



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 £	VAT £	Total £
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 £	Cr £
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 2005	Details	£	p	Date 2005	Details	£	p
Apr 1	Balance b/d	356	68 (1)				
Apr 30	Journal	156	78 (1)	Apr 30	Balance c/d	513	46 (1) OF*
		513	46			513	46
May 1	Balance b/d	513	46				

3 marks

Purchases Account

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

4 marks

Returns Inwards Account

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

3 marks

3

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

3 marks

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

3 marks

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

3 marks

VAT Account							
Dr				Cr			
Date 2005	Details	£	p	Date 2005	Details	£	p
Apr 30	Purchases	630	00 (1)	Apr 1	Balance b/d	3 478	89 (1)
	Returns inwards	39	55 (1)	Apr 30	Sales	962	50 (1)
	Balance c/d	3 797	39 (1) OF*		Returns out	25	55 (1)
		4 466	94			4 466	94
				May 1	Balance b/d	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 2005	Details	£	p	Date 2005	Details	£	p
Mar 31	Sales	230	00 (1)	Mar 31	Error in TB	834	00 (1)
	Wages	600	00 (1)		Postage	154	00 (1)
	Discount rec'd	158	00 (1)				
		988	00			988	00

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)	3 573 (1) OF no aliens
Gross profit			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.