



**General Certificate of Education**

**Accounting ACCN1**

**Unit 1: Further Aspects of Financial  
Accounting:**

**Report on the Examination**

*2010 examination - January series*

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## **Accounting: Advanced Subsidiary Level**

### **Unit 1: Financial Accounting: Introduction to Financial Accounting**

#### **General**

This examination paper followed a tried and trusted format and whilst there were some excellent responses from well prepared candidates, it is once again disappointing to note that basic accounting principles continue to cause difficulties. This was particularly apparent in the first question testing double entry principles.

Most candidates appear to be reasonably confident when required to prepare an income statement (profit and loss account), but much less confident when required to adjust incorrect entries on a balance sheet.

I would once again draw candidates' attention to the need to show workings on computational questions. Many candidates are losing valuable marks through neglecting to do this.

Most of the scripts showed a small improvement in presentation, especially from the perspective of spelling and grammar, and it is pleasing to note that only a very small minority of candidates persist in using text language.

#### **Question 1**

The question covered the area of the specification dealing with accounting records, subsidiary books and ledger accounts, testing basic double entry skills. Sadly, both parts of the question were not particularly well attempted.

##### **Part (a)**

Whilst a majority of candidates were able to balance the bank column correctly, a number of candidates lost marks by either not recording a date of the balance brought down or by recording an incorrect date (usually 30 November). A significant number of candidates attempted to balance the two discount columns rather than simply total them.

Transferring the totals of discount allowed and discount received proved troublesome. A large number of candidates were unable to distinguish between discounts allowed and discounts received and therefore either posted to the wrong account, or posted to the wrong side of the correct account.

##### **Part (b)**

The second part of the question required candidates to process entries from the sales and purchases day books and cash book into three personal accounts. Only a very small minority of candidates were rewarded with full marks for this task and many showed a complete lack of understanding of the principles of double entry. It was also noted that many candidates were unable to use correct or appropriate narratives for their entries.

#### **Question 2**

The second question focussed on bank reconciliation and the bank's relationship with the customer. This question produced very mixed responses.

**Part (a)**

Candidates were asked to update and close off a cash book. Most candidates achieved good marks for this part of the question, but many were unable to deal correctly with the bank interest. It was stated that the interest was credited to the bank account, in other words received by the customer. A significant number of candidates credited this amount to the cash book, rather than the correct treatment of debiting the cash book. It was once again noticeable that many candidates remain unsure of how to close off an account and carry down the correct balance.

**Part (b)**

Candidates who performed well in the first part of the question, were generally able to follow up with a fully correct bank reconciliation. The most common mistake was in the treatment of the opening balance, many candidates failing to recognise that the figure represented an overdraft. A number of weaker candidates were unable to attempt this important task at all.

**Part (c)**

Responses to this task were very varied. Well prepared candidates were given ample opportunity to gain full marks, but the less well prepared gave either vague generic answers, or alternatively were under the impression that the bank would require a copy of the financial statements to check for errors. Other responses seemed to suggest that candidates believed that the financial statements comprised the bank reconciliation that they had just prepared and once again, wrote about the need for the bank to check for errors in cash books etc.

**Part (d)**

The final part of the question required candidates to write a memorandum explaining the importance of preparing a bank reconciliation. There were some good responses to the question, with most candidates able to demonstrate understanding of the reasons for the importance of preparing a bank reconciliation. The presentation of the memorandum was generally good.

**Question 3**

Candidates appear to have been well prepared for the preparation of an income statement (trading and profit and loss account) and consequently were rewarded with good marks. Most candidates were able to deal with the adjustments for inventory (stock), accruals and prepayments correctly, but the calculation of depreciation was less well done.

Weaker candidates failed to recognise that not all of the items in the list of balances should be included and often deducted drawings and other balance sheet items from the profit. Whilst there was a definite improvement in the presentation of work, several candidates again failed to provide workings for their answers and as a result were often unnecessarily penalised.

**Question 4****Part (a)**

The first part of the final question required candidates to prepare a correct balance sheet incorporating adjustments from an incorrectly presented version. Questions of this nature have been asked previously, but once again, many candidates seemed unable to cope with the requirements.

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It is important for candidates to recognise that adjustments will impact on two accounts and that the correct double entry must be maintained in order to complete the balance sheet. Many candidates failed to recognise that the adjustments for the rent accrual and the bad debt write off would both reduce the profit for the year (net profit).

Whilst well prepared candidates were rewarded with good marks, weaker candidates often simply replicated the original balance sheet given in the question, with only minimal, if any, adjustment. It was particularly disappointing to note that some candidates were unable to identify that trade payables (creditors) are liabilities and trade receivables (debtors) are assets.

### **Part (b)**

An explanation of the terms accrued expenses and prepaid expenses has been required on a number of past examination papers and once again, the overall responses were disappointing. Whilst most candidates were able to offer very basic explanations, only a minority were able to develop their answers sufficiently to gain full marks.

### **Mark Ranges and Award of Grades**

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