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# A-LEVEL ACCOUNTING

ACCN2 Financial and Management Accounting  
Mark scheme

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2120  
June 2015

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Version 1.0 Final

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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](http://aqa.org.uk)

June 2015

ACCN2

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

You should remember that your marking standards should reflect the levels of performance of students, mainly 17 years old, writing under examination conditions.

**Positive Marking**

You should be positive in your marking, giving credit for what is there rather than being too conscious of what is not. Do not deduct marks for irrelevant or incorrect answers as students penalise themselves in terms of the time they have spent.

**Mark Range**

You should use the whole mark range available in the mark scheme. Where the student's response to a question is such that the mark scheme permits full marks to be awarded, full marks **must** be given. A perfect answer is not required. Conversely, if the student's answer does not deserve credit, then no marks should be given.

**Alternative Answers/Layout**

The answers given in the mark scheme are not exhaustive and other answers may be valid. If this occurs, examiners should refer to their Team Leader for guidance. Similarly, students may set out their 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.

<b>AO1: Knowledge and Understanding</b>	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
<b>AO2: Application</b>	Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.
<b>AO3: Analysis and Evaluation</b>	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.
<b>Quality of Written Communication (QWC)</b>	<p>In GCE specifications which require students to produce written material in English, students must:</p> <ul style="list-style-type: none"> <li>• ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear</li> <li>• select and use a form and style of writing appropriate to purpose and to complex subject matter</li> <li>• organise information clearly and coherently, using specialist vocabulary when appropriate.</li> </ul> <p>In this specification, QWC will be assessed in <b>all</b> 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)** Calculate the effect the purchase of the premises would have on Dipak's: **[8 marks]**

**Profit for the year ended 31 December 2015**

Profit for the year			
Depreciation	(400 000 x 4%)	16 000	<b>(1)</b>
Interest	(1333 x 3)	3 999	<b>(1)</b>
Reduction <b>(1)</b>		19 999	<b>(1) OF</b>

**Marker notes:**

Accept brackets as indication of reduction. Do not accept expense in place of reduction. To award the OF there must be no extraneous items eg cost/loan in profit calculation or depreciation in bank calculation.

If student includes £7200 (ie loan repayment and interest) then award 1 mark as this is total repayment and includes the interest. However, do not award the OF.

If only one item given in response and it is a correct figure as in the mark scheme and clearly negative reward maximum 3 marks eg (£16 000) would be worth 3 marks as student is losing 1 mark for including the interest. If the figure is incorrect eg the student calculates the interest incorrectly eg (£2666) but shows the reduction clearly this will be worth 2 marks: 1 for total OF and 1 for reduction.

**Bank balance during the period 30 September to 31 December 2015**

Bank balance			
Cost of premises		(400 000)	
Loan		320 000	<b>(1)</b>
Repayments	(2400 x 3)	(7 200)	<b>(1)</b>
Reduction (overdraft) <b>(1)OF**</b>		(87 200)	<b>(1) OF*</b>

\* To award the OF mark this must include (400 000).

\*\* If student omits £400 000, accept increase in bank balance

**Alternative answer**

Bank balance			
Cost of premises		(80 000)	<b>(1)</b>
Loan		(3999)	
Repayments	(1333 x 3)	(3201)	<b>(1)</b>
	(1067 x3)	(87 200)	<b>(1) OF</b>

**8 marks**

<b>1</b>	<b>(b)</b>	<p>Explain how each of the following would impact on Dipak’s position as a sole trader compared with his position as a shareholder in the private limited company.</p> <p>(i) Limited liability                  (ii) Ownership and control                  (iii) Dividend payments</p>	<b>[10 marks]</b>
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For each factor award a maximum of 2 marks for comments relating to a sole trader and 2 marks for comments relating to a limited company

**Limited liability**

<b>Sole trader</b>	<b>Private limited company</b>
If Dipak’s business fails then as a sole trader his liability is unlimited <b>(1)</b> this means that he can lose his personal possessions* <b>(1)</b> to pay the business liabilities. If for example he was unable to repay the loan <b>(1)</b> he could lose all his personal possessions.	Dipak’s liability will be limited to the amount of his initial investment <b>(1)</b> and not his personal possessions* <b>(1)</b> In this case £80 000. <b>(1)</b>
<b>Max 2 marks</b>	<b>Max 2 marks</b>

\* reward loss of personal possessions once only.

**Ownership and control**

<b>Sole trader</b>	<b>Private limited company</b>
As a sole trader he is the sole owner/(he has total control) <b>(1)</b> of his business and he makes all the decisions <b>(1)</b> .	If he converts to a private limited company he will lose control (ownership) <b>(1)</b> as he will only own 20% of the shares <b>(1)</b> . His decision may be outvoted by the other shareholders <b>(1)</b> .
<b>Max 2 marks</b>	<b>Max 2 marks</b>

**Marker notes:**

Do not reward general comments about losing control (eg ‘may’ lose control, it should be ‘will’ lose control).

20% could be expressed in different ways eg minority shareholder, less than 50%, etc, however it must relate to Dipak’s actual position eg not “he may have less than 50%” but “he will own less than 50% of the shares.

Reward the idea of making decisions only once in either case.

**Dividend payments**

<b>Sole trader</b>	<b>Private limited company</b>
As a sole trader Dipak is able to keep all the profit for himself (or dividend payments do not apply to sole trader) <b>(1)</b> and can decide how much to withdraw from the business <b>(1)</b> or how much of the profit to re-invest <b>(1)</b>	Shareholders’ will expect a return on their investment in the form of dividends <b>(1)</b> . However, dividends do not have to be paid <b>(1)</b> and can also be varied <b>(1)</b> . If dividends are paid then Dipak will only receive 20% <b>(1)</b> of them based on his shareholding This may be more beneficial for the business than having to pay interest on the loan <b>(1)</b> .
<b>Max 2 marks</b>	<b>Max 2 marks</b>

**Overall maximum 10 marks**

**2** Use items (1) to (8), shown on the opposite page, to complete the following table. You should show the correct accounting treatment for each of the items to calculate:

- a revised profit for the year
- a revised figure for net current assets.

The first item has already been completed.

**[21 marks]**

Item	Profit for the year £	Net current assets £
<b>Draft</b>	78 567	18 762
<b>1</b>	(450)	(450)
<b>2</b>	(8000) <b>(1)</b>	(8000) <b>(1)</b>
<b>3</b>	600 <b>(1)</b>	600 <b>(1)</b>
<b>4</b>	678 <b>(4) OF W1</b>	678 <b>(1) OF</b>
<b>5</b>	2000 <b>(3) OF W2</b>	0 <b>(1)</b>
<b>6</b>	1800 <b>(1)</b>	1800 <b>(1)</b>
<b>7</b>	(3720) <b>(1)</b>	(3720) <b>(1)</b>
<b>8</b>	0 <b>(1)</b>	10 000 <b>(1)</b>
<b>Revised</b>	71 475 <b>(1) OF</b>	19 670 <b>(1) OF</b>

**W1**

Provision for doubtful debts:

22 600	5%	1130	<b>(1)</b>
22 600	2%	452	<b>(1)</b>
		678	<b>(1) OF</b>

Award 3 marks for calculation of the change( eg £678)

+ 1 mark for correct treatment in adjustment of profit for the year.

+ 1 mark for correct treatment in net current assets.

**Max 5 marks**

**Marker notes:**

If students do not complete the calculation of provision for doubtful debts then award the following marks:

Profit	Net current assets	
(452) <b>(2)</b>	(452) <b>(1)</b>	Correct treatment of closing provision
452 <b>(1)</b>	452 <b>(0)</b>	Incorrect treatment of closing provision
1130 <b>(1)</b>	1130 <b>(1)</b>	Correct treatment of opening provision
(1130) <b>(1)</b>	(1130) <b>(0)</b>	incorrect treatment of opening provision

**W2**

Disposal of van

Net book value	6000	
Proceeds (24 000-16 000)	<u>8000</u>	(1)
<b>Profit on disposal</b>	<b><u>2000</u></b>	<b>(1)</b>

**Plus 1 mark for correct treatment in profit calculation eg adding to profit for the year.**

**Marker notes:**

**Where the item has no effect eg items 5 and 8 if the student leaves these blank then:**

Item 5: reward blank **(1)** in net current assets column as long as student has recorded a figure in the profit column.

Item 8: reward blank **(1)** in profit column as long as student has recorded a figure in the non-current assets column.

In each case (Item 5 and Item 8) if both columns are blank, no marks.



**3 (a)** Calculate the value of the bonus issue made on 30 September 2014.

**[2 marks]**

Bonus issue  $80\,000 \times 7/2$  (1) = £280 000 (1\*)

**Alternative answer – where students calculate the number of shares**

$80\,000 \times 5 = 400\,000 \times 7/2$  (1) =  $1\,400\,000 \div 5 = £280\,000$  (1)

**Marker note:**

\* The student's *final* answer must have a £ sign to be awarded 2 marks. An answer of 280 000 is worth 1 mark.

**2 marks**

**3 (b)** Calculate the dividend paid on 31 March 2015.

**[5 marks]**

Share value	Number of shares	Div per share	Dividend
360,000 (2)	$\times 5$ (1) = 1 800 000	$\times 6p$ (1)	= £108 000 (1) <b>OF</b>

**Alternative answer**

Share value	Number of shares	Div per share	Dividend
80 000(1)	$\times 5$ (1*) =400 000	$\times 6p$ (1**)	= £24 000
280 000(1) <b>OF</b>	$\times 5$ =1 400 000	$\times 6p$	= <u>£84 000</u>
			<u>£108 000</u> (1) <b>OF</b>

**Marker note**

\*Award mark for  $\times 5$  (or  $\div 0.2$ ) once only (but must be applied to the original shareholding and the bonus shares)

\*\*Award mark for  $\times 6p$  once only

If student only calculates dividends on original share issue eg £24 000, or on bonus issue eg £84 000 award 4 marks.

Accept answers with or without £ sign.

**5 marks**

**3 (c)** Calculate the retained earnings at 31 March 2015.

**[6 marks]**

		£	
Operating profit		128 650	
Interest	W1	(5 000)	<b>(2) OF</b>
Profit for the year		123 650	
Taxation		(25 730)	<b>(1)</b>
		97 920	
Dividends		(108 000)	<b>(1) OF</b>
Retained profit for the year		(10 080)	
Retained profit brought forward		35 640	<b>(1)</b>
		25 560	<b>(1) OF*</b>

**W1**

**Interest**

$£200\,000 \times 5\%$  **(1)** =  $£10\,000 \times 6/12$  **(1)** = £5000

**Marker notes:**

The question asks for a calculation so the presentation and labelling is not significant.

Students may deduct taxation from operating profit eg  $£128\,650 - £25\,730 = £102\,920$  Award 1 mark for this answer even if no workings shown.

\* The OF mark should not be awarded if the calculation contains extraneous items eg Debentures £200 000 or shares etc.

**6 marks**

**3 (d)** Prepare the following extracts from the balance sheet at 31 March 2015

(i) Non-current assets

(ii) Equity

**[10 marks]**

**[includes 2 marks for quality of presentation]**

**Ashes Ltd**

**Balance Sheet (Extract) at 31 March 2015**

**Non-current assets\***

	Cost/ valuation# £	Depreciation to date £	Net book value £
Premises	800000 (1)	16000 (1)	784000
Plant and equipment	85000	55000 (1)	30000
			<u>814000</u>

**Equity\***

	£	
Ordinary shares of 20p each	360 000	(1) CF
Revaluation reserve	70 000	(2) OF W1
Retained earnings	25 560	(1) OF
	<u>455 560</u>	(1) OF

**W1**

**Revaluation reserve**

	£	
Revaluation	800 000 – 450 000 =	350 000 (1)
Bonus issue		<u>(280 000)</u> (1) OF from (a)
		<u>70 000</u>

**Marker notes:**

If student provides net book value figures for non-current assets award 2 marks for premises £784 000; 1 mark for plant and equipment 30 000.

**Quality of presentation**

\*1 mark for headings: Non-Current assets (Fixed assets) **AND** Equity (Capital and reserves)

#1 mark for cost/valuation heading. If the student shows the two items separately eg

Premises at valuation

Plant and equipment at cost

Then award quality of presentation mark

**4 (a)** Tick **one** box below to show the correct gross profit mark-up.

**[1 mark]**

Gross profit mark-up %	(✓)
5	
$33\frac{1}{3}$	
50	✓
64	

**(1 mark)**

**4 (b)** Tick **one** box below to show the correct gross profit margin.

**[1 mark]**

Gross profit margin %	(✓)
5	
$33\frac{1}{3}$	✓
50	
64	

**(1 mark)**

**4 (c)** Tick **one** box below to show the correct profit in relation to revenue ratio.

**[1 mark]**

Profit in relation to revenue %	(✓)
5	✓
7.5	
$33\frac{1}{3}$	
50	

**(1 mark)**

**Marker note:**

If more than one box ticked in any answer, no marks.

**4 (d)** Assess the performance of Alistair's business in relation to liquidity. Use the ratios provided by Alistair above.

**[15 marks]**

**[includes 2 marks for quality of written communication]**

	<b>Analysis</b>	<b>Impact on liquidity</b>
	Award marks for assessment of change in ratio and not description eg improve not increase and also for quantifying the change	Award marks for assessing the impact on the liquidity of the business. students may use the term cash flow or relate it to the ability to pay rather than liquidity award this provided there is an assessment of the impact.
<b>Receivable days</b>	Receivable days have been improving (this is good) <b>(1)</b> having fallen from 60 days to 40 days/by 20 days <b>(1)</b>	Alistair is improving his liquidity position as he is collecting his debts more quickly thus <b>(1)</b> . However, his liquidity position is worse than expected as his collection period is greater than the average credit period of 30 days offered <b>(1)</b> .
	<b>Max 2 marks</b>	<b>Max 2 marks</b>
<b>Payable days</b>	Payable days are improving (this is good) <b>(1)</b> increasing from 20 to 33 days/by 13 days <b>(1)</b>	Alistair is improving his liquidity position as he is taking longer to pay his supplier <b>(1)</b> . His liquidity position has improved as his payment period is just more than the credit period allowed of 30 days <b>(1)</b> . There is possible adverse effect on liquidity if suppliers withdraw credit because of slow payment. There may be a negative impact on liquidity if Alistair loses cash discounts as a result of late payment <b>(1)</b> .
	<b>Max 2 marks</b>	<b>Max 2 marks</b>
<b>Inventory turnover</b>	Inventory turnover has worsened (is bad) <b>(1)</b> , falling from 12 times a year to 5/by 7 times <b>(1)</b> times a year.	Alistair liquidity position is worsened <b>(1)</b> as he is taking longer to sell his inventory this will mean that more money is tied up in stock <b>(1)</b> A further negative impact on liquidity would result if the decrease in inventory turnover is the result of decreasing sales <b>(1)</b> .
	<b>Max 2 marks</b>	<b>Max 2 marks</b>

<b>Comparison of receivable and payable days</b>	The receivable days are longer than the payable days <b>(1)</b> , by 7 days in 2015 <b>(1)</b> this means that Alistair is paying money to suppliers before receiving money from his customers <b>(1)</b> .	This will have an adverse effect on his liquidity <b>(1)</b> . The liquidity position will be improving as the difference between the two ratios is narrowing from 40 days to 7 days. <b>(1)</b>
	<b>Max 2 marks</b>	<b>Max 2 marks</b>

**For an overall assessment of the impact on liquidity (1)** for example, the position has improved/deteriorated or difficult to decide.

**Overall max 13 marks**

**Quality of written communication**

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