



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

# Mark scheme January 2003

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## GCE

### Accounting

### Unit ACC2

**January 2003****ACC2**

**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 / Layouts**

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 (QWC)**

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: 6 marks**

Paging Systems plc wishes to prepare a handout for new staff explaining some facts about limited companies.

**REQUIRED**

- (a) Who owns Paging Systems plc?

**The shareholders**

**1 mark**

- (b) Who is responsible for the day to day running of Paging Systems plc?

**The directors**

**1 mark**

- (c) What is the meaning of limited liability?

**If the company has financial problems (1) and is forced into liquidation (1)  
the most the shareholders (1) can lose is the amount invested (1)  
or have promised to invest (1).**

**max 4 marks**

2

Total for this question: 10 marks

**REQUIRED**

The table below lists some items which can be found in a trial balance.

- (a) State from which ledger each account is taken and whether it will be a debit or credit in the trial balance. An example has been given.

	Account	Ledger	Debit/credit
e.g.	<i>Business rates</i>	<i>General</i>	<i>Debit</i>
1	Debtors	<b>Sales (1)</b>	<b>Debit (1)</b>
2	Sales	<b>General/Nominal (1)</b>	<b>Credit (1)</b>
3	Cash at the Bank	<b>Nominal/General (1)</b>	<b>Debit (1)</b>

6 marks

- (b) Explain **two** benefits to the company of using computers for posting items to the ledgers.

**Speed (1). Will enable several entries to be made simultaneously (1).**

**Accuracy (1). Less opportunity for error (1).**

**Neatness (1). All accounts printed and are more legible (1)**

**Any other suitable example but not from workers' point of view.**

**Identify (1). Development (1).**

max 4 marks

3

**Total for this question: 15 marks**

The following balances are taken from the books of James Cadwallader Ltd showing totals for the year ended 31 December 2002.

	£
Sales	67 945
Purchases	34 981
Returns inwards	2 945
Returns outwards	1 367
Carriage inwards	679
Carriage outwards	386
Stock at 1 January 2002	5 780
Stock at 31 December 2002	6 590
Wages	12 056
Other expenses	4 650

**REQUIRED**

Prepare the trading and profit and loss account for the year ended 31 December 2002.

**James Cadwallader Ltd**  
**Trading and Profit and Loss Account for the year ended 31 December 2002**

	£	£	£
Sales			67 945 (1)
LESS Returns inwards			<u>2 945</u> (1)
Turnover			65 000 (1) no aliens
Opening stock		5 780 (1)	
Purchases	34 981 (1)		
Carriage inwards	679 (1)		
LESS returns outwards	<u>1 367</u> (1)	34 293	
LESS Closing stock		<u>6 590</u> (1)	
Cost of sales			<u>33 483</u> (1OF no aliens)
Gross profit			31 517 (1OF)
LESS			
Wages		12 056 (1)	
Carriage out		386 (1)	
Other expenses		<u>4 650</u> (1)	<u>17 092</u>
Net profit (1)			<u>14 425</u> (1OF)

**15 marks**

4

**Total for this question: 7 marks**

The directors of James Cadwallader Ltd were advised to draw up a trial balance.

**REQUIRED**

Does this technique show whether or not the bookkeeping was correct? Justify your answer.

**It is partially true only (1).**

**Some errors are revealed (1) but it only checks the arithmetical accuracy (1).**

**It shows if the debits and credits are equal (1).**

**Some errors are not revealed (1).**

**Allow for any two suitable errors named (1) and described (1) = 2 × 2**

**and the trial balance will still agree (1) even if there are errors present (1).**

**Max 7 marks**

5

**Total for this question: 19 marks**

Mary Arbuthnot manages Mary’s Doll Shop Ltd and is preparing the balance sheet but has problems with allocating **four** items.

**REQUIRED**

Using the memorandum below, advise her as to which section/sub-heading of the balance sheet the items should appear under. Give reasons for your choice.

**MEMORANDUM**

**Date** .....  
**To** .....  
**From** .....  
**Subject** .....

(Memorandum format: 1 mark)

1. Cost of new delivery van

Section: **Fixed assets** **1 mark**

Reason: **An asset purchased for use in the business (1)**  
**not for resale (1)**  
**used for more than one year (1)**  
**will help generate profits (1)**  
**will depreciate with use (1)**  
**is a tangible asset (1).**

**max 5 marks**

2. Stock of dolls for re-sale:

Section: **Current asset** **1 mark**

Reason: **An asset remaining in the business for the short term (1)**  
**less than one year (1)**  
**She will expect to sell them shortly (1)**

**max 2 marks**

3. Telephone bill due to be paid in one month’s time

Section: **Current liabilities** **1 mark**

Reason: **Short term liability (1)**  
**Amount owed (1) by the business (1)**  
**which needs to be paid within the next 12 months (1)**

**max 3 marks**

4. Retained profits

Section: **Reserves / Financed by** **1 mark**

Reason: **Profits not paid out (1) as dividends (1).**  
**It is kept in the business (1) to provide capital for expansion (1)**  
**replacement of assets (1).**  
**It is part of the total capital (1) of the (equity) shareholders (1).**

**max 4 marks**

6

Total for this question: 19 marks

Below is an extract from the published accounts of Matalan plc showing the cash flow statement.

**REQUIRED**

(a) Explain the following terms:

(i) equity dividends paid;

**Return on investment (1) paid to the ordinary shareholders (1) per share held (1)**  
3 marks

(ii) cash flow from operating activities;

**Amount of cash (1) actually received (1) from trading activities (1)  
not from exceptional items (1) taking into account non cash items (1)  
and changes in current assets (1) and current liabilities (1).**  
max 4 marks

(iii) returns on investments.

**The amount the company (1) receives (1) dividends (1) and interest (1)  
from the company investment (1) in other businesses (1).**  
max 3 marks

(b) Explain the value of the information contained in the cash flow statement to:

(i) managers;

**It highlights the information (1) not available from P & L and balance sheet (1).  
It clearly shows sources (1) and uses (1) of finance over the year.  
Shows cash available at the year end (1) for future plans (1).  
Aids decision making (1) and development (1).**  
max 3 marks

(ii) shareholders;

**It demonstrates the liquidity of the company (1), shows sources of finance (1),  
highlights the investment in the company (1)  
and how much has actually been paid (1) to shareholders (1).**  
max 3 marks

(iii) debenture holders.

**Can see cash at year end (1), demonstrates the security of their loan (1),  
ability of the company to repay (1), and additional loans taken out (1).**  
max 3 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.