



General Certificate of Education

Accounting ACC1

**Unit 1 Financial Accounting:
The Accounting Information System**

Mark Scheme

2008 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.

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June 2008

ACC 1

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: 17 marks**

John Pawson owns a business supplying packaging materials. The following items are to be recorded in the cash book for the week ended 7 June 2008.

| Date | Details | £ | p |
|--------|---|-------|----|
| June 1 | Cash in hand | 26 | 40 |
| June 1 | Overdrawn bank balance | 625 | 20 |
| June 2 | Cash sales | 70 | 00 |
| June 2 | Cheque paid to R Howe (discount taken £14.60) | 292 | 00 |
| June 3 | Cheque drawn for cash | 200 | 00 |
| June 5 | Cheque received from P Rice (discount allowed £32.10) | 512 | 10 |
| June 6 | Interest charged by the bank | 36 | 00 |
| June 6 | Cheque received from P Green | 2 000 | 00 |
| June 6 | Wages paid by cash | 64 | 50 |

REQUIRED

1(a) Record this information in the cash book overleaf and balance the cash book at 7 June 2008.

Cash Book

| Dr | | | | Cr | | | |
|--------|-----------------|----------|-------|------|---------|-------|---------|
| Date | Details | Discount | | Cash | | Bank | |
| | | £ | p | £ | p | £ | p |
| June 1 | Balance B/D | | | 26 | 40(1) | | |
| June 2 | Cash sales | | | 70 | 00(1) | | |
| June 3 | Cheque for cash | | | 200 | 00(1) | | |
| June 5 | P Rice | 32 | 10 | | | 512 | 10(1) |
| June 6 | P Green | | | | | 2 000 | 00(1) |
| | | | | | | | |
| | | 32 | 10(1) | 296 | 40 | 2 512 | 10 |
| June 8 | Balances B/D | | | 231 | 90(1)OF | 1 358 | 90(1)OF |

| Date | Details | Discount | | Cash | | Bank | | Date | Details | Discount | | Cash | | Bank | |
|--------|-----------------|----------|-------|------|---------|-------|---------|--------|--------------------|----------|-------|------|-------|-------|-------|
| | | £ | p | £ | p | £ | p | | | £ | p | £ | p | £ | p |
| June 1 | Balance B/D | | | 26 | 40(1) | | | June 1 | Balance B/D | | | | | 625 | 20(1) |
| June 2 | Cash sales | | | 70 | 00(1) | | | June 2 | R Howe | 14 | 60 | | | 292 | 00(1) |
| June 3 | Cheque for cash | | | 200 | 00(1) | | | June 3 | Cheque for cash | | | | | 200 | 00(1) |
| June 5 | P Rice | 32 | 10 | | | 512 | 10(1) | June 6 | Bank interest paid | | | | | 36 | 00(1) |
| June 6 | P Green | | | | | 2 000 | 00(1) | June 6 | Wages | | | 64 | 50(1) | | |
| | | | | | | | | June 7 | Balances C/D | | | 231 | 90 | 1 358 | 90 |
| | | 32 | 10(1) | 296 | 40 | 2 512 | 10 | | | 14 | 60(1) | 296 | 40 | 2 512 | 10 |
| June 8 | Balances B/D | | | 231 | 90(1)OF | 1 358 | 90(1)OF | | | | | | | | |

14 marks

| |
|--|
| John Pawson also operates a petty cash book using an imprest system. |
|--|

1(b) Explain how a petty cash imprest system operates.

Petty cash expenditure is totalled (1) and the amount drawn for cash equals the total of the expenditure (1). In this way the total of cash plus the total of petty cash vouchers will always equal the amount of the float(1).

3 marks

2**Total for this question: 11 marks**

The following information has been extracted from the books of account of Howard Davies for the month ended 30 April 2008.

| | £ |
|---|--------|
| Credit balance on VAT account at 1 April 2008 | 4 836 |
| Total cash sales (including VAT) | 2 914 |
| VAT on credit purchases | 8 427 |
| VAT on credit sales | 12 189 |
| VAT on petty cash expenditure | 314 |
| VAT on returns from credit customers | 65 |
| VAT on returns to credit suppliers | 102 |

Additional information

- (1) There were no payments to or receipts from HM Revenue and Customs during April 2008.
- (2) The VAT rate is 17.5%.

REQUIRED

2(a) Make the necessary entries in the VAT account for April 2008 and balance the account.

| Dr | | | VAT Account | | | Cr | | |
|-------------------------------|----------------------|------------|-------------------------|----------------------|--------------|-----------|--|--|
| Details | £ | | Details | £ | | | | |
| Credit purchases | 8 427 | (1) | Balance b/d | 4 836 | (1) | | | |
| Petty cash expenditure | 314 | (1) | Cash sales (W1) | 434 | (2) | | | |
| Customer returns | 65 | (1) | Credit sales | 12 189 | (1) | | | |
| Balance c/d | 8 755 | | Supplier returns | 102 | (1) | | | |
| | <u>17 561</u> | | | <u>17 561</u> | | | | |
| | | | Balance b/d | 8 755 | (10F) | | | |

W1 2914 x 7/47 = 434 Cr (2 marks); 434 Dr (1 mark)

9 marks

2(b) Explain the difference between VAT input tax and VAT output tax.

VAT input tax – the tax on purchases and expenses (1).

VAT output tax – the tax on sales (1).

2 marks

3**Total for this question: 16 marks**

Rayhana Patel owns a shop selling curtains. The following information has been extracted from her books of account at 31 May 2008.

| | £ |
|--|---------|
| Balance at bank | 1 060 |
| Capital | 20 000 |
| Carriage inwards | 890 |
| Carriage outwards | 280 |
| Discounts allowed | 1 140 |
| Discounts received | 1 890 |
| Drawings | 18 420 |
| General expenses | 8 870 |
| Motor vehicle | 12 000 |
| Purchases | 51 500 |
| Rent receivable | 520 |
| Returns inwards | 620 |
| Returns outwards | 870 |
| Sales | 113 400 |
| Staff wages and salaries | 18 240 |
| Stock at 1 June 2007 | 14 100 |
| Stock at 31 May 2008 | 16 600 |
| Trade creditors | 4 620 |
| Trade debtors | 3 990 |
| VAT (amount due to HM Revenue and Customs) | 1 170 |

REQUIRED

Prepare a trading and profit and loss account for the year ended 31 May 2008.

Rayhana Patel
Trading and Profit and Loss Account for the year ended 31 May 2008 (1)

| | £ | | £ | |
|--|---------------|-----|----------------|--------|
| Sales | | | 113 400 | (1) |
| Returns inwards | | | (620) | (1) |
| | | | <u>112 780</u> | |
| Cost of sales | | | | |
| Opening stock | 14 100 | (1) | | |
| Purchases | 51 500 | (1) | | |
| Returns outwards | (870) | (1) | | |
| Carriage inwards | 890 | (1) | | |
| | <u>65 620</u> | | | |
| Closing stock | 16 600 | (1) | 49 020 | |
| Gross profit (<i>must be labelled</i>) | | | <u>63 760</u> | (1 OF) |
| Discounts received | | | 1 890 | (1) |
| Rent receivable | | | 520 | (1) |
| | | | <u>66 170</u> | |
| Less expenses | | | | |
| Staff wages and salaries | 18 240 | (1) | | |
| General expenses | 8 870 | (1) | | |
| Carriage outwards | 280 | (1) | | |
| Discount allowed | 1 140 | (1) | 28 530 | |
| Net profit (<i>must be labelled</i>) | | | <u>37 640</u> | (1 OF) |

16 marks

4

Total for this question: 18 marks

The following information has been extracted from the books of account of Addison Hardware for the month ended 30 April 2008.

| | £ |
|---|--------|
| Purchases ledger debit balances at 1 April 2008 | 842 |
| Purchases ledger credit balances at 1 April 2008 | 26 145 |
| Purchases day book total | 83 595 |
| Purchases returns day book total | 2 104 |
| Cash purchases | 9 922 |
| Cheques paid to credit suppliers | 84 414 |
| Discounts received | 1 060 |
| Discounts allowed | 2 152 |
| Cheque refunds received from credit suppliers | 619 |
| Credit balances on purchases ledger offset against sales ledger | 410 |
| Purchases ledger debit balances at 30 April 2008 | 332 |
| Purchases ledger credit balances at 30 April 2008 | ? |

REQUIRED

4(a) Prepare and balance a purchases ledger control account for April 2008.

| Purchases Ledger Control Account | | | |
|---|------------------|--------------------|--------------------|
| Dr | | Cr | |
| Details | £ | Details | £ |
| Balance b/d | 842(1) | Balance b/d | 26 145(1) |
| Purchases returns day book | 2 104(1) | Purchases day book | 83 595(1) |
| Supplier payments | 84 414(1) | Cheque refunds | 619(1) |
| Discounts received | 1 060(1) | Balance c/d | 332* |
| Contra | 410(2) | | |
| Balances c/d | 21 861** | | |
| | 110 691 | | 110 691 |
| Balance b/d | 332* (1 or 0) | Balance b/d | 21 861** (1 OF) |

* 1 mark awarded for both balances present

11 marks

**1 mark awarded for both balances present

The manager of Addison Hardware is considering computerising the accounting records of the business.

REQUIRED

4(b) Write a memorandum to the manager of Addison Hardware explaining **three** advantages to the business of computerising the **purchases ledger records**.

MEMORANDUM

To: The manager

From: A student

Date: 2nd June 2008

Subject: Advantages of computerising the purchases ledger records

1 mark for heading

- **Accuracy** – less possibilities for errors due to only one entry required for each transaction, leading to less likelihood of making incorrect payments to suppliers.
- **Speed** – built in database quicker to access than manual system, saving time and minimising the risk of missing discounts receivable.
- **Automatic document production** – leading to increased accuracy and more professional image to suppliers.
- **Up-to-date information** – leading to more efficient management and better credit control.
- **Legibility** – less possibility of errors through mis-reading figures.
- **Accessibility** – more than one person can view accounts at the same time.

1 mark for identification, 1 mark for development related specifically to the purchases ledger.

max 6 marks
Overall 7 marks

5

Total for this question: 14 marks

Julie Stuart has prepared the following balance sheet for her business. It contains errors.

Julie Stuart
Balance Sheet for the year ended 31 May 2008

| | £000 | £000 |
|--|-----------|-----------|
| Fixed assets | | 60 |
| Current assets | | |
| Stock | 12 | |
| Trade creditors | 11 | |
| VAT (amount due from HM Revenue and Customs) | 6 | |
| Bank overdraft | <u>31</u> | |
| | <u>60</u> | |
| Current liabilities | | |
| Trade debtors | 18 | |
| Drawings | <u>24</u> | |
| | <u>42</u> | |
| Net current assets | | <u>18</u> |
| | | <u>78</u> |
| Capital | | |
| Balance at 1 June 2007 | | 46 |
| Net profit for the year | | <u>32</u> |
| | | <u>78</u> |

Additional information

- (1) A cheque for £2000 paid to a creditor in May 2008 had been entered in the accounting records as £6000.
- (2) A cheque for drawings of £5000 had been posted to staff wages.
- (3) Machinery costing £8000 had been purchased on credit on 31 May 2008. No entries had been made in the accounting records.

REQUIRED

5(a) Prepare a corrected balance sheet, taking account of the additional information.

Julie Stuart
Balance Sheet at 31 May 2008 (1)

| | £000 | | £000 | |
|--|-----------|-------|-------------|--------------|
| <u>Fixed assets</u> | | | 68 | (1)W1 |
| <u>Current assets</u> | | | | |
| Stock | 12 | | | |
| Trade debtors | 18 | (1) | | |
| VAT – amount due from HM Revenue and Customs | 6 | | | |
| | <u>36</u> | | | |
| <u>Current liabilities</u> | | | | |
| Bank overdraft | 27 | (2)W2 | | |
| Trade creditors | 23 | (3)W3 | | |
| | <u>50</u> | | | |
| Net current liabilities | | | (14) | |
| | | | <u>54</u> | |
| <u>Capital</u> | | | | |
| Balance at 1 June 2007 | | | 46 | |
| Net profit for the year | | | 37 | (1)W4 |
| | | | <u>83</u> | |
| Drawings | | | (29) | (2)W5 |
| | | | <u>54</u> | |

Workings

| | |
|----|----------------------------|
| W1 | $60 + 8 = 68(1)$ |
| W2 | $31(1) - 4(1) = 27$ |
| W3 | $11(1) + 4(1) + 8(1) = 23$ |
| W4 | $32 + 5 = 37(1)$ |
| W5 | $24(1) + 5(1) = 29$ |

11 marks

The additional information on page 12 refers to three accounting errors.

REQUIRED

5(b) State the type of error referred to in each case.

Error 1 – Original entry (1)

Error 2 – Principle (1)

Error 3 – Omission (1)

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.

To help them to make judgements, examiners should focus on the following issues.

Are there clear presentations of formats and prose answers?

Are there clear and logical workings, where appropriate?

Is the whole script legible, understandable and logically argued (including spelling, punctuation and grammar)?

Is there a grasp of accounting terminology (eg avoiding slang, avoiding text language, avoiding abbreviations in prose answers)?