

GCE
AS and A Level

Accounting

AS exams 2009 onwards
A2 exams 2010 onwards

Unit 1: Specimen mark scheme

Version 1.1

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General Certificate of Education

Accounting

ACCN1

Unit 1 Introduction to Financial Accounting

Specimen Mark Scheme

for examinations in 2009 and onwards

The specimen assessment materials are provided to give centres a reasonable idea of the general shape and character of the planned question papers and mark schemes in advance of the first operational examinations.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

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Set and published by the Assessment and Qualifications Alliance.

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.

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

1(a) Complete the following table by filling in the blank boxes. The first entry has been completed as an example.

	Source document	Subsidiary book	Ledger account to be debited	Ledger account to be credited
Purchased goods for resale on credit	Purchase invoice	Purchase day book	Purchases	Creditors
Customer returns damaged goods	Sales credit note (1)	Sales returns day book	Sales Returns	Debtors / Sales ledger control account
Cash sales paid into the bank	Bank paying in slip (1)	Cash book	Bank account (1)	Sales (1)
Overdraft interest charged by bank	Bank statement (1)	Cash book	Bank interest	Bank account (1)

6 marks

The trial balance does not balance and the difference has been posted to the suspense account.

The following errors have now been discovered.

- (1) Sales of £50 had been posted to the debit of sales account.
- (2) A payment of £540 for motor expenses had been posted to the credit of motor expenses account as £450.
- (3) Discount allowed of £80 had been correctly entered in the cash book but had not been posted to the general ledger.

REQUIRED

- 1(b) Complete the journal entries necessary to correct the above errors

Journal

	Dr	Cr
Suspense account	100 (1)	
Sales account		100 (1)
Motor expenses account	990 (1)	
Suspense account		990 (1)
Discount allowed account	80 (1)	
Suspense account		80 (1)

One mark for each correct entry

6 marks

2**Total for this question: 33 marks**

Mike Barnett owns a shop selling bicycles. The following balances have been extracted from the books of account at 31 May 2007.

	£	£
Bank overdraft		21 690
Capital		62 100
Carriage inwards	540	
Carriage outwards	1 270	
Discounts allowed	1 410	
Discounts received		2 090
Drawings	24 180	
Equipment:		
at cost	67 360	
provision for depreciation		16 840
Mortgage on premises (repayable 2022)		20 000
Motor expenses	15 430	
Premises at cost	50 000	
Purchases	132 700	
Returns inwards	630	
Returns outwards		1 310
Sales		266 300
Shop expenses	21 380	
Stock at 1 June 2006	35 820	
Trade creditors		9 210
Trade debtors	2 490	
Wages	46 330	
	399 540	399 540

Additional Information

- (1) Stock at 31 May 2007 was £29 700.
- (2) Motor expenses paid in advance at 31 May 2007 were £250.
- (3) Wages unpaid at 31 May 2007 amounted to £840.
- (4) Equipment is to be depreciated at 12.5% per annum using the straight-line method.

REQUIRED

- 2 (a) Prepare a trading and profit and loss account for the year ended 31 May 2007.

Mike Barnett**Trading and Profit and Loss Account for the year ended 31 May 2007**

	£		£
Sales			266 300
Less returns inwards			<u>630</u> (1)
			265 670
Opening stock	35 820	(1)	
Purchases	132 700		
Carriage inwards	<u>540</u>	(1)	
	169 060		
Less returns outwards	<u>1 310</u>	(1)	
	167 750		
Less closing stock	<u>29 700</u>	(1)	
Cost of sales*			<u>138 050</u>
Gross profit*			127 620 (1) OF (must be labelled)
Discounts received			<u>2 090</u> (1)
			129 710
Less Expenses			
Carriage outwards	1 270	(1)	
Discounts allowed	1 410	(1)	
Motor expenses (W1)	15 180	(2)	
Shop expenses	21 380	(1)	
Wages (W2)	47 170	(2)	
Depreciation (W3)	<u>8 420</u>	(2)	
Net profit*			<u>94 830</u>
			<u>34 880</u> (1) OF (must be labelled)
W1: 15430 (1) – 250 (1)			
W2: 46330 (1) + 840 (1)			
W3: 67360 (1) x 12.5% (1)			

17 marks***Quality of presentation (QWC)****For correctly identifying all three headings 1 mark****Overall max 18 marks**

- 2 (b) Prepare a balance sheet at 31 May 2007.

Mike Barnett
Balance Sheet at 31 May 2007

	£		£
<u>Fixed assets</u> *			
Premises		50 000	(1)
Equipment cost	67 360		
Less depreciation (W1)	<u>25 260</u>		<u>42 100</u>
<u>Current assets</u> *			92 100
Stock	29 700	(1)	
Trade debtors	2 490	(1)	
Prepayments	<u>250</u>	(1)	
	<u>32 440</u>		
<u>Current liabilities</u> *			
Trade creditors	9 210	(1)	
Accruals	840	(1)	
Bank overdraft	<u>21 690</u>	(1)	
	<u>31 740</u>		
Net current assets			<u>700</u>
			92 800
<u>Long-term liabilities</u> *			
Mortgage on premises (2022)			<u>20 000</u>
			<u>72 800</u>
<u>Capital</u>			
Opening balance		62 100	(1)
Net profit		<u>34 880</u>	(1) OF
			96 980
Less drawings		<u>24 180</u>	(1)
			<u>72 800</u>

W1: 16840 (1) + 8420 (1) OF

14 marks

*Quality of presentation (QWC)

For correctly identifying all four headings 1 mark

Overall max 15 marks

3**Total for this question: 20 marks**

The following information has been extracted from the books of account of Alpha Engineering at 30 April 2007.

	£
Debtors at 1 April 2007	44 267
Sales day book total	93 882
Sales returns day book total	884
Receipts from credit customers entered in the cash book	95 501
Debit balance in sales ledger transferred to purchase ledger	235
Cash sales	2 276
Bad debt written off on 20 April 2007	150
Discount allowed	1 788
Customer's dishonoured cheque	107

You discover the following.

- (a) A sales invoice totalling £545 was entered in the sales day book as £554.
- (b) The sales returns day book total had been undercast by £100.
- (c) A cheque received from a customer on 30 April 2007 for £2339 had not yet been entered in the cash book.

REQUIRED

3(a) Taking account of all of the above information, prepare a sales ledger control account for the month of April 2007.

Sales Ledger Control Account

Dr				Cr			
Date	Details	£		Date	Details	£	
Apr 1	Balance B/D	44 267	(1)	Apr 30	Sales Ret DB (W2)	984	(2)
Apr 30	Sales DB (W1)	93 873	(2)	Apr 30	Cheques (W3)	97 840	(2)
Apr 30	Dishonoured Cheque	107	(1)	Apr 30	Contra	235	(1)
				Apr 30	Bad debt w/o	150	(1)
				Apr 30	Discount allowed	1 788	(1)
				Apr 30	Balance c/d	37 250	
		<u>138 247</u>				<u>138 247</u>	
May 1	Balance b/d	37 250	(1)				

W1: 93 882 (1) – 9 (1)

W2: 884 (1) + 100 (1)

W3: 95 501 (1) + 2339 (1)

12 marks

- 3 (b) Control accounts can help in identifying some errors. Explain **two** other benefits to the management of a business from preparing a sales ledger control account.

Instant information (1) enables total debtors to be ascertained at a glance thus helping with the production of final accounts (1).

Prevention of fraud (1): managers have access to control accounts, restricting the possibility of fraudulent entries (1).

1 mark for identification, 1 mark for development

max 4 marks

- 3(c) State and explain **two** types of error that would not be revealed by a control account.

Omission (1) where a transaction has been completely omitted from the accounting records (1).

Original entry (1) where an incorrect amount has been entered in the book of prime entry and processed through the subsidiary books (1).

Commission (1) where an entry is made in the wrong person's account in the correct ledger (1).

Compensating error (1) where one error is cancelled out by another in the same ledger (1).

1 mark for identification, 1 mark for development

max 4 marks

4

Total for this question: 15 marks

The owner of Beta Batteries is completing his final accounts for the year ended 31 May 2007. The following information for telephone charges has been extracted from the books of account and from information supplied.

	£
Amounts paid during the year ended 31 May 2007	2400
Amounts owed for telephone calls at 31 May 2007	130
Telephone rental at 31 May 2007 paid in advance	210

REQUIRED

4(a) Complete the ledger account below. Balance the account, carrying down any balances.

Telephone Account

Dr				Cr			
Date	Details	£		Date	Details	£	
31 May	Paid in year	2 400	(1)	31 May	Balance c/d	210	
31 May	Balance c/d	130		31 May	Profit and loss a/c (1)	2 320	(1)
		<u>2 530</u>				<u>2 530</u>	
1 June	Balance b/d	210	(1)	1 June	Balance b/d	130	(1)

5 marks

J Booth, a customer of Beta Batteries, has been declared bankrupt owing the business £350. The owner of Beta Batteries is of the opinion that none of this amount will be recovered.

REQUIRED

4(b) Write a memorandum to the owner of Beta Batteries explaining how this debt should be dealt with in the ledger accounts. Explain the effect it will have on **both** the profit **and** on the entries in the balance sheet.

MEMORANDUM**To: Accountant****From: A Student****Date:****Subject: Treatment of J Booth balance in the financial statements**

The full amount should be treated as a bad debt (1) and be debited to bad debts account (1) and transferred to the profit and loss account (1) and credited to the debtors control account (1).

The profit will reduce (1) by £350 (1) and debtors will be reduced by £350 (1), thus reducing the net assets of the business (1).

max 7 marks**For memorandum headings: 1 mark****Quality of written communication (QWC)****For using good English – spelling, punctuation, grammar.****0-2 marks****Overall max 10 marks**