurance Co £200

Explanation: **£200 will be paid directly (1) by the bank (1) to Perfect Insurance (1) at regular intervals (1).** **max 3 marks**

Debit: **Insurance (1)** **1 mark**

Credit: **Bank (1)** **1 mark**

Credit transfer from The Magnificent Garden Centre £700.47

Explanation : **The Magnificent Garden Centre (1) have paid £700.47 directly (1) into James Baker's bank (1).** **max 3 marks**

Debit: **Bank** **1 mark**

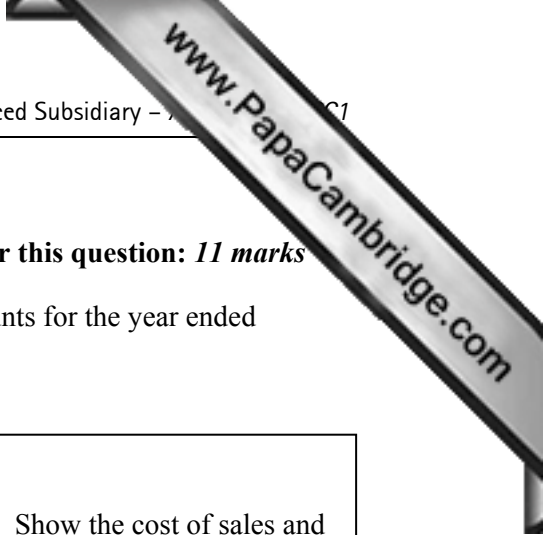
Credit: **The Magnificent Garden Centre** **1 mark**

Bank charges £43.27

Explanation: **The bank (1) have charged James Baker (1) £43.27 (1) for running the account (1)** **max 3 marks**

Debit : **Bank charges** **1 mark**

Credit: **Bank** **1 mark**



5

Total for this question: 11 marks

The owner of The Magnificent Garden Centre is preparing the final accounts for the year ended 31 March 2004.

REQUIRED

Prepare the trading account by selecting from the following information. Show the cost of sales and the gross profit.

	£
Carriage inwards	4 300
Carriage outwards	2 794
Purchases	243 600
Returns inwards	5 963
Returns outwards	4 982
Sales	450 687
Stock at 1 April 2003	26 830
Stock at 31 March 2004	22 786

**The Magnificent Garden Centre
Trading account for the year ended 31 March 2004**

	£	£	£
Sales			450 687 (1)
Less returns inwards			<u>(5 963) (1)</u>
			444 724
Less cost of sales (1)			
Opening stock		26 830 (1)	
Purchases	243 600 (1)		
Carriage inwards	<u>4 300 (1)</u>		
	247 900		
Less returns out	<u>(4 982) (1)</u>	<u>242 918</u>	
		269 748	
Less closing stock		<u>22 786 (1)</u>	<u>246 962 (1)</u> OF no aliens
Gross profit (1)			<u>197 762 (1)</u> OF

11 marks

6

Total for this question: 9 marks

The table below shows transactions which relate to the Green Fingers Garden Centre.

REQUIRED

Complete the table below to show which subsidiary book will be used. Identify the accounts which will be debited and credited.

An example has been given.

Item	Subsidiary Book	Account to be debited	Account to be credited
<i>Cash purchases for resale</i>	<i>Cash book</i>	<i>Purchases</i>	<i>Cash</i>
Sales on credit to B. Wallflower	Sales (day) book/journal(1)	B. Wallflower (1)	Sales (1)
Cheque paid to Plants plc to settle their account	Cash book (1)	Plants plc (1)	Bank (1)
Cash discount taken when paying Plants plc by cheque	Cash book (1)	Plants plc (1)	Discount (received) (1)

9 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.

