



## General Certificate of Education

# Accounting 5121

### *ACC1 Financial Accounting: The Accounting Information System*

## 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

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: 5 marks**

John Wilson is preparing his balance sheet.

**REQUIRED**

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

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. Mortgage on business premises |              |                | ✓ (1)                 |                     |
| 6. Office furniture              | ✓ (1)        |                |                       |                     |

**5 marks**

2

**Total for this question: 12 marks**

John is considering buying a computer for use in the accounts department.

**REQUIRED**

- (a) Explain why using a computer could improve the speed with which he completes his bookkeeping.

**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 his 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 his 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)**

**Will make their job easier (1) because computer software will produce more accurate information more quickly (1).**

**max 4 marks**

3

**Total for this question: 25 marks**

The accounts of John Wilson show the following balances at 1 April 2005:

|                      |           |
|----------------------|-----------|
|                      | £         |
| Carriage inwards     | 356.68    |
| Purchases            | 15 478.00 |
| Returns inwards      | 978.46    |
| Returns outwards     | 479.36    |
| Sales                | 36 496.00 |
| Stock                | 2 367.48  |
| VAT (credit balance) | 3 478.89  |

**REQUIRED**

(a) Enter the balances at 1 April 2005 in the following ledger accounts.

**Additional information**

1. His day books show the following totals for the month ended 30 April 2005.

|                           | Goods<br>£ | VAT<br>£ | Total<br>£ |
|---------------------------|------------|----------|------------|
| 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     |

2. The journal contains the following entry.

|  | Dr<br>£ | Cr<br>£ |
|--|---------|---------|
| Carriage inwards   | 156.78  |         |
| Purchases  |         | 156.78  |
| Carriage inwards entered in the purchases account in error |         |         |

3. The stock on 30 April 2005 was £3 967.42

3

**REQUIRED**

(b) Make the necessary entries in the ledger accounts to record the information given for the month ended 30 April 2005. Balance **all** the accounts and carry down any balances.

## Carriage Inwards Account

| Dr            |                    |            |               | Cr            |                    |            |                   |
|---------------|--------------------|------------|---------------|---------------|--------------------|------------|-------------------|
| Date<br>2005  | Details            | £          | p             | Date<br>2005  | Details            | £          | p                 |
| <b>Apr 1</b>  | <b>Balance b/d</b> | <b>356</b> | <b>68 (1)</b> |               |                    |            |                   |
| <b>Apr 30</b> | <b>Journal</b>     | <b>156</b> | <b>78 (1)</b> | <b>Apr 30</b> | <b>Balance c/d</b> | <b>513</b> | <b>46 (1) OF*</b> |
|               |                    | <b>513</b> | <b>46</b>     |               |                    | <b>513</b> | <b>46</b>         |
| <b>May 1</b>  | <b>Balance b/d</b> | <b>513</b> | <b>46</b>     |               |                    |            |                   |

**3 marks**

## Purchases Account

| Dr            |                      |               |               | Cr            |                    |               |                   |
|---------------|----------------------|---------------|---------------|---------------|--------------------|---------------|-------------------|
| Date<br>2005  | Details              | £             | p             | Date<br>2005  | Details            | £             | p                 |
| <b>Apr 1</b>  | <b>Balance b/d</b>   | <b>15 478</b> | <b>00 (1)</b> | <b>Apr 30</b> | <b>Journal</b>     | <b>156</b>    | <b>78 (1)</b>     |
| <b>Apr 30</b> | <b>Month's total</b> | <b>3 600</b>  | <b>00 (1)</b> |               | <b>Balance c/d</b> | <b>18 921</b> | <b>22 (1) OF*</b> |
|               |                      | <b>19 078</b> | <b>00</b>     |               |                    | <b>19 078</b> | <b>00</b>         |
| <b>May 1</b>  | <b>Balance b/d</b>   | <b>18 921</b> | <b>22</b>     |               |                    |               |                   |

**4 marks**

## Returns Inwards Account

| Dr            |                      |              |               | Cr            |                    |              |                   |
|---------------|----------------------|--------------|---------------|---------------|--------------------|--------------|-------------------|
| Date<br>2005  | Details              | £            | p             | Date<br>2005  | Details            | £            | p                 |
| <b>Apr 1</b>  | <b>Balance b/d</b>   | <b>978</b>   | <b>46 (1)</b> |               |                    |              |                   |
| <b>Apr 30</b> | <b>Month's total</b> | <b>226</b>   | <b>00 (1)</b> | <b>Apr 30</b> | <b>Balance c/d</b> | <b>1 204</b> | <b>46 (1) OF*</b> |
|               |                      | <b>1 204</b> | <b>46</b>     |               |                    | <b>1 204</b> | <b>46</b>         |
| <b>May 1</b>  | <b>Balance b/d</b>   | <b>1 204</b> | <b>46</b>     |               |                    |              |                   |

**3 marks**

3

| Returns Outwards Account |                    |     |            |               |                      |     |        |
|--------------------------|--------------------|-----|------------|---------------|----------------------|-----|--------|
| Dr                       |                    |     |            | Cr            |                      |     |        |
| Date<br>2005             | Details            | £   | p          | Date<br>2005  | Details              | £   | p      |
| <b>Apr 30</b>            | <b>Balance c/d</b> | 625 | 36 (1) OF* | <b>Apr 1</b>  | <b>Balance b/d</b>   | 479 | 36 (1) |
|                          |                    | 625 | 36         | <b>Apr 30</b> | <b>Month's total</b> | 146 | 00 (1) |
|                          |                    |     |            |               |                      | 625 | 36     |
|                          |                    |     |            | <b>May 1</b>  | <b>Balance b/d</b>   | 625 | 36     |

**3 marks**

| Sales Account |                    |        |            |               |                      |        |        |
|---------------|--------------------|--------|------------|---------------|----------------------|--------|--------|
| Dr            |                    |        |            | Cr            |                      |        |        |
| Date<br>2005  | Details            | £      | p          | Date<br>2005  | Details              | £      | p      |
| <b>Apr 30</b> | <b>Balance c/d</b> | 41 996 | 00 (1) OF* | <b>Apr 1</b>  | <b>Balance b/d</b>   | 36 496 | 00 (1) |
|               |                    | 41 996 | 00         | <b>Apr 30</b> | <b>Month's total</b> | 5 500  | 00 (1) |
|               |                    |        |            |               |                      | 41 996 | 00     |
|               |                    |        |            | <b>May 1</b>  | <b>Balance b/d</b>   | 41 996 | 00     |

**3 marks**

| Stock Account |                    |       |        |              |                    |       |        |
|---------------|--------------------|-------|--------|--------------|--------------------|-------|--------|
| Dr            |                    |       |        | Cr           |                    |       |        |
| Date<br>2005  | Details            | £     | p      | Date<br>2005 | Details            | £     | p      |
| <b>Apr 1</b>  | <b>Balance b/d</b> | 2 367 | 48 (1) | <b>Apr 1</b> | <b>Trading a/c</b> | 2 367 | 48 (1) |
| <b>Apr 30</b> | <b>Trading a/c</b> | 3 967 | 42 (1) |              |                    |       |        |

**3 marks**

| VAT Account   |                        |       |            |               |                    |       |        |
|---------------|------------------------|-------|------------|---------------|--------------------|-------|--------|
| Dr            |                        |       |            | Cr            |                    |       |        |
| Date<br>2005  | Details                | £     | p          | Date<br>2005  | Details            | £     | p      |
| <b>Apr 30</b> | <b>Purchases</b>       | 630   | 00 (1)     | <b>Apr 1</b>  | <b>Balance b/d</b> | 3 478 | 89 (1) |
|               | <b>Returns inwards</b> | 39    | 55 (1)     | <b>Apr 30</b> | <b>Sales</b>       | 962   | 50 (1) |
|               | <b>Balance c/d</b>     | 3 797 | 39 (1) OF* |               | <b>Returns out</b> | 25    | 55 (1) |
|               |                        | 4 466 | 94         |               |                    | 4 466 | 94     |
|               |                        |       |            | <b>May 1</b>  | <b>Balance b/d</b> | 3 797 | 39     |

**6 marks**

**1 mark date, 1 mark details substantially correct**

**\* Balance mark for both balances**

**max (a) + (b) 25 marks**

4

**Total for this question: 15 marks**

The totals of John Wilson’s trial balance on 31 March 2005 did not agree.  
The totals were:

Debit £ 46 250                      Credit £45 416

He entered the difference in a suspense account. On checking his books, he discovered the following errors.

1. The sales account was undercast by £230.
2. Postage of £154, entered in the petty cash book, had been omitted from the general ledger.
3. The wages of £600 paid for the month ended 31 March had been debited twice in the wages account.
4. Discount received of £79 had been entered on the debit side of the discount received account.

**REQUIRED**

(a) Enter the trial balance difference in the suspense account below. Make the entries necessary to correct the errors.

Suspense Account

| Dr            |                       |            |           | Cr            |                    |            |           |
|---------------|-----------------------|------------|-----------|---------------|--------------------|------------|-----------|
| Date<br>2005  | Details               | £          | p         | Date<br>2005  | Details            | £          | p         |
| <b>Mar 31</b> | <b>Sales</b>          | <b>230</b> | <b>00</b> | <b>Mar 31</b> | <b>Error in TB</b> | <b>834</b> | <b>00</b> |
|               | <b>Wages</b>          | <b>600</b> | <b>00</b> |               | <b>Postage</b>     | <b>154</b> | <b>00</b> |
|               | <b>Discount rec'd</b> | <b>158</b> | <b>00</b> |               |                    |            |           |
|               |                       | <b>988</b> | <b>00</b> |               |                    |            |           |
|               |                       |            |           |               |                    | <b>988</b> | <b>00</b> |

**5 marks**

(b) Explain clearly, using an example, why some types of error are **not** revealed by a trial balance.

**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 one type (0-2)**

**5 marks**

(c) Explain **two** benefits that could be obtained by preparing a monthly bank reconciliation statement.

**Checks for errors and omissions (eg bank charges) in the bank column of the cash book by comparison with the bank statement (0-3).**

**Check that entries and standing orders etc are correct in the bank statement and enables entries to be made in the cash book (0-3).**

**max 5 marks**

5

Total for this question: 9 marks

On 4 April 2005, John Wilson sold 2000 garden spades priced at £4.50 each plus 17.5% VAT. The customer is allowed 20% trade discount. He is also offered 5% cash discount for payment within 7 days. The customer paid the amount due on 28 April 2005.

**REQUIRED**

Calculate the amount of the cheque received by John Wilson. Show **all** workings.

The amount of the cheque is **£8 397**

**9 marks**

**Workings**

|                |     |         |     |         |         |        |         |
|----------------|-----|---------|-----|---------|---------|--------|---------|
| 2 000          | (1) | x 4.50  | (1) | = 9000  | – 20%   | (1)    | = 7 200 |
| 7 200          | (1) | – 5%    | (1) | = 6 840 | x 17.5% | (1)    | = 1 197 |
|                |     |         |     |         |         |        |         |
| Cheque = 7 200 | (1) | + 1 197 | (1) | = 8 397 | (1)     | all OF |         |

6

Total for this question: 10 marks

John Wilson has decided to prepare a monthly trading account and, at the end of May 2005, extracted the following figures from his ledger.

|                      | £     |
|----------------------|-------|
| Carriage inwards     | 70    |
| Purchases            | 2 467 |
| Returns inwards      | 231   |
| Returns outwards     | 142   |
| Sales                | 4 895 |
| Stock at 1 May 2005  | 3 967 |
| Stock at 31 May 2005 | 2 789 |

**REQUIRED**

Prepare a trading account for the month ended 31 May 2005.

**John Wilson**  
**Trading account for the month ended 31 May 2005 (1)**

|                         |       |  |     |       |       |  |                  |
|-------------------------|-------|--|-----|-------|-------|--|------------------|
| Sales                   |       |  |     |       |       |  |                  |
|                         |       |  |     | 4 895 |       |  | (1)              |
| Less returns inwards    |       |  |     | 231   |       |  | (1)              |
|                         |       |  |     | 4 664 |       |  |                  |
| Less cost of goods sold |       |  |     |       |       |  |                  |
| Opening stock           |       |  |     |       | 3 967 |  | (1)              |
| Add purchases           | 2 467 |  | (1) |       |       |  |                  |
| Carriage inwards        | 70    |  | (1) |       |       |  |                  |
|                         | 2 537 |  |     |       |       |  |                  |
| Less returns outwards   | 142   |  | (1) |       | 2 395 |  |                  |
|                         |       |  |     |       | 6 362 |  |                  |
| Less closing stock      |       |  |     |       | 2 789 |  | (1)              |
| Gross profit            |       |  |     | 3 573 |       |  | (1) OF no aliens |
|                         |       |  |     | 1 091 |       |  | (1) OF labelled  |

**10 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.