



ASSESSMENT and
QUALIFICATIONS
ALLIANCE

Mark scheme January 2004

GCE

Accounting

Unit ACC1

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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.

Asterisks (*)

An asterisk indicates a point worthy of one mark.

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: 16 marks**

Given below are extracts from the sales day book, sales returns day book, cash book and journal of James Grant, a toy manufacturer, for December 2003.

Sales Day Book extract

Date 2003	Details	Goods		VAT		Total	
		£	p	£	p	£	p
Dec 13	Dolls and Things	100	00	17	50	117	50
Dec 16	B J Patel Ltd	263	00	46	02	309	02
Dec 16	Dolls and Things	46	00	8	05	54	05
		409	00	71	57	480	57

Sales Returns Day Book extract

Date 2003	Details	Goods		VAT		Total	
		£	p	£	p	£	p
Dec 15	Dolls and Things	26	00	4	55	30	55

Cash Book extract - Debit

Date 2003	Details	Discount allowed		Bank	
		£	p	£	p
Dec 9	Dolls and Things	26	15	327	45
Dec 10	B J Patel Ltd	14	35	127	96

Journal extract

Date 2003	Details	Debit		Credit	
		£	p	£	p
Dec 18	Vehicles	7500	00		
	VAT	1312	50		
	Car Sales Ltd			8812	50
	Delivery van purchased on credit				

REQUIRED

- 1 From the information given on page 6 make the necessary entries in the following accounts. The accounts should **not** be balanced.

Sales Ledger extract

Dolls and Things

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
Dec 1	Balance b/d	353	60	Dec 9	Bank	327	45*
Dec 13	Sales	117	50*	Dec 9	Discount	26	15*
Dec 15	Sales	54	05*	Dec 15	Returns in	30	55*

B J Patel Ltd

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
Dec 1	Balance b/d	142	31	Dec 10	Bank	127	96*
Dec 16	Sales	309	02*	Dec 10	Discount	14	35*

Purchase Ledger extract

Car Sales Ltd

Debit				Credit			
Date 2003	Details	£		Date 2003	Details	£	p
				Dec 31	Journal	8812	50*

1 General Ledger extract

Sales

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
				Dec 31	Month total	409	00*

Sales Returns

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
Dec 31	Monthly total	26	00*				

VAT

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
Dec 1	Balance b/d	101	45	Dec 31	Sales	71	57*
Dec 31	Returns	4	55*				
	Journal	1312	50*				

Discount Allowed

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
Dec 31	Monthly total	40	50*				

Motor Vehicles

Debit				Credit			
Date 2003	Details	£	p	Date 2003	Details	£	p
Dec 31	Monthly total	7500	00*				

max 16 marks
1 mark for dates and details entered

2

Total for this question: 6 marks

When preparing a balance sheet it is important to distinguish between long-term and current liabilities.

REQUIRED

- (a) Give **one** example of a long-term liability. **Any suitable example* e.g. Bank loan of more than 1 year, Mortgage.** **1 mark**
- (b) Give **one** example of a current liability. **Any suitable example* e.g. Creditors, overdraft, HM Customs and Excise (VAT).** **1 mark**
- (c) Explain why it is important to distinguish between long-term and current liabilities.

Distinction is important as errors in identification will lead to incorrect management decisions.

(0-4)

Long-term liabilities are amounts owing due to be paid back* after more than one year*. Current liabilities are amounts owing due to be paid back* within one year*.

} **max 3 marks**
max 4 marks

3

Total for this question: 13 marks

The following balances were extracted from the ledgers of The Agricultural Supplies Company for the month of December 2003:

	£
Carriage outwards	450
Purchases	12 467
Rent and rates	1 300
Returns inwards	596
Returns outwards	367
Sales	26 579
Stock at 1 December	4 502
Stock at 31 December	3 692
Sundry expenses	3 200
Wages	5 600

REQUIRED

Prepare the trading and profit and loss account for the month ended 31 December 2003.

The Agricultural Supplies Company
Trading and profit and loss account for the month ended 31 December 2003*

	£	£
Sales		26 579*
Less returns inwards		596*
		<u>25 983</u>
Less cost of sales		
Opening stock	4 502*	
Add purchases	12 467*	
Less returns outwards	367*	
	<u>16 602</u>	
Less closing stock	3 692*	12 910
Gross profit		13 073* (labelled OF) no aliens
Less expenses		
Carriage outwards	450*	
Wages	5 600*	
Rent and rates	1 300*	
Sundry expenses	3 200*	10 550
Net profit		2 523* (labelled OF) no aliens

13 marks

4

Total for this question: 11 marks

REQUIRED

- (a) Complete the following table to show on which side of a trial balance the items would be entered.

An example has been given.

ITEM	DEBIT or CREDIT
<i>Debtors</i>	<i>Debit</i>
Sales	Credit*
Bank overdraft	Credit*
Motor vehicles	Debit*
Carriage out	Debit*
Creditors	Credit*

5 marks

- (b) Even where a trial balance is drawn up using a computer there can be similar errors to a manual system.

Describe **two** such errors.**Omission, commission, principle, original entry, compensating, reversal of entries.**Error 1 E.g. **Commission*** where an amount has been entered in the wrong account* of the same type*.**OR a clear example e.g. The sales invoice* to J Jones has been entered in the account of J Jones and Son* instead of the correct one*.**

3 marks

Error 2 As above

3 marks

5

Total for this question: 13 marks

Given below there is a bank statement for the month of November 2003 which has been received by James Jolly and Co. A junior clerk has checked the cash book against the bank statement, and has ticked (✓) the items that appear in both.

		WESTBANK LTD		27-43-56	
WESTOWN BRANCH		Account 4569823			
James Jolly and Co					
STATEMENT OF ACCOUNT					
Date 2003	Details	Payments £		Receipts £	Balance £
Nov 1	Balance b/f				2659.35
2	Cheque 345	200.00	✓		2459.35
3	Counter credit			234.00	2693.35
4	Cheque 346	134.37	✓		2558.98
4	Cheque 347	276.89	✓		2282.09
5	Counter credit			4361.00	6643.09
9	Cr. tfr. J Black Ltd			246.98	6890.07
12	s/o Business rates	547.90			6342.17
15	Cheque 349	3781.95	✓		2560.22
18	s/o Proper Ins Co	145.65			2414.57
23	Counter credit			560.00	2974.57
23	Bank charges	45.89			2928.68
27	Cheque 350	139.43	✓		2789.25
27	Cheque 348	92.50	✓		2696.75

REQUIRED

- 5 (a) Update the following cash book on 30 November with any necessary entries and calculate the new bank balance.

Cash Book extract

Date 2003	Details	Bank £	p	Date 2003	Details	Cheque number	Bank £	p	
Nov 1	Balance b/d	2459	35	Nov 1	Banks Ltd	11346	134	37	✓
Nov 3	Toys for You	234	00	Nov 1	Books & Paints	11347	276	89	✓
Nov 5	B J Patel	3219	00	Nov 10	Wages	11348	92	50	✓
Nov 5	Dolls and Things	1142	00	Nov 12	Jones and Son	11349	3781	95	✓
Nov 23	J A Smith Ltd	560	00	Nov 23	Smith and Son	11350	139	43	✓
Nov 26	Cash banked	340	00	Nov 25	HGF Finance	11351	256	00	
				Nov 25	Toy Designs	11352	1245	98	
				Nov 30	Balance c/d		2027	23	
		7954	35				7954	35	
Nov 30	Balance b/d	2027	23	Dec 1	Proper Ins Co		145	65	*
Dec 1	J Black Ltd	246	98	Dec 1	Oswestry B C		547	90	*
				Dec 1	Bank charges		45	89	*
					Balance c/d		1534	77	* OF
		2274	21				2274	21	
Dec 1	Balance b/d	1534	77						

5 marks

- (b) Prepare a bank reconciliation statement as at 30 November 2003.

James Jolly & Co Bank Reconciliation as at 30 November 2003 *

Balance as per bank statement		2696.75	*
Less * unrepresented cheques	256.00	*	
	<u>1245.98</u>	*	1501.98
			<u>1194.77</u>
Add * uncleared banking			<u>340.00</u>
Balance as per cash book		<u>1534.77</u>	* OF as in (a)

8 marks

OR

James Jolly & Co Bank Reconciliation as at 30 November 2003*

Balance as per cash book		1534.77	* OF as in (a)
Add * unrepresented cheques	256.00	*	
	<u>1245.98</u>	*	1501.98
			<u>3036.75</u>
Less * uncleared banking			<u>340.00</u>
Balance as per bank statement		<u>2696.75</u>	*

8 marks

6

Total for this question: 17 marks

REQUIRED

- (a) From the following list of balances extracted from the books of BJ Patel on 30 November 2003 complete the sales and purchases ledger control accounts. Bring down the balance on each account.

	£
Sales on credit	26 500
Purchases on credit	19 600
Returns inwards	590
Returns outwards	450
Amounts received from customers	18 900
Amounts paid to suppliers	16 300
A debit balance set off from the sales ledger to the purchase ledger (contra)	400

Sales Ledger Control Account

Debit			Credit		
Date 2003	Details	£	Date 2003	Details	£
Nov 1	Balance b/d	5 476	Nov 30	Returns	590*
30	Sales	26 500*	30	Bank	18 900*
			30	Contra	400*
			30	Balance c/d	<u>12 086</u> * OF
		<u>31 976</u>			<u>31 976</u>
Dec 1	Balance b/d	12 086			

5 marks

Purchases Ledger Control Account

Debit			Credit		
Date 2003	Details	£	Date 2003	Details	£
Nov 30	Returns	450*	Nov 1	Balance b/d	2 960
30	Bank	16 300*	Nov 30	Purchases	19 600*
	Contra	400*			
	Balance c/d	<u>5 410</u> * OF			
		<u>22 560</u>	Dec 1	Balance b/d	<u>22 560</u>
					5 410

5 marks

- 6 (b) Explain how control accounts are used to verify the balances in the sales ledger and purchase ledger accounts.

Total the individual creditors and debtors accounts in the purchase and sales ledgers. (0-2)

These totals should agree with the control accounts balances. (0-2)

max 4 marks

- (c) What is the main limitation of using a control account to verify these ledger accounts?

There may be some errors which are not revealed and so the accounts will be accepted as correct when they are not. (0-3)

May show errors but not pinpoint them. 1 mark

max 3 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.