



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

**Accounting**

**ACCN3**

**(Specification 2120)**

**Unit 3: Further Aspects of Financial  
Accounting**

**Final**

***Mark Scheme***

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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.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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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 17/18 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.

### Assessment Objectives (AOs)

The Assessment Objectives are common to AS and A Level. The assessment units will assess the following Assessment Objectives in the context of the content and skills set out in Section 3 (Subject Content) of the specification.

<b>AO1: Knowledge and Understanding</b>	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
<b>AO2: Application</b>	Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.
<b>AO3: Analysis and Evaluation</b>	Order, interpret and analyse accounting information in an appropriate format. Evaluate accounting information, taking into consideration internal and external factors to make reasoned judgements, decisions and recommendations, and assess alternative courses of action using an appropriate form and style of writing.
<b>Quality of Written Communication (QWC)</b>	<p>In GCE specifications which require candidates to produce written material in English, candidates must:</p> <ul style="list-style-type: none"><li>• ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear</li><li>• select and use a form and style of writing appropriate to purpose and to complex subject matter</li><li>• organise information clearly and coherently, using specialist vocabulary when appropriate.</li></ul> <p>In this specification, QWC will be assessed in all units. On each paper, two of the marks for prose answers will be allocated to 'quality of written communication', and two of the marks for numerical answers will be allocated to 'quality of presentation'. The sub questions concerned will be identified on the question papers.</p>

**Task 1**

**Total for this task: 15 marks**

**01** Prepare the partnership capital accounts for Leony, Paul and Marco at 1 April 2011 after items (1) to (6) have been implemented. (12 marks)

**Capital accounts**

	Leony	Paul	Marco		Leony	Paul	Marco
	£	£	£		£	£	£
Revaluation	12 000 (1)	8 000 (1)		Balance b/d	95 000 (1 for both)	75 000	
Current a/c		14 140 (1)		Bank			40 000 (1)
Goodwill	24 000 (1)	18 000 (1)	12 000 (1)	Goodwill	32 400 (1)	21 600 (1)	
Loan a/c	25 000 (1)						
Balance c/d	66 400	56 460	28 000				
	127 400	96 600	40 000		127 400	96 600	40 000
				Bal b/d	66 400 (10F for all)	56 460	28 000

**12 mark**

**Accept netting off**

- opening capital account balance and loan transfer for Leony
- opening account balance and transfer to the current account for Paul
- accept separate accounts for each partner
- where a candidate produces vertical capital accounts award a maximum of 9 marks.

**Alternative capital accounts (combined goodwill and revaluation)**

**Capital accounts**

	<b>Leony</b>	<b>Paul</b>	<b>Marco</b>		<b>Leony</b>	<b>Paul</b>	<b>Marco</b>
	<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>
				Balance b/d	95 000 <b>(1 For both)</b>	75 000	
Current a/c		14 140 <b>(1)</b>		Bank			40 000 <b>(1)</b>
Goodwill	24 000 <b>(1)</b>	18 000 <b>(1)</b>	12 000 <b>(1)</b>	Revaluation	20 400 <b>(2)</b>	13 600 <b>(2)</b>	
Loan a/c	25 000 <b>(1)</b>						
Balance c/d	66 400	56 460	28 000				
	115 400	88 600	40 000		115 400	88 600	40 000
				Bal b/d	66 400 <b>(10F for all)</b>	56 460	28 000

**12 marks**

**Alternative capital accounts (netted off goodwill in old and new ratios)**

**Capital accounts**

	<b>Leony</b>	<b>Paul</b>	<b>Marco</b>		<b>Leony</b>	<b>Paul</b>	<b>Marco</b>
	<b>£</b>	<b>£</b>	<b>£</b>		<b>£</b>	<b>£</b>	<b>£</b>
Revaluation	12 000 <b>(1)</b>	8 000 <b>(1)</b>		Balance b/d	95 000 <b>(1 For both)</b>	75 000	
Current a/c		14 140 <b>(1)</b>		Bank			40 000 <b>(1)</b>
Goodwill			12 000 <b>(1)</b>	Goodwill	8 400 <b>(2)</b>	3 600 <b>(2)</b>	
Loan a/c	25 000 <b>(1)</b>						
Balance c/d	66 400	56 460	28 000				
	103 400	78 600	40 000		103 400	78 600	40 000
				Bal b/d	66 400 <b>(10F for all)</b>	56 460	28 000

**12 marks**

**02** State the value of balance at bank and of non-current (long term) liabilities at  
1 April 2011, after items (1) to (6) have been implemented. (3 marks)

	£
Bank (W1)	23 730
(W1)	
Bank overdraft	(16 270)
Marco's capital	<u>40 000 (1)</u>
	<u>23 730 (1CF)</u>

Non-current (long term) liabilities:

	£
Paul loan account:	25 000 (1)

**3 marks**

**Task 2**

**Total for this task: 15 marks**

**03** Calculate the value of closing inventory (stock) for RayJen Ltd at 30 April 2011.  
(6 marks)

	£
Inventory (stock) at 7 May 2011	25 400
Purchases returns	2 478 <b>(1 must be added)</b>
Sales returns	(1 340) <b>(2 must be deducted)</b>
Damaged inventory (stock)	(352) <b>(2 or 0)</b>
Inventory (stock) valuation at 30 April 2011	26 186 <b>(10F)</b>

**Damaged inventory**

- accept plus £352 as alternative answer for 2 marks (it is not clear in the question whether or not an adjustment has been made for this item)
- If a candidate clearly states that no adjustment should be made for damaged stock, award 2 marks.

**04** Identify the relevant IAS which deals with the preparation of a statement of cash flows and explain how inventory (stock) is treated.  
(3 marks)

IAS 7 **(1)** deals with the preparation of cash flow statements. Inventory (stock) is adjusted against profit from operations **(1)** by either adding a decrease **(1)** or deducting an increase **(1)**.

**Max 3 marks**



**05** Advise the directors of RayJen Ltd whether a debenture loan would be appropriate to finance the inventory (stock) purchase. Justify your answer. (4 marks)  
(for quality of written communication: plus 2 marks)

A debenture loan is not suitable to purchase inventory stock **(1)**.

**Possible reasons:**

- a debenture loan is usually for a substantial amount **(1)** not appropriate for working capital needs **(1)**
- fixed interest would be a very expensive long term commitment **(1)**
- the loan would increase gearing and the risk of borrowing **(1)**
- the business would be inappropriately matching a short term asset with a long term liability **(1)**
- the bank may not advance a debenture loan due to cash flow problems with the business **(1)**. **Max 4 marks**

Quality of written communication (QWC) awarded for well structured prose responses and accurate spelling punctuation and grammar.

- for 2 marks: The candidate must have no more than 2 spelling, punctuation or grammar errors.
- for 1 mark: The candidate must have no more than 3 spelling, punctuation or grammar error, but the meaning is clear.
- for 0 marks: The candidate response is limited and/or difficult to understand
- a repeated spelling punctuation or grammar error only counts as one mistake.

**2 marks**

**Task 3**

**Total for this task: 26 marks**

**06** Prepare an income statement (trading and profit and loss account) for the year ended 30 April 2011. (A balance sheet is **not** required). (26 marks)

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

	£	£
Revenue (sales) <b>(W1)</b>		63 680 <b>(3)</b>
Cost of sales:		
Opening inventory (stock) *	4 740 <b>(1 for both)</b>	
Purchases 41 085 <b>(W2) (3)</b> - 755 <b>(W8) (3)</b>	40 330	
Closing inventory (stock) *	(5 270)	39 800
Gross profit		23 880
Less expenses:		
Rent and rates <b>(W3)</b>	6 295 <b>(3)</b>	
Equipment depreciation <b>(W4)</b>	745 <b>(2)</b>	
Loss on vehicle disposal <b>(W5)</b>	620 <b>(2)</b>	
Vehicles depreciation <b>(W6)</b>	3 600 <b>(3)</b>	
Cash stolen <b>(W7)</b>	2 190 <b>(4)</b>	
General Expenses	520 <b>(1)</b>	
Wages	6 250 <b>(1)</b>	20 220
Profit for the year (net profit)		3 660

<b>(W1)</b>	£	<b>(W2)</b>	£	<b>(W3)</b>	£
Revenue:		Purchases:		Rent & rates:	
Bal c/d	3 120 <b>(1)*</b>	Bal c/d	1 295 <b>(1)*</b>	Paid	7 300 <b>(1)</b>
Received	27 450 <b>(1)</b>	Paid	39 670 <b>(1)</b>	Bal b/d	(535) <b>(1)</b>
Bal b/d	(2 640) *	Bal b/d	(1 980) *	Bal c/d	(470) <b>(1)</b>
Credit sales	27 930	Credit purchases	38 985		
Cash sales	35 750 <b>(1)</b>	Cash purchases	2 100 <b>(1)</b>		
Total revenue	63 680 <b>OF</b>	Total purchases	41 085 <b>OF</b>	Total rent & rates	6 295 <b>OF</b>

\*In **W1** and **W2** 1 mark awarded if both balances are shown

<b>(W4)</b>	<b>£</b>	<b>(W5)</b>	<b>£</b>	<b>(W6)</b>	<b>£</b>
Equipment depreciation:		Loss on disposal:		Vehicle depreciation:	
NBV b/d	3 720 <b>(1)</b>	NBV	2 420 <b>(1)</b>	NBV c/d	(14 530) <b>(1)</b>
NBV c/d	<u>(2 975) <b>(1)</b></u>	Proceeds	<u>(1 800) <b>(1)</b></u>	NBV b/d	<u>20 550 <b>(1)</b></u>
Depreciation charge	<u>745 <b>OF</b></u>	Loss on disposal	<u>620 <b>OF</b></u>		6 020
				NBV on disposal	(2 420) <b>(1)</b>
				Depreciation charge	<u>3 600 <b>OF</b></u>

**(W7) Cash Account**

	<b>£</b>		<b>£</b>
Balance b/d	340 <b>(1)</b>	General expenses	520 <b>(1)</b> *
Takings	35 750 <b>(1)</b>	Purchases	2 100
		Drawings	6 700
		Banked	23 890
		Stolen cash	2 190 <b>OF</b>
		Balance c/d	690 <b>(1)</b>
	<u>36 090</u>		<u>36 090</u>

(\*\*) 1 mark for general expenses, purchases, drawings and amount banked.

**(W8)**

Goods for own use:

$$\frac{63\,680}{160} \times 100 = 39\,800 \text{ (1CF)} + (5\,270 - 41\,085 - 4\,740) \text{ (1OF)} = -755 \text{ (1OF)}^*$$

\*This mark is for deducting **OF** from purchases in income statement

**26 marks**

**Task 4**

**Total for this task: 34 marks**

**07** Explain the role of directors in the preparation of the financial statements for a limited company. (4 marks)

Award 1 mark for identifying a relevant role and 1 mark for basic development and an additional mark for further development.

**Example**

The directors have a statutory obligation to ensure that the financial statements have been prepared (1). They also approve and sign the financial statements (1) and to ensure that they are filed with the registrar of companies (1).

- the directors' role is to ensure that the financial statements have been prepared in accordance with the Companies Act (1), relevant international accounting standards (1), accounting concepts/principles (1)
- a directors' report is also prepared as part of the financial statements (1) which reviews the main activities of the business (1)
- directors have a responsibility of stewardship to record accurate information in the published financial statements (1)
- to ensure that the financial statements are audited (1) and show a true and fair view of the business (1)
- to ensure the financial statements are comparable, understandable, relevant and reliable (1). **Max 4 marks**

**08** Discuss the usefulness of published accounts to employees. (4 marks)

Award 1 mark for identifying a relevant use and 1 mark for basic development and an additional mark for further development. A one-sided view is acceptable and can score full marks.

**Example**

Employees would be able to see how profitable the business is (1). This will help them to decide if their jobs are safe (1) and if the business can afford to pay higher wages (1).

- review the wages and salaries expense (1) and the impact on business profitability (1)
- potential for pay increases or performance related pay (1) including being given shares (1) based on profitability (1)
- ability to pay the wages and salaries (1) based on cash and bank balances (1)
- job security via overall financial position of the business from the balance sheet (1)
- however, the financial statements are historical data from the previous year (1) and also in summary format (1) both of which mean that they are potentially of limited use
- the published accounts do not identify the non-financial impact on employees (1), such as motivation/morale, working conditions, effective management (max 1 for an example). **Max 4 marks**

**09** Discuss the usefulness of published accounts to trade payables (creditors). (4 marks)

Award 1 mark for identifying a relevant use and 1 mark for basic development and an additional mark for further development. A one-sided view is acceptable and can score full marks

**Example**

Trade payables will be able to check on the company's liquidity **(1)**. This will help them assess the likelihood of being paid **(1)** and whether credit terms should be reviewed **(1)**.

- review of purchases to ensure future potential demand for the supply of stock **(1)**
- calculating trade payables (creditor payment) period to determine if complying with standard credit terms of 30 days **(1)** which could lead to review of credit terms **(1)**
- shows the total amount owed to all trade payables (creditors) **(1)**
- ability to continue paying creditors via cash and bank balances **(1)**
- a review of financing might show high levels of debt borrowing/gearing **(1)** which take priority over paying suppliers **(1)**
- to determine the possibility of bad debts **(1)** and therefore the need to make a provision for doubtful debts **(1)**
- potential trade payables (creditors) can review the credit worthiness **(1)**
- however, trade payables (creditors) may have problems obtaining the financial statements **(1)** and so may have to rely instead on trade references or credit rating agency reports **(1)**
- however, the financial statements are historical data from the previous year **(1)** and also in summary format **(1)** both of which mean that they are potentially of limited use.

**Max 4 marks**

**10** Prepare a schedule of non-current (fixed) assets at 30 April 2011 (a total column is not required). (20 marks)  
(for quality of presentation: plus 2 marks)

**Schedule of non-current (fixed) assets at 30 April 2011 \*\***  
**Property plant and equipment**

	Land and buildings *	Plant and machinery *	Fixtures and fittings *
	£	£	£
Cost *			
As at 1 May 2010	150 000	90 000	40 000
Additions at cost		35 000 (1)	24 000 (1)
Disposals			(15 000) (1)
Revaluation	130 000 (1)		
As at 30 April 2011	280 000	125 000	49 000
Depreciation *			
As at 1 May 2010	45 000	39 375	10 800
Charge for the year	5 600 (3) (W1)	17 125 (4) (W2)	4 900 (4) (W3)
Eliminated on disposal			(4 500) (3) (W4)
Eliminated on re valuation	(45 000) (1)		
As at 30 April 2011	5 600	56 500	11 200
Net book value at 30 April 2011 *	274 400	68 500	37 800 (10F For all 3)

**(W1)** Land and buildings depreciation charge:

$$280\,000 (1) \times 2\% (1) = 5\,600 (10F)$$

**(W2)** Plant and machinery depreciation charge:

$$50\,625 (1) + 35\,000 (1) = 85\,625 \times 20\% (1) = 17\,125 (10F)$$

**(W3)** Fixtures and fittings depreciation charge:

$$40\,000 - 15\,000 (1) + 24\,000 (1) \times 10\% (1) = 4\,900 (10F)$$

**(W4)** Fixtures and fittings eliminated depreciation:

$$15\,000 \times 10\% (1) \times 3 (1) = 4\,500 (10F)$$

**20 marks**

Quality of presentation

\*\* 1 mark for schedule heading with no abbreviations

\* 1 mark for **all** schedule sub-headings if shown in the correct layout as above.

**2 marks**

**Alternative layout**

	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Cost	280 000 <b>(1)</b>	125 000 <b>(1)</b>	<u>49 000</u> <b>(2)</b>
Depreciation	<u>5 600</u> <b>(4)</b>	<u>56 500</u> <b>W1 (4)</b>	<u>11 200</u> <b>W2 (7)</b>
Net book values	<u><u>274 400</u></u>	<u><u>68 500</u></u>	<u><u>37 800</u></u> <b>(10F For all 3)*</b>

**W1** - £39 375 + £17 125 **(4)** = £56 500

**W2** - £10 800 + £4 900 **(4)** - £4 500 **(3)** = £11 200

\*This mark is only awarded if the depreciation balances brought down have been included

**Alternative layout**

	<b>Land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures and fittings</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Net book value b/d	105 000	50 625	29 200
Additions at cost		35 000 <b>(1)</b>	24 000 <b>(1)</b>
Disposal NBV			(10 500) <b>(4)</b>
Revaluation	<u>175 000</u> <b>(2)</b>		
Depreciation	<u>(5 600)</u> <b>(3) (W1)</b>	<u>(17 125)</u> <b>(4) (W2)</b>	<u>(4 900)</u> <b>(4) (W3)</b>
Net book value c/d	<u><u>274 400</u></u>	<u><u>68 500</u></u>	<u><u>37 800</u></u> <b>(10F For all 3)</b>

**UMS conversion calculator:** [www.aqa.org.uk/umsconversion](http://www.aqa.org.uk/umsconversion)