



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

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# Mark scheme January 2004

## GCE

### Accounting

### Unit ACC5

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## 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 make 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.

### Quality of Written Communication (QWC)

Once the whole script has been marked the work of the candidate should be assessed for the Quality of Written Communication, using the criteria at the end of the mark scheme. The mark should be shown separately on the candidate's script.

### Synoptic Assessment

Synoptic assessment is located in the last question. Candidates will be required to integrate their knowledge, understanding and skills learned in different parts of the A Level course.

1

Total for this question: 20 marks

**REQUIRED**

Prepare the club income and expenditure account for the year ended 31 October 2003.

**Scrumdown Rugby Club (1)**  
**Income & Expenditure account for the year ended 31 October 2003**

<b>Bar profit W<sub>1</sub></b>	25 922 (7)		
<b>Subscriptions W<sub>2</sub></b>	11 960 (2)		W <sub>2</sub> 11 880 (1)
			80 (1)
<b>Investment income</b>	81 (1)		
<b>Income from functions</b>	<u>1 543 (1)</u>		
	39 506		
<b>Less expenditure</b>			
<b>Loss on equipment W<sub>3</sub></b>	350 (2)		W <sub>3</sub> 450 (1)
<b>General expenses</b>	11 623 (1)		(100) (1)
<b>Loan interest</b>	<u>2 000 (1)</u>		
	13 973		1 extraneous (2)
<b>Surplus (1)</b>	<u>25 533 (3) OF</u>		2 extraneous (1)
			3 extraneous (0)
 <b>W<sub>1</sub> Purchases</b>			
41 760 (1)	753 (1)		
<u>712 (1)</u>	<u>41 719 (1)</u>		
 <b>Bar sales</b>	67 551 (1)		
<b>Cost of sales</b>			
41 719 (4)			
<u>90 (1)</u>	<u>41 629</u>		
<b>Bar profit</b>	<u>25 922 (1)</u>		

20 marks

2

Total for this question: 13 marks

**REQUIRED**

- (a) Calculate the gross profit for November 2003 using the last in first out (LIFO) method of stock valuation.

<b>Sales</b>		<b>3670</b>		(1)
<b>Less cost of sales</b>				
<b>Stock</b>	<b>300</b>			(1)
<b>Purchases</b>	<b>1620</b>		<b>W<sub>1</sub> 2 (1) x 100 (1)</b>	
	<u>1920</u>			
<b>Stock W<sub>1</sub></b>	<u>200</u>			(2)
		<u>1720</u>		
<b>Gross Profit</b>		<u>1950</u>		(1) OF

**6 marks**

- (b) Outline **one** advantage and **one** disadvantage of using the weighted average cost (AVCO) method of stock valuation. Advise the directors of Shub Cameras Ltd whether or not they should use this method in future.

**Advantages – recognises all stock issues have equal value to business (0-3)**  
**marked fluctuations in stock prices are ironed out so comparison of profits is more realistic (0-3)**  
**acceptable – SSAP9 and Companies Act 1985 (0-3)**  
**value of stock is fairly close to latest prices paid (0-3).**

**max 3 marks**

**Disadvantages – complicated calculation (0-2)**  
**requires new calculation each time stock is purchased (0-3)**  
**price charged for stock issues will not agree with prices paid for purchases (0-3)**  
**Reduced profits (0-3).**

**max 3 marks**

**Advice (1)**

**1 mark**

**7 marks**

**Overall max 13 marks**

3

**Total for this question: 13 marks**

**REQUIRED**

Discuss whether or not Jackie should enter into a partnership.

<p><b>Advantages -</b></p>	<p><b>shared -</b></p>	<p><b>responsibilities</b>  <b>work load</b>  <b>ideas</b>  <b>losses</b>  <b>etc</b></p>	}	<p><b>1 mark per point plus</b>  <b>0 –2 for development</b></p>
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**max 6 marks**

<p><b>Disadvantages -</b></p>	<p><b>unlimited liability</b>  <b>effect on relationship with brother</b>  <b>need for agreement on all policies</b>  <b>shared profits</b>  <b>etc</b></p>	}	<p><b>1 mark per point plus</b>  <b>0 –2 for development</b></p>
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**max 6 marks**

**Conclusion (1)**

**1 mark**

**Overall max 13 marks**

4

Total for this question: 54 marks

**REQUIRED**

- (a) Prepare journal entries to correct the three errors described in additional information (3).  
Narratives are required.

		<b>Journal (1)</b>	
<b>Charleston Ltd</b>		<b>430</b>	<b>(1)</b>
<b>Charles Tonne &amp; Co</b>			<b>430 (1)</b>
<b>Narrative (1)</b>			
<b>Office expenses</b>		<b>100</b>	<b>(1)</b>
<b>Suspense</b>			<b>100 (1)</b>
<b>Narrative (1)</b>			
<b>T. Gobi</b>		<b>760</b>	<b>(1)</b>
<b>Suspense</b>			<b>760 (1)</b>
<b>Narrative (1)</b>			

10 marks

- (b) Prepare the manufacturing account for the year ended 31 December 2003.

<b>Gwock Ltd</b>		<b>Manufacturing Account for the year ended</b>	
<b>31 December 2003 (1)</b>			
		£	£
<b>Stocks of raw materials</b>		<b>8 150</b>	<b>(1)</b>
<b>Purchases</b>		<b>123 060</b>	<b>(1)</b>
		<b>131 210</b>	
<b>Stocks of raw materials</b>		<b>9 010</b>	<b>(1)</b>
<b>Raw materials consumed (1)</b>		<b>122 200</b>	<b>(1) OF</b>
<b>Wages</b>		<b>97 800</b>	<b>(1)</b>
<b>Royalties</b>		<b>40 000</b>	<b>(1)</b>
<b>Prime cost (1)</b>		<b>260 000</b>	<b>(1) OF</b>
<b>Factory overheads</b>			
<b>Rates</b>	<b>7 800</b>	<b>(1)</b>	
<b>Insurance</b>	<b>7 750</b>	<b>(1)</b>	
<b>Power</b>	<b>13 340</b>	<b>(1)</b>	
<b>Light and heat</b>	<b>9 610</b>	<b>(1)</b>	
<b>Depreciation</b>	<b>11 500</b>	<b>(1)</b>	<b>50 000 (1)</b>
<b>Total production cost (1)</b>		<b>310 000</b>	<b>(1) OF</b>

18 marks

- 4 (c) Calculate the gross profit/sales ratio for the year ended 31 December 2003. Consider **one** reason for the changes that have taken place over the four years.

$$\frac{\text{GP}}{\text{Sales}} = \frac{200\,620}{510\,000} \times 100 \text{ (1) or 0} = 39.3\% \text{ (1) or 0}$$

**Improvement in percentage (1) could be due to cheaper purchases (1) while keeping selling price stable or increasing it (2)**

**OR**

**Increased selling price (1) while purchasing at same price (1) or more cheaply (1).**

**max 5 marks**

- (d) Calculate the net profit/sales ratio for the year ended 31 December 2003. Consider **one** reason for the changes that have taken place over the four years.

$$\frac{\text{NP}}{\text{Sales}} = \frac{51\,190}{510\,000} \times 100 \text{ (1) or 0} = 10\% \text{ (1) or 0}$$

**Ratio has been worsening (1), now improving (1). However, increase in proportion (1) of sales revenue going out as expenses (1) 22% - 24% - 27% and now 29% (1) OF. Is this a cause for concern (1) or just natural inflationary pressures? (1)**

**max 5 marks**

- (e) Draft a memorandum addressed to the directors. Advise them, on purely financial grounds, whether or not they should sign the contract with Selbat. Supporting figures should be used.

**Memorandum heading (1) or (2)**

**Prime cost (marginal cost) is £260 (OF) per table (1).**

**Contribution is £250 OF (2).**

**Marginal cost if purchased from Selbat would be £200 (1).**

**Contribution would rise to £310 (2).**

**Advice – Purchase from Selbat (1).**

**1 mark**

**Consideration of costs that would continue if contract was taken (1)**

**e.g. fixed costs (1)**

**contractual costs (1)**

**other overheads (1)**

**What will happen after two years? (1)**

**Will Selbat put up prices? (1)**

**If prices rose to more than the 2005 equivalent of £260 (1) OF could**

**Gwock restart manufacturing? (1) Could they gain lost resources**

**i.e. staff (1) etc?**

**Max marks for discussion 8**

**+ 2 for heading**

**+ 1 for advice**

**Overall max 11 marks**

- 4 (f) Explain **two** non-financial issues that may be raised during the radio programme.

**Discussion of social accounting factors**

**Unemployment of manufacturing personnel (1) and effect on families (1). But acceptance of contract may create a few new jobs (1) and may guarantee other jobs in the business (1); non-acceptance may jeopardise whole business if competitor buys from Selbat (1) and undercuts Gwock's price (1).** **max 4 marks**

**Non-renewable resource (1) but Gwock could perhaps ensure that new trees are planted in place of each one felled (2).**

**Reputation of business (1) - could jeopardise jobs (2).**

**max 4 marks**

**Overall max 5 marks**



## QUALITY OF WRITTEN COMMUNICATION

After the candidate's script has been marked, the work should be assessed for the Quality of Written Communication, using the following criteria.

### Marks

- 0** Accounts and financial statements are unclear and poorly presented.  
There is little or no attempt to show workings or calculations.  
Descriptions and explanations lack clarity and structure.  
There is very limited use of specialist vocabulary.  
Answers may be legible but only with difficulty.  
Errors in spelling, punctuation and grammar are such that meaning is unclear.
- 1-2** There is some attempt to present accounts and financial statements in an appropriate format.  
Workings are missing or are not clearly linked to the answers.  
Descriptions and explanations are understandable but they lack a logical structure.  
There is some use of specialist vocabulary but this is not always applied appropriately.  
In most cases answers are legible, but errors in spelling, punctuation and grammar are such that meaning may be unclear.
- 3-4** Accounts and financial statements are generally well presented but there are a few errors.  
Workings are shown and there is some attempt to link them to the relevant account(s).  
Descriptions and explanations are usually clearly expressed but there are some weaknesses in the logical structure. There is a good range of specialist vocabulary which is used with facility.  
Answers are legible. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed.
- 5** Accounts and financial statements are well organised and clearly presented.  
Workings are clearly shown and easy to follow. Descriptions and explanations are clearly expressed.  
Arguments are logically structured. There is wide use of specialist vocabulary which is used relevantly and precisely.  
Answers are clearly written and legible. Spelling is accurate and the standard conventions of punctuation and grammar are followed so that meaning is clear.