

Teacher Resource Bank

GCE Accounting

Candidate Exemplar Work:

ACCN3 Sample Scripts and Commentaries



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Dr Michael Cresswell, Director General.

ACCN 3 Sample Answers and Commentaries

Introduction

Below are candidates' answers to selected questions from the second Specimen Question Paper for ACCN3*. They have been marked in accordance with the second Specimen Mark Scheme for ACCN3 ** document.

The answers have been selected to reflect a range of attainment and for each a commentary has been produced by an experienced examiner, to offer some guidance as to where candidates have scored marks as well as areas of improvement.

^{*}This document does **not** contain complete question papers, only selected sample questions.

^{**}A copy of the corresponding mark scheme can be found under 2009 Additional Specimen Papers via the following link: pp59-71: http://www.aqa.org.uk/qual/gce/accounting_trb_new.php

Question 1 ACCN3 (Second Specimen Question Paper)

Total for this question: 9 marks

1

Denise Watson sells one type of agricultural machine, a mini-baler. She provides the following information for April 2008.

Denise had 2 mini-balers in stock at 1 April 2008. They cost £1200 each.

Date	Purchases	Sales
1 April	3@ £1200	
2 April		4@ £2900
7 April	4@ £1350	
17 April		4@ £3000
21 April	8@ £1400	
24 April		7@ £3000

Total purchases for the month: £20 200 Total sales for the month: £44 600

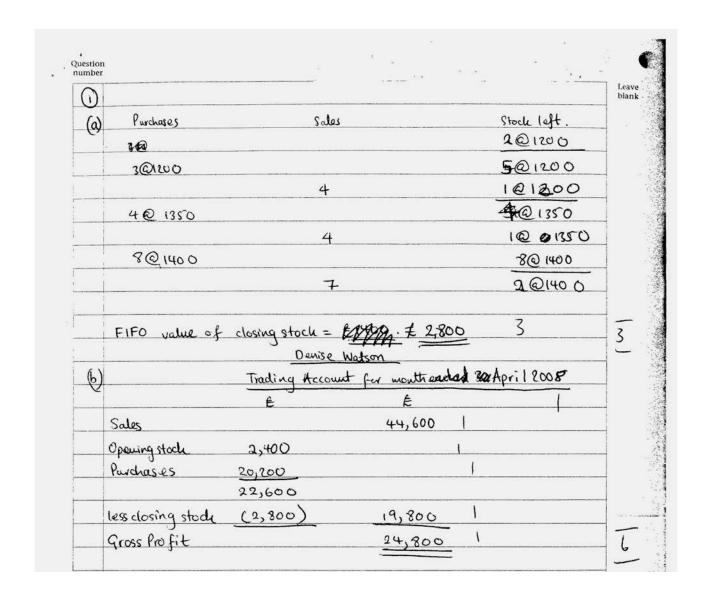
Denise has calculated her gross profit to be £24 782, using the weighted average cost method (AVCO) of valuing her stock.

She sells her mini-balers in the order in which she purchases them. For this reason, she believes she should change her method of valuing stock to the first in first out method (FIFO).

REQUIRED

- 1 (a) Prepare a trading account for the month of April 2008 using the FIFO method of valuing stock. (3 marks)
- 1 (b) Discuss **one** advantage and **one** disadvantage of using the weighted average cost method (AVCO) of valuing stock. Advise whether she should change her method of valuing stock. (6 marks)

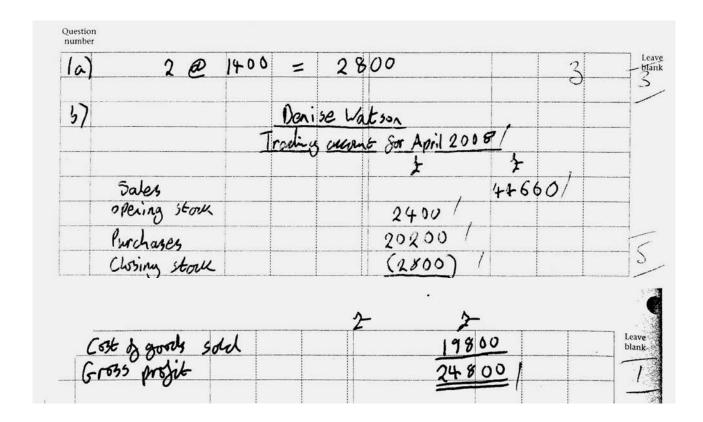
Candidate A



Candidate B

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1 April	5@1200		+6000				8*
3 April		40	E1200				100
7 April	4@1350	160 (200	£6600				
17 April	i	4 36 350	£1350				= 7
21 April	8@1400	16,350	E12550				
24 April		7 6@1400	£2800	(20)	400)		
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Candidate C



Candidate D

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Commentary: Candidates A - D

Candidate A

- 1a) 3/3 marks
- 1b) 6/6 marks
- 1(a) This is an excellent answer scoring full marks

However, the candidate used a perpetual calculation in part (a) which did, and always will, give the correct answer.

However, using a perpetual calculation:

- (i) is time consuming and
- (ii) because of its complexity, may result in more arithmetic errors.

A periodic calculation is to be preferred when using the first in first out (FIFO) method.

1(b) This answer is clear and well laid out.

Candidate B:

- 1a) 3/3 marks
- 1b) 5/6 marks
- 1(a) The correct valuation was given but time was wasted using a periodic method of valuation.
- 1(b) A mark was thrown away in the heading by using 'a/c' instead of writing it in full eg 'Trading account...'. Otherwise this was a good, clear, accurate trading account.

Candidate C:

- 1a) 3/3 marks
- 1b) 6/6 marks
- 1(a) This is a perfect answer. The candidate used a periodic calculation quick and accurate.
- 1(b) A good, neat, accurate answer.

Candidate D:

- 1a) 3/3 marks
- 1b) 5/6 marks
- 1(a) The candidate has produced the correct answer, but a perpetual method of calculation has been used.
- 1(b) The heading did not score a mark. The candidate carelessly used '...the year...' when in fact the trading account was for a month. Also the date had been abbreviated. Dates should always be written in full i.e. 30 April 2008.

Question 4 ACCN3 (Second Specimen Question Paper)

Total for this question: 37 marks

4

The balance sheet of JMC plc for the year ended 31 December 2007, together with comparative figures for 2006, is shown below.

JMC plc		
Balance Sheet at 31 December	2007 £000	2006 £000
Fixed assets (Note 1)	7233	5602
Current assets		
Stock	858	988
Debtors	935	888
Cash in hand	112	32
	1905	1908
Creditors: amounts falling due within one year		
Trade creditors	675	452
Taxation	20	60
Proposed dividend	100	175
	795	687
Net current assets	1110	1221
Total assets less current liabilities	8343	6823
Creditors: amounts falling due after more than one year		
Loans	213	413
Net assets	8130	6410
Capital and reserves		
Called-up share capital	6000	4410
Share premium account	771	441
Revaluation reserve	1074	1074
Profit and loss account	285	485
	8130	6410

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Tangible fixed assets	£000
Cost	
At 1 January 2007	6523
Additions	2396
Disposals	(665)
At 31 December 2007	8254
Depreciation	
At 1 January 2007	921
Charge for the year	165
Disposals	(65)
At 31 December 2007	1021
Net book value	
At 1 January 2007	5602
At 31 December 2007	7233

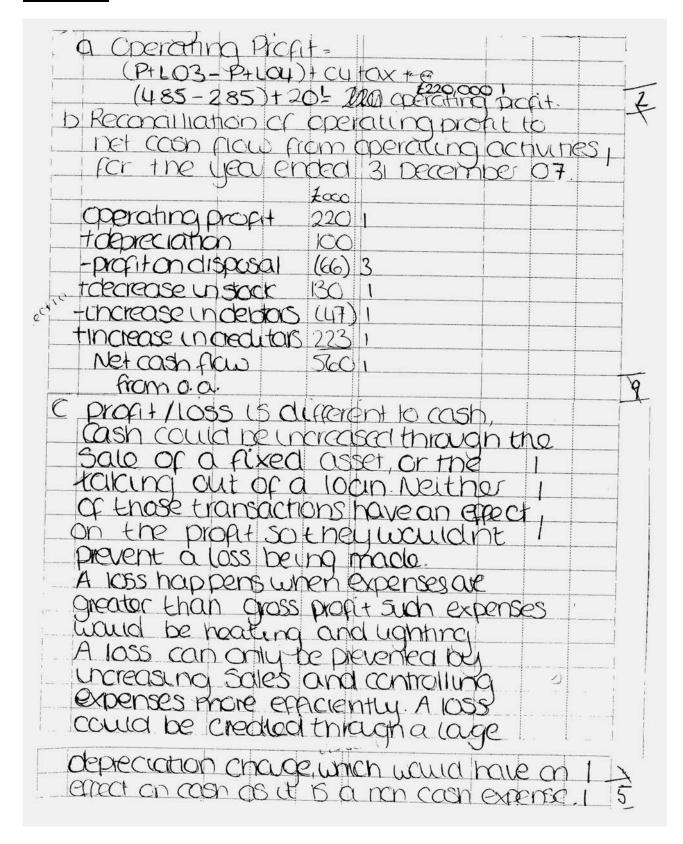
Additional information

The proceeds from the sale of fixed assets in 2007 were £666 000.

REQUIRED

- **4** (a) Calculate the operating profit for the year ended 31 December 2007. (5 marks) (for quality of presentation: plus 2 marks)
- **4** (b) Prepare the reconciliation of operating profit to the net cash flow from operating activities for the year ended 31 December 2007. (10 marks)
- **4** (c) Explain how a company can make a loss but still have an increase in cash. (10 marks)
- **4** (d) Discuss the extent to which cash is more significant for business survival than profit. (10 marks)

Candidate A



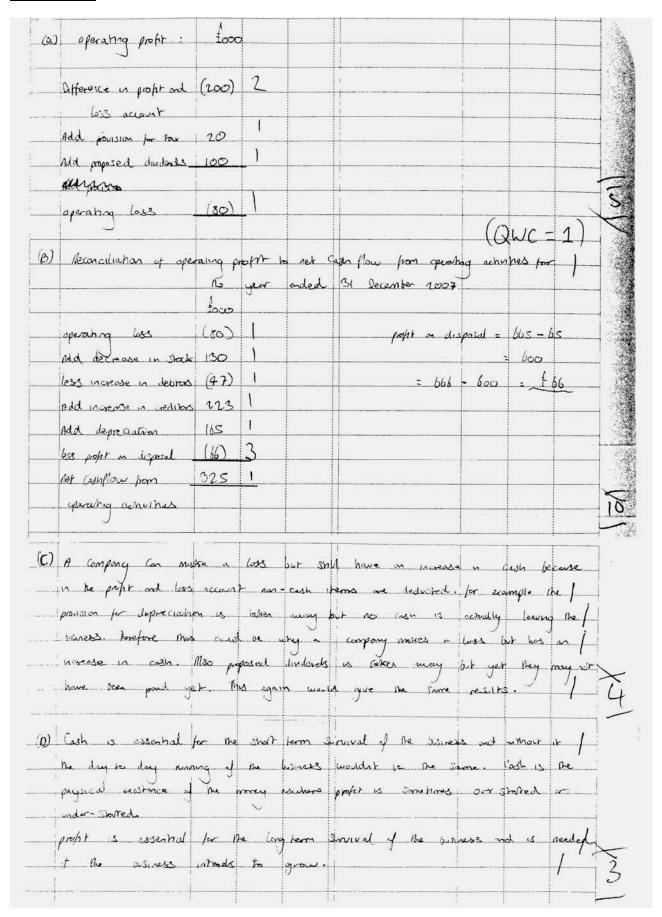
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Candidate B

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	Stock						130	1	
	Debturs				***************************************		(47)	1	
-	Trade reditors					ļ	223	1	
-	Depuediation					*	100		
- -	Profit on sales	y fixed asse	k				(66)	3	
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	stocks are a		d						
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	into the busin	U ₁				J			
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To some extend cash is more significant for business survival
than prohit
- For example the company night need profit to each to pay
their long term or shout term debts (depenture, loan, bond
 and dividend for snauholder.
If the business inches probt but do not have cash to pay
their debt they may also get bank xupt.
In case that the tusiness have to buy new assets or
press their fixed asset they will need cosh tother than
pioh+
It the business has each they can invest in other 1
activities to raise their finance.
Cash can increase up to time while profit can not
However if the business makes loss they might not be able ,
to attact investors and their creditors will not allow them to
be aduced for long team, profit is more important but in short -
term cash is necessary.

Candidate C



Candidate D

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(200) 2	120	=x	
	JMC PLC		
Reconciliation of operation for the year of	ing profit to retace	sh faw from one	cating cartiaties
For the year	ended 31-12-200	7 (090)	ant (ago)
operating prof!			1 (80)
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tosserveterate			
Less position sale of -	fixed aust		3 (66)
add stock			1 130
less: debtors			1 (47)
add: creditors			1 223
not can flow from	operating activation	°A .	1325
Profit is needed for la	glern sirvivaly	twever rouh.	5
need for both long to	um and short ler	n surjuel-	4
Sale of food fixet	and Causel a	manpulation)	5
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debts or god oroffer a	cr incentive topa	y them quick	er.
This will bring money	cashin but as	entabled the	1 1-

(d) Cash is not only need for the long term budalso for the short term as for eg. bills and expases would have to be paid up and if they are not paid then the pason or company can be sent and liquidate so a harthy cast flow and back account is vite! for any business. Profit is the long term ain, a company can will expect to make a loss in the short lean but not in the largeterm as the main aim of a busies is to make a profit and get a retur There are also other factors that he need to be taken which cone under social accounting as they might benefit the community by praiding jobs etc or are charity organization without the intention to make a profit but they will need touch account on contract of the

Commentary: Candidates A - D

Candidate A

4a) 2/5 (QWC = 0)

4b) 9/10

4c) 5/10

4d) 10/10

4a) The candidate miscalculated the retained loss for the year as a profit. The correct adjustment for tax was made.

The candidate did not use any headings or labels and there was no clear layout, therefore, 0 marks were awarded for QWC.

- 4b) A good attempt was made of preparing the reconciliation. The layout was neat and mostly accurate. The only error was that the difference between the depreciation charge for the year and the depreciation relating to disposals was used rather than the actual charge.
- 4c) The candidate gave a couple of good examples of capital receipts as transactions affecting cash but not profits, but failed to identify other transactions that might explain the difference between cash and profits.

The effect of providing for depreciation was explained well.

Around half of the answer was irrelevant detail focusing on how a loss could be avoided.

4d) A good comprehensive answer.

Candidate B

4a) 0/5 (QWC = 0)

4b) 8/10

4c) 7/10

4d) 8/10

4a) The calculation of operating profit started with the closing profit and loss account balance. All three adjustments shown were incorrect, hence no marks were scored in this part question. There were no headings given and the layout was poor, so no marks could be awarded for presentation either.

The candidate used '07' as a heading rather than 2007. None of the figures had descriptions, therefore 0 marks were awarded for QWC.

- 4b) A reasonable attempt at the reconciliation statement was made by this candidate, however, the heading did not score as it was incomplete.
 The candidate did not use the depreciation charge for the year, but instead used the annual charge less the amount of depreciation that had been charged to the disposal.
- 4c) The candidate showed some good examples of transactions involving the differences in cash and profits.
- 4d) A good answer a little more development of each point would have made it even better.

Candidate C

- 4a) 5/5 (QWC = 1) 4b) 10/10
- 4c) 4/10
- 4d) 3/10
- 4a) and 4b) The candidate scored maximum marks for both parts of this question. The candidate showed good clear workings for the calculation of the profit on disposal. Workings are always a good insurance in case an error is made and the actual figure used in the answer is incorrect.

There was no heading but the figures had good clear descriptions. 1 mark was awarded for QWC.

The narrative parts of the question were less well done.

- 4c) The explanation of the effects that non-cash items have on the profit and loss account was vague. The candidate gave some good examples here. The answer was limited however there was no mention of capital transactions or of timing differences.
- 4d) Although the candidate recognised that cash is essential for the short-term survival of a business, there was no development to discuss the effects that a shortage could have. Only the growth aspect of the use of profits was hinted at. More development was needed.

No assessment was made.

Candidate D

- 4a) 4/5 (QWC = 0)
- 4b) 10/10
- 4c) 7/10
- 4d) 5/10
- 4a) The components to arrive at an answer were given by this candidate, but there was no answer evident. Hence the candidate could score marks for the process that was shown. Unfortunately the layout was poor and no headings were present hence no additional presentation marks could be awarded.

The equation approach does mean that generally descriptions are missing as was the case with this candidate. 0 marks were awarded for QWC.

- 4b) This, however, was a good answer scoring full marks.
- 4c) The candidate gave good examples of capital transactions and payments made by debtors. Stock valuation and depreciation policies were mentioned, but there was no discussion on how either might impact on profits and/or cash.
- 4d) A good opening paragraph followed by second and third paragraphs that were disappointing as they were not relevant to the question.