

## Teacher Resource Bank

GCE Accounting

Candidate Exemplar Work:

- Sample Scripts and Commentaries

Unit: ACCN2



## ACCN 2: SAMPLE ANSWERS AND COMMENTARIES

Below are extracts from candidates' scripts which provide answers to the second specimen ACCN2 question paper. There follows, after each question and sample answers, some commentaries which offer some guidance as to where candidates have scored marks as well as areas of improvement.

### Question 2(a) and 2(b) – (ACCN2 Sample Question Paper)

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.

### Candidate A

REQUIRED		
(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 marks)
	<i>Workings</i> ..... sell - repair = £31 - £15 = £16	3
	..... £16 < £18	
	.....	
(b)	Complete the following sentences.	
	Stock should be valued at ..... the lower cost	3
	or ..... net realisable value ..... whichever is lower.	
	This is an example of using the ..... prudence ..... concept.	(3 marks)

**Candidate B**

**REQUIRED**

(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 marks)

Workings ..... 31 - 15 = 16 .....

16 < 18 so lowest value .....

.....

(b) Complete the following sentences.

Stock should be valued at ..... cost Net Realisable value .....

or ..... cost (original purchase price) ..... whichever is lower. ....

This is an example of using the ..... prudence ..... concept. (3 marks)

3

3

6

**Commentary**

Candidate A: 6/6 marks  
 Candidate B: 6/6 marks

This question tests understanding of the application of the prudence concept to stock valuation.

The answers from candidates A and B are good examples of clear workings that include some annotation ensuring they are clear and easy to follow.

**Question 2(c) – (ACCN2 Sample Question Paper)**

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.

**Candidate A****REQUIRED**

- (a) Calculate the profit or loss on disposal of the van.

€ 1,000 (Loss)

(4 marks)

Workings  $18,000 \times 20\% = \pounds 3,600$   
 $3,600 \times 4 = \pounds 14,400$   
 $18,000 - 14,400 = \pounds 3,600$   
 $\underset{2}{3,600} - \underset{1}{3,500} = \pounds 1,000 \text{ (loss)}$

3**Candidate B****REQUIRED**

- (a) Calculate the profit or loss on disposal of the van.

~~All Depreciation for 4 years = 18000 x 20% x 4 = £14400~~

~~14400 - 3500 = 10900~~ A loss of £100 // 4

(4 marks)

Workings Depreciation for 4 years = 18000 x 20% x 4 = £14400  
 Cost - depreciation = 18000 - 14400 = £3600  
 3600 - 3500 = £100 ← Net value - £ money received  
 ∴ a loss of £100 //

4

## Commentary

Candidate A: 3/4 marks

Candidate B: 4/4 marks

This question requires candidates to calculate straight-line depreciation and profit/loss on disposal.

Candidate A

The answer given is an example from a candidate who clearly knows what they are doing and has shown clear workings, but failed to check the final calculation.

Candidate B

The answer is a good example of clear annotated workings.

**Question 3 – (ACCN2 Sample Question Paper)**

Mobley-Mad Ltd sells mobile phones.

The following information is available for the last two years.

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

**Candidate A**

**REQUIRED**

- (a) Calculate the rate of stock turnover for the year ended 31 March 2005. State the formula used.

Formula Rate of Stock Turnover =  $\frac{\text{Average Stock}}{\text{COGS}} \times 365$

Stock turnover 27.5 days

Workings

$14\,000 + 8\,000 = \pounds 22,000 \div 2 = \pounds 11,000$

o/s 14,000

purchases 140000

c/s 8000

COGS 146000

$\frac{11,000}{146000} = 27.5 \text{ days}$

146000

(5 marks)

- (b) Calculate the gross profit for the year ended 31 March 2005.

Sales

Cost of goods sold

opening stock

purchases

closing stock

COGS

Gross profit

310,000

14,000

14,000

8,000

146,000

3

£164,000

(3 marks)

151

3

**Candidate A (cont.)**

(c) Calculate the gross profit margin for the year ended 31 March 2005. State the formula used.

Formula  $\frac{\text{Gross Profit}}{\text{Sales}} \times 100$

Gross profit margin

Workings  $\frac{£1640,000}{310000} \times 100 = 52.90\%$

4

4

(4 marks)

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

Limitation 1 Ratios are give restricted information. It doesn't gives you ~~for~~ reasons as to why a ratio is increasing/decreasing from one year to the next.

5

Limitation 2 Ratio analysis focuses too much on financial information. It doesn't take into account non financial information such as product life cycle, loyalty of consumers

Limitation 3 Ratios are prepared from the final accounts. Assets and liabilities (working capital) change from one day to the next. For ratios to be successful it needs to be compared over other years a long period of time.

(9 marks)

18  
21

**Candidate B**

**REQUIRED**

- (a) Calculate the rate of stock turnover for the year ended 31 March 2005. State the formula used.

Formula .....  $\frac{\text{Average Stock}}{\text{Cost of Sales}} \times 365$  |

Stock turnover ..... 55 days |

Workings .....  $14000 + 8000 = 22000 = 11,000$  |

14000 |

140000 |  $\frac{11,000}{22,000} \times 365 = 182.8 \text{ days}$  |

(8000) | 146,000 |

146,000 |

(5 marks)

- b) Calculate the gross profit for the year ended 31 March 2005.

..... 310,000 |

..... -146,000 |

..... 164,000 |

5

3



**Candidate B (cont.)**

(c) Calculate the gross profit margin for the year ended 31 March 2005. State the formula used.

Formula .....  $\frac{\text{gross profit} \times 100}{\text{Sales}}$

Gross profit margin ..... 52.9% 4

Workings .....  $\frac{164,000 \times 100}{310,000} = 52.9$

(4 marks)

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

Limitation 1 If the data used is unreliable or wrong then the ratios will not give the true figure. Also it only shows ~~data~~ data for that particular day in this case 31 March 2005, the next day they may sell <sup>1,000,000</sup> ~~a~~ mobile phones for eg.

Limitation 2 Ratios are based on past terms, doesn't take into fact the future, only use past data so they can not be used for predictions.

Limitation 3 Doesn't take in account ethical issues, only numbers. For example the effect of redundancy on the ~~company~~ community, or the company it self, the communication links, motivation of staff, quality of product

(9 marks)

~~or~~ debtor is going to pay their debt the next day which was a large sum, or if creditors were just paid off.

4

5

15  
21  
17

## Commentary

Candidate A: 18/21

Candidate B: 17/21

This question requires candidates to be able to select appropriate information and use this to calculate two ratios and gross profit. Candidates are then asked to explain the ratios (in the sample Question Paper for ACCN 2) (NB this was not included in the original question). They should be able to explain the ratio in general and also the one they calculated. In part (d) (in the scripts shown here), candidates are asked to explain three limitations of ratio analysis.

### **Candidate A**

#### Answer (a)

Full marks were gained by this candidate. Clear workings are shown and linked to the answer.

#### Answer (b)

Again this candidate gained full marks. The question asks for a calculation, but using the trading account is sensible.

#### Answer (c)

Again full marks were scored; the candidate has clear and easy to follow workings.

#### Answer (d)

The candidate clearly knows three limitations and has shown some development, earning two marks, but failed to gain full marks because they have not fully explained or used examples from the question.

### **Candidate B**

#### Answer (a)/(b)/(c)

As above (for Candidate A).

#### Answer (d)

Candidate knows the limitations but is unable to develop or give relevant examples. This candidate should have tried to use some examples from the question.