

A-LEVEL ACCOUNTING

Unit 1 Introduction to Financial Accounting
Mark scheme

2120
June 2014

Version: v0.1 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

Further copies of this Mark Scheme are available from aqa.org.uk

June 2014**ACCN1****MARK SCHEME****INSTRUCTIONS TO EXAMINERS**

You should remember that your marking standards should reflect the levels of performance of students, 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 students 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 student'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 student'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, students may set out their accounts in either a vertical or horizontal format. Both methods are acceptable.

Own Figure Rule

In cases where students are required to make calculations, arithmetic errors can be made so that the final or intermediate stages are incorrect. To avoid a student being penalised repeatedly for an initial error, students 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 students make correct conclusions or inferences from their incorrect calculations.

Assessment Objectives (AOs)

The Assessment Objectives are common to AS and A Level. The assessment units will assess the following Assessment Objectives in the context of the content and skills set out in Section 3 (Subject Content) of the specification.

AO1: Knowledge and Understanding	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
AO2: Application	Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.
AO3: Analysis and Evaluation	Order, interpret and analyse accounting information in an appropriate format. Evaluate accounting information, taking into consideration internal and external factors to make reasoned judgements, decisions and recommendations, and assess alternative courses of action using an appropriate form and style of writing.
Quality of Written Communication (QWC)	<p>In GCE specifications which require students to produce written material in English, students must:</p> <ul style="list-style-type: none"> • ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear • select and use a form and style of writing appropriate to purpose and to complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate. <p>In this specification, QWC will be assessed in all units. On each paper, two of the marks for prose answers will be allocated to 'quality of written communication', and two of the marks for numerical answers will be allocated to 'quality of presentation'. The sub questions concerned will be identified on the question papers.</p>

1

Total for this question: 12 marks

1 (a) Identify the source document and the subsidiary book used for each of the above five transactions. **[5 marks]**

Transaction	Source document	Subsidiary book	
1	Purchase invoice	Purchases day book or Purchases journal	(1) for both
2	Sales invoice	Sales day book or Sales Journal	(1) for both
3	Paying in slip (counterfoil) or Bank paying in book	Cash book	(1) for both
4	(Sales) credit note	Sales returns day book or Returns inwards book	(1) for both
5	Bank statement	Cash book	(1) for both

5 marks**Marker notes:**

Here is the mark scheme again showing some additional responses which can be accepted and some which cannot be accepted.

Note that any reference to an account in the subsidiary book column is not acceptable.

Transaction	Source document	Subsidiary book
1	(Purchase/s) invoice	Purchases day book or Purchases journal PDB PJ Not just 'purchases' Not purchases book
2	(Sales) invoice	Sales day book or Sales Journal SDB SJ Not just 'sales' Not sales book
3	Paying in slip (counterfoil) or Bank paying in book	Cash book

	<p>Paying in slip stub</p> <p>Not: bank statement</p> <p>Not: cheque book</p>	
4	<p>(Sales) credit note</p> <p>Credit note copy</p> <p>C/N</p> <p>C/note</p> <p>Not just 'credit'</p> <p>Not just 'note'</p>	<p>Sales returns day book</p> <p>or Returns inwards day book</p> <p>SRDB</p> <p>RIDB</p> <p>SRJ</p> <p>RIJ</p>
5	<p>Bank statement</p>	<p>Cash book</p> <p>CB</p> <p>Not just cash or bank account</p>

1 (b) Complete the account of Tom Dale in James Faye’s sales ledger. Balance the account at 30 April 2014.

[7 marks]

[includes 1 mark for quality of presentation]

Tom Dale account					
Dr			Cr		
Date	Details	£	Date		
			Details		
			£		
1 Apr	Balance b/d	480 (1)	14 Apr	Sales returns day book	40 (1)
7 Apr	Sales day book	150 (1)	30 Apr	Bank	456 (1)
			30 Apr	Discount allowed	24 (1)
			30 Apr	Balance c/d	110
		<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>			<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>
		630			630
		<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>			<hr style="width: 50px; margin-left: auto; margin-right: 0;"/>
1 May	Balance b/d	110 (1)			
		OF			

Quality of presentation

Award 1 mark for correct dates and suitable narratives of at least 3 entries. The narrative for balance could be: balance b/d, bal b/d, b/d or balance b/f, balance b/fwd, bal b/f, b/f;

do not accept just ‘balance’.

Do not accept credit sales or credit transfer as one of the 3 suitable narratives.

Marker notes:

Mark figures first and ignore narratives

OF mark for balance b/d if there are no alien figures (aliens are 820 or 612) there must be a matching balance to c/d. There must be both a balance b/d and a balance c/d.

7 marks

2

Total for this question: 12 marks

2 (a) Prepare an amended purchases ledger control account for the month of March 2014.

[8 marks]

Harry Pearson				
Purchases Ledger Control Account for the month of March 2014				
Dr		£	Cr	
Details		£	£	
Bank (W1)	37 472 (1)		Balance b/d	38 220
Contra	260 (1)		Purchases day book	52 940 (1)
Bad debt w/off	66 (1)		Bank	266 (1)
Discount received	890 (1)		Discount received	14 (1)*
Balance c/d	<u>52 752</u>			
	<u>91 440</u>			
			Balance b/d	<u>91 440</u>
				52 752 (1) OF

Marker notes:

Mark figures only; ignore narratives.

Alternative versions of bank entry:

W1 Bank DR
 37 472 (1) (36 820 + 652)
 37 206 (2) (36820 + 652 – 266)
 36 554 (1) (36820 – 266)
 386 (1) (652 – 266)

Allow two separate debit entries for bank (debit 36 820; debit 652) for 1 mark.

Alternative version of discount received

Debit :
 876 (2) (890 – 14)
 904 (1) (890 + 14)

*Do not reward hedging, ie where a student records an entry as both a debit and a credit entry. (eg. where student debits 876 or 904 but has also recorded 14 as a credit entry the student loses the mark available for 14)

Balance is OF but no aliens (845, 13, 100)

8 marks

2 (b) *Prepare an amended list of purchases ledger balances to agree with the purchases ledger control account balance at 31 March 2014.*

[4 marks]

	£
Original extracted purchases ledger balances	52 020
Purchase invoice not posted	845 (1)
Debit balance omitted	(13)(1)
Credit balance overstated	(100)(1)
Amended purchases ledger balances	<u>52 752 (1) OF</u>

4 marks

Marker note

Mark figures only (in the correct direction)

Where students have combined figures - only allow marks where workings are shown

There is no mark for the final figure if there are alien items

3**Total for this question: 31 marks**

3 (a) Prepare journal entries to correct the **two** errors shown on the opposite page.
(Narratives are not required.)

[2 marks]**Journal**

Account	Dr £	Cr £
Rent payable	4 000	
General expenses		4 000
Plant and machinery cost	2 000	
Purchases		2 000

1 mark for each pair of journal entries – must show correct account names.

Marker notes:

Where a student shows figures in brackets, ignore the brackets.

Where students indicate an alteration by using an arrow, award marks if correction is clear.

2 marks

3 (b) **Error 1** is an accounting error. Circle **one** of the following to identify the type of error.

[1 mark]

Error of commission (1).

1 mark

3 (c) **Error 2** is an accounting error. Circle **one** of the following to identify the type of error.

[1 mark]

Error of principle (1).

1 mark

3 (d) Prepare a trial balance at 30 April 2014 after taking account of the **two** errors on page 10. Complete the trial balance by calculating a figure for the bank overdraft. **[13 marks]**

Trial balance of Samir Hadad at 30 April 2014

Account	Dr	Cr
Capital		50 200 (1)
Carriage inwards	1 050 (1)	
Carriage outwards	950 (1)	
Discounts allowed	3 150 (1)	
Discounts received		2 940 (1)
Drawings	22 320	
General expenses	24 150 (1)	
Inventory at 1 May 2013	46 000	
Plant and machinery at cost	16 300 (1)	
Plant and machinery provision for depreciation		4 800
Purchases	82 000 (1)	
Rent payable	48 000	
Rent receivable		2 200
Returns inwards	620 (1)	
Returns outwards		480 (1)
Revenue		190 000
Trade payables		21 480 (1)
Trade receivables	28 200 (1)	
Bank overdraft (balancing figure)		640
Totals	272 740 (1)*	272 740

*1 mark for totals that are equal

13 marks

3 (e) State and explain **three** types of error that **will** affect the balancing of a trial balance.

[8 marks]

[includes 2 marks for quality of written communication]

Possible answers include:

- transposition/transcription error **(1)** – for example, one entry posted as £67, the reverse entry posted as £76 **(1)**
- addition/arithmetical error **(1)** – in the trial balance or in a ledger account/overstating or understating figures in one account **(1)**
- posting/misposting error **(1)** – one side of an entry posted to the wrong side of an account **(1)** there are two debit (or two credit) entries **(1)**
- partial omission/one-sided/single-entry error **(1)** – one side of a transaction not posted **(1)**
- unequal posting error **(1)** – the debit side of a posting does not equal the credit side **(1)**.

Maximum two marks for each error – overall maximum 6 marks.

Marker notes:

There is one mark for a correct label (as shown above) and one mark for a description/example of the error. The description/example must match the label.

Where the label and description do not match, the student will receive maximum 1 mark for a correct label or for a valid description/example.

8 marks

includes 2 marks for quality of written communication

Note re QWC

There must be no more than three spelling/grammatical errors for two marks, otherwise award one mark. Award zero marks where the quality of communication makes understanding difficult or the response is very limited.

Marker note:

The student must have described at least two errors to achieve QWC marks (2 labels alone to do not count as description.)

3 (f) Describe **one** benefit and **one** limitation of extracting a trial balance.

[4 marks]

Benefit

- checks the arithmetical accuracy* **(1)** of the bookkeeping/double-entry/accounts **(1)**
- Highlights that there are errors (1) example (1)
- acts as a stepping stone (provides a summary of information required for)(helps)**(1)** to preparing the financial statements **(1)**.

Marker note

*The phrase 'arithmetical accuracy' is required for the first mark students who just say 'accuracy' do not receive the first mark.

Do not reward references to fraud.

Max 2 marks

Limitation

- will not identify some errors **(1)** plus **(1)** for an example (omission, compensating, commission, principle, original entry, reversal).
- Does not pinpoint errors (1)

Marker notes:

The student who writes "Will not identify COPCOR/CROPOC errors" reward with 1 mark, award second mark for a specific example.

Max 2 marks

3 (g) Identify **two** uses of the general journal.

[2 marks]

Possible answers include:

- transfer of amounts from one general ledger account to another **(1)**
- processing entry for depreciation charge **(1)**
- processing entry for purchase **(1)** or sale **(1)** of non-current asset
- processing non-routine transactions **(1)**
- correction of errors **(1)**
- transfer of opening balances **(1)**
- incorporating inventory into the records **(1)**.

Marker notes:

Accept any example of the use of the journal, eg creating a provision for doubtful debts.

Accept 'transactions which are not recorded in the cash book or other subsidiary books'

Where a student gives more than two possible uses of the general journal, reward the best two answers.

Max 2 marks

4

Total for this question: 25 marks

4 (a) Prepare a corrected income statement for Jenny Palmer for the year ended 31 March 2014. (A space for workings is provided on page 16.) **[10 marks]**

Jenny Palmer
Income statement for the year ended 31 March 2014

	£	£	£
Revenue			315 200
Less: returns inwards			<u>(910) (1)</u>
			314 290
Cost of sales			
Inventory at 1 April 2013		47 900 (1)	
Purchases	217 260		
Less: returns outwards	<u>(1 800) (1)</u>	215 460	
Carriage inwards (must be labelled)		<u>860 (1)</u>	
		264 220	
Inventory at 31 March 2014		<u>(45 600) (1)</u>	<u>218 620</u>
Gross profit (must be labelled)			95 670 (1) OF
Less: Expenses			
Discount allowed		860 (1)	
Carriage outwards		1 490	
Rent and rates		27 800 (1)	
Wages and salaries		18 920	
Depreciation		1 890 (1)CF	
General expenses		6 940	<u>57 900</u>
Profit for the year (must be labelled)			<u>37 770 (1) OF</u>

10 marks**Workings**

Inventory at 31 March 2014	45 100 + 500 = 45 600 (1)
Rent and rates	32 600 – 4 800 = 27 800 (1)

Marker notes:

Accept carriage inwards as a cost anywhere in the cost of sales section of the income statement.

If depreciation given as 9 210 or 11 100 regard the inclusion of the provision as an alien item, so no OF mark for profit for year.

- 4 (b)** Prepare a balance sheet for Jenny Palmer at 31 March 2014, taking account of all the information on the page opposite and on page 14 and of your answer to **question 4 (a)**. (A space for workings is provided on page 20.)
- [15 marks]**
[includes 1 mark for quality of presentation]

Jenny Palmer
Balance sheet at 31 March 2014

Non-current assets			
Equipment	<u>14 200</u>	<u>9 210</u> (1) CF	4 990 (1) OF
Current assets			
Inventory		45 600 (1) OF	
Trade receivables		29 350 (1)	
Prepayments		<u>2 450</u> (1)	
		<u>77 400</u>	
Current liabilities			
Trade payables		14 780 (1)	
Accruals		400 (1)	
Bank loan		3 000 (1) OF	
Bank overdraft		<u>3 110</u> (2)	
		<u>21 290</u>	
Net current assets (working capital) **			<u>56 110</u>
			61 100
Non-current liabilities			
Bank loan			<u>(3 000)</u> (1) OF
			<u>58 100</u>
Capital account			
Brought forward			49 150 (1)
Profit for the year			<u>37 770</u> (1) OF
			86 920
Deduct: drawings			<u>28 820</u> (1) CF
			<u>58 100</u>

** 1 mark QoP for correct label (net current assets/working capital)

15 marks

Workings

Prepayments	$50 + 2\,400 = 2\,450$ (1) CF
Accruals	$2\,800 - 2\,400 = 400$ (1) CF
Bank overdraft	$1\,390$ (1) – $4\,500$ (1) = $(3\,110)$
Drawings	$24\,320 + 4\,500 = 28\,820$ (1) CF

Marker notes:

Inventory: accept whatever figure student has used as closing inventory in the income statement.

Bank loan:

- award 1 mark where the bank loan is incorrectly split but the two total 6000.
- where an incorrect figure is split 50/50 award 1 mark if recorded separately as a current and non-current liability.
- If the figure is not split, award 1 mark only where 6000 is recorded as a current or non-current liability.

Bank:

- 3110, shown it as a current asset (1)
- 1390 as a current asset (1)
- 4500 as a current liability (1)

Assessment Grid and Specification Coverage

Question	AO1	AO2	AO3	QWC	Total	Topic	Syllabus Area
1a	5				5	Source documents/ subsidiary books	Accounting records
1b		6		1	7	Double entry bookkeeping	Accounting records
2a		8			8	Purchases ledger control account	Verification
2b		4			4	Amend purchases ledger balances	Verification
3a		2			2	Journal entries	Accounting records
3b	1				1	Errors	Verification
3c	1				1	Errors	Verification
3d	6	7			13	Trial balance	Verification
3e	6			2	8	Errors	Verification
3f			4		4	Benefits/limitations of trial balance	Verification
3g	2				2	Uses of the general journal	Accounting records
4a	2	8			10	Incorrect income statement	Income statement/ balance sheet
4b	2	12		1	15	Balance sheet	Income statement/ balance sheet
Total in QP	25	47	4	4	80		

Computational – 74%

Written – 26%