



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme

January 2003

GCE

Accounting

Unit ACC1

January 2003**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 / Layouts

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. 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: 10 marks

REQUIRED

- (a) In the table below identify **three** subsidiary books (other than the example below) and state **one** source document which is used to make an entry in each of the books you have identified.

An example has been given.

	Subsidiary book	Source document
e.g.	<i>Petty cash book</i>	<i>Petty cash voucher</i>
<p>Any suitable example for each of three matching examples:</p> <p>Sales day book/journal (sales) invoice Purchase day book/journal (purchase) invoice Returns in or out day book/journal... credit note Cash book cheque or paying-in counterfoil Journal written instruction / invoice for Fixed Asset</p>		

3 items x 2 = 6 marks

- (b) Explain **two** benefits to a business of using a computer to record financial transactions.

Speed (1). Will enable several entries to be made simultaneously (1).

Accuracy (1). Less opportunity for error (1) as there are multiple entries (1).

Neatness (1). All accounts printed and are more legible (1).

Any other suitable example but not from workers’ point of view.

Identify (1) + development (1).

max 4 marks

2

Total for this question: 6 marks

Joe Parkinson's books show the following information for December 2002.

Cash sales were £28 967.45 including VAT at 17.5%.

The VAT on purchases for the month was £2389.36.

The purchase of new machinery included VAT of £600.

REQUIRED

Calculate the amount of VAT due to Customs and Excise for the month of December 2002. Show detailed workings.

$$4314.30 \text{ (3OF)} - 2389.36 \text{ (1)} - 600 \text{ (1)} = \text{£}1324.94 \text{ (1OF)}$$

Workings

$$28\,967.45 \text{ (1)} \times \frac{0.175}{1.175} \text{ (1 formula)} = 4314.30 \text{ (1)}$$

6 marks

3**Total for this question: 15 marks**

The following balances are taken from the books of James Cadwallader showing totals for the year ended 31 December 2002.

	£
Sales	67 945
Purchases	34 981
Returns inwards	2 945
Returns outwards	1 367
Carriage inwards	679
Carriage outwards	386
Stock at 1 January 2002	5 780
Stock at 31 December 2002	6 590
Wages	12 056
Other expenses	4 650

REQUIRED

Prepare the trading and profit and loss account for the year ended 31 December 2002.

James Cadwallader**Trading and Profit and Loss Account for the year ended 31 December 2002**

	£	£	£
Sales			67 945 (1)
LESS Returns inwards			<u>2 945</u> (1)
Turnover			65 000 (1 OF <i>no aliens</i>)
Opening stock		5 780 (1)	
Purchases	34 981 (1)		
Carriage inwards	679 (1)		
LESS returns outwards	<u>1 367</u> (1)	34 293	
LESS Closing stock		<u>6 590</u> (1)	
Cost of sales			<u>33 483</u> (1 OF <i>no aliens</i>)
Gross profit			31 517 (1 OF)
LESS			
Wages		12 056 (1)	
Carriage out		386 (1)	
Other expenses		<u>4 650</u> (1)	<u>17 092</u>
Net profit (1 label)			<u>14 425</u> (1 OF)

Total 15 marks

4

Total for this question: 10 marks

James Cadwallader was advised to prepare the following:

1. a bank reconciliation statement;
2. control accounts;
3. a trial balance.

REQUIRED

- (a) Complete the following table, showing the account(s) which each of these techniques would verify.

	Technique	Account(s)
1.	Bank reconciliation statement	Bank account (1)
2.	Control accounts	Debtors and/or creditors accounts (1)
3.	Trial balance	All accounts (1)

3 marks

- (b) Do these three techniques show whether or not his bookkeeping was correct? Justify your answer.

It is partially true only (1).

The bank reconciliation will show differences between cash book and the bank statement (1) shows if they do not agree (1) compares the balance from the bank statement to the balance in the cash book (1).

Some errors are revealed (1) by the trial balance (1) and the control accounts (1) but it only checks the arithmetical accuracy (1).

It shows if the debits and credits are equal (1).

Some errors are not revealed (1). Allow for one suitable error named (1) and described (1) and the trial balance will still agree (1) even if there are errors present (1).

max 7 marks

5

Total for this question: 19 marks

Mary Arbuthnot runs Mary’s Doll Shop and is preparing her balance sheet but has problems with allocating **four** items.

REQUIRED

Using the memorandum below, advise her as to which section/sub-heading of the balance sheet the items should appear under. Give detailed reasons for your choice.

MEMORANDUM

Date

To

From

Subject

(headings: 1 mark)

1 mark

1. Cost of new delivery van

Section: **Fixed assets**

1 mark

Reason: **An asset purchased for use in the business (1)**
not for resale (1)
used over a long period / more than one year (1)
will help generate profits (1)
will depreciate with use (1)
is a tangible asset (1).

max 5 marks

2. Stock of dolls for resale

Section: **Current asset**

1 mark

Reason: **An asset remaining in the business for the short term (1)**
less than one year (1)
She will expect to sell them shortly (1)

max 2 marks

3. Telephone bill due to be paid in one month's time

Section: **Current liabilities**

1 mark

Reason: **Short term liability (1)
Amount owed (1) by the business (1)
which needs to be paid within the next 12 months (1)**

max 3 marks

4. Drawings for the year

Section: **Capital / Financed by / Represented by**

1 mark

Reason: **It is cash or goods (1) taken out of the business (1)
by the owner (1), therefore it reduces the capital (1)
invested in the business (1).**

max 4 marks

6

Total for this question: 16 marks

The petty cash book for the Taj Mahal Restaurant has been only partly completed for the week ended 12 January 2003.

REQUIRED

(a) Complete the petty cash book for the week from the following details:

Jan 9 Petrol £12.50 (including VAT)
 Jan 10 Postage on parcels £8.50 (no VAT)
 Jan 11 Saturday help £20.00 (no VAT)

(b) Balance the petty cash book **and** total the analysis columns. Make the necessary entries to restore the imprest to £120.

Petty Cash Book

Received	Date	Details	Voucher number	Total	VAT	Motor expenses	Stationery	Postage	Sundries
£ p	2003			£ p	£ p	£ p	£ p	£ p	£ p
120.00	Jan 6	Balance b/d							
	Jan 7	Petrol	27	23.00	3.43	19.57			
	Jan 8	Postage	28	15.00				15.00	
	Jan 8	Envelopes	29	10.00	1.49		8.51		
	Jan 8	Cleaner	30	15.00					15.00
	Jan 9	Petrol	31	12.50*	1.86*	10.64*			
	Jan 10	Postage	32	8.50 *	for both			8.50	
	Jan 12	Wages	33	20.00 *	for both				20.00
		Totals		104.00	6.78	30.21	8.51	23.50	35.00
		Bal c/d		16.00					
120.00				120.00 *	OF				
16.00 * OF	Jan 13	Bal b/d							
104.00* OF	Jan 13	Bank *		for details					

An asterisk (*) indicates one mark plus one mark for all analysis columns totalled OF
Mark (a) and (b) combined = 10 marks

(c) Explain how the balance shown in the petty cash book can be checked for accuracy.

the cash left in the petty cash box should be counted (1)
the balance should be equal to this sum (1)
check the cross cast of the analysis columns to the total (1)

max 2 marks

(d) Give **two** benefits of using a petty cash book.

Allows a junior clerk to have responsibility (1) for a limited amount of cash (1)

Using the totals (1) saves having multiple entries in the main cash book (1)
and in the ledgers (1)

It saves senior staff from dealing (1) with trivial amounts (1).

max 4 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.