



**General Certificate of Education (A-level)
June 2011**

Accounting

ACCN1

(Specification 2120)

Unit 1: Introduction to Financial Accounting

Final

Mark Scheme

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 events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process 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 standardisation each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

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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.

1

Total for this question: 12 marks

1 (a) State **two** subsidiary books that George should keep. Explain the main purpose of **each**. (4 marks)

- cash book **(1)**
purpose: To keep track of funds flowing into and out of the business **(1)** and keep a note of discounts **(1)**
- purchases day book/journal**(1)**
purpose: To keep a record of all invoices received from credit suppliers **(1)**
- purchases returns day book/journal **(1)**
purpose: To keep a record of all credit notes received from suppliers **(1)**
- general journal **(1)**
purpose: To record non-routine transactions **(1)**.

1 mark for stating book, 1 mark for explaining purpose. (Max 2 marks each)

Max 4 marks

1 (b) Complete the following table to identify the entries that will appear in George's books of account in respect of these transactions. (4 marks)

Transaction	Account to be debited	Account to be credited
Transfer £10 000 from his personal savings into a business bank account	(Business) bank account (1)	Capital account (1)
Take out a bank loan of £5000	Bank (current) account	(Bank) loan account (1 for both)
Purchase a motor van for £5000 paying by cheque drawn on the business's bank account	Non-current (fixed) asset – motor van	Bank (current) account (1 for both)

4 marks

1 (c) Explain the interest that the following **two** stakeholders will have in the business's financial statements. (4 marks)

George (the owner)

To monitor profitability (1) and liquidity (1). To review the feasibility of continuing the business (1).

Some other examples of acceptable answers:

- will want to make a profit etc (1)
- if business will break even (1)
- help assess tax (1)
- would inform George about sales (could be any element from the financial statements) for the year (1)
- whether business will be able to continue trading (1)
- useful for planning and forecasting (1)
- to compare results with previous years (1)
- help owner assess amount of drawings he can take (1).

Max 2 marks

Bank

To ensure that the business is able to repay the loan (1) together with interest due (1).

To provide evidence as to the suitability of future lending (1).

To assess risk of lending to the business (1).

Max 2 marks

2

Total for this question: 19 marks

2 *Prepare an income statement (trading and profit and loss account) for Niamh Donoghue for the year ended 30 April 2011. (19 marks)*

**Niamh Donoghue
Income statement (trading and profit and loss account)
for the year ended 30 April 2011**

	£	£
Revenue (sales)		82 860 (1)
Cost of sales		
Opening inventory (stock)	12 920 (1)	
Purchases	38 375 (1)	
Returns outwards	<u>(530) (1)</u>	
	50 765	
Closing inventory (stock)	<u>(10 270) (1)</u>	<u>40 495</u>
Gross profit (must be labelled)		42 365 (1 OF)
Discounts received		<u>440 (1)</u>
		42 805
Less: expenses		
Carriage outwards	830 (1)	
Discounts allowed	715 (1)	
Insurance W1	2 342 (3 OF)	
Rent and rates W2	7 260 (3 OF)	
General expenses	3 550	} (1) for both Gen exp and Wages
Wages and salaries	12 100	
Depreciation W3	<u>2 360 (2 or 0)</u>	<u>29 157</u>
Profit (net profit) for the year (must be labelled)		<u>13 648 (1 OF)</u>

W1 Insurance: $2170 (1) + (1032/12 \times 2 = 172) (1) = 2342 (1 \text{ OF})$.

W2 Rent and rates: $8480 (1) - (1830/6 \times 4 = 1220) (1) = 7260 (1 \text{ OF})$

W3 Depreciation: $(14\,600 - 2800)/5 = 2360 (2 \text{ or } 0)$

For W1 and W2: award marks appropriately for any other answers where there are workings

19 marks

3

Total for this question: 26 marks

3 (a) Prepare a sales ledger control account and a purchases ledger control account for the month of April 2011. (18 marks)

Sales Ledger Control Account

Dr			Cr		
Details	£		Details	£	
Balance b/d	32 906	(1)	Returns inwards	260	(1)
Sales	15 338	(1)	Discount allowed	619	(1)
			Cash/cheque receipts	17 206	(1)
			Write off balance	325	(1)
			Contra	435	(1)
			Balance c/d	29 399	
	<u>48 244</u>			<u>48 244</u>	
Balance b/d	29 399	(10F)			

8 marks

Purchases Ledger Control Account

Dr			Cr		
Details	£		Details	£	
Returns	874	(1)	Balance b/d	24 240	(1)
Discount received	552	(1)	Credit purchases	12 942	(1)
Cheque payments	14 118	(1)	Returned cheque	817	(1)
Transfer drawings	200	(1)	Discount received	43	(1)
Contra	435	(1)			
Balance c/d	21 863				
	<u>38 042</u>			<u>38 042</u>	
			Balance b/d	21 863	(10F)

10 marks

- 3 (b)** Write a memorandum to Ojar, explaining how the balance written off the account of Abco Ltd should be dealt with in Ojar's financial statements (final accounts).
(6 marks)
(for quality of written communication: plus 2 marks)

MEMORANDUM

To: Ojar Hassouna
From: Student
Date: Date of examination
Subject: Bad debt write off and effect on income statement and balance sheet.

The bad debt written off will appear as an expense **(1)** in the income statement **(1)**.

The effect on the income statement will be that the profit for the year will be reduced **(1)** by £325 **(1)**.

On the balance sheet, the trade receivables will be reduced **(1)** and the current assets and net assets of the business will also be reduced by the same amount of £325 **(1)**. **6 marks**

For Quality of Written Communication (QWC)

For correct heading **(1)**

For using good English, spelling, punctuation and grammar (1).

2 marks

4

Total for this question: 23 marks

4 Prepare a corrected balance sheet, taking into account the additional information.
 (21 marks)
 (for quality of presentation: plus 2 marks)

Harold Davies
Balance sheet at 31 March 2011 **

		£	£
Non-current (fixed) assets			
Machinery – at cost	W1	69 000 (2)	
– provision for depreciation		<u>(13 000) (1)</u>	56 000
Current assets			
Inventory (stock)	W2	28 000 (2)	
Trade receivables (debtors)		11 000 (1)	
Prepayments		<u>4 000 (1)</u>	
		<u>43 000</u>	
Current liabilities			
Bank loan account (repayable December 2011)		22 000 (1)	
Trade payables (creditors)		16 000 (1)	
Accruals	W3	9 000 (2)	
Bank overdraft		<u>14 000 (1)</u>	
		<u>61 000</u>	
Net current liabilities **			<u>(18 000)</u>
			<u>38 000</u>
Capital account			
Balance at 1 April 2010			13 000 (1)
Profit (net profit) for the year	W4		<u>66 000 (6)</u>
			79 000
Deduct: drawings	W5		<u>(41 000) (2)</u>
			<u>38 000</u>

W1 Machinery cost: 65 000 **(1)** + 4 000 **(1)** = 69 000

W2 Inventory (stock): 20 000 **(1)** + 8 000 **(1)** = 28 000

W3 Accruals: 6 000 **(1)** + 3 000 **(1)** = 9 000

W4 Profit for the year: 54 000 **(1)** – 2 000 carriage **(1)** + 4 000 machinery **(1)** + 5 000 drawings **(1)** – 3 000 general expenses **(1)** + 8 000 inventory **(1)** = 66 000

W5 Drawings: 36 000 **(1)** + 5 000 **(1)** = 41 000

For Quality of Presentation (QWC)**

Correct balance sheet heading **(1)**.

Correct label – net current liabilities/net current assets **(1 OF)**.

UMS conversion calculator: www.aqa.org.uk/umsconversion