



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

# Mark scheme

## June 2003

GCE

# Accounting

Unit ACC1

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**June 2003****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. 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: 12 marks**

The trial balance of HG Patel, as at 30 April 2003, has been partially completed. The following balances have now to be included:

	£
Purchases	38 900
Sales	98 000
Returns outwards	3 698
Carriage inwards	367
Carriage outwards	450
Discount received	2 135
Drawings	6 900

**REQUIRED**

(a) Complete the trial balance.

**7 marks**

(b) Total the trial balance and enter any difference in the suspense account.

**1 mark****a) + b) = 8 as shown in the TB****H G Patel: Trial Balance as at 30 April 2003**

Account	Debit £	Credit £
Wages	23 890	
Administration Costs	6 000	
Capital		60 000
Premises	65 000	
Motor Vehicles	5 000	
Motor Expenses	1 650	
Purchases	<b>38 900 *</b>	
Sales		<b>98 000 *</b>
Returns Outwards		<b>3 698 *</b>
Carriage Inwards	<b>367 *</b>	
Carriage Outwards	<b>450 *</b>	
Discount received		<b>2 135 *</b>
Drawings	<b>6 900 *</b>	
Suspense	<b>15 676 *o/f</b>	
<b>TOTAL</b>	<b>163 833</b>	<b>163 833</b>

(c) There are many reasons for the error(s) giving rise to the suspense account.

From the following list of bookkeeping errors, tick the Yes or No box to indicate whether or not the error could be responsible for the difference in the trial balance. **4 marks**

An example has been given.

Error	Yes	No
<i>A balance has been entered in the wrong column of the trial balance.</i>	✓	
An error of principle has occurred.		✓ *
The sales account has been totalled incorrectly.	✓ *	
An invoice has been completely omitted from the books.		✓ *
A cheque has been debited in the cash book as £150 but credited in the customer's account as £105.	✓ *	

**2****Total for this question: 9 marks**

The sales day book of Brown's Paints shows the following totals which have to be entered into the general ledger.

Goods	£53 800
VAT	£9 415
Total	£63 215

**REQUIRED**

- (a) Complete the following table to show the amount to be entered in each account and whether the entry is a debit or credit. **6 marks**

Account	Amount	Debit or Credit
Sales	£53 800*	CR*
VAT	£9 415*	CR*
Debtors' control	£63 215 *	DR*

- (b) Complete the following table with the name of the subsidiary book which is the source of each of the following items in a debtors' control account. **3 marks**

An example has been given.

Item	Subsidiary book
Total credit sales	Sales day book
Payment received from customers	Cash book *
Discount allowed	Cash book *
Contras (transfers) to the purchase ledger	Journal *

**3****Total for this question: 9 marks**

Highfield Products is seeking to attract new customers and has decided to offer trade and cash discounts.

**REQUIRED**

(a) Explain the circumstances under which they would give each of these discounts.

(i) Trade discounts

**Given, if prearranged to:**

**Businesses in the same trade\* but not to the general public \***

**For buying in bulk \***

**Given as a discount off list price \* to retailers by wholesalers\***

**1 mark for bare statement + 1 for development =**

**2 marks**

(ii) Cash discounts

**Given if prearranged \* or shown on the invoice \* for prompt payment \***

**1 mark for bare statement + 1 for development =**

**2 marks**

They supply goods to a customer on the following terms:

Selling price	£500
Trade discount	20%
Cash discount	5%
VAT	17.5%

(b) Calculate the total of the invoice for these goods.

**5 marks**

Invoice total: £466.50 (5 c/f)

Workings

**500 – 20% \* (100) = 400 \* o/f x .95 \* = 380 VAT= 66.50\* o/f**

**Total is 400 + 66.50 = £466.50\* o/f**

or

$$\begin{array}{r}
 500 \\
 -(100) \quad (1) \\
 \hline
 400 \quad (1) o/f
 \end{array}
 \qquad
 \begin{array}{r}
 400 \\
 -(20) \quad (1) o/f \\
 \hline
 66.50 \quad (1) o/f
 \end{array}
 \qquad
 \begin{array}{r}
 \hline
 466.50 \quad (1) o/f
 \end{array}$$

4

**Total for this question: 13 marks**

James White uses several methods to verify his records.

### **REQUIRED**

Write a report to Bill Bennett explaining **one** benefit of each of the following methods. Give an example of **one** error which will be revealed in **each** case.

### **REPORT**

To:.....  
 From:.....  
 Date:.....  
 Subject:.....

#### **Report headings 1 mark**

(a) Bank reconciliation statement

Benefit

**It will show that the bank entries \* in the cash book\* are correct\***

**It will show any entries that are in the BS\* not in the cash book\* so that these can be completed\***

**It will reveal errors\* by the business\* or the bank \***

**It will help before\* the trial balance is prepared\* as it will identify errors \*** **max 3 marks**

Example **Any suitable example\***

**1 mark**

(b) Sales ledger control account

Benefit

**It will check the arithmetical\* accuracy \* of the ledger \***

**It will give a quick\* total\* of the debtors \***

**It will help before\* the trial balance is prepared \* as it will identify errors \***

**It can be used to check\* on the abilities\* of staff \***

**max 3 marks**

Example **Any suitable example\***

**1 mark**

(c) Trial Balance

Benefit

**It will check the arithmetic\* accuracy \* of the ledgers \***

**It will show the debit\* and credit \* entries are equal \***

**It will provide useful\* information for preparing\* the final accounts \***

**max 3 marks**

Example **Any suitable example\***

**1 mark**

**5****Total for this question: 12 marks****REQUIRED**

From the following figures complete the balance sheet for A to Z Engineering Supplies as at 31 March 2003. Clearly show the fixed and current assets and long-term and current liabilities. To complete the balance sheet calculate the proprietor's capital.

	£
Net profit for the year	23 460
Stock at 31 March 2003	14 905
Debtors	6 500
Creditors	4 590
Premises	50 000
Motor vehicles	14 560
Bank overdraft	3 400
Petty cash	56
Drawings	13 000
Mortgage on premises	25 000

**A to Z Engineering Supplies  
Balance Sheet as at 31 March 2003 \***

	£	£	£
<b>Fixed assets</b>			
Premises			*50 000
Motor vehicles			<u>*14 560</u>
			<u>64 560</u>
<b>Current assets</b>			
Stock		*14 905	
Debtors		*6 500	
Petty cash		*56	
		<u>21 461</u>	
<b>Current liabilities</b>			
Creditors		*4 590	
Overdraft		<u>*3 400</u>	<u>(7 990)</u>
			<u>13 471</u>
			<u>78 031</u>
<b>Long-term liabilities</b>			*(25 000)
			<u>53 031</u>
<b>Capital</b>			o/f*42 571
Add net profit			*23 460
Less drawings			<u>*(13 000)</u>
			<u>53 031</u>

**No mark for item in the wrong sub section.****12 marks**

**6****Total for this question: 17 marks**

Barbara Smith has purchased a new computer system for her business, from JPC Computer Supplies Ltd. The computer was purchased on 1 February 2003 at a cost of £4000 plus £665 VAT. She made full payment on 4 March 2003 and was allowed £200 trade discount.

**REQUIRED**

- (a) Make the necessary entries for these transactions. (Journal narratives are **not** required. Do **not** balance any accounts.)

<b>JOURNAL</b>	<b>DR</b>	<b>CR</b>
Computers	3800*	
VAT	665 *	
J P C Computer Supplies Ltd		4465 *o/f

\* 1 mark for 3 correct account names

*Workings 4000\* - 200\**

**PURCHASE LEDGER**

<b>DR</b>	<b>JPC Computer Supplies Ltd</b>			<b>CR</b>	
<b>Date 2003</b>	<b>Details</b>	<b>£</b>	<b>Date 2003</b>	<b>Details</b>	<b>£</b>
Mar 4	Bank	4465 *o/f	Feb 1	Journal	4465 * o/f

**GENERAL LEDGER**

<b>DR</b>	<b>VAT Account</b>			<b>CR</b>	
<b>Date 2003</b>	<b>Details</b>	<b>£</b>	<b>Date 2003</b>	<b>Details</b>	<b>£</b>
Feb 1	Journal	665 * o/f			

<b>DR</b>	<b>Computer Account</b>			<b>CR</b>	
<b>Date 2003</b>	<b>Details</b>	<b>£</b>	<b>Date 2003</b>	<b>Details</b>	<b>£</b>
Feb 1	Journal	3800 * o/f			

**o/f if agreeing with the journal entry**

**8 marks**

- (b) Why will this contribute to greater speed and accuracy in the bookkeeping process?

Speed

When the entry is typed in it automatically \* enters the amount \* in every account \*

The totals are done automatically \*

Accounts can be reproduced by printing \*

The trial balance, final accounts etc are prepared by the program \*

Error correction is speedier\*

**max 5 marks**

Accuracy

Only one entry is made \* and so there are less copying errors \*

The automatic totalling \* is accurate \*

The entries can be batch controlled \*

**max 4 marks**

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**Total for this question: 4 marks****REQUIRED**

Define **each** of the following terms.

- (a) Petty cash voucher

**It is used as a form for reclaiming money spent \* from the petty cashier \***  
**It must be accompanied by a receipt \* showing the VAT applicable\***

**1 mark**

- (b) Bank charges

**A charge imposed by the business's bank \* for services provided\***

**1 mark**

- (c) Gross profit

**Profit earned from Sales – Cost of sales \* before the overheads \***

**1 mark**

- (d) Net profit

**The final profit earned by the business \* after all expenses have been paid \***

**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.