



General Certificate of Secondary Education

Accounting 3122/1H

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.

Paper 1 Higher Tier (3122/1H)

1

Total for this question: 5 marks

- (a) Name the accounting statement used to check the business cash book against the bank statement.

Bank Reconciliation *(1 mark)*

- (b) What can be arranged to ensure that a regular monthly payment is made from a bank account?

Standing order or direct debit. *(1 mark)*

- (c) What term describes a negative balance on a bank account?

Overdraft. *(1 mark)*

- (d) What term describes the payment by a debtor directly into a business account?

Credit transfer. (Accept BACS) *(1 mark)*

- (e) What term describes a cheque which has been paid into an account but which the bank refuses to pay?

Dishonoured cheque (accept bounced cheque) *(1 mark)*

2

Total for this question: 9 marks

Select the word or phrase which **best** fits each of the spaces in the passage below. Write your chosen word or phrase in the space provided. Select from the list given, using a word or phrase **once** only.

Appropriation Account	Debit	Profit
Balance Sheet	Drawings	Profit and Loss Account
Capital	Interest on capital	Salaries
Credit	Interest on drawings	Trading account
Current Accounts	Loss	

A partnership is a business organisation with between 2 and 20 owners. It is advisable that the partners draw up a partnership deed to set out the agreement between them. This agreement is likely to state the amount of**CAPITAL**..... to be contributed by each partner and whether any of the partners are to be paid**SALARIES**..... for working in the business.**INTEREST ON CAPITAL**..... may also be paid to reward partners who have contributed a greater amount to the business whilst**INTEREST ON DRAWINGS**..... discourages partners from taking.....**DRAWINGS**.....

The final accounts of a partnership include the ...**APPROPRIATION ACCOUNT**... which shows the distribution of the profit between the partners.**CURRENT ACCOUNTS**..... show each partners earnings from the business and the drawings that they have taken. Normally, there will be a**CREDIT**..... balance on these accounts. If there is a**DEBIT**..... balance it indicates that the partner's drawings exceeded their earnings.

(9 x 1 mark)

3**Total for this question: 7 marks**

Brian Jones is starting a business as a sole trader. He has already bought a delivery vehicle and fixtures and fittings. He has arranged for a bank loan to help with the purchase of these assets. He has negotiated 2 months trade credit with a supplier and has purchased goods for resale. After these transactions, he has £1500 cash remaining in the bank from his initial capital.

He wishes to start recording all his business transactions using the double entry book keeping system.

Record the following assets, liabilities and capital as an opening journal entry. You will need to calculate the value of his capital.

	£
Delivery Vehicle	10 000
Fixtures and Fittings	2 000
Bank Loan	8 000
Stock of Goods	5 000
Creditor	5 000
Cash at Bank	1 500

The Journal

	Debit £	Credit £
Delivery Vehicle	10000 (1)	
Fixtures and Fittings	2000 (1)	
Bank Loan		8000 (1)
Stock of Goods	5000 (1)	
Creditor		5000 (1))
Cash at Bank	1500 (1)	
Capital		5500 (1of)
Totals	18500	18500

Apply own figure to capital only if the two totals agree.

(7 x 1 mark)

4

Total for this question: 19 marks

From the following list of balances produce a Balance Sheet at 31 May 2005 for Ranjiv Singh.

	£
Capital at 1 June 2004	119 500
Machinery (at cost)	90 000
Vehicles (at cost)	60 000
Debtors	30 000
Closing stock	15 000
Drawings	13 000
Bank overdraft	2 000
Creditors	17 000
Provision for depreciation:	
Machinery	20 000
Vehicles	15 000
Provision for doubtful debts	500
Prepayments	1 000
Net Profit for the year ended 31 May 2005	35 000

Balance Sheet(1) for Ranjiv Singh (1) at 31 May 2005 (1).

Fixed Assets	Cost		Depreciation		NBV
Machinery	90 000	(1)	20 000		70 000 (1)
Vehicles	<u>60 000</u>	(1)	<u>15 000</u>		<u>45 000</u> (1)
	<u>150 000</u>		<u>35 000</u>		115 000 (1of)
Current Assets					
Stock			15 000	(1)	
Debtors	30 000	(1)			
Provision for d d	<u>500</u>		29 500	(1)	
Prepayments			<u>1 000</u>	(1)	
			45 500	(1of)	
Current Liabilities					
Creditors	17 000	(1)			
Bank Overdraft	<u>2 000</u>	(1)	<u>19 000</u>	(1of)	
Working Capital					<u>26 500</u>
					<u>141 500</u>
Capital at 1 June 2004					
					119 500 (1)
Net Profit for the year					
					<u>35 000</u> (1)
					154 500
Drawings					
					<u>13 000</u> (1)
Capital at 31 May 2005					
					<u>141 500</u>

(19 marks)

5

Total for this question: 10 marks

The treasurer of a social club is preparing financial statements to send to the club's members.

- (a) Indicate by placing **one** tick (✓) in the appropriate column where each item should appear.

The first one has been completed as an example.

	Item	Bar Trading Account		Income and Expenditure Account		Balance Sheet
		Debit	Credit	Debit	Credit	
(i)	Bank balance					✓
(ii)	Subscriptions for the year				✓	
(iii)	Bar Purchases	✓				
(iv)	Accumulated Fund					✓
(v)	Bar staff wages	✓				
(vi)	Rent paid for the year			✓		
(vii)	Subscription received in advance for next year					✓

One mark each correct answer.

Two ticks = 0

(6 x 1 mark)

- (b) Explain **two** main differences between the year-end accounts of a non-profit making organisation and those of a Limited Company.

Limited Companies prepare a profit and loss account (1) whereas clubs prepare an Income and Expenditure account (1).

Limited Companies raise capital by issuing shares (1) whereas a club has an accumulated fund (1).

Limited Companies calculate profit or loss (1) whereas clubs calculate surplus or deficit (1).

Any two acceptable answers x 2 marks each.

(4 marks)

6

Total for this question: 9 marks

In the following manufacturing account insert the correct figures, words or phrases in the shaded area.

A.C. Doyle Ltd.

Manufacturing account	For the year ended (1)	31 December 2004.
	£	£
Opening stock	30 000	
Purchases	180 000	
Carriage Inwards	10 000	
Closing stock	(1) 40 000	
Cost of	(1) raw materials used	180 000
Direct Labour		<u>200 000</u>
	(1) Prime Cost	(1) 380 000
	(1) Factory Overheads / Indirect Costs/Expenses	
Supervisors' salaries	60 000	
Depreciation of machinery	40 000	
Factory light and heat	20 000	
Rent and rates	<u>30 000</u>	(1) 150 000
		(1) 530 000
Work in progress at 1 January 2004		30 000
Work in progress at 31 December 2004		(1) (20 000)
Factory Cost of Goods Produced		<u>540 000</u>

(9 x 1 mark)

7

Total for this question: 8 marks

Lawrence Johnson records the VAT on his business transactions in his books of original entry. The totals in these books for the month of May 2005 are as follows.

Sales Book

Date	Details	Goods £	VAT £	Total £
May 2005	Total for month	28 000	4 900	32 900

Purchases Book

Date	Details	Goods £	VAT £	Total £
May 2005	Total for month	20 000	3 500	23 500

Sales Returns Book

Date	Details	Goods £	VAT £	Total £
May 2005	Total for month	2 600	455	3 055

Purchases Returns Book

Date	Details	Goods £	VAT £	Total £
May 2005	Total for month	1 200	210	1 410

- (a) From the data opposite, draw up the VAT account for the month of May 2005. Balance the account at the end of the month and bring down the balance on 1 June 2005.

VAT Account

Dr.			Cr.		
Date		£	Date		£
	Purchases Book	3 500 (1)		Sales Book	4 900 (1)
	Sales Returns Book	455 (1)		Purchase Returns Book	210 (1)
	Balance c/d	<u>1 155</u> (1of)			
		<u>5110</u>			<u>5 110</u>
				Balance b/d (1)	1 155

(6 marks)

- (b) Explain the meaning of the balance brought down on 1 June 2005.

Lawrence owes (1) £1155 for VAT (1).

(2 marks)

Apply own figure rule regarding answer to (a)

8**Total for this question: 13 marks**

Carl Davids is a sole trader who needs to produce his year-end accounts. Unfortunately, Carl has not kept proper books of account and he has asked for your help in calculating some missing figures for the year ended 31 May 2005.

The following information is available from his Balance Sheet at 31 May 2004:

Debtors	£15 000
Creditors	£12 000
Rent owing	£2 000

He has identified the following from his cashbook for the year ended 31 May 2005:

Cheques and cash received from debtors	£75 000
Cheques and cash paid to creditors	£60 000
Rent paid	£15 000

From a list of unpaid invoices he has established that at 31 May 2005 he owes £20 000 to creditors and is owed £24 000 by debtors.

His statement from his landlord shows that he has prepaid £3000 rent at 31 May 2005.

(a) Calculate for the year ended 31 May 2005:

(i) Sales

$$75000 (1) + 24000 (1) - 15000(1) = 84000 \text{ (or 3 for correct answer)} \quad (3 \text{ marks})$$

(ii) Purchases

$$60000 (1) + 20000 (1) - 12000 (1) = 68000 \text{ (or 3 for correct answer)} \quad (3 \text{ marks})$$

(iii) Rent

$$15000 (1) - 3000 (1) - 2000 (1) = 10000 \text{ (or 3 for correct answer)} \quad (3 \text{ marks})$$

NB function must be correct to gain marks for workings in each section above.

(b) Explain **two** benefits to Carl of maintaining his accounting records using a computer.

Better control of his finances generally (1) because he would have up to date information regarding bank/debtors/creditors. (1)

Improved credit control (1) – issue of statements / reminders etc (1).

Greater accuracy (1) – reducing need for incomplete records approach (1).

Any 2 x 2 marks (note 1 mark for idea, 1 mark for development / example).

(Development must relate to accounting records)

(4 marks)