

A-LEVEL

ACCOUNTING

ACCN2 Financial and Management Accounting
Mark scheme

2120
June 2014

Version: 1.0
Final

Mark schemes are prepared by the Lead Assessment Writer 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 associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

Further copies of this Mark Scheme are available from aqa.org.uk

June 2014

ACCN2

MARK SCHEME**INSTRUCTIONS TO EXAMINERS**

You should remember that your marking standards should reflect the levels of performance of students, 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 students 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 student'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 student'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, students may set out their financial statements in either a vertical or horizontal format. Both methods are acceptable. Students may use international or traditional terminology. Both are acceptable.

Own Figure Rule

In cases where students are required to make calculations, arithmetic errors can be made so that the final or intermediate stages are incorrect. To avoid a student being penalised repeatedly for an initial error, students 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 students 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.

AO1: Knowledge and Understanding	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
AO2: Application	Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.
AO3: Analysis and Evaluation	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.
Quality of Written Communication (QWC)	<p>In GCE specifications which require students to produce written material in English, students must:</p> <ul style="list-style-type: none"> • ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear • select and use a form and style of writing appropriate to purpose and to complex subject matter • organise information clearly and coherently, using specialist vocabulary when appropriate. <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>

1

Total for this question: 24 marks

1 Prepare a cash budget for Mo's business for each of the 3 months July, August and September 2014. (A space for workings is provided on page 4.)

[24 marks]

Cash Budget for Mo for each of the 3 months ending 30 September 2014

	July £	August £	September £
Receipts			
Sales – cash discount	7 020 (1)	5 850 (1)	4 680 (1)
Credit sales 1 month	4 500 (1)	5 400 (1)	4 500 (1)
Credit sales 2 month	3 600 (1)	4 500 (1)	5 400 (1)
	<u>15 120</u>	<u>15 750</u>	<u>14 580</u>
Payments			
Purchases – cash	800 (1)	850 (1)	900 (1)
Purchases – credit	6 300 (1)	7 200 (1)	7 650 (1)
Overheads	7 100	7 500	8 240 (1) for row
Purchase of non-current assets			10 800 (1)
Drawings	1 512 (1) OF*	1 575 (1) OF*	1 500 (1) OF*
	<u>15 712</u>	<u>17 125</u>	<u>29 090</u>
Opening balance	6 860 (1)	6 268	4 893
Net cash flow	(592)	(1 375)	(14 510)
Closing balance	<u>6 268 (1) OF#</u>	<u>4 893 (1) OF#</u>	<u>(9 617) (1) OF#</u>

24 marks**Marker notes:**

* Award OF mark for Drawings if they are 10% of cash received, or £1500 if cash received is shown as less than £15 000.

Award the OF mark for the balancing process – please check that this looks arithmetically correct.

Students may total sales or combine cash and credit: please award the following marks for these totals – if there is a different, answer please check workings for any valid entries.

Sales/receipts

	July £	August £	September £
Total	15 120 (3)	15 750 (3)	14 580 (3)
Cash + credit 1 month	11 520 (2)	11 250 (2)	9 380 (2)
Credit 1 + credit 2	8 100 (2)	9 900 (2)	9 900 (2)
Cash + credit 2 month	10 620 (2)	10 350 (2)	10 080 (2)

If students show cash discount as a negative entry in the receipts section then provided the other figures are correct please award marks:

EG if the student showed receipts for July of: $7200 - 180 + 4500 + 3600 = 15120$ this would be worth 3 marks.

If discount is included twice eg $7020 - 180 + 4500 + 3600 = 14920$: then please award 3 marks for the correct figures **but do not award the OF mark for balancing.**

Students may also add the purchases figures together so please award 2 marks for:

	July £		August £		September £	
Total	7 100	(2)	8 050	(2)	8 550	(2)

If students list figures without indicating the direction of the cash flow, please award marks for only one direction eg either award marks for assuming they are all receipts or all payments – award the marks that will benefit the student most.

If discount shown as a payment, ignore the entries for discount, the student will lose the mark for the entry for cash sales.

2

Total for this question: 23 marks

2 (a) Complete the income statement, showing clearly the profit for the year after tax.
(A space for workings is provided on page 8.)

[7 marks]

Income Statement for Weirwolf plc for year ended 30 April 2014

	£	£
Revenue		2 856 000
Cost of sales		1 142 400
Gross profit		<u>1 713 600</u>
Less expenses		
Marketing	335 600	
Administration	236 780	
Distribution	68 500	
Depreciation	257 780	(1)
Directors' remuneration	<u>240 000</u>	(1)
		<u>1 138 660</u>
Operating profit		574 940 (1) OF*
Debenture interest		<u>36 000</u> (1)
Profit for the year before taxation		538 940 (1) OF#
Taxation		<u>107 788</u> (1)
Profit for the year after taxation		<u><u>431 152</u></u> (1) OF

* Must state operating profit or profit from operations to award mark.

Must state profit before taxation (or similar) to award mark.

7 marks

Marker notes:

If debenture interest is included in expenses then do not award mark for operating profit.

If debenture interest and taxation included in expenses then do not award mark for operating profit or profit before tax.

If any other extraneous items included eg dividends etc then do not award the next OF mark; if there are more than one extraneous item then do not award subsequent OF mark.

Ignore label for final figure in income statement, reward the figure only (OF); the figure may have no label.

2 (b) Prepare the statement of changes in all equity for the year ended 30 April 2014, using the table below.

[16 marks]

[includes 2 marks for quality of presentation]

Statement of changes in equity for the year ended 30 April 2014

	Issued share capital £	Share premium £	Retained earnings £		Total £	
At 1 May 2013	1 200 000	300 000	876 590	(1) for all 3	2 376 590	(1)OF
Issue of shares	400 000 (1)	300 000 (5) OF			700 000	
Profit for the year			431 152 (1) OF		431 152	
Dividends paid			(280 000) (5) OF		(280 000)	
At 30 April 2014	1 600 000	600 000	1 027 742		3 227 742	

Workings

Share premium

$\text{£}1\,200\,000 \div 0.2 \text{ (1)} = 6\,000\,000 \text{ shares} \div 3 \text{ (1)} = 2\,000\,000 \times 15\text{p} \text{ (1)} = \text{£}300\,000 \text{ (1) OF}$

The own figure for the share premium can only be rewarded if it is arithmetically correct.

Plus 1 mark for correct column ie share premium.

Dividends

Original shares $\text{£}1\,200\,000 \div 0.2 = 6\,000\,000 \text{ shares}$

Rights issue $\frac{2\,000\,000}{8\,000\,000} \text{ shares (1) OF}$

$8\,000\,000 \times .02 \text{ (1)} = \text{£}160\,000$

Add dividend paid 31 March $\underline{\text{£}120\,000 \text{ (1)}}$

$\text{£}280\,000 \text{ (1) OF*}$

Plus 1 mark for correct column ie retained earnings.

Marker notes:

If student fails to calculate the number of shares then award marks:

$\text{£}1\,200\,000 \div 3 \text{ (1)} = 400\,000 \times 15\text{p} \text{ (1)} \text{ £}60\,000 \text{ (1)}$

No workings shown for an incorrect share premium figure, award no marks for the figure, but 1 mark if own figure recorded in the share premium column.

Exception to this is where the student has not calculated the number of shares, eg if they show £60 000 for share premium in the share premium column – award 4 marks. If £60 000 for share premium is the wrong column this should be awarded 3 marks.

Please check that dividends are deducted in the statement.

Quality of presentation:

1 mark awarded for ALL Narratives eg:

Date at start of year

Issue of shares/ share issue/ shares/ rights issue

Profit for the year /profit

Dividends

Date at end of year.

1 mark awarded for totalling all columns at the end of the year based on student's own figures

Marker notes:

Students must have a minimum of 3 labels to qualify for quality mark.

Opening date/closing date: a date is required; accept dates given in abbreviated form.

16 marks

3

Total for this question: 16 marks

3 (a) Prepare the Motor vans at cost, provision for depreciation of motor vans, and the disposal of motor vans accounts, as they would appear after the preparation of the income statement at 31 December 2013.

[15 marks]

Dr		Motor vans at cost		Cr	
Details	£	Details	£		
Balance b/d	90 000	(1)	Disposal account	27 000	(1)
Bank	35 000	(1)			
Disposal account	10 000	(1)	Balance c/d	108 000	
	<u>135 000</u>			<u>135 000</u>	
Balance b/d	108 000	(1) OF*			

Marker note

If student enters £45 000 for new car: award 1 mark

Dr		Provision for depreciation of motor vans		Cr	
Details	£	Details	£		
Disposal account	15 000	(1)	Balance b/d	30 000	(1)
			Income statement	31 000	(3) OF
Balance c/d	46 000			<u>61 000</u>	
	<u>61 000</u>		Balance b/d	46 000	(1) OF*

Dr		Disposal of motor vans		Cr	
Details	£	Details	£		
Cost	27 000	(1)	Depreciation	15 000	(1)
			Cost (Part-exchange)	10 000	(1)
			Income statement	2 000	(1) OF
			(Loss on Disposal)		
	<u>27 000</u>			<u>27 000</u>	

* To award OF marks for balance b/d there must be no extraneous items

Workings:

Depreciation charge

	£	
Cost	108 000	(1) OF this should be the closing figure from the cost account
Provision for depreciation (30 000 – 15 000)	15 000	(1) OF based on provision account
Reduced balance	93 000	
Depreciation 33 $\frac{1}{3}$ % (1)	<u>31 000</u>	

Marker notes:

Entries must be on the correct side of the account to be awarded marks – except depreciation where marks can be awarded for workings – maximum marks for depreciation on the wrong side = 2 marks

Disposal account: the loss should not be rewarded if carried down as a balance (this would also apply to own figure if a profit). If there is a loss and separately a balance c/d award no marks for the loss.

Award own figure balance marks, however.

There is no reward for narratives. Where there is doubt about an entry the narrative should give a reasonable guide as to what the student is doing.

If students use arrows to correct entries, provided it is clear what they intend to do, then mark as if the entries have been moved.

Own figures can only be awarded where there are supporting workings.

3 (b) Tick **one** box to show which of the concepts shown below is being applied in the treatment of depreciation in the financial statement of Murraymovers.

[1 mark]

Concept	✓
Accruals	✓
Business entity	
Realisation	

4

Total for this question: 17 marks

4 (a) Assess, using only the ratios given, whether the Directors are correct in their belief that Pendgard Ltd is less profitable than its competitors. **[3 marks]**

Pendgard Ltd is less profitable/(the directors are correct) **(1)** because all the ratios (or examples) are inferior (lower, worse) **(1)** than the industry average **(1)**

Max 3 marks

4 (b) Explain **three** limitations of using ratios to assess business performance. **[14 marks]**
[includes 2 marks for quality of written communication]

Max 4 marks per limitation

Limitation 1 mark	Development 0-3 marks
Average ratios may not be reliable (1)	The average may be distorted (1) by one or two very successful or very unsuccessful (1) businesses and may not reflect what is actually happening in the industry (1) + (1) for example (eg one company is significantly more profitable than all the others)
Ratios focus only on numbers (1)	Ratios are calculated from the financial statements (1) which do not show the full picture of the business (1) , plus (1) for example: (eg the motivation or quality of the staff the health and safety record, the environmental impact, etc) which may be important in judging business performance (1) .
Based on historical data (1).	The financial statements which provide the basis of the ratios are based on the historical cost concept (1) , and this may not reflect the current position (1) of the business; + 1 for example (for instance assets may be over-valued). The ratios may not be relied upon to forecast future performance (1)
Window dressing (1).	The financial statements may be window dressed this means showing the financial position of the business in a better or worse way than it actually is (1) resulting in the ratios not accurately reflecting (1) the true performance of the business (1) + (1) for example (eg the business may make provisions to reduce profit)
Different accounting policies (1).	Businesses may have different accounting policies (or the business may change accounting policies from the previous year) which can make it difficult to compare the results (1) , if one business uses the reducing-balance method of depreciation and another the straight-line method (1) for similar assets the profit and value of the assets would be different (1) and this would affect the ratios calculated.

Limitation 1 mark	Development 0-3 marks
Out of date (1).	The ratios may be based on information which is out of date, in this case the Pendgard ratios are based on the financial statements that are at least 3 months old (1) and these may not reflect the current performance of the business (1) . Similarly the industry average ratios are based on information which is at least 6 months old (1) and also may not reflect the current performance of the industry. The ratios may not be relied upon to forecast future performance (1)
Based on financial statements that aggregate and summarise data (1).	The ratios are based on financial statements that are aggregated and summarised – this could disguise the performance of the business (1) for example some sections of a business could be performing poorly but this is disguised by sections that perform much better (1) . This may make comparisons difficult (1) and also make the ratios less reliable (1) .
External factors (1)	The financial statements and ratios ignore external factors that could affect the performance of the business, for example the state of the economy (1) + 1 for example (eg recession, period of economic growth) or natural disasters (1) + 1 for example (eg floods)
Not an accurate reflection of business performance (1)	The financial statements and ratios calculated may be based on an exceptional year (1) which differ greatly from a typical year (1) + 1 for example (eg Olympics year) Or The ratios may not reflect the actual results of the business for example a low profit in relation to revenue ratio would indicate that a business is not performing well (1) but this could disguise a very high profit figure (1)
Ratios do not show the cause of the performance (1)	Ratios provide guidance on what has happened (1) but not why, for example the gross profit margin is lower than the industry average (1) but this does not explain what has caused this eg increased selling price or reduced cost of sales (1)
Ratios need to be compared in order to make an assessment (1)	Ratios can be compared with the industry average, other companies or over time (1) ; if these are not reliable (1) + 1 for example (companies are different in size, operate in different markets, different financial year ends, etc), then it is impossible to make an accurate assessment

12 marks**Marker notes:****There is a maximum of 3 marks for the identification of limitations without development.**

It is important to reward valid development points, not just to look for points made here. However, do not reward multiple examples for a particular limitation.

If the student provides more than 3 limitations please assess them all, but only award marks for the best three.

There is no reward for identifying 'there could be errors in financial statements' as a limitation.

Quality of written communication

Award 2 marks where the student makes no more than 3 spelling or grammatical errors.

Award 0 marks where communication hinders understanding.

Students must have identified and written some development about two limitations to qualify for quality marks.

2 marks

Total 14 marks

GCE Accounting ACCN 2

June 2014

Assessment grid and specification coverage

Question	AO1	AO2	A03	QWC	Total	Topic		
1	4	11	9		24	Cash budget		
2(a)	4	3			7	Income statement		
2(b)	2	6	6	2	16	Statement of changes in equity		
						Double entry - depreciation/profit or loss on disposal		
3(a)	4	9	2		15			
3(b) automark	1				1	Concepts		
4(a)			3		3			
4(b)	3	6	3	2	14	Limitations of ratios		
Total in QP	18	35	23	4	80			
Weighting in Spec	16	40	24	0	80			
Analysis of marks								
Numerical marks					63	79%		
Written marks					17	21%		
Total marks					80			