Pearson Edexcel International Advanced Level Accounting

International Advanced Subsidiary WAC11
The Accounting System and Costing
Exemplar scripts with examiner commentaries
Section B – Question 3

Introduction

Examiner commentaries on exemplar scripts
Accounting WAC11, Section B, Question 3

This set of exemplar responses with examiner commentaries for Question 3 is part of the set for Unit 1, The Accounting System and Costing. It has been produced to support teachers and students teaching and studying the International Advanced Level Accounting qualification.

This pack includes examiner commentaries on exemplar scripts which exemplify performances in this component from the June 2017 examination. Due to the nature of accounting questions, considerable data is required upon which questions are set. This document should therefore be used alongside other examination materials on the website.

Link to May/June 2017 WAC11 Examination Question Papers and Mark schemes are available on IAL Accounting web page here

There are other IAL Accounting teaching and learning materials on the website here.

Script 5 – A strong all round response to all sections of the questions

Exemplar scripts Section B – Question 3

Student's answer to Question 3 (a)

3 (a) Explain how the **Trade Receivables Ledger** differs from the **Sales Day Book**.

(4)

The Sales Day Book only includes sales on credit.
Trade receivable includes any sort of amount which is yet to be received either through sales or through any accrued income.

Sales Day Book is a book of prime entry, Trade receivables ledger is not.

Sales Day Book is made to get a total of all the debtors to of the business, Trade receivables ledger shows the total amount of money owed to the business.

Student's answer to Question 3 (b)

(b) Prepare the journal entries to correct the two errors. Narratives are **not** required.

(6)

£   £

Title ~~Str Return inwards~~ Sales returns.   Dr   70

~~HP~~ Mille Street Stores.   Cr   70

Sales   also

Mille Street Stores   Dr   45

Sales   Cr.   45

Student's answer to Question 3 (c)

(c) Calculate the **corrected** closing balance on the account of Mille Street Stores at
30 April 2017.

(4)

Mille Street Stores A/C   £

Opening balance.   700.

− Sales returns   (70)

+ Sales   45

    675 Dr

(d) Prepare the Trade Receivables Ledger Control Account for the month of April 2017.

(10)

Trade receivables Ledger Control Account

Date	Details	Amt	Date	Details	Amt
1/4/17	Balance b/d	3450	1/4/17	Balance b/d	50·
30/4/17	Credit sales	7875·	30/4/17	Sales returns	540·
30/4/17	Refund Bank	210·	30/4/17	Discount allowed	520·
30/4/17	Interest charged	95	30/4/17	Bank.	6695
			30/4/17	Balance c/d	3825
		11630·			11630
1/5/17	Balance b/d	3825–			

Examiner's comments

The student was awarded 8 marks.

The control account is substantially correct. The only omission is the closing minority balance of £150 which was not brought down to the credit side, therefore 1 mark was lost for this omission. The majority balance brought down was therefore incorrect, 1 mark was lost for this.

(e) Evaluate the usefulness of preparing control accounts.

(6)

Potential arguments for preparing control accounts:-
   This checks the arithmetical accuracy of the ledgers
   and helps to find errors.
   A total ~~any~~ amount of trade payables on trade
   receivables can easily be found in the control account
   for entering in the financial positions

Potential arguments againsts
   It does not indicate where the errors are. Although
   errors can be detected, it would still require time to
   find the errors and correct them.
   The control accounts are time consuming to make and
   require proffessional skills. This would increase costs of
   the business to hire a skilled personnel.

Conclusions:-
   Control accounts should be prepared to keep track of
   all the debtors and creditors

Examiner's comments

The student was awarded 5 marks.

In Section B questions only three levels are available as the evaluation is for 6 marks.

In the answer the student develops some valid positive points about arithmetical accuracy and obtaining total trade payables or receivables. The student then develops some negative points errors identified but not located and the need for professional skills to prepare the control accounts. These responses alone would place the answer at the top of Level 2. To move the answer to Level 3 a reasoned conclusion must be developed. The examiners considered that a conclusion had been reached but that this was not very well reasoned, therefore a Level 3.

5 marks were awarded.

Script 6 – a good response to the evaluation

Student's answer to Question 3 (a)

3 (a) Explain how the **Trade Receivables Ledger** differs from the **Sales Day Book**.

(4)

The sales day book total at the end of a period indicates the total sales but the total of The Trade Recievables Ledger indicates the amount that is owed by the trade recievables. The TR Ledger is prepared at the end of the year whereas the sales day book ~~every~~ day
is used

Student's answer to Question 3 (b)

(b) Prepare the journal entries to correct the two errors. Narratives are **not** required.

(6)

The Journal

	Dr (£)	Cr (£)
Sales Returns Account	70	
Mille Street Stores Account		70
Mille Street Stores Account	75	
Discount Allowed A/c		75
Discount Allowed	30	
Mille Street Stores A/c		30
	175	175

Student's answer to Question 3 (c)

(c) Calculate the **corrected** closing balance on the account of Mille Street Stores at 30 April 2017.

(4)

700 + 75 - 70 - 30 = 675 Dr

Student's answer to Question 3 (d)

(d) Prepare the Trade Receivables Ledger Control Account for the month of April 2017.

(10)

+ Trade Recievables Control Account				−
April 2017	£	April 2017		£
Apr1 Balance b/d	3450	Apr1 Balance b/d		50
Sales	7830	Sales returns		540
Interest	95	Discount Allowed		475
Balance cld	150	Cheques		6695
		Balance cld		3975
	11735			11735

Examiner's comments

The student was awarded 5 marks.

The control account is only partially correct with no balances brought down. Marks were awarded for the revenue of £7830 and for the interest charged on the debit side. The bank and 2 marks for the sales returns on the credit side.

Student's answer to Question 3 (e)

(e) Evaluate the usefulness of preparing control accounts.

(6)

Control Accounts are useful for getting the totals of trade payables and recievables to be used to prepare the financial statements. They provide useful information. They can locate in which ledger an error took place. They check the accuracy of all the trade recievables and payables accounts. On the other hand, they cannot locate in which individual account an error took place. They cannot correct the error too. There are some errors that do not affect the agreement of the trial balance and they will not be revealed by the control accounts, such as the errors of principle and ommission. Another advantage of control accounts is that they minimise fraud because all the individual accounts will have to pass from it. A disadvantage is that they require expertise, extra time and they are costly. Overall, the control accounts are a great checking mechanism and they need to be prepared by every business, even if they require money and time.

Examiner's comments

The student was awarded 6 marks.

In Section B questions only three levels are available as the evaluation is for 6 marks. In the answer the student develops some valid positive points about obtaining total trade payables or receivables, preparing financial statements, minimising fraud and checking accuracy. Negative points about the control account not correcting the errors, errors that do not affect the balancing of the trial balance and requiring professional assistance. There is also a conclusion that has some rationale. Therefore the examiners considered the answer to be Level 3 and awarded the full 6 marks.