

## Teacher Resource Bank

GCE Accounting

Specimen Question Papers and Mark Schemes

Units: ACCN1 – ACCN4





Surname					Other Names				
Centre Number					Candidate Number				
Candidate Signature									

For Examiner's use
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General Certificate of Education  
 Specimen Paper for examinations in 2009 and onwards  
 Advanced Subsidiary Examination



**ACCOUNTING**

**ACCN 1**

**Unit 1 Introduction to Financial Accounting**

<p><b>You will need no other materials.</b>                  You may use a calculator.</p>
--

Time allowed: 1 hour 30 minutes

**Instructions**

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- Answer the questions in the spaces provided.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in this book. Cross through any work you do not want to be marked.

**Information**

- The maximum mark for this paper is 80.  
 Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

For Examiner's Use			
Number	Mark	Number	Mark
1		3	
2		4	
Total (Column 1) →			
Total (Column 2) →			
<b>TOTAL</b>			
Examiner's Initials			

Answer **all** questions in the spaces provided.

**1** Total for this question: 12 marks

The table below shows transactions relating to Ferndale Fish and Chip Shop.

**REQUIRED**

**1** Complete the table by entering the appropriate information in the spaces provided. An example is given.

Transaction	Source document	Subsidiary book	Account to be debited	Account to be credited
<i>Payment for stationery in cash</i>	<i>Cash receipt</i>	<i>Cash book</i>	<i>Stationery</i>	<i>Cash account</i>
Rent paid by cheque				
Damaged potatoes returned to Veggie Supplies Ltd				
Motor van purchased on credit from BL Motors				

(12 marks)

**Turn over for the next question**

**Turn over ►**

2

**Total for this question: 17 marks**

The following information has been extracted from the books of John Campbell for the month ended 31 May 2008.

	£
Sales ledger balances at 1 May 2008	23 261
Purchases ledger balances at 1 May 2008	14 908
Credit sales	14 720
Credit purchases	11 804
Returns outwards	533
Returns inwards	260
Discounts received	42
Discounts allowed	77
Payments to suppliers	9 643
Receipts from customers	15 106
Customer's cheque dishonoured	102
Contra (debit balance set off from the sales ledger to the purchases ledger)	55

**REQUIRED**

- 2 Prepare a sales ledger control account and a purchases ledger control account. Balance each account at 31 May 2008 and bring down the balances.

**Sales Ledger Control Account**

Dr			Cr		
Date	Details	£	Date	Details	£

**Purchases Ledger Control Account**

Dr			Cr		
Date	Details	£	Date	Details	£

(16 marks)  
(for quality of presentation: plus 1 mark)

3

**Total for this question: 32 marks**

Bilal owns a business selling footwear. The following trial balance has been extracted from the books of account at 31 August 2007.

	<b>Dr £</b>	<b>Cr £</b>
Bank		4 500
Capital account at 1 September 2007		36 350
Carriage inwards	2 500	
Carriage outwards	2 000	
Discounts	2 000	5 000
Drawings	14 400	
Fixed assets - cost	18 250	
Fixed assets - provision for depreciation		7 300
Purchases and sales	65 000	125 000
Rent and rates	10 000	
Rent received		3 000
Returns	3 000	
Stock at 1 September 2006	22 000	
Trade debtors and trade creditors	25 000	8 000
Wages and salaries	29 000	
	193 150	193 150

**Additional information**

- (1) Stock at 31 August 2007 was valued at £12 500.
- (2) Rent paid in advance at 31 August 2007 was £2 000.
- (3) Wages unpaid at 31 August 2007 were £800.
- (4) Fixed assets are to be depreciated at 20% per annum using the straight-line method.





**REQUIRED**

**3** (b) Explain **two** differences between fixed assets and current assets. Give **one** example of each.

Difference 1

.....  
.....  
.....  
.....

*(2 marks)*

Difference 2

.....  
.....  
.....  
.....

*(2 marks)*

Example of a fixed asset.....

*(1 mark)*

Example of a current asset.....

*(1 mark)*

**3** (c) Explain the term ‘long-term liabilities’. Give **one** example.

Explanation.....

.....  
.....  
.....

*(2 marks)*

Example.....

*(1 mark)*

---

**Turn over for the next question**

**Turn over ►**

4

**Total for this question: 19 marks**

Brian Jarvis prepared the following balance sheet at the end of the accounting year.  
It contains errors.

**Balance sheet for the year ended 31 December 2007**

	£	£
Fixed assets		90 000
Current assets		
Stock	8 000	
Debtors	13 000	
Cash at bank	7 000	
	28 000	
Current liabilities		
Creditors	8000	
	36 000	
		54 000
Capital		
Opening balance		82 000
Net profit for the year		50 000
		32 000
Drawings		22 000
		54 000

**Additional information**

- (1) Fixtures and fittings costing £3000 had been recorded as purchases and charged to the trading account for the year.
- (2) Brian had taken £1000 cash from the bank account for his own use. This had not been recorded in the accounts.
- (3) Brian found a cheque for £2500 received from a credit customer during December, which he had mislaid and had not been recorded.



Brian has asked you which stakeholders would be interested in seeing this balance sheet.

**REQUIRED**

- 4 (b) Write a memorandum to Brian advising him of **two** stakeholders who may have an interest in the balance sheet of his business. State **one** interest each stakeholder may have.

**Memorandum**

**To**.....

**From**.....

**Date**.....

**Subject**.....

Stakeholder 1 .....

Interest .....

.....  
.....  
.....

Stakeholder 2 .....

Interest .....

.....  
.....  
.....

*(4 marks)*  
*(for quality of written communication: plus 2 marks)*

**END OF QUESTIONS**



**General Certificate of Education**

**Accounting**

**ACCN1**

**Unit 1 Introduction to Financial Accounting**

**Specimen Mark Scheme (2)**

**for examinations in 2009 and onwards**

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**1 Total for this question: 12 marks**

The table below shows transactions relating to Ferndale Fish and Chip Shop.

**REQUIRED**

1 Complete the table by entering the appropriate information in the spaces provided. An example is given.

Transaction	Source document	Subsidiary book	Account to be debited	Account to be credited
Payment of stationery in cash	Cash receipt	Cash book	Stationery	Cash account
Rent paid by cheque	Receipt / cheque counterfoil	Cash book	Rent account	Bank account
Damaged potatoes returned to Veggie Supplies Ltd	Purchase credit note	Purchase returns day book	Veggie Supplies Ltd / Creditor account	Purchase returns account
Motor van purchased on credit from BL Motors	Purchase invoice	Journal / analysed purchase day book	Fixed asset account / Motor van account	BL Motors / Creditor account

**12 marks**  
**1 mark for each correct answer**



**2****Total for this question: 17 marks**

The following information has been extracted from the books of John Campbell for the month ended 31 May 2008.

	£
Sales ledger balances at 1 May 2008	23 261
Purchases ledger balances at 1 May 2008	14 908
Credit sales	14 720
Credit purchases	11 804
Returns outwards	533
Returns inwards	260
Discounts received	42
Discounts allowed	77
Payments to suppliers	9 643
Receipts from customers	15 106
Customer's cheque dishonoured	102
Contra (debit balance set off from the sales ledger to the purchases ledger)	55

**REQUIRED**

- 2 Prepare a sales ledger control account and a purchases ledger control account. Balance each account at 31 May 2008 and bring down the balances.

**Sales Ledger Control Account**

Dr			Cr		
	Details	£	Date	Details	£
1 May	Balance b/fwd	23 261 (1)	31 May	Returns inwards	260 (1)
31 May	Sales	14 720 (1)	31 May	Discount allowed	77 (1)
31 May	Bank	102 (1)	31 May	Bank	15 106 (1)
			31 May	Contra	55 (1)
			31 May	C/fwd	22 585 (*)
		<b>38 083</b>			<b>38 083</b>
1 June	B/fwd	22 585 (*)			

\* 1 OF for both balances

**Purchases Ledger Control Account**

Dr			Cr		
Date	Details	£	Date	Details	£
31 May	Returns outwards	533 (1)	1 May	Balance b/fwd	14 908 (1)
31 May	Discount received	42 (1)	31 May	Purchases	11 804 (1)
31 May	Bank	9 643 (1)			
31 May	Contra	55 (1)			
31 May	C/fwd	16 439 (*)			
		<b>26 712</b>			<b>26 712</b>
			1 June	B/fwd	16 439

\* 1 OF for both balances

1 mark for correct dates

**16 marks**

Quality of presentation (QWC)

1 mark for quality of narratives for each item.

**Overall max 17 marks**

3

**Total for this question: 32 marks**

Bilal owns a business selling footwear. The following trial balance has been extracted from the books of account at 31 August 2007.

	<b>Dr £</b>	<b>Cr £</b>
Bank		4 500
Capital account at 1 September 2007		36 350
Carriage inwards	2 500	
Carriage outwards	2 000	4 000
Discounts	2 000	5 000
Drawings	14 400	
Fixed assets - cost	18 250	
Fixed assets - provision for depreciation		7 300
Purchases and sales	65 000	125 000
Rent and rates	10 000	
Rent received		3 000
Returns	3 000	
Stock at 1 September 2006	22 000	
Trade debtors and trade creditors	25 000	8 000
Wages and salaries	29 000	
	193 150	193 150

**Additional information**

- (1) Stock at 31 August 2007 was valued at £12 500.
- (2) Rent paid in advance at 31 August 2007 was £2 000.
- (3) Wages unpaid at 31 August 2007 were £800.
- (4) Fixed assets are to be depreciated at 20% per annum using the straight-line method.

**REQUIRED**

- 3 (a) Prepare a trading and profit and loss account for the year ended 31 August 2007.

**Bilal**  
**Trading and profit and loss account for the year ended 31 August 2007 (1)**

	£	£	£
Sales			125 000 (1)
Less: returns inwards			<u>(3 000) (1)</u>
			122 000
<b>Cost of sales #</b>			
Opening stock		22 000 (1)	
Purchases	65 000 (1)		
Less: returns outwards	<u>(4 000) (1)</u>		
	61 000		
Carriage inwards	<u>2 500 (1)</u>	<u>63 500</u>	
		85 500	
Less: closing stock		<u>(12 500) (1)</u>	<u>73 000</u>
Gross profit for the year #			49 000 (1OF)
Add: rents received			3 000 (1)
Discounts received			<u>5 000 (1)</u>
			57 000
<b>Less: expenses</b>			
Wages and salaries W1		29 800 (1OF)	
Carriage outwards			
Discount allowed		2 000 (1)	
Rent and rates W2		8 000 (1OF)	
Depreciation W3		<u>3 650 (1OF)</u>	<u>45 450</u>
Net profit for the year #			<u>11 550 (1OF)</u>

W1 29 000 (1) + 800 (1) = 29 800 (1OF)

W2 10 000 (1) – 2 000 (1) = 8 000 (1OF)

W3 18 250 (1) x 20% = 3 650 (1OF)

# Plus 1 mark for correctly labelling all three items

**23 marks**

**REQUIRED**

- 3** (b) Explain **two** differences between fixed assets and current assets. Give **one** example of each.

**Fixed assets are items owned by the business that it intends to keep for more than one year, whereas current assets are of a short-term nature.**

**1 mark for identification, plus one mark for development. 2 marks**

**Fixed assets are used in the course of the business, not intended for resale. Current assets are more easily turned into cash.**

**1 mark for identification, plus one mark for development. 2 marks**

**Example of a fixed asset – any valid example 1 mark**

**Example of a current asset – any valid example 1 mark**

- 3** (c) Explain the term long-term liabilities. Give **one** example.

Explanation

**Amounts owed by a business (1) that are due for repayment more than one year hence (1).**

**2 marks**

Example

**Bank loan over more than one year, mortgage etc.**

**1 mark**



4

**Total for this question: 19 marks**

Brian Jarvis prepared the following balance sheet at the end of the accounting year. It contains errors.

**Balance sheet for the year ended 31 December 2007**

	£	£
Fixed assets		90 000
Current assets		
Stock	8 000	
Debtors	13 000	
Cash at bank	7 000	
	28 000	
Current liabilities		
Creditors	8000	
	36 000	
		54 000
Capital		
Opening balance		82 000
Net profit for the year		50 000
		32 000
Drawings		22 000
		54 000

**Additional information**

- (1) Fixtures and fittings costing £3000 had been recorded as purchases and charged to the trading account for the year.
- (2) Brian had taken £1000 cash from the bank account for his own use. This had not been recorded in the accounts.
- (3) Brian found a cheque for £2500 received from a credit customer during December, which he had mislaid and had not been recorded.

**REQUIRED**

4 (a) Redraft the balance sheet, correcting any errors.

**Brian Jarvis**  
**Balance sheet at 31 December 2007 (1)**

	£		£	
<b>Fixed assets</b>			<b>93 000</b>	<b>W1</b>
<b>Current assets</b>				
<b>Stock</b>	8 000			
<b>Debtors</b>	10 500	<b>W2</b>		
<b>Cash at bank</b>	8 500	<b>W3</b>		
	27 000			
<b>Current liabilities</b>				
<b>Creditors</b>	8 000			
			<b>19 000</b>	
			<b>112 000</b>	
<b>Capital</b>				
<b>Opening balance</b>			82 000	
<b>Net profit for the year</b>			53 000	<b>W4</b>
			<b>135 000</b>	
<b>Drawings</b>			23 000	<b>W5</b>
			<b>112 000</b>	

- W1 90 000 + 3000 (1) = 93 000 (1 OF)  
W2 13 000 – 2 500 (1) = 10 500 (1 OF)  
W3 7 000 + 2 500 (1) – 1 000 (1) = 8 500 (1 OF)  
W4 50 000 + 3 000 (1) = 53 000 (1 OF)  
W5 22 000 + 1 000 (1) = 23 000 (1 OF)

**12 marks**

**Quality of presentation (QWC)**  
For presentation of balance sheet: plus 1 mark

**Overall max 13 marks**

Brian has asked you which stakeholders would be interested in seeing his balance sheet.

**REQUIRED**

- 4 (b) Write a memorandum to Brian advising him of **two** stakeholders who may have an interest in the balance sheet of his business. State **one** interest each stakeholder may have.

**Memorandum**

**To: Brian Jarvis**

**From: Student**

**Date:**

**Subject: Stakeholders and their interest in the balance sheet**

**Suppliers: to assess whether the business is able to pay for supplies.**

**Customers: to ensure that their orders will be fulfilled.**

**Employees: to assess the security of their jobs and wages.**

1 mark for identification plus 1 mark for development

max 4 marks

**Quality of written communication (QWC)**

**For spelling, punctuation and grammar: plus 1 mark**

**For memorandum format: plus 1 mark.**

Overall max 6 marks



Surname					Other Names				
Centre Number					Candidate Number				
Candidate Signature									

For Examiner's Use
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General Certificate of Education  
Specimen Paper for 2009 and 2010  
Advanced Subsidiary Examination



**ACCOUNTING**

**ACCN2**

**Unit 2 Financial and Management Accounting**

<p><b>You will need no other materials.</b> You may use a calculator.</p>
---

Time allowed: 1 hour 30 minutes

**Instructions**

- Use black ink or black ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions.
- You must answer the questions in the spaces provided. Answers written in margins or on blank pages will not be marked.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in this book. Cross through any work you do not want to be marked.

**Information**

- The maximum mark for this paper is 80.  
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

For Examiner's Use			
Number	Mark	Number	Mark
1		3	
2		4	
Total (Column 1)		→	
Total (Column 2)		→	
<b>TOTAL</b>			
Examiner's Initials			

Answer **all** questions in the spaces provided.

**1**

**Total for this question: 10 marks**

Martin runs a fruit stall in a market which is open each day.

The following information is available.

	<b>May 2007 (actual)</b>	<b>June 2007 and July 2007 (expected changes on May's figures)</b>	<b>August 2007 (expected changes on May's figures)</b>
	<b>£</b>		
Sales	5000	5% increase	25% increase
Purchases	3000	no change	15% increase
Delivery costs	1000	10% increase	25% increase

Each month Martin withdraws £500 for his personal use and pays £200 rent.

On 1 June 2007 Martin has £100 in the bank.

**REQUIRED**

**1** Prepare a cash budget for the **three** months ending 31 August 2007.

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*(10 marks)*

<b>10</b>

2

**Total for this question: 10 marks**

Dimitri sells electrical goods. At his financial year end, he is unsure how to value an electrical kettle that he has in stock.

The kettle cost £18. It will sell for £31.

Before it can be sold, the kettle requires a repair which will cost £15.

**REQUIRED**

2 (a) Calculate the value of the kettle to be included as part of Dimitri's closing stock.

The kettle should be valued at £..... (3 marks)

*Workings*

.....  
.....  
.....

2 (b) Complete the following sentences.

Stock should be valued at

.....

or.....whichever is lower.

This is an example of using the .....concept.

(3 marks)



Jack Myers sold a van for £3500. The van had been used in Jack's business for four years. The van had cost £18 000 and had been depreciated at 20% per annum using the straight-line method.

**REQUIRED**

2 (c) Calculate the profit or loss on disposal of the van.

.....  
.....

(4 marks)

*Workings*

.....  
.....  
.....  
.....  
.....  
.....  
.....

<b>10</b>

**Turn over for the next question**

3

**Total for this question: 30 marks**

Mobley-Mad Ltd sells mobile phones.

The following information is available for the last two years.

	<b>At 31 March 2006</b>	<b>At 31 March 2007</b>
	<b>£</b>	<b>£</b>
Stock	14 000	8000
	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 March 2006</b>	<b>31 March 2007</b>
	<b>£</b>	<b>£</b>
Purchases	120 000	140 000
Sales	260 000	310 000

**REQUIRED**

- 3 (a) Calculate the rate of stock turnover for the year ended 31 March 2007. State the formula used.

Formula

.....

.....

Stock turnover

.....

.....

*(5 marks)*

*Workings*

.....

.....

.....

.....

.....

3 (b) Calculate the gross profit for the year ended 31 March 2007.

.....  
.....  
.....  
.....  
.....  
.....

(3 marks)

3 (c) Calculate the gross profit margin for the year ended 31 March 2007. State the formula used.

Formula

.....  
.....

Gross profit margin

.....

(4 marks)

Workings

.....  
.....  
.....  
.....  
.....

**3** (d) Explain the ratios calculated in **3(a)** and **3(c)**.

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(7 marks)  
(for quality of presentation: plus 2 marks)

3 (e) Explain **three** limitations of using ratio analysis when assessing the performance of Mobley-Mad Ltd.

Limitation 1 .....

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Limitation 2 .....

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Limitation 3 .....

.....

.....

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*(9 marks)*

30
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The following information has been extracted from the ledgers of Ken Tucky at 31 March 2007.

	£
Purchases	280 797
Sales	587 461
Returns inwards	837
Stock at 1 April 2006	39 771
Wages	128 528
Motor expenses	47 870
Rates	7 810
Insurances	7 780
Bad debts	1 368
General expenses	33 713
Premises at cost	145 000
Equipment at cost	11 400
Motor vehicles at cost	42 000
Provisions for depreciation at 1 April 2006	
premises	46 400
equipment	6 840
motor vehicles	26 880

**Additional information at 31 March 2007**

- (1) Stock was valued at £40 135.
- (2) A van purchased during the year for £18 500 has been included in the motor expenses account.
- (3) Wages remaining unpaid amounted to £1383.
- (4) Insurances paid in advance amounted to £286.
- (5) Ken took goods to the value of £2170 from the business for his own personal use.
- (6) Depreciation is to be charged at the following rates:
  - premises at 2% per annum using the straight-line method
  - equipment at 10% per annum using the straight-line method
  - motor vehicles at 40% using the reducing balance method.

It is Ken's policy to charge a full year's depreciation on all assets held at the end of the financial year.









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1

**Total for this question: 10 marks**

Martin runs a fruit stall in a market which is open each day.

The following information is available.

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Delivery costs	1000	10% increase	25% increase

Each month Martin withdraws £500 for his personal use and pays £200 rent.

On 1 June 2007 Martin has £100 in the bank.

**REQUIRED**

1 Prepare a cash budget for the **three** months ending 31 August 2007.

	<b>June £</b>	<b>July £</b>	<b>August £</b>
<b>Sales</b>	<b>5 250 (1)</b>	<b>5 250</b>	<b>6 250 (1)</b>
<b>Purchases</b>	<b>(3 000) (1)</b>	<b>(3 000)</b>	<b>(3 450) (1)</b>
<b>Delivery costs</b>	<b>(1 100) (1)</b>	<b>(1 100)</b>	<b>(1 250) (1)</b>
<b>Drawings</b>	<b>(500)</b>	<b>(500)</b>	<b>(500) (1) row</b>
<b>Rent</b>	<b>(200)</b>	<b>(200)</b>	<b>(200) (1) row</b>
<b>Net inflow</b>	<b>450</b>	<b>450</b>	<b>850</b>
<b>Opening balance</b>	<b>100 (1)</b>	<b>550</b>	<b>1 000</b>
<b>Closing balance</b>	<b>550</b>	<b>1 000</b>	<b>1 850 (1)OF</b>

**10 marks**

2

**Total for this question: 10 marks**

Dimitri sells electrical goods. At his financial year end, he is unsure how to value an electrical kettle that he has in stock.

The kettle cost £18. It will sell for £31.

Before it can be sold, the kettle requires a repair which will cost £15.

**REQUIRED**

2 (a) Calculate the value of the kettle to be included as part of Dimitri's closing stock.

The kettle should be valued at **£16 (3)**.

*Workings*

$$31(1) - 15(1) = 16(1)$$

**3 marks**

2 (b) Complete the following sentences.

Stock should be valued at **cost (1)**. Or **net realisable value (1)** whichever is lower.

This is an example of using the **prudence (1)** concept.

**3 marks**

Jack Myers sold a van for £3500. The van had been used in Jack's business for four years.

The van had cost £18 000 and had been depreciated at 20% per annum using the straight-line method.

**REQUIRED**

2 (c) Calculate the profit or loss on disposal of the van.

**Loss £100**

**4 marks**

*Workings*

£	£	
18 000	3 600	(2)OF
(14 400)	(3 500)	(1)
3 600	100	(1)OF

3

**Total for this question: 30 marks**

Mobley-Mad Ltd sells mobile phones.

The following information is available for the last two years.

	<b>At 31 March 2006</b>	<b>At 31 March 2007</b>
	<b>£</b>	<b>£</b>
Stock	14 000	8000
	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 March 2006</b>	<b>31 March 2007</b>
	<b>£</b>	<b>£</b>
Purchases	120 000	140 000
Sales	260 000	310 000

**REQUIRED**

- 3 (a) Calculate the rate of stock turnover for the year ended 31 March 2007. State the formula used.

Formula

$$\frac{\text{Average stock}}{\text{Cost of sales}} \times 365/52/12 \quad (1) \quad \text{or} \quad \frac{\text{Cost of sales}}{\text{Average stock}}$$

Stock turnover

**27.5 days (1)OF or 3.92 weeks or 0.9 months or 13.27 times**

**5 marks**

*Workings*

**W1 Average stock = (14 000 + 8 000) / 2 = 11 000 (1)**

**W2 C.O.S = 14 000 + 140 000 (1) – 8 000 = 146 000**

$$\frac{11\,000 \text{ (W1)} \times 365}{146\,000 \text{ (W2)}}$$

- 3 (b) Calculate the gross profit for the year ended 31 March 2007.

	<b>£</b>	
Sales	310 000	(1)
C.O.S	<u>(146 000)</u>	(1)OF
Gross profit	164 000	(1)

**3 marks**

- 3 (c) Calculate the gross profit margin for the year ended 31 March 2007. State the formula used.

Formula

$$\frac{\text{Gross profit}}{\text{Sales}} \times 100 \text{ (1)}$$

Gross profit margin = 52.90% (1) OF

4 marks

Workings

$$\frac{164\,000}{310\,000} \text{ (1)} \times 100$$

- 3 (d) Explain the ratios calculated in 3(a) and 3(c).

The stock turnover ratio measures the number of days it takes for the business to sell its stock (1), in this case it takes 27.5 days. To make any judgement we need to know (1) the type of the business (1) and be able to make a comparison (1) with past performance (1) or other similar businesses (1).

The gross profit margin measures the profit made by buying and selling (1). In this case the business makes 52.9p profit for every £1 of sales (1). To make any assessment we have to compare (1) this with past performance (1) or other businesses (1).

max 7 marks

Quality of written communication

2 marks

For using good English – spelling, punctuation and grammar

Overall max 9 marks

- 3 (e) Explain **three** limitations of using ratio analysis when assessing the performance of Mobley-Mad Ltd.

Limitation 1:

Figures can be distorted (1) eg a large delivery of stock on the last day of the financial year will distort the calculation of average stock and therefore stock turnover (0-2).

Limitation 2:

Ratios are only mathematical formulae (1), which need further evaluation. The ratios are of little value in isolation. A trend needs to be established by comparing with previous year's results or an inter-company comparison made to evaluate performance (0-2).

Limitation 3:

Ratios only provide quantitative data (1) which ignores non-financial information, for example management skills (0-2).

Also accept:

- different accounting policies may be used, which make comparisons between companies difficult
- past performance is not necessarily a good indicator of future performance
- ratios show overall results and do not identify individual (departmental) strengths and weaknesses.

Accept any other valid limitation.

max 9 marks

4

**Total for this question: 30 marks**

The following information has been extracted from the ledgers of Ken Tucky at 31 March 2007.

	£
Purchases	280 797
Sales	587 461
Returns inwards	837
Stock at 1 April 2006	39 771
Wages	128 528
Motor expenses	47 870
Rates	7 810
Insurances	7 780
Bad debts	1 368
General expenses	33 713
Premises at cost	145 000
Equipment at cost	11 400
Motor vehicles at cost	42 000
Provisions for depreciation at 1 April 2006	
premises	46 400
equipment	6 840
motor vehicles	26 880

**Additional information at 31 March 2007**

- (1) Stock was valued at £40 135.
- (2) A van purchased during the year for £18 500 has been included in the motor expenses account.
- (3) Wages remaining unpaid amounted to £1383.
- (4) Insurances paid in advance amounted to £286.
- (5) Ken took goods to the value of £2170 from the business for his own personal use.
- (6) Depreciation is to be charged at the following rates:
  - premises at 2% per annum using the straight-line method
  - equipment at 10% per annum using the straight-line method
  - motor vehicles at 40% using the reducing balance method.

It is Ken's policy to charge a full year's depreciation on all assets held at the end of the financial year.



**REQUIRED**

- 4 Prepare a trading and profit and loss account for the year ended 31 March 2007.

**Ken Tucky**  
**Trading and Profit and Loss Account for the year ended 31 March 2007.**

	£		£	
Sales	587 461	(1)		
Less returns inwards	837	(1)	586 624	
Less cost of sales				
Stock	39 771	(1)or(0)		
Purchases	278 627	(1)		
	320 568			
Stock	40 135	(1)or(0)	280 433	
Gross profit ( <i>must say</i> )			306 191	(1)OF
Less expenses				
Wages (128 528(1) + 1 383(1) = 129 911(1))	129 911	(3)		
Motor expenses (47 870(1) – 18 500(1) = 29 370(1))	29 370	(3)		
Rates	7 810	*		
General expenses	33 713	*		
Bad debts	1 368	*		
Insurances (7 780(1) – 286(1) = 7494(1))	7 494	(3)		
Depreciation				
Premises (2%(1) x 145 000(1) = 2 900(1))	2 900	(3)		
Equipment (10%(1) x 11 400(1) = 1 140(1))	1 140	(3)		
Motor vehicles (W1)	13 448	(5)	227 154	
Net profit ( <i>must say</i> )			79 037	(1)OF

\*1 mark for all 3

W1

	42 000		(1)	
	18 500		(1)	
	(26 880)		(1)	
	x40%		(1)	
	13 448		(1)	

**28 marks**

QWC

Quality of presentation

For: Cost of sales; gross profit; net profit headings – 2 marks for all 3; 1 mark for 2

**Overall max 30 marks**





General Certificate of Education  
Specimen Paper for examinations in 2010 and onwards  
Advanced Level Examination

**ACCOUNTING** **ACCN 3**  
**Unit 3 Further Aspects of Financial Accounting**

**For this paper you must have:**

- an 8-page answer book.

You may use a calculator.

Time allowed: 2 hours

**Instructions**

- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ACCN3.
- Answer **all** questions.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

**Information**

- The maximum mark for this paper is 90.  
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

**ACCN3**

Answer **all** questions.

**Total for this question: 9 marks**

**1**

Denise Watson sells one type of agricultural machine, a mini-baler. She provides the following information for April 2008.

Denise had 2 mini-balers in stock at 1 April 2008. They cost £1200 each.

<b>Date</b>	<b>Purchases</b>	<b>Sales</b>
1 April	3@ £1200	
2 April		4@ £2900
7 April	4@ £1350	
17 April		4@ £3000
21 April	8@ £1400	
24 April		7@ £3000

Total purchases for the month: £20 200    Total sales for the month: £44 600

Denise has calculated her gross profit to be £24 782, using the weighted average cost method (AVCO) of valuing her stock.

She sells her mini-balers in the order in which she purchases them. For this reason, she believes she should change her method of valuing stock to the first in first out method (FIFO).

### **REQUIRED**

**1** (a) Prepare a trading account for the month of April 2008 using the FIFO method of valuing stock. *(3 marks)*

**1** (b) Discuss **one** advantage and **one** disadvantage of using the weighted average cost method (AVCO) of valuing stock. Advise whether she should change her method of valuing stock. *(6 marks)*

2

**Total for this question: 10 marks**

Xerxes, Yolande and Zebedee have been in partnership for many years. They share profits and losses in the ratio 2 : 2 : 3 respectively. The business has suffered from poor results over the past few years. They agree to dissolve the partnership on 31 December 2007.

The summarised balance sheet of the partnership is shown.

**Xerxes Yolande and Zebedee**  
**Summarised balance sheet at 31 December 2007**

	£	£
All assets other than bank		213 000
Balance at bank		2 300
Liabilities		<u>(73 300)</u>
		<u>142 000</u>
Capital account - Xerxes	70 000	
Yolande	50 000	
Zebedee	<u>20 000</u>	140 000
Current accounts - Xerxes	2 500	
Yolande	3 000	
Zebedee	<u>(3 500)</u>	<u>2 000</u>
		<u>142 000</u>

William agreed to purchase the business for a purchase consideration of £90 000 cash. All assets and liabilities, other than the bank balance, were taken over by William.

The dissolution took place and was completed on 1 January 2008.

Zebedee was unable to meet any liability to the partnership out of his personal funds.

**REQUIRED**

2 Prepare capital accounts to close the partnership books of account.

*(10 marks)*

3

**Total for this question: 34 marks**

Atul decided a number of years ago, when he set up in business, that there was no need for him to keep a full set of books of account. He records cash transactions and keeps purchases invoices and copy sales invoices.

From the records he does keep, he is able to provide the following information for the year ended 31 December 2007.

<b>Assets and liabilities</b>	<b>At 1 January 2007</b>	<b>At 31 December 2007</b>
	<b>£</b>	<b>£</b>
Capital	91 250	84 250
Fixed assets (including premises)	103 000	97 000
Mortgage on premises	28 000	28 000
Stocks	12 000	10 000
Debtors	8 000	9 000
Creditors	6 200	5 900
Balance at bank	(1 400)	(1 700)
Cash in hand	1 050	450

**Summarised bank account**

	<b>£</b>		<b>£</b>
Balance 1 January 2007	1 400	Payments to creditors	56 970
Lodgements	8 530	General expenses	76 830
Received from debtors	145 570	Purchase of fixed assets	20 000
		Balance 31 December 2008	1 700
	<u>155 500</u>		<u>155 500</u>
Balance 1 January 2008	1 700		

**Additional information for the year ended 31 December 2008**

- (1) Recorded cash sales for the year amounted to £67 240.
- (2) The following cash payments totalling £57 710 had been recorded:

	<b>£</b>
Purchases	8 430
Drawings	16 500
General expenses	32 780

Any unrecorded cash transactions are to be treated as either unrecorded sales or unrecorded drawings.

- (3) Discounts allowed by suppliers during the year amounted to £900.
- (4) Atul withdrew goods valued at £1800 from the business for his own personal use.

**REQUIRED**

- 3 (a) Prepare a summarised cash account for the year ended 31 December 2007. (5 marks)
- 3 (b) Prepare a trading account for the year ended 31 December 2007. (14 marks)
- 3 (c) Discuss Atul's method of record keeping. (13 marks)  
*(for quality of written communication: plus 2 marks)*

**Total for this question: 37 marks**

4

The balance sheet of JMC plc for the year ended 31 December 2007, together with comparative figures for 2006, is shown below.

**JMC plc**

<b>Balance Sheet at 31 December</b>	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Fixed assets (Note 1)	7233	5602
Current assets		
Stock	858	988
Debtors	935	888
Cash in hand	112	32
	<u>1905</u>	<u>1908</u>
Creditors: amounts falling due within one year		
Trade creditors	675	452
Taxation	20	60
Proposed dividend	100	175
	<u>795</u>	<u>687</u>
Net current assets	<u>1110</u>	<u>1221</u>
Total assets less current liabilities	8343	6823
Creditors: amounts falling due after more than one year		
Loans	213	413
Net assets	<u>8130</u>	<u>6410</u>
Capital and reserves		
Called-up share capital	6000	4410
Share premium account	771	441
Revaluation reserve	1074	1074
Profit and loss account	285	485
	<u>8130</u>	<u>6410</u>



## Note 1

<b>Tangible fixed assets</b>	<b>£000</b>
<b>Cost</b>	
At 1 January 2007	6523
Additions	2396
Disposals	<u>(665)</u>
At 31 December 2007	<u>8254</u>
<b>Depreciation</b>	
At 1 January 2007	921
Charge for the year	165
Disposals	<u>(65)</u>
At 31 December 2007	<u>1021</u>
<b>Net book value</b>	
At 1 January 2007	5602
At 31 December 2007	7233

**Additional information**

The proceeds from the sale of fixed assets in 2007 were £666 000.

**REQUIRED**

- 4 (a) Calculate the operating profit for the year ended 31 December 2007. *(5 marks)*  
*(for quality of presentation: plus 2 marks)*
- 4 (b) Prepare the reconciliation of operating profit to the net cash flow from operating activities for the year ended 31 December 2007. *(10 marks)*
- 4 (c) Explain how a company can make a loss but still have an increase in cash. *(10 marks)*
- 4 (d) Discuss the extent to which cash is more significant for business survival than profit. *(10 marks)*

**END OF QUESTIONS**





**General Certificate of Education**

**Accounting**

**ACCN3**

**Unit 3 Further Aspects of Financial  
Accounting**

**Specimen Mark Scheme (2)  
for examinations in 2010 and onwards**

The specimen assessment materials are provided to give centres a reasonable idea of the general shape and character of the planned question papers and mark schemes in advance of the first operational examinations.

Further copies of this Mark Scheme are available to download from the AQA Website: [www.aqa.org.uk](http://www.aqa.org.uk)

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**MARK SCHEME****INSTRUCTIONS TO EXAMINERS**

You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 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.

1

**Total for this question: 9 marks**

Denise Watson sells one type of agricultural machine, a mini-baler. She provides the following information for April 2008.

Denise had 2 mini-balers in stock at 1 April 2008. They cost £1200 each.

<b>Date</b>	<b>Purchases</b>	<b>Sales</b>
1 April	3@ £1200	
2 April		4@ £2900
7 April	4@ £1350	
17 April		4@ £3000
21 April	8@ £1400	
24 April		7@ £3000

Total purchases for the month: £20 200    Total sales for the month: £44 600

Denise has calculated her gross profit to be £24 782, using the weighted average cost method (AVCO) of valuing her stock.

She sells her mini-balers in the order in which she purchases them. For this reason, she believes she should change her method of valuing stock to the first in first out method (FIFO).

**REQUIRED**

1 (a) Prepare a trading account for the month of April 2008 using the FIFO method of valuing stock.

**Denise Watson**  
**Trading Account for April 2008**

	£	
<b>Stock</b>	2 400	(1)
<b>Purchases</b>	20 200	
	22 600	
<b>Less stock</b>	2 800	(1)OF
	19 800	
<b>Gross profit</b>	24 800	(1)OF
<b>Sales</b>	44 600	

**3 marks**

- 1 (b) Discuss **one** advantage and **one** disadvantage of using the weighted average cost method (AVCO) of valuing stock. Advise whether she should change her method of valuing stock.

**FIFO and AVCO are both acceptable methods (1) from a taxation point of view (1).**

**FIFO more realistic for her (1). AVCO never uses actual prices paid (1).**

**Method of issue is not important (1), these are methods of valuation (1).**

**FIFO will reveal higher profits in the short run in times of rising prices (1) which might be important if Denise is contemplating selling the business (1).**

**FIFO is much easier to calculate (1), can use periodic method (1).**

**AVCO requires a new calculation each time goods are received (1).**

**Consistency (1) – she will have to adjust her financial accounts if she wants to compare results (1).**

**Advantage: max 2 marks**  
**Disadvantage: max 2 marks**  
**Overall max 6 marks**

**Advice (1) + (1) for development**

2

Total for this question: 10 marks

Xerxes, Yolande and Zebedee have been in partnership for many years. They share profits and losses in the ratio 2 : 2 : 3 respectively. The business has suffered from poor results over the past few years. They agree to dissolve the partnership on 31 December 2007.

The summarised balance sheet of the partnership is shown.

**Xerxes Yolande and Zebedee**  
**Summarised balance sheet at 31 December 2007**

	£	£
All assets other than bank		213 000
Balance at bank		2 300
Liabilities		<u>(73 300)</u>
		<u>142 000</u>
Capital account - Xerxes	70 000	
Yolande	50 000	
Zebedee	<u>20 000</u>	140 000
Current accounts - Xerxes	2 500	
Yolande	3 000	
Zebedee	<u>(3 500)</u>	<u>2 000</u>
		<u>142 000</u>

William agreed to purchase the business for a purchase consideration of £90 000 cash. All assets and liabilities, other than the bank balance, were taken over by William. The dissolution took place and was completed on 1 January 2008. Zebedee was unable to meet any liability to the partnership out of his personal funds.

**REQUIRED**

2 Prepare capital accounts to close the partnership books of account.

**Capital accounts**

	Xerxes		Yolande		Zebedee		Xerxes		Yolande		Zebedee		
	£		£		£		£		£		£		
Loss on dissolution	14 200		14 200		21 300		Balances	72 500	(1)	53 000	(1)	16 500	(1)
							Capital X and Y					4 800	(1)
Capital Z	2 800	(1)	2 000	(1)									
Cash	<u>55 500</u>	(1)	<u>36 800</u>	(1)				<u>72 500</u>		<u>53 000</u>		<u>21 300</u>	

**W1 Loss on dissolution £41 700(1) plus (1) for correct split ie 2 : 2 : 3.**

**10 marks**



3

**Total for this question: 34 marks**

Atul decided a number of years ago, when he set up in business, that there was no need for him to keep a full set of books of account. He records cash transactions and keeps purchases invoices and copies of sales invoices.

From the records he does keep, he is able to provide the following information for the year ended 31 December 2007.

<b>Assets and liabilities</b>	<b>At 1 January 2007</b>	<b>At 31 December 2007</b>
	<b>£</b>	<b>£</b>
Capital	91 250	84 250
Fixed assets (including premises)	103 000	97 000
Mortgage on premises	28 000	28 000
Stocks	12 000	10 000
Debtors	8 000	9 000
Creditors	6 200	5 900
Balance at bank	(1 400)	(1 700)
Cash in hand	1 050	450

**Summarised bank account**

	<b>£</b>		<b>£</b>
Balance 1 January 2007	1 400	Payments to creditors	56 970
Lodgements	8 530	General expenses	76 830
Received from debtors	145 570	Purchase of fixed assets	20 000
		Balance 31 December 2007	1 700
	<u>155 500</u>		<u>155 500</u>
Balance 1 January 2008	1 700		

**Additional information for the year ended 31 December 2007**

- (1) Recorded cash sales for the year amounted to £67 240.
- (2) The following cash payments totalling £57 710 had been recorded:

	<b>£</b>
Purchases	8 430
Drawings	16 500
General expenses	32 780

Any unrecorded cash transactions are to be treated as either unrecorded sales or unrecorded drawings.

- (3) Discounts allowed by suppliers during the year amounted to £900.
- (4) Atul withdrew goods valued at £1800 from the business for his own personal use.

**REQUIRED**

3 (a) Prepare a summarised cash account for the year ended 31 December 2007.

<b>Summarised cash account</b>			
	£		
Balance 1 January 2007	1 050	*	Purchases, drawings and general expenses
Takings	67 240	(1)	Banked
			'Missing drawings'
			Balance 31 December 2007
	<u>68 290</u>		450
Balance 1 January 2008	450		<u>68 290</u>

\*1 mark for both opening and closing balances

**5 marks**

3 (b) Prepare a trading account for the year ended 31 December 2007.

<b>Atul</b>			
<b>Trading account for the year ended 31 December 2007</b>			
	£		
Sales			213 810 W1
Less cost of sales			
Stock	12 000	*	
Purchases	64 200	W2	
	<u>76 200</u>		
Stock	10 000	*	66 200
Gross profit			<u>147 610</u> (1)

\* 1 mark for both stocks

**W1****Debtors' total account**

	£		
Balance	8 000	(1)	Cash
Sales	146 570		Balance
	<u>154 570</u>		145 570
Balance	9 000		<u>9 000</u> (1)
146 570 (1) + 67 240 (1)			

**W2****Creditors' total account**

	£		
Cash	56 970	(1)	Balance
Discount received	900	(1)	Purchases
Balance	5 900	(1)	6 200
	<u>63 770</u>		<u>57 570</u> (1)
57 570 (1) + 8 430 (1) – 1 800 (1)			
	<u>63 770</u>		<u>63 770</u>

**max 14 marks**

3 (c) Discuss Atul's method of record keeping.

**Atul may have chosen not to keep detailed records because:**

- He may not have the necessary skills (0-2 marks).
- He may prefer to spend his time using his expertise as a business man (1) rather than spend time keeping records (1) (opportunity cost) if he were to employ another to keep his records it would incur a cost (1).
- If he can continue to withdraw the profits he requires then why bother to keep more sophisticated records? He will know whether his business is providing him with the finance he requires for private use (0 –2).

**Other valid observations rewarded**

**max 5 marks**

**However:**

**The authorities (revenue and customs) may require him to keep better records (2) he clearly fails to record all cash transactions (1) eg the cash drawings not recorded (2).**

**He cannot take advantage of the managerial benefits of a fuller system of record keeping at the moment (2)**

**max 5 marks**

**Conclusion - Atul would be well advised to keep better, fuller records to help him manage the business (1) and to help him with tax and VAT (1). However with a turnover of around £4000 per week a full double entry system is unlikely to be necessary. (1)**

**Other valid conclusions may be drawn but must be fully supported by the analysis.**

**max 3 marks**

**Overall max 13 marks**

**QWC (quality of written communication)**

**For spelling, punctuation and grammar: plus 2 marks**

4

**Total for this question: 37 marks**

The balance sheet of JMC plc for the year ended 31 December 2007, together with comparative figures for 2006, is shown below.

<b>JMC plc</b>		
<b>Balance Sheet at 31 December</b>		
	<b>2007</b>	<b>2006</b>
	<b>£000</b>	<b>£000</b>
Fixed assets (Note 1)	7233	5602
Current assets		
Stock	858	988
Debtors	935	888
Cash in hand	112	32
	<u>1905</u>	<u>1908</u>
Creditors: amounts falling due within one year		
Trade creditors	675	452
Taxation	20	60
Proposed dividend	100	175
	<u>795</u>	<u>687</u>
Net current assets	<u>1110</u>	<u>1221</u>
Total assets less current liabilities	8343	6823
Creditors: amounts falling due after more than one year		
Loans	<u>213</u>	<u>413</u>
Net assets	<u><u>8130</u></u>	<u><u>6410</u></u>
Capital and reserves		
Called-up share capital	6000	4410
Share premium account	771	441
Revaluation reserve	1074	1074
Profit and loss account	285	485
	<u>8130</u>	<u>6410</u>

## Note 1

<b>Tangible fixed assets</b>	<b>£000</b>
<b>Cost</b>	
At 1 January 2007	6523
Additions	2396
Disposals	(665)
At 31 December 2007	<u>8254</u>
<b>Depreciation</b>	
At 1 January 2007	921
Charge for the year	165
Disposals	(65)
At 31 December 2007	<u>1021</u>
<b>Net book value</b>	
At 1 January 2007	5602
At 31 December 2007	7233

**Additional information**

The proceeds from the sale of fixed assets in 2007 were £666 000.

**REQUIRED**

4 (a) Calculate the operating profit for the year ended 31 December 2007.

<b>Calculation of operating profit</b>	<b>£000</b>	
Retained loss for the year (285 - 485)	(200)	(2)
Add		
Taxation	20	(1)
Dividends	<u>100</u>	(1)
Operating profit	(80)	(1)OF

**5 marks**

**QWC**

For layout and correct headings: plus 2 marks

**Overall max 7 marks**

- 4 (b) Prepare the reconciliation of operating profit to the net cash flow from operating activities for the year ended 31 December 2007.

**Reconciliation of operating profit to net cash flow from operating activities(1)**

	£000	
Operating profit	(80)	(1)OF
Depreciation	165	(1)
Profit on disposal of assets	(66)	(3) W1
Decrease in stock	130	(1)
Increase in debtors	(47)	(1)
Increase in creditors	223	(1)
	<u>325</u>	<u>(1)OF</u>

**Workings**

	£000	
Cost	665	
Depreciation to date	65	(1)
NBV	<u>600</u>	
Proceeds	666	(1)
Profit on disposal	<u>66</u>	<u>(1)</u>

**10 marks**

- 4 (c) Explain how a company can make a loss but still have an increase in cash.

**Differences between cash and profit:**

Timing differences (1) – profits are recorded in the profit and loss account when the transaction is made (1) but the cash may not be received for some time (1).

Other payments (1) – payments for fixed assets (1) result in cash leaving the business but do not reduce profit (1).

Other receipts (1) – share issues (1) or loans received will increase cash (1) but are not shown in the profit and loss account (1).

Non-cash items (1) – provisions are made in the profit and loss account (1) that do not involve the movement of cash (1) e.g. depreciation (1).

**max 5 marks**

**Explanation of how a company can make a loss and still increase cash balance:**

Non-cash items (1) - provisions for depreciation (1) or bad debts (1) will reduce the profit figure (1) but have no effect on cash (1) +(1) for example. Timing differences (1) - the company may have recorded purchases (1) but not paid for them yet (1) + (1) for example.

Other receipts (1). The company may have issued shares (1) or taken out loans (1) during the year and these will increase the cash balance (1) but not affect the profit figure (1) + (1) for example.

**max 5 marks**

**Overall max 10 marks**

4 (d) Discuss the extent to which cash is more significant for business survival than profit.

**Cash is essential for short term survival (1). Without cash, a business may not be able to meet its liabilities (1) and therefore may lose profit (1) or even be forced into liquidation (1) by its creditors (1). Also the business may not be able to pay dividends (1) and hence lose the confidence of shareholders (1).**

**Profit is needed for long term survival (1) to ensure that funds (1) are generated (1) to enable the business to invest (1) and to pay dividends to shareholders (1).**

**max 8 marks**

**Assessment 0-2**

**For example: both are essential for a business to survive and be successful.**

**10 marks**







General Certificate of Education  
Specimen Paper for examinations in 2010 and onwards  
Advanced Level Examination

## **ACCOUNTING**

## **ACCN 4**

### **Unit 4 Further Aspects of Management Accounting**

**For this paper you must have:**

- an 8-page answer book.

You may use a calculator.

Time allowed: 2 hours

#### **Instructions**

- Use black ink or black ball-point pen.
- Write the information required on the front of your answer book. The *Examining Body* for this paper is AQA. The *Paper Reference* is ACCN4.
- Answer **all** questions.
- All workings must be shown and clearly labelled; otherwise marks for method may be lost.
- Make and state any necessary assumptions.
- Do all rough work in the answer book. Cross through any work you do not want to be marked.

#### **Information**

- The maximum mark for this paper is 90.  
Four of these marks will be awarded for using good English, organising information clearly and using specialist vocabulary where appropriate.
- The marks for questions are shown in brackets.

**ACCN4**

Answer **all** questions.

**1** **Total for this question: 14 marks**

S.H Matt runs a manufacturing business. Finished goods are transferred from the manufacturing account to the trading account at cost plus 40%.

The following extracts are taken from the two most recent balance sheets.

Balance sheet	At 31 March 2007		At 31 March 2008	
	£	£	£	£
Stocks				
Raw materials		12 468		10 980
Work in progress		8 647		9 946
Finished goods	29 876		31 906	
Less provision for unrealised profit	<u>8 536</u>		<u>?</u>	
		21 340		?

### REQUIRED

- 1 (a) Prepare a balance sheet extract **for stocks**, having calculated the following:
- 1 (a) (i) the provision for unrealised profit to be included in the balance sheet extract at 31 March 2008;
- 1 (a) (ii) the cost of the closing stock of finished goods at 31 March 2008. *(7 marks)*
- 1 (b) Calculate the provision for unrealised profit to be shown in the profit and loss account for the year ended 31 March 2008. *(3 marks)*
- 1 (c) Outline **two** reasons why S.H. Matt transfers goods to the trading account at cost plus a profit. *(4 marks)*

2

**Total for this question: 24 marks**

A.J Dan plc manufactures a single product.

The standard costs per unit are:

- direct materials - 5kg at £18 per kg
- direct labour - 40 minutes at £12 per hour.

The company expects to manufacture and sell 15 000 units each month.

In April 2008 the actual results were as follows:

- direct materials cost was £1 200 000 for 80 000kg;
- direct labour cost was £150 000 for 15 000 hours.

The company actually manufactured and sold 15 240 units.

**REQUIRED**

- 2 (a) Calculate the direct material price **and** usage variances for April 2008. *(6 marks)*
- 2 (b) Calculate the direct labour rate **and** efficiency variances for April 2008. *(6 marks)*
- 2 (c) Prepare a statement reconciling the standard total direct cost of the actual output with the actual total direct cost. Show the variances. *(8 marks)*
- 2 (d) Discuss **two** uses of this reconciliation statement. *(4 marks)*

3

**Total for this question: 8 marks**

The financial director of Hansons Ltd is considering changing the method of calculating the selling price from marginal cost plus a mark-up, to activity based costing (ABC) plus a mark-up.

- 3 Discuss the benefits of using ABC instead of marginal costing. *(8 marks)*

4

**Total for this question: 44 marks**

Halls Hampers Ltd manufactures a single product. The company is located in a deprived area of a city. The year ended 30 May 2007, was a difficult year with the factory only operating at 60% capacity. The company needs to raise £80 000 to cover debts.

**Additional information for the year ended 30 May 2007**

Selling price per unit	£40
Annual sales in units	12 000
Variable cost per unit	£12
Overheads (of which £18 000 is variable)	£256 000

Orders have been received from two new overseas customers. However, only one new order can be accepted. Whichever order is undertaken, a new overseas agent will be required at an annual cost of £14 000.

**Order JJH**

For 6000 units for a total invoice price of £180 000.

A delivery charge will be payable of 2% of the selling price. Modifications will have to be made to some of the factory machines at a cost of £19 000. Consequently, some of the staff will need to be retrained at a cost of £8000. Future orders from this customer are almost guaranteed.

**Order JHB**

For 8000 modified units for a total invoice price of £256 000.

A delivery charge will be payable of 2.5% of the selling price. Extra temporary staff will be required at a cost of £28 000. Once the order is finished, these staff will no longer be needed. No further orders are expected from this customer.

For the year ending 30 May 2008 there are not expected to be many changes to the sales price or the amount of overheads. However the variable cost is expected to rise to £14 per unit.

The new order chosen will be in addition to the current level of sales.

**REQUIRED**

- 4 (a) Distinguish between fixed, semi-variable and variable costs. Give **one** example of each. *(6 marks)*
- 4 (b) Define the term ‘contribution’. *(2 marks)*
- 4 (c) Calculate the total contribution for the year ended 30 May 2007. *(4 marks)*
- 4 (d) Calculate the break-even point in units. *(4 marks)*
- 4 (e) Prepare comparative profit statements for **each** new order for the year ending 30 May 2008. *(14 marks)*  
*(for quality of presentation : plus 2 marks)*
- 4 (f) Discuss which order Halls Hampers Ltd should accept. Give reasons for your choice. *(10 marks)*  
*(for quality of written communication : plus 2 marks)*

**END OF QUESTIONS**





**General Certificate of Education**

**Accounting**

**ACCN4**

**Unit 4 Further Aspects of Management  
Accounting**

**Specimen Mark Scheme (2)  
for examinations in 2010 and onwards**

The specimen assessment materials are provided to give centres a reasonable idea of the general shape and character of the planned question papers and mark schemes in advance of the first operational examinations.

Further copies of this Mark Scheme are available to download from the AQA Website: [www.aqa.org.uk](http://www.aqa.org.uk)

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**MARK SCHEME****INSTRUCTIONS TO EXAMINERS**

You should remember that your marking standards should reflect the levels of performance of Advanced Level candidates, mainly 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.

1

**Total for this question: 14 marks**

S.H Matt runs a manufacturing business. Finished goods are transferred from the manufacturing account to the trading account at cost plus 40%.

The following extracts are taken from the two most recent balance sheets.

Balance sheet	At 31 March 2007		At 31 March 2008	
	£	£	£	£
Stocks				
Raw materials		12 468		10 980
Work in progress		8 647		9 946
Finished goods	29 876		31 906	
Less provision for unrealised profit	<u>8 536</u>		<u>?</u>	
		21 340		?

**REQUIRED**

1 (a) Prepare a balance sheet extract **for stocks**, having calculated the following:

1 (a) (i) the provision for unrealised profit to be included in the balance sheet extract at 31 March 2008;

1 (a) (ii) the cost of the closing stock of finished goods at 31 March 2008.

**Balance Sheet Extract at 31 March 2008**

	£	£	
<b>Stocks</b>			
Raw materials	*10 980		
Work in progress	*9 946		
Finished goods	31 906		
Less provision for unrealised profit	<u>9 116</u>	W1(3)	
Cost price of finished goods		22 790	W2(3)

**Workings**

W1 31 906 (1) x 40/140 (1) = 9 116 (1)

W2 31 906 (1) / 1.4 (1) = 22 790 (1)

\* 1 mark for both

**7 marks**

1 (b) Calculate the provision for unrealised profit to be shown in the profit and loss account for the year ended 31 March 2008.

**The profit and loss account entry is £580 (3)OF.**

**Workings**

9116 (1)OF – 8536 (1 or 0) = 580 (1)OF

**3 marks**

**1 (c)** Outline **two** reasons why S.H. Matt transfers goods to the trading account at cost plus a profit.

**Reason 1:**

**More realistic value (1); goods valued at bought in prices (2).**

**Reason 2:**

**Shows that factory is contributing (1) to overall profitability of the business (1).**

**Other valid reasons accepted (2 each)**

**max 4 marks**

2

Total for this question: 24 marks

A.J Dan plc manufactures a single product.

The standard costs per unit are:

- direct materials - 5kg at £18 per kg
- direct labour - 40 minutes at £12 per hour.

The company expects to manufacture and sell 15 000 units each month.

In April 2008 the actual results were as follows:

- direct materials cost was £1 200 000 for 80 000kg;
- direct labour cost was £150 000 for 15 000 hours.

The company actually manufactured and sold 15 240 units.

**REQUIRED**

2 (a) Calculate the direct material price **and** usage variances for April 2008.

**Material price** 80 000 (18 - 15) (1) = £240 000 (1) FAV (1)  
**Material usage** 18 (76 200 – 80 000) (1) = £68 400 (1) ADV (1)

**6 marks**

2 (b) Calculate the direct labour rate **and** efficiency variances for April 2008.

**Labour rate** 15 000 (12 - 10) (1) = £30 000 (1) FAV (1)  
**Labour efficiency** 12 (10 160 – 15 000) (1) = £58 080 (1) ADV (1)

**6 marks**

2 (c) Prepare a statement reconciling the standard total direct cost of the actual output with the actual total direct cost. Show the variances.

**Reconciliation Statement**

	£	£	£
<b>Budgeted cost (W1)</b>			<b>1 493 520 (3)OF</b>
<b>Material price</b>	<b>240 000 (1)</b>		
<b>Material usage</b>		<b>68 400 (1)OF</b>	
<b>Labour rate</b>	<b>30 000 (1)</b>		
<b>Material efficiency</b>		<b>58 080 (1)OF</b>	
	<b>270 000</b>	<b>126 480</b>	<b>(143 520)</b>
<b>Actual cost</b>			<b>1 350 000 (1) no</b>
<b>(1 200 000 + 150 000)</b>			<b>extraneous</b>

(W1)Total costs (budgeted)  
 - material £18 x 5 x 15 240 = 1 371 600 (1)  
 - labour £12 x  $\frac{2}{3}$  x 15 240 = 121 920 (1)  
**£1 493 520 (1) OF**

**8 marks**

2 (d) Discuss **two** uses of this reconciliation statement.

**Uses**

- to explain the effect of the variances (1) on total cost (1);
- to identify whether the flexed cost for actual production (1) is greater or less than actual cost (1);
- to identify whether the net variance is adverse or favourable (1), and the corresponding effect on total cost (1).

(2 x 2) max 4 marks

3

**Total for this question: 8 marks**

The financial director of Hansons Ltd is considering changing the method of calculating the selling price from marginal cost plus a mark-up, to activity based costing (ABC) plus a mark-up.

3 Discuss the benefits of using ABC instead of marginal costing.

**Benefits include:**

The benefits of using ABC is that it produces more accurate cost information (1) as the factor (the cost driver) which causes the cost is used to allocate the cost (1) on a more objective basis rather than based just arbitrarily on either labour or machine hours (1) and enables management to have a greater understanding of why costs are incurred and how they are influenced by changes in production (1). max 3 marks

Whereas marginal costing can be used as a guide to decision making(1) for example make or buy decisions, as the marginal costs are only considered not sunk costs or fixed costs.(1) Marginal costs are easily understood as the amount of costs per unit can easily be identified (1). max 3 marks

Using ABC to calculate the selling price may be more accurate because as well as considering the marginal costs it also considers overheads (1) and the percentage mark-up will be smaller than if marginal costs are used (1). max 2 marks

Overall max 8 marks

4

**Total for this question: 44 marks**

Halls Hampers Ltd manufactures a single product. The company is located in a deprived area of a city. The year ended 30 May 2007, was a difficult year with the factory only operating at 60% capacity. The company needs to raise £80 000 to cover debts.

**Additional information for the year ended 30 May 2007**

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**Order JJH**

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A delivery charge will be payable of 2% of the selling price. Modifications will have to be made to some of the factory machines at a cost of £19 000. Consequently, some of the staff will need to be retrained at a cost of £8000. Future orders from this customer are almost guaranteed.

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For the year ending 30 May 2008 there are not expected to be many changes to the sales price or the amount of overheads. However the variable cost is expected to rise to £14 per unit.

The new order chosen will be in addition to the current level of sales.

**REQUIRED**

4 (a) Distinguish between fixed, semi-variable and variable costs. Give **one** example of each.

**Fixed costs**

- **Costs that do not change when the level of activity changes (1) e.g rent (1).**

**Semi-variable costs**

- **Costs where a part of the cost acts as a variable cost and a part acts as a fixed cost (1) eg telephone bill (1).**

**Variable costs**

- **Costs where the amount varies in proportion to the activity level when the activity level changes (1) eg materials (1).**

**6 marks**

4 (b) Define the term 'contribution'.

**Contribution is used to cover the fixed costs (1) and thereafter it creates profit. (1)**

**2 marks**

4 (c) Calculate the total contribution for the year ended 30 May 2007.

$$40 - (12 + 1.50(1)) = \text{£}26.50 \text{ (1)}$$

$$\text{£}26.50 \times 12\,000(1) = \text{£}318\,000 \text{ (1)}$$

**4 marks**

4 (d) Calculate the break-even point in units.

$$238\,500(2) / 26.50(1) \text{ OF} = 9000 \text{ units (1) OF}$$

**4 marks**

4 (e) Prepare comparative profit statements for **each** new order for the year ending 30 May 2008.

**Halls Hampers Ltd  
Profit Statements for the year ending 30 May 2008**

	Order JJH		Order JHB	
	£		£	
Sales	180 000		256 000	(1) row
Variable cost (12 x 6000/8000)	(72 000)	(1)	(96 000)	(1)
Semi-variable cost (1.50 x 6000/8000)	(9 000)	(1)	(12 000)	(1)
Delivery charge (0.02 x £180 000) (0.025 x £256 000)	(3 600)	(1)	(6 400)	(1)
Modifications	(19 000)	(1)		
Retaining	(8 000)	(1)		
Temporary staff			(28 000)	(1)
Overseas agent	(14 000)	(1)	(14 000)	(1)
Profit	54 400	(1) OF	99 600	(1) OF

**14 marks**

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4 (f) Discuss which order Halls Hampers Ltd should accept. Give reasons for your choice.

**JJH**

- Future orders expected (1)
- Makes a lower profit (1)
- Positive contribution ie  $\pounds 30 - \pounds 14 = \pounds 16$  (1)
- Permanent modifications to machines (1)
- Staff retrained (1) - new skills (1) increased motivation (1) increased productivity (1)
- Selling price lower at  $\pounds 30$  (1) but fixed costs already covered (1)
- 2000 units spare capacity (1)

**JHB**

- no future orders expected (1)
- makes a larger profit (1)
- positive contribution ie  $\pounds 32 - \pounds 14 = \pounds 18$  (1)
- extra staff employed but only temporarily (1) reduces local employment temporarily (1)
- increases sales (1) to full capacity (1)
- facilities for staff stretched due to extra employed staff (1)
- jobs difficult to get in area (1)
- selling price lower at  $\pounds 32$  (1) but fixed costs already covered (1)
- no modifications to machinery (1) but modified units (1)

Any other relevant comments accepted.

Recommendation (1)

max 10 marks

**QWC**

For quality of written communication – max 2 marks

Overall max 12 marks