

## General Certificate of Education

# Accounting 5121

### *ACC2 Financial Accounting: Introduction to Published Accounts of Limited Companies*

## Mark Scheme

### *2005 examination - June 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 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.

June 2005

ACC

## 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

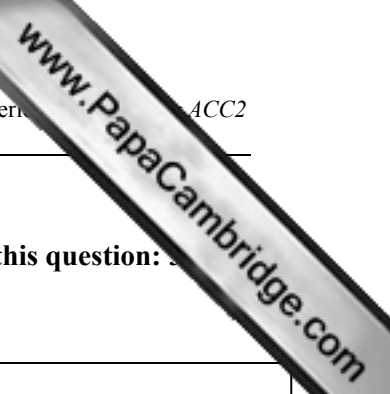
The answers given in the mark scheme are not exhaustive and other answers may be valid. If this occurs, examiners should refer to their Team Leader for guidance. Similarly, candidates may set out their accounts in either a vertical or horizontal format. Both methods are acceptable.

#### 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 make 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: 5 marks

The balance sheet of John Wilson Ltd is being prepared.

**REQUIRED**

Complete the following table by placing **one** tick in the appropriate column to show in which section of the balance sheet these items should be entered.

Item 1 has been completed as an example.

Item	Fixed assets	Current assets	Long-term liabilities	Current liabilities
1. Trade creditors				✓
2. Buildings	✓ (1)			
3. Petty cash		✓ (1)		
4. Bank overdraft				✓ (1)
5. Debentures			✓ (1)	
6. Office furniture	✓ (1)			

**5 marks**

2

Total for this question: 12 marks

To improve the speed and accuracy of the bookkeeping, the directors of John Wilson Ltd are considering buying a computer.

**REQUIRED**

(a) Explain why using a computer could improve the speed with which the bookkeeping is completed.

**Entries are made in all accounts (1) from one initial input (1)**

**Time is not taken to total (1) as this is automatic (1)**

**Accounts are already set up in the program (1) and do not have to be 'drawn' (1)**

**max 4 marks**

(b) Explain why using a computer could improve the accuracy of the bookkeeping.

**Providing the original entry is correct (1) all accounts will be correct (1)**

**All calculations are done automatically (1) and will be correct (1)**

**4 marks**

(c) Explain **two** reasons why the accounting staff might welcome the introduction of a computing system.

**They should get additional training (1) and improve their skills (1)**

**They may be able to command higher salaries (1) for knowledge (1)**

**They can increase their chances of getting better employment (1) with another company**

**(1)**

**max 4 marks**

3

Total for this question: 26 marks

1. The ledger accounts of John Wilson Ltd show the following balances for the year to 1 April 2005. These figures have already been entered in the table.

	£
Sales	36 496.00
Purchases	15 478.00
Returns inwards	978.46
Returns outwards	479.36
VAT (credit balance)	3 478.89
Carriage inwards	356.68

2. The day books show the following totals for the month ended 30 April 2005.

	Goods £	VAT £	Total £
Sales day book	5 500.00	962.50	6 462.50
Purchases day book	3 600.00	630.00	4 230.00
Returns inwards day book	226.00	39.55	265.55
Returns outwards day book	146.00	25.55	171.55

3. The journal contains the following entry.

	Dr £	Cr £
Carriage inwards	156.78	
Purchases		156.78
Carriage inwards entered in the purchases account in error		

**REQUIRED**

- (a) Using the information from page 7, calculate the total amount for each of these accounts to be used in the trial balance at 30 April 2005. Show your workings.

Sales $36\,496.00 + 5\,500\ (1) = 41\,996.00\ (1)$ OF	<u>2 marks</u>
Purchases $15\,478.00 + 3\,600\ (1) - 156.78\ (1) = 18\,921.22\ (1)$ OF	<u>3 marks</u>
Returns inwards $978.46 + 226\ (1) = 1204.46\ (1)$ OF	<u>2 marks</u>
Returns outwards $479.36 + 146\ (1) = 625.36\ (1)$ OF	<u>2 marks</u>
VAT (credit balance) $3\,478.89 + 962.50\ (1) + 25.55\ (1) - 630\ (1) - 39.55\ (1) = 3\,797.39\ (1)$ OF	<u>5 marks</u>
Carriage inwards $356.68 + 156.78\ (1) = 513.46\ (1)$ OF	<u>2 marks</u>

(3)

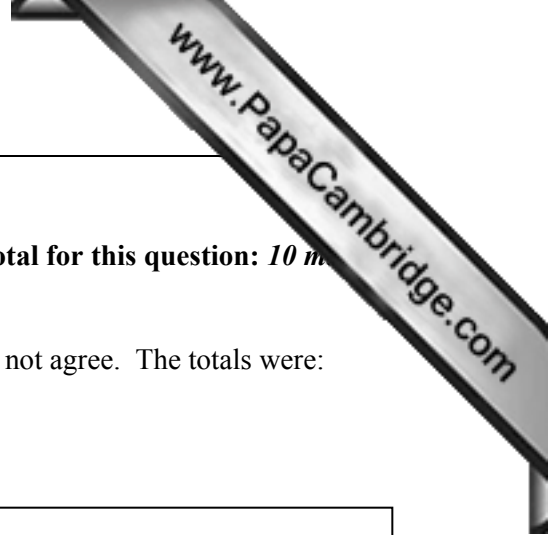
**Additional information**

Stock on 1 May 2004	£2 367.48
Stock on 30 April 2005	£3 967.42

**REQUIRED**

(b) Using the figures from part (a), prepare the trading account for the year ended 30 April 2005.

<b>John Wilson Ltd</b>			
<b>Trading Account for the year ended 30 April 2005 (1)</b>			
	£	£	£
<b>Sales</b>			41 996.00 (1) OF
<b>Less returns</b>			<u>1 204.46</u> (1) OF
			40 791.54
<b>Less cost of goods sold</b>			
<b>Opening stock</b>		2 367.48 (1)	
<b>Add purchases</b>	18 921.22 (1) OF		
<b>Carriage in</b>	<u>513.46</u> (1) OF		
	19 434.68		
<b>Less returns out</b>	<u>625.36</u> (1) OF	18 809.32	
		<u>21 176.80</u>	
<b>Less closing stock</b>		<u>3 967.42</u> (1)	<u>17 209.38</u>
<b>Gross profit (1)</b>			<u>23 582.16</u> (1) OF
<b>All OF from (a)</b>			<u>10 marks</u>



4

Total for this question: 10 marks

The totals of the trial balance of John Wilson Ltd at 31 March 2005 did not agree. The totals were:

Debit £46 250

Credit £45 416

**REQUIRED**

(a) What steps should be taken to correct the trial balance?

1. **find the difference (1) = £834 (1)**
2. **open a suspense account (1) and enter £834 on the credit (1)**
3. **check the ledgers (1) to locate the error/errors (1)**
4. **enter error corrections in the suspense account (1) and the ledger/trial balance (1)**

**max 5 marks**

(b) A clerk complains that he has wasted time preparing a trial balance, as it does not show all of the errors which might have been made. Using an example, explain clearly why all of the errors are not shown.

**Some errors affect both the debit and credit of the trial balance (1) by the same amount (1)**

**Name of one type (1)**

**Explanation of type (0-2)**

**5 marks**

5

Total for this question: 25

The following information has been extracted from the books of Fabrications plc at 30 April 2005, the end of the first year of trading. The net profit after tax for the year is £340 000.

The company has issued:

500 000 8% preference shares of 50p each fully paid;  
2 million ordinary shares of £1 each fully paid.

They have issued £80 000 6% debentures.

### Additional information

- The buildings are currently valued at £400 000 and the directors have had these revalued at £550 000. The new value is to be included in the books immediately.
- The directors have declared a final dividend on the preference shares and a dividend of 9p per share on the ordinary shares. There was no interim dividend paid.
- Other balances at 30 April 2005:  
trade creditors £76 000;  
bank £6 700 (credit);  
share premium £100 000.

### REQUIRED

(a) Calculate the final dividends to be paid on:

(i) preference shares

Dividend **£20 000**

**4 marks**

Workings **500 000 (1) shares @ 50p (1) = £250 000 x 8% (1) = £20 000 (1) OF**

(ii) ordinary shares

Dividend **£180 000**

**3 marks**

Workings **2 million (1) x 9p (1) = £180 000 (1) OF**

(b) Calculate the profit and loss account balance to be entered in the balance sheet at 30 April 2005.

Profit and loss account balance **£140 000**

**4 marks**

Workings **£340 000 (1) - £20 000 (1) OF - £180 000 (1) OF = £140 000 (1) OF**

(c) Complete the following balance sheet sections at 30 April 2005, using the figures given and your calculations.

(i) Creditors due within one year

	£	
<b>Trade creditors</b>	<b>76 000</b>	<b>(1)</b>
<b>Bank overdraft</b>	<b>6 700</b>	<b>(1)</b>
<b>Dividends proposed</b>		
<b>Preference shares</b>	<b>20 000</b>	<b>(1) OF</b>
<b>Ordinary shares</b>	<b>180 000</b>	<b>(1) OF</b>
	<b>282 700</b>	<b>(1) OF no aliens</b>

5 marks

(ii) Creditors due after more than one year

<b>6% Debentures</b>	<b>80 000</b>	<b>(1)</b>
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1 mark

(iii) Capital and reserves

<b>Preference share capital</b>	<b>250 000</b>	<b>(1)</b>
<b>Ordinary share capital</b>	<b>2 000 000</b>	<b>(1)</b>
<b>Revaluation reserve</b>	<b>150 000</b>	<b>(1)</b>
<b>Profit and loss account</b>	<b>140 000</b>	<b>(1) OF</b>
<b>Share premium account</b>	<b>100 000</b>	<b>(1)</b>
	<b>2 640 000</b>	<b>(1) OF no aliens</b>

6 marks



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## 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.
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