

GCE 2005

January Series



Mark Scheme

Accounting

ACC1 Financial Accounting: The Accounting Information System

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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January 2005**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.

Asterisks

One asterisk * denotes 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: 4 marks**

It is important for the accuracy of accounts that assets are correctly identified as either fixed or current.

REQUIRED

- (a) Give **one** example of a fixed asset. **e.g. Buildings ***. **1 mark**
- (b) Give **one** example of a current asset. **e.g. Stock ***. **1 mark**
- (c) Identify two characteristics of a fixed asset.

Held for more than one year *.

Not purchased to be resold *.

Used within the business to generate profits *.

max 2 marks**2****Total for this question: 38 marks**

The following list of balances has been extracted from the books of Helen Jones as at 31 October 2004.

	£
Buildings	55 000
Carriage inwards	245
Cash at the bank	5 891
Creditors	2 670
Debtors	1 540
Motor vehicles	10 000
Purchases	22 000
Rates	4 000
Rent receivable	2 843
Returns inwards	790
Returns outwards	460
Salaries	13 500
Sales	46 500
Stock at 1 November 2003	2 745
VAT – amount due to HM Customs and Excise	238

REQUIRED

- (a) (i) Enter the balances in the trial balance as at 31 October 2004.
 (ii) Calculate and enter her capital.
 (iii) Show the final totals of the trial balance.

(2)

Helen Jones
Trial Balance as at 31 October 2004

	Debit	Credit
	£	£
Buildings	55 000 *	
Carriage inwards	245 *	
Cash at the bank	5 891 *	
Creditors		2 670 *
Debtors	1 540 *	
Motor vehicles	10 000 *	
Purchases	22 000 *	
Rates	4 000 *	
Rent receivable		2 843 *
Returns inwards	790 *	
Returns outwards		460 *
Salaries	13 500 *	
Sales		46 500 *
Stock at 1 November 2003	2 745 *	
VAT - amount due to HM Customs and Excise		238 *
Capital		63 000 *OF ** CF
Totals	115 711	115 711

CF = correct figure required

17 marks

- (b) Prepare the trading and profit and loss account for the year ended 31 October 2004. Stock at 31 October 2004 was £2360.

Helen Jones
Trading and Profit and Loss Account for the year ended 31 October 2004

Sales		46 500 *	
Less returns inwards		790 *	
		45 710	
Less cost of sales			
Opening stock	2 745 *		
Purchases	22 000 *		
Add carriage in	245 *		
Less returns outwards	460 *	21 785	
		24 530	
Less closing stock		2 360 *	22 170
Gross profit			23 540 * OF no aliens labelled
Add rent receivable		2 843 *	
		26 383	
Less expenses			
Salaries	13 500 *		
Rates	4 000 *	17 500	
Net profit	(labelled)	8 883	* OF no aliens

All items to be in correct section.

12 marks

(2)

(c) Prepare the balance sheet as at 31 October 2004.

Helen Jones
Balance Sheet as at 31 October 2004

<u>Fixed assets</u>			
Buildings			55 000
Motor vehicles			10 000
			<u>65 000</u> *
<u>Current assets</u>			
Stock	2 360	*	
Debtors	1 540	*	
Bank	5 891	*	
			<u>9 791</u>
<u>Less current liabilities</u>			
Creditors	2 670	*	
VAT	238	*	
	<u>2 908</u>		<u>6 883</u>
			<u>71 883</u>
Capital			63 000 * OF
Net profit			8 883 * OF
			<u>71 883</u>
No aliens and /or right direction *			
Marks awarded if item in correct section			9 marks

3

Total for this question: 6 marks

Jonathon Smith had prepared his profit and loss account for 30 November 2004 which showed a profit of £26 790. His accountant then discovered the following errors:

1. the sales account had been undercast by £450;
2. discount allowed of £140 had been entered on the credit of the discount allowed account;
3. wages of £2500 had been completely omitted from the books of account;
4. the cost of a fixed asset £9500 had been included in the purchases account;
5. a payment from B A Jones of £1200 had been entered in the account of C A Jones;
6. the closing stock had been entered as £2400; it was actually £2500.

REQUIRED

Calculate the corrected profit. Show clearly whether **each** adjustment is added, subtracted or has no effect on the total.

Adjustment 1 has been completed as an example.

Jonathon Smith
Corrected Profit for the year ended 30 November 2004

		£	
Profit calculated by Jonathon		26 790	
1. <i>Sales undercast</i>	<i>add</i>	450	
2. Discount allowed	less	280	*
3. Wages	less	2 500	*
4. New car	add	9 500	*
5. No effect			*
6. Closing stock	add	100	*
Corrected profit		<u>34 060</u>	* OF

6 marks

4

Total for this question: 4 marks

REQUIRED

(a) What is the purpose of preparing a sales ledger control account?

To check the arithmetical accuracy of the sales ledger.

0 - 2 marks

To check that the totals of the individual debtors agree with the control account balance.

**0 - 2 marks
max 2 marks**

(b) Describe **one** limitation of using control accounts.

**There are some errors they will not reveal *, plus one for development *,
e.g. errors of omission,
e.g. the balance will agree with individual debtors/creditors total.**

**2 marks
max 2 marks**

5

Total for this question: 17 marks

The following petty cash payments were made in the week ending Saturday 27 November 2004:

23 November	Voucher 6	Postage	£14.60 (no VAT)
24 November	Voucher 7	Petrol	£24.00 (including VAT £3.57)
26 November	Voucher 8	Window cleaning	£18.00 (no VAT)
27 November	Voucher 9	Petrol	£15.00 (including VAT at 17.5%)

REQUIRED

- (a) Make the necessary entries in the petty cash book provided.
- (b) Total and balance the petty cash book.
- (c) Restore the imprest to £100.

TWO ALTERNATIVE SOLUTIONS TO BALANCING TOTALS

Petty Cash Book

DR				CR				
Received	Date	Details	Voucher number	Total	VAT	Postage	Petrol	Sundries
£ p	2004			£ p	£ p	£ p	£ p	£ p
100.00	Nov 20	Cash float/ balance b/d						
	Nov 23	Postage	6	14.60*		14.60*		
	Nov 24	Petrol	7	24.00*	3.57*		20.43* OF	
	Nov 26	Windows	8	18.00*				18.00*
	Nov 27	Petrol	9	15.00*	2.23	** c/f only	12.77* OF	
				71.60	5.80	14.60	33.20	18.00
	Nov 27	Balance c/d		28.40*OF				
100.00		* both totals		100.00		* analysis totals OF		
28.40* OF	Nov 28	Balance b/d				* dates/details substantially correct		
71.60* OF	Nov 28	Bank						

17 marks

(5)

DR				CR				
Received £ p	Date 2004	Details	Voucher number	Total £ p	VAT £ p	Postage £ p	Petrol £ p	Sundries £ p
		11 marks as	above					
71.60*	Nov 27	Bank		71.60	5.80	14.60	33.20	18.00
	Nov 27	Balance c/d		100.00*				
171.60		* both		171.60				
		totals o/f						
100.00*	Nov 28	Balance b/d						

17 marks

6

Total for this question: 7 marks

REQUIRED

Explain the following accounting terms:

(a) Bank statement

This is a statement showing movements in and out of the account from the point of view of the bank. Normally sent monthly by the bank to the customer. 0 - 2 marks

(b) Suspense account

This is a temporary account. The opening entry is the trial balance difference. The suspense account is eliminated as the errors are discovered and corrected. 0 - 2 marks

(c) Invoice

This is a document sent by the seller to the buyer showing details of the items sold on credit and the total amount due to the seller for those goods. 0 - 2 marks

(d) Proprietor’s capital

This is the amount invested by the owner/s into a business. 1 mark

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.