

GCSE 2004

June Series



Mark Scheme

Accounting

(Subject Code 3122/2F)

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Dr Michael Cresswell Director General

Paper 2 Foundation Tier

1

Total for this question: 30 marks

Marion Hall is an office supplies wholesaler. Information about some of the business's transactions for March 2004 is given below.

Purchases journal transactions for 6 March 2004

On this date Marion Hall received two invoices from suppliers. The details were as follows.

| Invoice number EBL234 from Executive Bags Ltd | £ |
|---|---------------|
| 4 executive brief cases model PEB02 at £70 each | 280.00 |
| 8 laptop cases model LC090 at £30 each | <u>240.00</u> |
| | 520.00 |
| Less trade discount 30% | <u>156.00</u> |
| | 364.00 |
| Plus VAT | <u>63.70</u> |
| | <u>427.70</u> |
| | |
| Invoice number CTC900 from Beta Telephone Group | £ |
| 10 cordless telephones CT007 at £60 each | 600.00 |
| Plus VAT | <u>105.00</u> |
| | <u>705.00</u> |

(a) Record the information from the two invoices into the purchases journal.

| Date | Supplier | Invoice No | Goods | | VAT | | Total | |
|-------|----------------------|------------|-------|--------|-----|--------|-------|--------|
| | | | £ | p | £ | p | £ | p |
| Mar 6 | Executive Bags Ltd | EBL234 | 364 | 00 (1) | 63 | 70 (1) | 427 | 70 (1) |
| 6 | Beta Telephone Group | CTC900 | 600 | 00 (1) | 105 | 00 (1) | 705 | 00 (1) |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

(6 marks)

Account of Jacqueline Lycett

Jacqueline Lycett is one of Marion Hall's customers. The following information relates to the account of this debtor.

- March 1 Balance, amount owed to Marion Hall, £450
 17 Account settled by cheque
 23 Invoice sent to Jacqueline Lycett for goods £1600 plus VAT £280
 28 Credit note issued to Jacqueline Lycett for goods £120 plus VAT £21

The account was balanced on 31 March 2004.

- (b) Record the above information in the account of Jacqueline Lycett. Bring down the balance on the account at 1 April 2004.

| Jacqueline Lycett Account | | | | | | | |
|---------------------------|----|-------------|---------------|------|----|--------------|-----------|
| Date | | | £ | Date | | | £ |
| Mar | 1 | Balance b/d | 450 (1) | Mar | 17 | Bank | 450 (1) |
| | 23 | Sales | 1 880 (1) | | 28 | Sales Return | 141 (1) |
| | | | | | 31 | Balance c/d | 1 739 (1) |
| | | | 2 330 | | | | 2 330 |
| Apr | 1 | Balance b/d | 1 739 (1) off | | | | |

(6 marks)

Marion Hall keeps her petty cash book using the imprest system, the imprest being £50. For the month of March 2004 her petty cash transactions were as follows.

| | £ |
|--|-------|
| March 1 Petty cash balance | 17.10 |
| 1 Petty cashier obtained cash to restore the imprest | 32.90 |
| 9 Bought stamps | 8.10 |
| 18 Bought petrol | 20.00 |
| 23 Paid bus fare | 2.40 |
| 26 Received cash for a personal telephone call | 1.20 |
| 28 Paid creditor D Austin | 9.96 |
| 30 Bought envelopes | 6.70 |

- (c) Enter the above transactions in the petty cash book (opposite) and balance the petty cash book at 31 March, bringing down the balance on 1 April.

Ignore VAT.

| Petty Cash Book | | | | | | | | | | | |
|-----------------|--------|-------|----------------|-------|--------|------------------------|--------|---------------------|--------|--------|----|
| Receipts | | Date | Details | Total | | Postage and Stationery | | Travelling Expenses | | Ledger | |
| £ | p | | | £ | p | £ | p | £ | p | £ | P |
| 17 | 10 (1) | Mar 1 | Balance b/d | | | | | | | | |
| 32 | 90 (1) | 1 | Cash | | | | | | | | |
| | | 9 | Stamps | 8 | 10 (1) | 8 | 10 | | | | |
| | | 18 | Petrol | 20 | 00 (1) | | | 20 | 00 | | |
| | | 23 | Bus fare | 2 | 40 (1) | | | 2 | 40 | | |
| 1 | 20 (1) | 26 | Cash telephone | | | | | | | | |
| | | 28 | D Austin | 9 | 96 (1) | | | | | 9 | 96 |
| | | 30 | Envelopes | 6 | 70 (1) | 6 | 70 | | | | |
| | | | | 47 | 16 (1) | 14 | 80 (1) | 22 | 40 (1) | 9 | 96 |
| | | 31 | Balance c/d | 4 | 04 | | | | | | |
| 51 | 20 | | | 51 | 20 | | | | | | |
| 4 | 04 (1) | Apr 1 | Balance b/d | | | | | | | | |
| | o/f | | | | | | | | | | |

(12 marks)

- (d) Using the relevant information from part (c) complete the ledger accounts for *Postage and Stationery* and *Travelling Expenses*.

| Postage and Stationery Account | | | | | | | | | |
|--------------------------------|-----------|---------------------|-----------|---------------|------|--|--|---|---|
| Date | | | £ | p | Date | | | £ | p |
| <i>Mar</i> | <i>31</i> | <i>Sundries (1)</i> | <i>14</i> | <i>80 (1)</i> | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

| Travelling Expenses Account | | | | | | | | | |
|-----------------------------|-----------|---------------------|-----------|---------------|------|--|--|---|---|
| Date | | | £ | P | Date | | | £ | p |
| <i>Mar</i> | <i>31</i> | <i>Sundries (1)</i> | <i>22</i> | <i>40 (1)</i> | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |
| | | | | | | | | | |

(4 marks)

- (e) Identify **two** reasons why some businesses keep a petty cash book as well as a cash book.

To remove unnecessary detail from the cash book (1)
Only totals required to be posted to the ledger (1)
Gives responsibility to a junior member of staff (1)
Easy to control/check (1)
Reduces possibility of fraud (1)

(2 marks)

2

Total for this question: 18 marks

S Scott has prepared the following balance sheet which contains a number of errors.

S Scott
Balance Sheet for the year ended 31 December 2003

| | £ | | £ |
|---------------------------|-----------------|----------------|-----------------|
| Premises | 100 000 | Capital | 131 000 |
| Net Profit | 27 000 | Cash | 1,000 |
| Drawings | 20 000 | Motor Vehicles | 28 500 |
| Stock at 31 December 2003 | 14 000 | Creditors | 7 000 |
| Stock at 1 January 2003 | 8 000 | Debtors | 13 000 |
| Bank Overdraft | 11 500 | | |
| | <u>£180 500</u> | | <u>£180 500</u> |

- (a) Prepare a balance sheet for S Scott as at 31 December 2003 showing clearly sub totals for the following.

Fixed assets
Current assets
Current liabilities
Working capital (net current assets)
Capital

| S Scott | | | |
|---|-------------------|--------------------|--------------------------|
| Balance Sheet as at 31 December 2003 | | | |
| | £ | | £ |
| Fixed Assets | | | |
| <i>Premises</i> | | <i>(1) 1000 00</i> | |
| <i>Motor vehicles</i> | | <i>(1) 28 500</i> | <i>(1) 128 500</i> |
| | | | |
| Current Assets | | | |
| <i>Stock</i> | <i>(1) 14 000</i> | | |
| <i>Debtors</i> | <i>(1) 13 000</i> | | |
| <i>Cash</i> | <i>(1) 1 000</i> | <i>(1) 28 000</i> | |
| | | | |
| Less Current Liabilities | | | |
| <i>Creditors</i> | <i>(1) 7 000</i> | | |
| <i>Bank overdraft</i> | <i>(1) 11 500</i> | <i>(1) 18 500</i> | <i>(1) 9 500</i> |
| | | | <u><i>138 000</i></u> |
| | | | |
| Financed by | | | |
| <i>Capital</i> | | | <i>(1) 131 000</i> |
| <i>Add net profit</i> | | | <i>(1) 27 000</i> |
| | | | <i>158 000</i> |
| <i>Less drawings</i> | | | <u><i>(1) 20 000</i></u> |
| | | | <u><i>138 000</i></u> |

(14 marks)

- (b) S Scott has made a net profit for the year but is overdrawn at the bank. Give **two** reasons why this could happen and briefly explain your answers.

| |
|--|
| Reason 1 |
| <i>Has sold good on credit (1) but has not yet received the cash (1)</i> |
| |
| <i>Has used overdraft facilities (1) to buy stock (1)</i> |
| |

(2 marks)

| |
|--|
| Reason 2 |
| <i>Could have made more drawings (1) than profit (1)</i> |
| |
| <i>Other valid reasons</i> |
| |

(2 marks)

Max 4 marks

3**Total for this question: 25 marks**

The following list of balances appeared in the books of Lucinda Williams at 31 March 2004.

| | £ |
|-------------------------------|---------|
| Sales | 570 000 |
| Rent and rates | 12 000 |
| Carriage inwards | 1 500 |
| Carriage outwards | 1 800 |
| Discounts allowed | 3 400 |
| Discounts received | 3 200 |
| Returns inwards | 17 000 |
| Returns outwards | 18 000 |
| Motor expenses | 42 000 |
| Fixtures and fittings at cost | 40 000 |
| Stock at 1 April 2003 | 34 000 |
| Heating and lighting | 23 000 |
| Wages and salaries | 122 000 |
| Sundry expenses | 4 400 |
| Bad debts | 3 000 |
| Purchases | 330 000 |

The following additional information at 31 March 2004 was also available.

- Stock valued at cost £39 000
- Fixture and fittings are to be depreciated at 10% per annum on cost
- Motor expenses paid in advance £ 3 000
- Heating and lighting owing £2 600

- (a) Prepare Lucinda Williams' trading and profit and loss accounts for the year ended 31 March 2004.

| L Williams | | |
|---|--------------------|------------------------|
| Trading and Profit and Loss Account for the year ended 31 March 2004 | | |
| | £ | £ |
| <i>Sales</i> | | <i>(1) 570 000</i> |
| <i>Less returns inwards</i> | | <i>(1) 17 000</i> |
| | | 553 000 |
| <i>Less cost of sales</i> | | |
| <i>Opening stock</i> | <i>(1) 34 000</i> | |
| <i>Add purchases</i> | <i>(1) 330 000</i> | |
| <i>Carriage inwards</i> | <i>(1) 1 500</i> | |
| | 365 500 | |
| <i>Less returns outwards</i> | <i>(1) 18 000</i> | |
| | 347 500 | |
| <i>Less closing stock</i> | <i>(1) 39 000</i> | <i>o/f (1) 308 500</i> |
| <i>Gross Profit</i> | | <i>o/f (1) 244 500</i> |
| <i>Add discounts received</i> | | <i>(1) 3 200</i> |
| | | 247 700 |
| <i>Less expenses</i> | | |
| <i>Rent and rates</i> | <i>(1) 12 000</i> | |
| <i>Carriage outwards</i> | <i>(1) 1 800</i> | |
| <i>Discounts allowed</i> | <i>(1) 3 400</i> | |
| <i>Motor expenses</i> | <i>(2) 39 000</i> | |
| <i>Provision for depreciation fixtures and fittings</i> | <i>(1) 4 000</i> | |
| <i>Heating and lighting</i> | <i>(2) 25 600</i> | |
| <i>Wages and salaries</i> | <i>(1) 122 000</i> | |
| <i>Sundry expenses</i> | <i>(1) 4 400</i> | |
| <i>Bad debts</i> | <i>(1) 3 000</i> | 215 200 |
| <i>Net Profit</i> | | <i>o/f (1) 32 500</i> |

(22 marks)

- (b) Lucinda sold more goods on credit during the year ended 31 March 2004 than in previous years and is concerned that not all of her remaining debtors will pay her. She is worried that the net profit calculated for the year will be too high.

Advise Lucinda as to how she might prepare her accounts in order to anticipate that some debtors might not pay her.

She should create a provision for doubtful debts (1) treat as an expense in the profit and loss account (1) and reduce the debtors in the balance sheet (1) allow a percentage of debtors figure (1)

max (3 marks)

4

Total for this question: 14 marks

The following information relates to the sales ledger of Neil Young.

| | |
|---------------------------------------|-------------|
| | £ |
| Sales ledger balances on 1 March 2004 | 26 070 (Dr) |
| For the month: | |
| Cheques received from debtors | 67 000 |
| Returns inwards | 1 890 |
| Credit sales | 73 000 |
| Discount allowed | 6 300 |
| Bad debts | 3 890 |

- (a) Prepare Neil Young’s sales ledger control account for the month of March 2004. Balance the account at the end of the month bringing down the balance at 1 April 2004.

| Sales Ledger Control Account | | | | | |
|-------------------------------------|---------------------|-------------------|---------------|-------------------------|-------------------|
| | | £ | | | £ |
| | <i>Balance b/d</i> | <i>(1) 26 070</i> | <i>Mar 31</i> | <i>Bank</i> | <i>(1) 67 000</i> |
| <i>Mar 31</i> | <i>Credit Sales</i> | <i>(1) 73 000</i> | <i>Mar 31</i> | <i>Returns inwards</i> | <i>(1) 1 890</i> |
| | | | <i>Mar 31</i> | <i>Discount allowed</i> | <i>(1) 6 300</i> |
| | | | <i>Mar 31</i> | <i>Bad debts</i> | <i>(1) 3 890</i> |
| | | | <i>Mar 31</i> | <i>Balance c/d</i> | <i>(1) 19 990</i> |
| | | 99 070 | | | 99 070 |
| <i>Apr 1</i> | <i>Balance b/d</i> | <i>(1) 19 990</i> | | | |
| | | | | | |

(8 marks)

- (b) Neil is unsure as to why he should prepare control accounts. Briefly explain why control accounts are important, giving **two** examples to justify your answer.

| |
|---|
| <i>Can be used as a check (1) on the accuracy (1) of ledgers</i> |
| <i>The figure for total debtors (1) is easily obtained for management information (1)</i> |
| <i>It reduces the likelihood (1) of fraud (1)</i> |
| <i>Any other valid</i> |

(4 marks)

- (c) Advise Neil of **two** reasons why the sales ledger control account balance and the total of the sales ledger accounts may not agree.

| |
|--|
| <i>There is an error in the sales ledger (1) or in the control account (1) example (1) fraud (1)</i> |
|--|

max (2 marks)

5

Total for this question: 33 marks

Geraldine Nash has drawn up the following trial balance at 31 December 2003. Although the totals are the same, it contains a number of errors.

Trial Balance as at 31 December 2003

| | £ | £ |
|-------------------------------|-------------------|-------------------|
| Stock at 31 December 2003 | 42 600 | |
| Sales | | 550 000 |
| Purchases | 310 000 | |
| Capital | 392 900 | |
| Drawings | 49 800 | |
| Carriage inwards | 1 400 | |
| Carriage outwards | | 1 600 |
| Discounts received | 4 400 | |
| Discounts allowed | | 4 800 |
| Plant and machinery at cost | | 90 000 |
| Fixtures and fittings at cost | 54 000 | |
| Premises | | 230 000 |
| Debtors | | 41 000 |
| Returns inwards | 4 600 | |
| Returns outwards | | 6 300 |
| Motor expenses | 27 000 | |
| Insurance | | 8 000 |
| Stock at 1 January 2003 | | 35 000 |
| Heat and power | | 17 000 |
| Wages and salaries | 80 000 | |
| Creditors | 34 200 | |
| Bank balance not overdrawn | | 25 400 |
| Cash | 2 900 | |
| Sundry expenses | 5 300 | |
| | <u>£1 009 100</u> | <u>£1 009 100</u> |

(a) Rewrite a correct trial balance for Geraldine.

| Geraldine Nash | | |
|---|--------------------|--------------------|
| Trial Balance as at 31 December 2003 | | |
| | £ | £ |
| <i>Sales</i> | | <i>(1) 550 000</i> |
| <i>Purchases</i> | <i>(1) 310 000</i> | |
| <i>Capital</i> | | <i>(1) 392 900</i> |
| <i>Drawings</i> | <i>(1) 49 800</i> | |
| <i>Carriage inwards</i> | <i>(1) 1 400</i> | |
| <i>Carriage outwards</i> | <i>(1) 1 600</i> | |
| <i>Discounts received</i> | | <i>(1) 4 400</i> |
| <i>Discounts allowed</i> | <i>(1) 4 800</i> | |
| <i>Plant and machinery at cost</i> | <i>(1) 90 000</i> | |
| <i>Fixtures and fittings at cost</i> | <i>(1) 54 000</i> | |
| <i>Premises</i> | <i>(1) 230 000</i> | |
| <i>Debtors</i> | <i>(1) 41 000</i> | |
| <i>Returns inwards</i> | <i>(1) 4 600</i> | |
| <i>Returns outwards</i> | | <i>(1) 6 300</i> |
| <i>Motor expenses</i> | <i>(1) 27 000</i> | |
| <i>Insurance</i> | <i>(1) 8 000</i> | |
| <i>Stock</i> | <i>(1) 35 000</i> | |
| <i>Heat and power</i> | <i>(1) 17 000</i> | |
| <i>Wages and salaries</i> | <i>(1) 80 000</i> | |
| <i>Creditors</i> | | <i>(1) 34 200</i> |
| <i>Bank</i> | <i>(1) 25 400</i> | |
| <i>Cash</i> | <i>(1) 2 900</i> | |
| <i>Sundry expenses</i> | <i>(1) 5 300</i> | |
| | 987 800 | 987 800 |

(23 marks)

- (b) Advise Geraldine of **two** benefits that the preparation of a trial balance can give.

It provides a check on the arithmetical accuracy of the bookkeeping (2)
It provides a useful summary of the accounting records (2)

(4 marks)

- (c) What is the main limitation of the preparation of a trial balance?

It does not prove that there are no errors in the accounting system (2)
Some errors are not revealed by a trial balance (1)

(2 marks)

- (d) Identify and explain an error that shows the limitations of a trial balance.

Error idea (1) named error (1)
Specific explanation given (2)

(4 marks)