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General Certificate of Education (A-level)
January 2013

Accounting ACCN1

(Specification 2120)

Unit 1: Introduction to Financial Accounting

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

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

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January 2013 **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)	In GCE specifications which require students to produce written material in English, students must: • 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. 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.

1 **Total for this question: 15 marks**

1	***(a)***	*Record the above information in Liam Fortune's cash book and the sales ledger account of Mitchell Ltd. Balance the sales ledger account of Mitchell Ltd at 30 November 2012. (9 marks)*

Dr **Cash Book** **Cr**

Date	**Details**	**Discount £**	**Bank £**	**Date**	**Details**	**Discount £**	**Bank £**
22 Nov	Mitchell	22 **(1)**	418 **(1)**	1 Nov	Balance b/d		1 245

2 marks

Sales Ledger Account
Dr **Mitchell Ltd** **Cr**

Date	**Details**	**£**	**Date**	**Details**	**£**
1 Nov	Balance b/d	440 **(1)**	12 Nov	Sales returns	55 **(1)**
3 Nov	Sales	610 **(1)**	22 Nov	Bank	418 **(1)**
			22 Nov	Discount	22 **(1)**
			30 Nov	Balance c/d	555
		1 050			1 050
1 Dec	Balance b/d	555 **(1) OF**			

Plus 1 mark for correct dates and narratives. **7 marks**

1	***(b)***	*Complete the accounting heading and the double entry for the discount on 22 November 2012.* *(2 marks)*

Dr **Discount Allowed (1)** **Cr**

Date	**Details**	**£**	**Date**	**Details**	**£**
22 Nov	Cash book	22 **(1)**			

2 marks

1	***(c)***	*Identify **two internal** stakeholders who will have an interest in the performance of Liam Fortune's business and state **one** interest each of the stakeholders would have.* *(4 marks)*

Liam/owner (1)
To assess profitability **(1)** and liquidity **(1)** and to decide whether to continue the business **(1)**. To assess the amount of drawings he may take **(1)**. To assess how the business is performing/doing **(1)**.

Employees (1)
To assess whether their jobs are safe **(1)** and that they will continue to receive their wages **(1)**. To assess prospects for promotion **(1)**. Prospects of pay rise **(1)**. (All these points could apply to managers, as managers are also employees.)

Managers (1)
To enable them to make decisions **(1)** and plan for the future **(1)**. To assess how the business is performing/doing **(1)**. To track budgets **(1)**. Monitor progress/profitability/liquidity **(1)**. (Could apply to employees, as employees include managers.)

Each stakeholder, **1 mark** for identification plus max 1 mark for the interest.

Overall max 4 marks

2 **Total for this question: 26 marks**

2	***(a)***	*Prepare an income statement for Mary Robson for the year ended 31 December 2012.*	*(16 marks)*

Mary Robson
Income statement for the year ended 31 December 2012

		£		£	
Revenue				98 490	
Cost of sales					
Opening inventory		8 470*			
Purchases	**(W1)**	36 130	**(2)**		
Carriage inwards		690			
		45 290			
Closing inventory		(7 600)*	**(1 for both)**	(37 690)	
Gross profit (must be labelled)				60 800	**(1) OF**
Add: Discount received				860	**(1)**
				61 660	
Less: expenses					
Carriage outwards	**(W2)**	1 650	**(2) OF**		
Discount allowed		1 190	**(1)**		
General expenses	**(W3)**	22 770	**(2) OF**		
Insurance	**(W4)**	2 180	**(2) OF**		
Depreciation	**(W5)**	4 560	**(3) OF**	32 350	
Profit for the year (must be labelled)				29 310	**(1) OF**

W1	Purchases	£36 550 **(1)** – £420 = £36 130 **(1) OF**
W2	Carriage outwards	£1 230 **(1)** + £420 = £1 650 **(1) OF**
W3	General expenses	£22 410 **(1)** + £360 = £22 770 **(1) OF**
W4	Insurance	£2 460 **(1)** – £280 = £2 180 **(1) OF**
W5	Depreciation	£35 960 – £360 **(1)** – £12 800 **(1)** = £22 800/5 **(1)** = £4 560

16 marks

2 ***(b)***	*Assess the extent to which a trial balance is useful in verifying the accuracy of the books of account.* *(10 marks)* *(includes 2 marks for quality of written communication)*

The trial balance only proves the arithmetical accuracy of the records **(1)** it does not prove that amounts have been posted to the correct accounts **(1)**.

Errors not revealed by the trial balance – **1** mark for identification, **1** mark for development **(Two errors required, ie 2 x 2 marks: Overall max 4 marks**).

- error of omission – where both sides of the transaction have been omitted from the records
- compensating error – where debit and credit errors cancel each other out
- error of commission – where an amount is posted to an incorrect account of the correct type
- error of principle – where an amount is posted to an incorrect class of account
- error of original entry – where an error is made transferring an amount from the source document into the book of original entry
- error of reversal – where the account that should have been debited is credited and vice versa.

Errors revealed by the trial balance – **1** mark for identification, **1** mark for development **(One error required, Overall max 2 marks).**

- transposition error – where the figures of an amount are transposed
- addition error – in the trial balance itself or in a general ledger account
- posting error – where one side of a transaction is posted to the wrong side of an account
- partial omission error – where one side of the transaction is not posted
- unequal posting error – where the debit side of the transaction does not equal the credit side.

Max 8 marks
(Includes 2 marks for quality of written communication)

Quality of Written Communication

- award 2 marks where the student makes no more than 2 spelling or grammatical errors
- award 0 marks where communication hinders understanding.

<u>**Max 2 marks**</u>

<u>**10 marks**</u>

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

3 (a) *Prepare a purchases ledger control account for the month of December 2012.* *(10 marks)*

Dr **Purchases Ledger Control Account** **Cr**

Details	**£**	**Details**	**£**
Discount received	504 **(1)**	Balance b/d	38 116 **(1)**
Bank	20 693 **(1)**	Purchases	16 334 **(1)**
Returns outwards	515 **(1)**	Dishonoured cheque	361 **(1)**
Bank	483 **(1)**	Bank discount received	19 **(1)**
Contra	144 **(1)**		
Balance c/d	32 491		
	54 830		54 830
		Balance b/d	32 491 **(1) OF**

10 marks

3 (b) *Explain why an error of commission would not affect the balancing of a purchases ledger control account.* *(2 marks)*

Transaction would have been entered in the wrong account in the purchase ledger but of the right type so individual balances would be incorrect but the total of all balances would be correct **(2 or 0)**.

2 marks

4 **Total for this question: 27 marks**

4	*Prepare a corrected balance sheet, taking into account the additional information.* *(27 marks)* *(includes 2 marks for quality of presentation)*

Henryk Sarwicki
Balance sheet at 31 December 2012 (1 for heading)

		£		£	
Non-current assets*					
Motor vehicles – cost		50 000	**(1)**		
– provision for depreciation	**W1**	(30 000)	**(2) OF**	20 000	
Current assets*					
Inventory	**W2**	31 000	**(2) OF**		
Trade receivables		12 000	**(1)**		
Prepayments		3 000	**(1)**		
Bank	**W3**	1 000	**(2) OF**		
		47 000			
Current liabilities*					
Trade payables		14 000	**(1)**		
Accruals	**W4**	4 000	**(2) OF**		
		18 000			
Net-current assets/working capital				29 000	
Non-current liabilities*					
Bank loan account (repayable 2014)				(12 000)	**(1)**
				37 000	
Capital account*					
Balance at 1 January 2012				31 000	**(1)**
Capital introduced				8 000	**(1)**
Profit for the year	**W5**			28 000	**(8) OF**
				67 000	
Deduct: drawings	**W6**			(30 000)	**(2) OF**
				37 000	

*1 mark for showing all five sub-headings (if candidate shows loan as current liability, award 1 mark if the four sub-headings shown).

Workings (figures are given in £000s)

W1 Provision for depreciation: 20 **(1)** + 10 = 30 **(1) OF**
W2 Inventory: 35 **(1)** – 4 = 31 **(1) OF**
W3 Bank: (7) **(1)** + 8 **(1)** = 1
W4 Accruals: 5 **(1)** – 1 = 4 **(1) OF**
W5 Profit for the year: 45 **(1)** – 10 **(1)** – 4 **(1)** + 1 **(1)** + 3 **(1)** – 5 **(1)** – 2 **(1)** = 28 **(1) OF**
W6 Drawings: 27 **(1)** + 3 = 30 **(1) OF**

27 marks
(includes 2 marks for quality of presentation)