



**General Certificate of Education**

**Accounting**

**ACCN3**

**Unit 3 Further Aspects of Financial  
Accounting**

**Mark Scheme**

Specimen mark scheme for examinations in June 2010 onwards  
This mark scheme uses the new numbering system

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.

### NOTE FOR TEACHERS

Please note that this mark scheme contains very detailed information for the benefit of examiners, which is designed to guide them when deciding what are acceptable responses and what are not.

Inevitably some of this guidance for examiners recommends the acceptance of candidates' responses which are only valid in the context of this particular examination. Centres are advised that these responses should not necessarily be seen as good practice.

**Task 1****Total for this task: 15 marks**

Mary owns an electrical goods shop. Her goods are marked up by 40%. She was unable to value her inventory stock at the financial year-end on 31 December 2006. However, she was able to take stock on 8 January 2007 and she valued it at £14 569.

In the period 1 January – 8 January 2007 the following transactions took place.

	£
Sales	2 429
Purchases	1 320
Sales returns	350
Purchases returns	56
Goods for own use (valued at selling price)	84
Goods stolen on 7 January 2007 (valued at selling price)	322

**0 1** Calculate the value of inventory (stock) at 31 December 2006.

	£
<b>stock at 8 January</b>	<b>14 569</b>
<b>Add sales</b>	<b>1 735 (2)</b>
<b>Less purchases</b>	<b>(1 320) (1)</b>
<b>Less sales returns</b>	<b>(250) (2)</b>
<b>Add purchases returns</b>	<b>56 (1)</b>
<b>Add drawings</b>	<b>60 (2)</b>
<b>Add stolen goods</b>	<b>230 (2)</b>
	<b><u>15 080</u></b>

**max 10 marks**

Mary had estimated her stock value at 31 December 2006 at £12 000. She used this figure to calculate her gross profit at £168 530.

**0 2** Calculate the gross profit.

**£ 168 530 (1) + £3 080 (3 OF) = £171 610 (1)**

**W1 £15 080 (1)**  
**(£12 000) (1)**  
**£3 080 (1)**

**5 marks**





**Task 3****Total for this task: 25 marks**

Ibrahim, Joan and Kelly are in partnership; they share profits and losses in the ratio 3:2:1 respectively. The partnership balance sheet at 28 February 2007 is shown below.

**Balance sheet at 28 February 2007**

	£	£	£
<b>Fixed assets</b> at net book value		123 000	
<b>Current assets</b>			
Stock		12 560	
Trade debtors		<u>7 890</u>	
		20 450	
<b>Current liabilities</b>			
Trade creditors	6 750		
Bank overdraft	<u>4 590</u>	<u>11 340</u>	9 110
			<u>132 110</u>
<b>Loan – Joan</b>			<u>15 000</u>
			<u>117 110</u>
<b>Capital accounts</b>			
Ibrahim			45 000
Joan			30 000
Kelly			<u>35 000</u>
			110 000
<b>Current accounts</b>			
Ibrahim		3 278	
Joan		(1 532)	
Kelly		<u>5 364</u>	7 110
			<u>117 110</u>

The partners had been in dispute for the past year about the direction the business should take. As a result, Joan retired from the partnership at the close of business on 28 February 2007 taking all monies due to her.

The partners agreed the fixed assets be valued at £120 000 and that goodwill be valued at £75 000.

Ibrahim and Kelly are to continue in the partnership sharing profits and losses in the ratio 3:2 respectively. They further agreed that goodwill should not be shown in future balance sheets.

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**REQUIRED**

**0 4** Prepare detailed partners' capital accounts at the close of business on 28 February 2007.

**Capital accounts**

	I	J	K		I	J	K
Current account		1 532 (1)		Balances b/d	45 000*	30 000*	35 000* (1 all)
Bank		52 468 (1)					
Goodwill	45 000 (1)		30 000 (1)	Revaluation	36 000 (1)	24 000 (1)	12 000 (1)
Balances c/d	<u>36 000*</u>		<u>17 000 (1)*</u>		<u>81 000</u>	<u>54 000</u>	<u>47 000</u>
	<u>81 000</u>	<u>54 000</u>	<u>47 000</u>	Balances b/d	36 000*		17 000 (1)*

(1 both \* balances)

**10 marks**

**Quality of presentation (QWC)**

For columnar layout of capital accounts with balances brought down (1).

For the bank account clearly laid out using a double entry format (1).

**2 marks**

**Overall max 12 marks**

**REQUIRED**

**0 5** Calculate the balance of the new partnership bank account on 1 March 2007.

DR	Bank Account	Cr
	Balance b/d	4 590 (1)
	Joan – loan account	15 000 (1)
	Joan – capital account	52 468 (10F)

**3 marks**



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Joan intends to set up in business at the start of September 2007. She will need £150 000 start up capital. She is considering a variety of methods of raising finance.

**REQUIRED**

**0 6** Discuss which of the methods of raising finance is the best for Joan to adopt. Justify your choice.

**Up to six marks for a justified conclusion clearly based on analysis and evaluation of the method chosen and the alternatives to it. max 6 marks**

**Up to 4 marks for specific information about the method chosen, perhaps including an analysis of the situation. max 4 marks**

**Overall max 8 marks**

**Analysis of the situation:**

Joan needs approximately £80 000 (1 OF) of, probably, long term finance (1) so an overdraft is not appropriate (1). Initially, internally generated funds will not be available (1) as it is a new business.

**The alternative methods include:**

**Long term bank loan – will require**

collateral (1) risk of losing this (1)  
repayment of capital sum either at term end or in instalments (1)  
loan will need to be serviced (1)  
long term available (1)  
bank may dictate business policies (1)  
other valid comments to be rewarded.

**Mortgage -** at the moment there are no business assets to mortgage (1)  
mortgage on family home puts it at risk (1) if repayments cannot be met (1)  
probably lower rate of interest than bank loan (1)  
long term available (1)  
other valid comments to be rewarded.

**Incorporate the business**

**Issue ordinary shares-** no set repayment date (1) but could buy back in future (1)  
variable dividend (1)  
loss of some control (1)  
could involve others with varied skills and knowledge (1)  
could raise more capital in the future (1)  
other valid documents to be rewarded

**Issue preference shares – no set repayment date (1)**

set dividend (1) if profits are available (1)  
less loss of control than if ordinary shares are issued (1)  
other valid comments to be rewarded.

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**Issue debentures – set repayment date (1)**  
**set interest rate (1) that must be paid whether business is**  
**profitable or not (1) can cause liquidation of business (1) so riskiest**  
**of “company” alternatives (1)**  
**other valid comments to be rewarded.**

**Quality of written communication (QWC)**  
**For a discussion logically argued (1) and using good English (spelling, punctuation,**  
**grammar) (1)**

**2 marks**  
**Overall max 10 marks**

**Task 4**

**Total for this task: 28 marks**

The directors of Halls-Krosby plc have prepared the internal draft income statement (profit and loss) account for the year ended 31 March 2007. The company auditors have brought the following matters to the directors' attention. The auditors believe that the way the matters have been treated may not conform to existing accounting standards.

- (1) The company continues to grow by over 20% per year and the directors believe that goodwill should be included as an intangible fixed asset at a value of £7.5 million.
- (2) Some damaged inventory (stock) has been included in the final accounts at a value of £160 000 because a regular customer has indicated that he will purchase the stock at selling price less 20%. When perfect, this type of stock could be sold for £200 000. The stock originally cost £100 000.
- (3) A piece of machinery that had cost £240 000 several years ago has recently had a major overhaul costing £85 000. The machinery has a written down value of £120 000. The engineering company that undertook the overhaul guarantees that the machine is now “as good as new”. The directors have included the asset on the company balance sheet at £205 000.

**REQUIRED**

**0 7** Identify the relevant accounting standard to be applied to each of items (1), (2) and (3) and explain their treatment in the company's final accounts.

- (1) **IAS 38 (1) Do not include because it is internally generated (1)**
- (2) **IAS 2 (1) Include at £100 000; should be valued at the lower of cost or net realisable value (1)**
- (3) **IAS 16 (1) Acceptable because the work has restored the economic benefits of the machinery (1)**

**6 marks**



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Preference dividends should be subtracted (1) under the financing activities heading (1).

Ordinary dividends should be subtracted under the financing activities heading (1).

Receipt of share premium money is part of an ordinary share issue and should be included under the financing activities heading (1).

max 6 marks

- 
- |          |          |
|----------|----------|
| <b>1</b> | <b>0</b> |
|----------|----------|
- Discuss **three** duties that the directors of a public limited company must consider when they prepare the annual financial statements for publication. In your discussion, explain the relevance of those duties to stakeholders of the company

**It is the duty of the directors to consider the following problems when preparing the financial statements.**

- **The application of accounting standards – have they been adhered to? If not, how will the accounts be affected when the standards are applied.**
- **Have the requirements of the Company’s Acts been implemented as well as the stock exchange requirements?**
- **Has the confidentiality aspect of the company’s activities been preserved to protect the company from its competitors and likely predators?**
- **Has all the necessary information been obtained from branches and/or subsidiaries and have they been incorporated into the accounts?**
- **Has the influence of all stakeholders been taken into account when preparing the published accounts?**
- **Have all due processes been accomplished in the time stipulated by the various constraining influences?**
- **Has the “non-statutory” information of the financial statements been cost effective in the likely reception of that information?**

**Any three duties discussed. One mark for identifying the problems and up to three further marks for a discussion leading to a balanced conclusion** **3 x 4 marks**

**Overall max 12 marks**