



General Certificate of Education

Accounting 5121

ACC1 Financial Accounting: The Accounting Information

Mark Scheme

2006 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 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.

January 2006

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: 18 marks**

The following is the trial balance of Sandeep Singh at 31 December 2005.

	Dr £	Cr £
Fixed assets	100 000	
Stock at 1 January 2005	12 000	
Wages and salaries	24 000	
Rent and rates	8 000	
Drawings	15 000	
Capital at 1 January 2005		101 000
Purchases and sales	75 000	120 000
Discount		1 000
Carriage outwards	2 000	
Returns	10 000	5 000
Rent received		25 000
General expenses	6 000	
Debtors and creditors	30 000	20 000
Bank overdraft		10 000
	<u>282 000</u>	<u>282 000</u>

Additional information

Stock at 31 December 2005 was £15 000.

REQUIRED

Prepare trading and profit and loss accounts for the year ended 31 December 2005. Clearly identify the cost of goods sold, gross profit and net profit.

A balance sheet is **not** required.

(1)

**Trading and Profit and Loss Accounts for Sandeep Singh
for the year ended 31 December 2005 (1)**

	£	£	£	
Sales			120 000	(1)
Less returns inwards			10 000	(1)
			110 000	
Less cost of goods sold (1)				
Opening stock		12 000		(1)
Purchases	75 000	(1)		
Returns outwards	5 000	(1)	70 000	
			82 000	
Less closing stock		15 000	67 000	
Gross profit			43 000	(1) OF must be labelled
Plus				
Rent received			25 000	(1)
Discount received			1 000	(1)
			69 000	
Less expenses				
Wages and salaries		24 000		(1)
Carriage outwards		2 000		(2 or 0)
Rent and rates		8 000		(1)
General expenses		6 000	40 000	
Net profit (1)			29 000	(1) OF

18 marks

ALTERNATIVE LAYOUT ACCEPTED AS BELOW

**Trading and Profit and Loss Accounts for Sandeep Singh
for the year ended 31 December 2005 (1)**

	£	£		£	
Opening stock		12 000	(1)	Sales	120 000 (1)
Purchases	75 000	(1)		Less returns inwards	10 000
Less returns outwards	5 000	70 000	(1)		
		82 000			
Less closing stock		15 000	(1)		
Cost of goods sold (1)		67 000			
Gross profit		43 000	(1) OF must be labelled		
		110 000			110 000 (1)
Wages and salaries		24 000	(1)	Gross profit	43 000
Carriage outwards		2 000	(2 or 0)	Rent received	25 000 (1)
Rent and rates		8 000	(1)	Discount received	1 000 (1)
General expenses		6 000	(1)		
Net profit (1)		29 000	(1) OF		

2

Total for this question: 12 marks

The table below shows transactions which relate to Ferndale Fish and Chip Shop.

REQUIRED

Complete the table by entering the appropriate information in the spaces provided.

An example has been given.

	Transaction	Source document	Subsidiary book	Account to be debited	Account to be credited
<i>Example</i>	Payment of travel costs to an employee	<i>Petty cash voucher</i>	<i>Petty cash book</i>	<i>Travel expenses</i>	<i>Petty cash</i>
(a)	Rent paid by cheque	Receipt (1) or cheque counterfoil/stub	Cash book (1)	Rent (1)	Bank (1)
(b)	Damaged potatoes returned to Veggie Supplies Ltd	Credit note (1) or debit note	Returns Out (1) or Purchase Day Book or Purchase Returns Book	Veggies Supplies (1) Ltd	Purchase Returns Out (1)
(c)	Fish fryer purchased on credit from Chippit Ltd	Invoice (1)	The journal (1) or Analysed Purchase day book	Fixed asset Fish fryer Or Equipment (1)	Chippit Ltd (1)

12 marks

3

Total for this question: 9 marks

Since Janice Booth introduced a mail-order facility, her business has expanded significantly. She is concerned, however, about the possibility of non-payment by debtors. She is considering investing in computer software to help manage her sales ledger.

REQUIRED

Identify and explain **three** ways in which the management of her sales ledger would benefit from computerisation.

For each of the three benefits:

One mark for identifying a reason, plus 2 marks for development.

Max 3 per benefit.

3 x 3 marks

Speed (1): e.g batch processing, multi-tasking, use of bar codes (0 – 2)

Accuracy (1): e.g updated automatically, arithmetic accuracy, use of bar codes (0 – 2)

Date more readily available for credit control (1):

e.g could lead to reduction of bad debts,
could put customers on stop before the situation gets critical (0 – 2)

Accept other appropriate comments but must relate to the management of the sales ledger

3 x 3 marks

4

Total for this question: 12 marks

The following extracts are taken from the subsidiary books of Karen Miles for the three months ended 31 December 2005.

Sales Day Book

Date	Details	Goods £	VAT £	Total £
Oct to Dec	Total for period	42 000	7350	49 350

Purchases Day Book

Date	Details	Goods £	VAT £	Total £
Oct to Dec	Total for period	36 000	6300	42 300

Sales Returns Day Book

Date	Details	Goods £	VAT £	Total £
Oct to Dec	Total for period	1600	280	1880

Purchases Returns Day Book

Date	Details	Goods £	VAT £	Total £
Oct to Dec	Total for period	1200	210	1410

Additional information

- (1) At 1 October 2005, there was a credit balance in the VAT account of £7650.
- (2) A payment of £6950 was made in respect of VAT on 9 October 2005.
- (3) The cash book showed that for the period 1 October to 31 December 2005, there were cash sales of £16 450 which **included** VAT at 17.5%.

(4)

REQUIRED

(a) Prepare the VAT account for the three months ended 31 December 2005.

Bring down the balance on the account at 1 January 2006.

VAT Account

Dr			Cr		
Date	Details	£	Date	Details	£
	Purchases Day Book	6 300 (1)	1 Oct	Balance b/d	7 650 (1)
	Sales Returns Day book	280 (1)		Sales Day Book	7 350 (1)
	Bank	6 950 (1)		Purchase Returns Day book	210 (1)
31 Dec	Balance c/d	4 130 (1) OF		Cash Sales	2 450 (2)
		17 660			17 660
			1 Jan	Balance b/d	4 130 (1) OF

10 marks

(b) Explain the significance of the balance brought down on 1 January 2006.

Karen Miles owes 4130 (1OF) to HM Revenue and Customs (1).

2 marks

5

Total for this question: 12 marks

Brian Jarvis prepared the following balance sheet at the end of the accounting year.

It contains errors.

Balance Sheet for the year ended 31 December 2005

	£	£
Fixed assets		90 000
Current assets		
Stock	8 000	
Debtors	13 000	
Cash at bank	7 000	
	28 000	
Current liabilities		
Creditors	8 000	
		36 000
		54 000
Capital		
Opening balance		82 000
Net profit for the year		50 000
		32 000
Drawings		22 000
		54 000

Additional information

- (1) Fixtures and fittings costing £3000 had been recorded as purchases and charged to the trading account for the year.
- (2) Brian had taken £1000 cash from the bank account for his own use. This had not been recorded in the accounts.
- (3) Brian found a cheque for £2500 received from a customer during December, which had been mislaid and had not been recorded.

(5)

REQUIRED

Redraft the balance sheet, correcting any errors.

**Brian Jarvis
Balance Sheet at 31 December 2005 (1)**

	£	£
Fixed assets		93 000 (2) W₁
Current assets		
Stock	8 000	
Debtors	10 500 (2) W ₂	
Bank	8 500 (3) W ₃	
	27 000	
Current liabilities		
Creditors	8 000	
Net current assets		19 000
		112 000
Capital		
Balance at 1 January 2005		82 000
Net profit for year		53 000 (2) W ₄
		135 000
Drawings		23 000 (2) W ₅
		112 000

NB When awarding marks, check the function in the calculation is correct.

12 marks

W₁ 90 000 + 3000 (1) = 93 000 (1) OF

W₂ 13 000 – 2500 (1) = 10 500 (1) OF

W₃ 7000 + 2500 (1) - 1000 (1) = 8500 (1) OF

W₄ 50 000 + 3000 (1) = 53 000 (1) OF

W₅ 22 000 + 1000 (1) = 23 000 (1) OF

See alternative version for assuming a cash customer, rather than credit customer in Additional Information (3).

See next page.

(5)

Alternative version for assuming a cash customer, rather than a credit customer in additional information (3)

REQUIRED

Redraft the balance sheet, correcting any errors.

Brian Jarvis
Balance Sheet at 31 December 2005 (1)

	£	£
Fixed assets		93 000 (2) W ₁
Current assets		
Stock	8 000	
Debtors	13 000 (1)	
Bank	8 500 (3) W ₂	
	29 500	
Current liabilities		
Creditors	8 000	
Net current assets		21 500
		114 500
Capital		
Balance at 1 January 2005		82 000
Net profit for year		55 500 (3) W ₃
		137 500
Drawings		23 000 (2) W ₄
		114 500

12 marks

$$W_1 \quad 90\,000 + 3\,000 \text{ (1)} \quad = \quad 93\,000 \text{ (1) OF}$$

$$W_2 \quad 7\,000 + 2\,500 \text{ (1)} \quad - \quad 1\,000 \text{ (1)} \quad = \quad 8\,500 \text{ (1) OF}$$

$$W_3 \quad 50\,000 + 3\,000 \text{ (1)} \quad + \quad 2\,500 \quad = \quad 55\,500 \text{ (1) OF}$$

$$W_4 \quad 22\,000 + 1\,000 \text{ (1)} \quad = \quad 23\,000 \text{ (1) OF}$$

6

Total for this question: 13 marks

Kingdom Carpet Fitters received a bank statement showing the following transactions in their account during December 2005.

Bank Statement

Date	Details	Dr £	Cr £	Balance
Dec 1	Balance			430 cr.
6	Cheque to F Banks	250		180 cr.
7	Cash and cheques paid in		380	560 cr.
12	Standing order: British Gas	200		360 cr.
18	Credit transfer from J Ball		240	600 cr.
22	Cash and cheques paid in		300	900 cr.
23	Cheque to H Wilton	470		430 cr.
30	Bank charges	20		410 cr.
30	Dishonoured cheque: B Brown	150		260 cr.

REQUIRED

- (a) Update the cash book below with the relevant items from the bank statement, and bring down the balance at the end of the month.

Cash Book (Bank columns only)

Dr

Cr

Date	Details	£	Date	Details	£
Dec 1	Balance b/d	430	Dec 2	F Banks	250
7	Sales banked	380	18	H Wilton	470
22	Sales banked	300	29	M Wall	140
31	Sales banked	560	30	Wages	100
	Credit Transfer: J Ball	240 (1)		Standing Order: British Gas	200 (1)
				Bank charges	20 (1)
				Dishonoured Cheque	150 (1)
				Balance c/d	580*
		1 910			1 910
	Balance b/d	580*			

* 1 OF for both balances.

5 marks

(6)

(b) Prepare a bank reconciliation statement at 31 December 2005.

Bank Reconciliation Statement at 31 December 2005 for Kingdom Carpet Fitters

Accept in either order	Balance as per bank statement		260 (1)
	Plus amounts not yet credited		560 (1)
			820
	Less unpresented cheques		
	M Wall	140 (1)	
	Wages	100 (1)	240
	Balance as per cash book		580 (1) OF from cash book

ALTERNATIVE LAYOUT

	Balance as per cash book		580 (1) OF from cash book
	Plus unpresented cheques		
	M Wall	140 (1)	
	Wages	100 (1)	240
			820
	Less amounts not yet credited		560 (1)
	Balance as per bank statement		260 (1)

5 marks

(c) Explain the term 'dishonoured cheque' shown in the bank statement.

A cheque that has been refused payment by the debtor's bank due to insufficient funds in the debtor's account.

0 - 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.

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 and understandable (including spelling, punctuation and grammar)?

Is there a grasp of Accounting terminology (eg avoiding slang, avoiding text language, avoiding abbreviations in prose answers)?