



A-LEVEL

Accounting

ACCN1 Introduction to Financial Accounting
Mark scheme

2120
June 2015

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 2015

ACCN1

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 accounts in either a vertical or horizontal format. Both methods 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 (a)** Prepare the general journal entry to open the books of Richie Skipper's business.
(Narratives are not required.)

[3 marks]

General Journal

Account name	Dr £	Cr £
Boat/Non current asset/vehicle	65 000*	
Fishing equipment/equipment/non current asset	4 750*	
Bank	2 500*	
Capital		72 250 (1)

(1)*for all correct debit entries must equal £72 250 (ignore aliens)

(1) For at least three correct account names ignore figures

Marker notes:

Alternative responses

General Journal

Account name	Dr £	Cr £
Non-current assets	69 750*	
Bank	2 500*	
Capital		72 250 (1)

(1)*for all correct debit entries must equal £72 250 (ignore aliens)

(1) For at least three correct account names ignore figures

General Journal

Account name	Dr £	Cr £
Non-current assets	69 750*	
Capital		69 750#
Bank	2 500*	
Capital		2 500#

(1)*for all correct debit entries must equal £72 250 (ignore aliens)

(1) # for correct credit entries, must equal £72 250 (ignore aliens)

(1) For at least three correct account names ignore figures

Accept separate entries for each:

General Journal

Account name	Dr £	Cr £
Boat	65 000*	
Capital		65 000#
Fishing equipment	4 750*	
Capital		4 750#
Bank	2 500*	
Capital		2 500#

- (1)*for all correct debit entries must equal £72 250 (ignore aliens)
 (1) # for correct credit entries, must equal £72 250 (ignore aliens)
 (1) For at least three correct account names ignore figures

1 (b) Identify the source document and the subsidiary book used for each of the above items.

[6 marks]

Item	Source document	Subsidiary book
1	(Sales) invoice (1)	Sales day book (1)/Sales journal/SDB/SJ
2	(Sales) credit note (1)	Sales returns day book (1) Returns in day book/Sales returns journal>Returns in journal/SRDB/RIDB/SRJ/RIJ
3	(Purchase) invoice (1)	(General) Journal (1)

Marker note

Item 1 & 2 purchases invoice (0) or purchases credit note (0)

Item 3 sales invoice (0)

Item 3: accept analysed purchases day book(1), but not purchases day book for Subsidiary book

1 (c) Identify an **internal** stakeholder of Richie Skipper's business and give **one** reason for their interest in the financial statements.

[3 marks]

Answers may include:

Internal stakeholder

Richie Skipper/Owner (1) Ryan/fisherman/employee (1)

Max 1 mark

Interest in the business

Richie Skipper/Owner -Check for liquidity (1) or profitability (performance) (1) will there be enough money to withdraw cash (1) how does the business compare to others in the same industry (1) can it be improved in light of this (1) has the net asset worth increased (1) is it worth continuing with this enterprise (1).

Ryan/fisherman –liquidity(1) profitability(1) is he likely to be paid (1) could he ask for a rise (1) is his job secure (1).

(max 2 marks for reasons)

Marker notes:

If the student gives more than one stakeholder award only if both are internal (not hedging)

Award best answer of the two provided.

Student must give an internal stakeholder in order to receive marks for internal stakeholder's interest.

1 (d) Identify an **external** stakeholder of Richie Skipper's business and give **one** reason for their interest in the financial statements.

[3 marks]

External stakeholder

Trade receivables/customers (1) trade payables/suppliers (1) the bank/other lenders (1)

The government (1)

Max 1 mark

Interest In the business

Trade receivable –

Liquidity (1) Profitability (1) risk of closure (1) Will the business keep supplying fish (1) will they receive their order(1)

Trade payables –

Liquidity (1) Profitability (1) Can it meet its debts? (1) Continue to provide suppliers (1)

The bank –

Liquidity (1) Profitability (1) Can it repay its debts? (1) on time (1) support loan application(1)/repaying interest (1)

The government –

may need to verify Richie's records (1) establish profit (1) for taxation purposes (HMRC) (1)

(max 2 marks) for reasons

Marker note:

Student must give a stakeholder in order to receive marks for external stakeholder's interest.

2 (a) Calculate the total amount to be transferred to the income statement from the following expense accounts for Peter Austin for the year ended 31 March 2015. Show all workings. **[9 marks]**

	Amount to transfer to the income statement (show all workings)
Electricity expense account	$1725 + 52(1)^* = 1777 + 1220(1) = \text{£}2\,997$ *for adding to correct stem figure
Rent expense account	$22\,510 + 200(1) = 22\,710 - 315(1) = \text{£}22\,395$
Buildings insurance expense account	$1750 + 400(1) = 2150 - 620(1) = \text{£}1530$
Property depreciation expense	$175\,400 - 400 = 175\,000(1) \times 2.5\% (1) = 4375^*$ *Award zero for property depreciation expense where students add 55 000 in their final calculation for the annual expense.

W1 Rent expenses: $-1260(1) \times 3/12(1) = 315$

Marker notes:

All adjustments must be in right direction.

Rent expense: deducts £1260 award(1) or deducts £945 (1)

Property: Accept $\div 40(1)$ in place of 2.5%

Where there are no workings, award marks for the alternative answers listed here.

Electricity expense

557 (1)

1777 (1)

2893 (1)

2945 (1)

Rent expense

21 765 (2)

21 450 (2)

21 995 (2)

22 710 (1)

21 250 (1)

23 025 (2)

Buildings insurance expense

730 (1)

1130 (1)

2150 (1)

2770 (1)

Property depreciation expense

4385 (1)

4395 (1)

Otherwise no workings no marks

2 (b) Identify the section of the balance sheet in which the balance brought down for the electricity account and rent expense account, at 31 March 2015, will be listed. (Tick one box only for each expense account closing balance.) **[2 marks]**

Balance sheet section	Electricity expense account closing balance (✓)	Rent expense account closing balance (✓)
Capital		
Current assets		✓(1)
Current liabilities	✓(1)	
Non-current assets		
Non-current liabilities		

More than 2 ticks in one column no marks.

2 (c) Prepare an extract of Peter Austin’s balance sheet at 31 March 2015 showing the non-current asset section only. **[3 marks]**

Peter Austin
Balance sheet at 31 March 2015 (Extract)

Non-current assets	Cost	Provision for depreciation	NBV
Property	175 000 (1CF)	59 375 (1OF)	115 625(1CF)

Workings

Property at cost
175 400 – 400 = 175 000 (1)

Provision for depreciation
55 000+ 4375(OF) = 59 375 (1OF) for OF must check 2a

Marker notes:

The Cost and NBV have to be correct for 1 mark

2 (d) Explain to Peter Austin why it is important to adjust the trial balance figures for accruals and prepayments when preparing the financial statements.

[8 marks]

[includes 2 marks for quality of written communication]

Valid points include:

Income statement

- To ensure an accurate/correct profit calculation **(1)**
- Withdraw too much from the business **(1)**
- Correct treatment of prepayments reduce expenses **(1)**
- Correct treatment of accruals increases expenses **(1)**
- For taxation purposes **(1)**.

Balance sheet

- To ensure correct net current asset calculation **(1)**
- For stakeholders to make a valid judgement. **(1)**
- Valid decision making **(1)**
- To ensure a true and fair view of the accounts, ie not misleading **(1)**

Markers note:

- Reward an application to the question, ie use date from the question **(1)** or a relevant example **(1)**
- Reward to comply with the accruals/matching accounting concepts. **(1)**

For QWC

- 2 marks – no more than 3 spelling, punctuation or grammatical errors.
- 1 mark – more than 4 spelling, punctuation or grammatical errors.
- 0 marks – prose response is difficult to understand.

**Max 6 for explanation
(8 marks)**

(includes 2 marks for quality of written communication)

- 3** Prepare a corrected balance sheet at 31 March 2015 taking into account the additional information in points 1–7.
- [27 marks]**
[includes 2 marks for quality of written communication]

Lee Crosby			
Balance sheet at 31 March 2015 (1QWC)			
	<u>Cost</u>	<u>Provision for</u> <u>Depreciation</u>	<u>NBV</u>
*Non-Current Assets			
Property	108 000	5 400	102 600 (1)*
Shop Fittings	34 500	(1) 6500 (3OF)	28 000
			130 600
*Current Assets			
Closing inventories	31 517	(1)	
Trade receivables	2 700	(1CF)	
Prepayment of Expenses	225	(1)	
Bank	2 140	(1)	
Cash	80	(2OF)	
	36 662		
*Current Liabilities			
Trade payables	4 165	(1CF)	
Accrual of expenses	160	(1)	
	4 325		
<i>Net current assets/working capital (must be labelled)</i>			32 337 (1OF)
*Non-current Liabilities			
Loan			(52 000) (1)
			110 937
*Capital			
Opening Capital			136 175 (1)
+ Profit for the year			46 038 (7OF)
- Drawings			(71 276) (2OF)
			110 937

*(1QWC) for all 5 correct headings

Workings:

Property

$$108\,000 \times 95\% = 102\,600 \text{ (1)* (accept net effect)}$$

Shop Fittings

$$38\,000 - 3500 \text{ (1)} = 34\,500$$

Shop Fittings Depreciation

$$34\,500 - 2000 \text{ (1)} / 5 \text{ (1)} = 6\,500 \text{ (1OF)}$$

Trade receivables

$$3\,740 - 1\,040 = 2\,700 \text{ (1CF)}$$

Cash

$$155 \text{ (1)} - 75 \text{ (1)} = 80$$

Trade payables

$$4\,220 - 55 = 4\,165 \text{ (1CF)}$$

Profit

$$52\,423 \text{ (1)} - 6\,500 \text{ (1OF depreciation)} - 5400 \text{ (1)} + 10\,000 \text{ (1)} - 3\,500 \text{ (1)} - 1\,040 \text{ (1)} + 55 \text{ (1)} = 46\,038$$

Drawings

$$71\,201 \text{ (1)} + 75 \text{ (1)} = 71\,276$$

Marker notes:

To award marks for workings the end figure must be transferred into the appropriate section of the balance sheet.

Ensure that workings are marked wherever they are located on the question paper.

If there are no workings for depreciation of shop fittings reward the following figures:

7200 **(2) OF**

6900 **(2) OF**

7600 **(1) OF**

If there are no workings for profit award no marks except for a correct figure.

Accept old terminology.

4 (a) Prepare Doreen's suspense account to correct the errors. Show clearly the opening balance that would have been in the trial balance before the errors were corrected. **[7 marks]**

Dr		Suspense account		Cr	
Details	£	Details	£		
Balance b/d (trial balance difference)	560 (2 CF) (1 OF)	Craig	456 (1)		
Bank	546 (1)	Sales (1)	650 (1)		
	<u>1106(1OF)*</u>		<u>1106*</u>		

Marker notes:

(1OF)* mark for closing the suspense account with equal totals on the same line

(2CF) marks for an opening balancing debit entry of £560; for **(1OF)** ignore aliens – accept debit or credit opening balance.

The narrative mark for Sales can be awarded if the entry is made on the debit side against £650

Alternative mark allocation where original figure is included for error 1

Dr		Suspense account		Cr	
Details	£	Details	£		
Balance b/d	560 (2 CF) (1 OF)	Craig	1101 (1)		
Bank	1191 (1)	Sales (1)	650 (1)		
	<u>1751(1OF)*</u>		<u>1751*</u>		

Marker notes:

(1OF)* mark for **closing** the suspense account with equal totals on the same line

(2CF) marks for an opening balancing debit entry of £560; for **(1 OF)** ignore aliens – accept debit or credit opening balance.

The narrative mark for Sales can be awarded if the entry is made on the debit side against £650.

4 (b) Calculate the amended profit for Doreen's business taking into account the errors above. Clearly state if there is no effect on profit.

[6 marks]

		£
Error	Original profit	26 500
1	Cleaners wages	(95) (1)
2	Sales day book overstated	(650) (1)
3	Petrol expenses	No effect (1)
4	Drawings adjustment	895 (1)
5	Payment made to supplier	No effect (1)
	Amended profit	£26 650 (1CF)

Marker note:

The direction must be correct. Award the direction if implied by calculation mathematical sign, brackets, running total or words

4 (c) Three of the errors, 1 – 5, that Doreen discovered would not be revealed by completing a trial balance. Identify these three errors and state the type of error.

[3 marks]

Number of the error	Type of error
1	Error of omission (1)
3	Error of commission (1)
4	Error of principle (1)

Marker note:

Please note students may list errors in any sequence (other than the order 1 3 4 shown above) but must match the type of error with the correct number or description of the error.

Error	Type of error
1 - cleaner/wages/cash	Error of omission (1)
3 – petrol/insurance	Error of commission (1)
4 – family holiday/drawings	Error of principle (1)