



ASSESSMENT and  
QUALIFICATIONS  
ALLIANCE

[www.PapaCambridge.com](http://www.PapaCambridge.com)

**General Certificate of Education**

**Accounting ACCN1**

**Unit 1 Introduction to Financial Accounting**

**Mark Scheme**

*2010 examination - January series*

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 amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting 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 candidates' 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.

**Where appropriate, alternative terms are shown based on International Accounting Standards (IAS) to familiarise users with changes due to take effect in June 2010.**

Further copies of this Mark Scheme are available to download from the AQA Website: [www.aqa.org.uk](http://www.aqa.org.uk)

Copyright © 2010 AQA and its licensors. All rights reserved.

#### COPYRIGHT

AQA retains the copyright on all its publications. However, registered centres for AQA are permitted to copy material from this booklet for their own internal use, with the following important exception: AQA cannot give permission to centres to photocopy any material that is acknowledged to a third party even for internal use within the centre.

Set and published by the Assessment and Qualifications Alliance.

January 2010

ACCN1

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

You should remember that your marking standards should reflect the levels of performance of candidates, 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 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.

1

Total for this question 14

The following is an extract from the cash book of Peter Daniels for November 2009.

**REQUIRED**

- 1 (a) Balance the following cash book extract at 30 November 2009 and post discounts to the appropriate accounts.

Dr				Cash book				Cr	
Date	Details	Discount £	Bank £	Date	Details	Discount £	Bank £		
26 Nov	Balance b/d		39	27 Nov	P Abdul	22	418		
27 Nov	M Turner		248	30 Nov	M Turner – Dishonoured cheque		248		
28 Nov	W Brown	8	312						
<b>30 Nov</b>	<b>Balance c/d</b>		<b>67</b>						
		<b>8</b>	<b>666</b>			<b>22</b>	<b>666</b>		
				1 Dec	Balance b/d		67		

1 mark for totalling both discount columns (with no balancing).

1 mark for correct cash book balance brought down at 1 December (date must be 1 December).

**2 marks**

Dr			Discount Allowed			Cr		
Date	Details	£	Date	Details	£			
<b>30 Nov</b>	<b>Cash book</b>	<b>8 (1)</b>						

Dr			Discount Received			Cr		
Date	Details	£	Date	Details	£			
			<b>30 Nov</b>	<b>Cash book</b>	<b>22 (1)</b>			

Date and narrative are not relevant for the award of marks

**2 marks**

The following are extracts from the day books of Peter Daniels for November 2009.

**Sales Day Book**

Date	Details	Amount £
6 Nov	M Turner	248
8 Nov	W Brown	553

**Purchases Day Book**

Date	Details	Amount £
11 Nov	P Abdul	440

**REQUIRED**

- 1 (b) Post the entries from the Sales Day Book, the Purchases Day Book and the Cash Book into the accounts below. Balance the accounts.

Dr			M Turner			Cr		
Date	Details	£	Date	Details	£			
6 Nov	Sales	248 (1)	27 Nov	Bank	248 (1)			
30 Nov	Bank	248 (1)	30 Nov	Balance c/d	248			
		<b>496</b>						<b>496</b>
1 Dec	Balance b/d	248 (1) OF						

Dr			W Brown			Cr		
Date	Details	£	Date	Details	£			
8 Nov	Sales	553 (1)	28 Nov	Bank	312 *			
			28 Nov	Discount allowed	8 *			
			30 Nov	Balance c/d	233			
		<b>553</b>						<b>553</b>
1 Dec	Balance b/d	233 (1) OF						
								* 1 mark for both

Dr			P Abdul			Cr		
Date	Details	£	Date	Details	£			
27 Nov	Bank	418 *	11 Nov	Purchases	440 (1)			
27 Nov	Discount received	22 *						
		<b>440</b>						<b>440</b>
								* 1 mark for both

1 mark for reasonable narratives for at least five entries (accept cash or bank) 10 marks

2

Total for this question: 23

The cash book of Yasmin Bukera shows a bank overdraft of £8292 at 30 November 2009. The balance shown on the bank statement at that date does not agree with the balance shown in the cash book.

The following points are discovered.

- (1) A direct debit payment of £242 on 26 November 2009 has not yet been entered in the cash book.
- (2) A cheque payment of £1500 on 28 November 2009 for rent has been entered in the cash book but has not yet been presented to the bank.
- (3) On 30 November 2009, the bank credited the account with interest of £56. This amount has not been entered in the cash book.
- (4) A cheque received for a rates refund of £45 on 29 November 2009 has been paid into the bank and entered in the cash book. The transaction is not shown on the bank statement.
- (5) A cheque paid on 26 November 2009 appears on the bank statement as £515 but has been entered in the cash book as £551.

### REQUIRED

- 2 (a) Make the necessary entries in the cash book of Yasmin Bukera and show the updated balance at 30 November 2009. Dates are **not** required.

Dr		Cash Book		Cr	
Details	£		Details	£	
Bank interest	56	(1)	Balance b/d	8 292	(1)
Repairs adjustment	36	(2)	Direct debit	242	(1)
Balance c/d	8 442				
	8 534			8 534	
			Balance b/d	8 442	(1) OF

\* Allow 551 Dr and 515 Cr (2)

**6 marks**

- 2 (b) Prepare a bank reconciliation statement for Yasmin Bukera that clearly shows the balance on the bank statement at 30 November 2009.

<b>Yasmin Bukera</b>		
<b>Bank reconciliation statement at 30 November 2009</b>		
Balance per cash book	( 8 442)	(10F)
Add: Unpresented cheques	1 500	(1)
Less: Outstanding lodgements	<u>(45)</u>	(1)
Balance per bank statement (1)	<u>(6 987)</u>	(10F)

5 marks

Alternative:

<b>Yasmin Bukera</b>		
<b>Bank reconciliation statement at 30 November 2009</b>		
Balance per bank statement (1)	( 6 987)	(10F)
Less: Unpresented cheques	(1 500)	(1)
Add: Outstanding lodgements	<u>45</u>	(1)
Balance per cash book	<u>(8 442)</u>	(10F)

5 marks

- 2 (c) Explain why Yasmin Bukera's bank may require a copy of her year-end financial statements.

**Yasmin Bukera's bank account is overdrawn (1). The bank is a stakeholder (1) and will wish to consider her profitability (1) and liquidity (1) and thus ensure that their investment is safe (1) from the perspective of the repayment of capital (1) and the payment of interest (1). Provide evidence to support application for a bank loan (1). So the bank can provide advice (1) on improving the financial management of the business (1).**

max 4 marks

- 2 (d) Write a memorandum to Yasmin Bukera explaining **three** reasons why it is important to prepare bank reconciliation statements.

### Memorandum

To: Yasmin Bukera

From: A Student

Date: Date of examination

Subject: Importance of preparing regular bank reconciliation statements

- Enables missing entries in the cash book to be accounted for (1), preventing errors in the financial statements (1).
- Enables errors in the cash book to be corrected (1), preventing errors in the financial statements (1).
- Enables errors on the bank statement to be investigated (1) and notified to the bank for correction (1).
- Enables out-of-date cheques to be identified (1) and cancelled in the cash book (1).
- Acts as a deterrent to fraud (1) due to the bank statement being an independent accounting record prepared by the bank (1).

1 mark for identification, 1 mark for development (max 2 marks for each point): max 6 marks

### QWC

For quality of written communication

For using good English, spelling, punctuation and grammar: plus 1 mark

For memo headings: plus 1 mark

Overall max 8 marks



3

Total for this question: 22 marks

Andrew Hill sells cameras. The following balances have been extracted from the books of account at 31 December 2009.

	£
Balance at bank	2 120
Capital Account at 1 January 2009	20 650
Carriage Inwards	2 040
Discounts allowed	710
Discounts received	1 220
Drawings	16 650
General expenses	5 860
Motor vehicle - at cost	18 600
- provision for depreciation at 1 January 2009	9 000
Purchases	49 830
Rent and rates	8 440
Returns inwards	620
Returns outwards	1 180
Sales	96 410
Stock (Inventory) at 1 January 2009	28 220
Telephone expenses	1 060
Trade creditors (payables)	5 690

#### Additional information

- (1) Stock (Inventory) at 31 December 2009 is valued at £22 400.
- (2) The motor vehicle is to be depreciated using the straight line method of over five years. The estimated residual value of the motor vehicle at the end of the fifth year is £3600.
- (3) Rent unpaid at 31 December 2009 amounted to £80.
- (4) Annual rates are £720. At 31 December 2009, three months have been paid in advance.

#### REQUIRED

- 3 Prepare a trading and profit and loss account (income statement) for Andrew Hill for the year ended 31 December 2009, on page 9.

3

**Andrew Hill: Trading and Profit and Loss Account (income statement) for the year ended 31 December 2009**

	£		£
Sales			96 410 (1)
Returns inwards			<u>(620) (1)</u>
			95 790
Cost of sales*			
Opening stock (inventory)	28 220	(1)	
Purchases	49 830	(1)	
Carriage inwards	2 040	(1)	
Returns outwards	<u>(1 180)</u>	(1)	
	78 910		
Closing stock (inventory)	<u>(22 400)</u>	(1)	<u>56 510</u>
Gross profit*			39 280 (1OF)
Add: Discounts received			<u>1 220 (1)</u>
			40 500
Less: Expenses			
Depreciation ((18 600 – 3 600) (1) / 5 (1))	3 000	(3OF)	
Discounts allowed	710	(1)	
Rent and rates (8440 (1) – 180 (2) + 80 (1))	8 340	(5OF)	
General expenses	5 860	(1)	
Telephone charges	<u>1 060</u>	(1)	<u>18 970</u>
Net profit (profit) for the year*			<u>21 530 (1OF)</u>

21 marks

QWC

\* For quality of presentation: for correct labelling (in full) of cost of sales, gross profit and profit: plus 1 mark

Overall 22 marks

4

Total for this question: 21 marks

Patsy Burns has prepared the following balance sheet for her business. It contains errors and the totals do not agree.

**Patsy Burns**  
**Balance Sheet for the year ended 31 December 2009**

	£000	£000
<b>Fixed (Non-current) assets</b>		
Premises at cost	140	
Machinery at cost	<u>80</u>	220
<b>Current assets</b>		
Stock (Inventory)	35	
Drawings	32	
Bank overdraft	<u>19</u>	
	<u>86</u>	
<b>Current liabilities</b>		
Trade creditors (payables) and accrued expenses	31	
Trade debtors (receivables)	15	
Prepaid expenses	5	
Machinery - provision for depreciation	<u>50</u>	
	<u>101</u>	
<b>Net current assets</b>		<u>(15)</u>
		<u>205</u>
<b>Capital</b>		
Balance at 1 January 2009		116
Mortgage on premises (repayable 2018)		55
Net profit for the year		<u>36</u>
		<u>207</u>

**Additional information not yet recorded in the books of account.**

- (1) £5000 rent owed by Patsy.
- (2) A trade debtor paid £3000 on 31 December 2009.
- (3) A bad debt of £2000 is to be written off at 31 December 2009.

**REQUIRED**

- 4 (a) Prepare a corrected balance sheet, on page 11, taking account of the additional information.

**Patsy Burns**  
**Balance sheet at 31 December 2009 (1)**

	£000's	£000's
<b><u>Fixed (Non-current) Assets</u></b>		
Premises at cost		140
Machinery at cost	80	
Machinery provision for depreciation	<u>(50)</u>	<u>30</u> (1)
		170 (10F)
<b><u>Current Assets</u></b>		
Inventory (Stock)	35	
Trade receivables (debtors)	(W1) 10 (3)	
Prepaid expenses	5 (1)	
	<u>50</u> (10F)	
<b><u>Current Liabilities</u></b>		
Bank overdraft	(W2) (16) (2)	
Trade payables (creditors) and accrued expenses	(W3) <u>(36)</u> (1)	
	<u>(52)</u> (10F)	
Net current liabilities/working capital		<u>(2)</u>
		168
<b><u>Long term liabilities (Non-current liabilities)</u></b>		
Mortgage on premises (repayable 2018)		<u>(55)</u> (1)
		<u>113</u>
<b><u>Capital</u></b>		
Balance at 1 January 2009		116
Net profit (profit) for the year	(W4)	<u>29</u> (2)
		145
Drawings		<u>(32)</u> (1)
		<u>113</u>

W1 Trade receivables (debtors)  $15 (1) - 3 (1) - 2 (1) = 10$

W2 Bank overdraft  $19 (1) - 3 (1) = 16$

W3 Trade payables (creditors)  $31 + 5 (1) = 36$

W4 Profit for the year  $36 - 5 (1) - 2 (1) = 29$

**16 marks**

**QWC**

For a conventionally presented balance sheet showing final figures (after adjustments) for each component: plus 1 mark

**Overall 17 marks**

4 (b) Explain the meaning of the following terms:

(i) accrued expenses;

**Business expenses consumed but unpaid at the end of the financial period (1); shown as a current liability (1), reduces profit (1) max 2 marks**

(ii) prepaid expenses.

**An expense that has been paid in advance which relates to the next accounting period (1); shown as a current asset (1), increases profit (1) . max 2marks**