

Version 1.0



**General Certificate of Education
January 2011**

Accounting ACCN1

**Unit 1 Introduction to Financial
Accounting**

Final

Mark Scheme

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 any amendments made at the standardisation meeting attended by all examiners and is the one 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.

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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.

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.

AO1: Knowledge and Understanding	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
AO2: Application	Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.
AO3: Analysis and Evaluation	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.
Quality of Written Communication (QWC)	In GCE specifications which require candidates to produce written material in English, candidates must: ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear select and use a form and style of writing appropriate to purpose and to complex subject matter• organise information clearly and coherently, using specialist vocabulary when appropriate. In this specification, QWC will be assessed in all 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.

1

Total for this question

- 1 (a) Complete the following table by entering the appropriate details in the spaces provided. (6 marks)

Item	Source document	Account to be debited	Account to be credited
1	Bank statement (1)	Rent (payable) (1)	Bank (1)
2	(Purchase) credit note (1)	Trade payable (creditor) (1) supplier (1) purchases ledger control account (1)	Purchases returns / returns outwards (1) (Do not accept 'purchases')

max 6 marks

- 1 (b) Complete the sales ledger account of Phil Jenkins in the books of Faz Ahmed. Balance the account at 30 November 2010. (10 marks)

Dr		Phil Jenkins		Cr	
Date	Details	£	Date	Details	£
1 Nov	Balance B/D	3295 (1)	6 Nov	Sales Returns	196 (1)
21 Nov	Sales	819 (1)	15 Nov	Bank	1365 (1)
22 Nov	Bank	1365 (1)	15 Nov	Discount Allowed	72 (1)
22 Nov	Discount Allowed	72 (1)	30 Nov	Contra	1406 (1)
			30 Nov	Balance C/D	2512
		<u>5551</u>			<u>5551</u>
1 Dec	Balance B/D	2512 (10F)			

Plus 1 mark for correct dates and narratives (minimum 6 entries)

10 marks**Markers' notes:**

Please check the date of the transaction involving £1365 and £72 to make sure they are correctly recorded.

Only the dates stated in the mark scheme will be accepted.

No hedging.

Some tolerance is given to the exact wording of the narratives.

Reversals: award half marks for a perfectly reversed account. Perfect means a totally correct account as above except the debit/credit sides are switched.

2

Total for this question: 17 marks

- 2 (a) Make the necessary entries in the cash book of Luke Foster and bring down the balance at 26 November 2010. (7 marks)

Dr		Cash book (bank columns)		Cr	
Details	£	Details	£		
Balance B/D	912 (1)	Bank charges	40 (1)		
Bank - Malumba Ltd	395 (1)	Direct Debit – AB Finance	236 (1)		
Bank adjust – P Brown	9 (1)	Unpaid cheque – R Wright	45 (1)		
		Balance C/D	995		
	<u>1316</u>		<u>1316</u>		
Balance B/D	995 (10F)				

7 marks**Markers' notes:**

Narratives are not rewarded.

Accept alternative Debit £65 Cr £56 for the P Brown entry.

Any alien items – the balance b/d mark is lost.

Do not reward hedging.

- 2 (b) Prepare a bank reconciliation statement at 26 November 2010. (4 marks)

Bank reconciliation statement at 26 November 2010

	£
Revised balance per cash book (at 30 November 2010) *	995 (10F)
Add: Unpresented cheque	79 (1)
Less: Outstanding lodgement	(310) (1)
	<u>764 (10F)</u>
Balance per bank statement (at 30 November 2010) *	

* Must be correctly labelled to be awarded mark.

4 marks**Alternative answer**

Balance per bank statement (at 30 November 2010)	764 (10F)
Less: Unpresented cheque	(79) (1)
Add: Outstanding lodgement	310 (1)
	<u>995 (10F)</u>
Revised balance per cash book (at 30 November 2010) *	

2 (c) Explain **three** benefits to Luke Foster of reconciling his cash book and bank statement balances. (6 marks)

- enables errors in the cash book to be identified **(1)** and corrected **(1)**. For example the cheque for £56 paid to P Brown **(1)**. **Max 2 marks**
- enables missing entries in the cash book to be identified **(1)** and accounted for **(1)**. For example the bank charges, direct debit, credit transfer receipt and returned cheque omitted from Luke Foster's cash book **(1)**. **Max 2 marks**
- enables errors on the bank statement to be identified **(1)** and notified to the bank for correction **(1)**.
- acts as a deterrent to fraud **(1)** due to the bank statement being an independent record **(1)**.
- enables out of date cheques to be identified **(1)** and written back **(1)**.
- to identify dishonoured cheque **(1)** to seek repayment from debtors **(1)**.

Overall max 6 marks

Markers' note:

Where a candidate refers to 'helps identify errors', the answer must refer to cash book or bank statement.

3

Total for this question: 3

- 3 (a) Prepare an income statement (trading and profit and loss account) for Brian Murphy for the year ended 31 October 2010. (17 marks)

Brian Murphy
Income Statement (Trading and profit and loss account)
for the year ended 31 October 2010 **

	£	£
Revenue (sales)		326 940
Less: Returns inwards		<u>(580)</u>
		326 360 (1)
Cost of sales **		
Opening inventory (stock)	52 980 (1)	
Purchases	182 050 }	
Carriage inwards	<u>640 } (1 for both)</u>	
	235 670	
Less: closing inventory (stock)	<u>48 250 (1)</u>	<u>187 420</u>
Gross profit **		138 940 (10F)
Add: Discounts received		<u>830 (1)</u>
		139 770
Less: expenses		
Discounts allowed	410 (1)	
General expenses	12 580 }	
Motor expenses	3 480 } (1 for both)	
Rent and rates	W1 15 945 (2)	
Wages and salaries	W2 63 410 (2)	
Depreciation	W3 3 640 (2)	
Bad debt written off	<u>190 (1)</u>	<u>99 655</u>
Profit (net profit) (for the year) **		<u><u>40 115 (10F)</u></u>

Workings

W1 Rent and rates	$17\,620 (1) - 1\,675 (1) = 15\,945$
W2 Wages and salaries	$62\,100 (1) + 1\,310 (1) = 63\,410$
W3 Depreciation	$(28\,340 - 6\,500) / 6 = 3\,640 (2 \text{ or } 0)$

QP mark for correct heading, plus three correct labels (**)

16 marks**(for quality of presentation: plus 1 mark)****Markers' note:**

- Be aware that candidates are doing a lot of their workings in the table on page 6 of the question paper. The CMI+ software has been set up so you can view this page.
- Accept rent and rates £19 295 (1) (based on 17 620 + 1675).
- Accept wages and salaries £60 790 (1) (based on 62 100 – 1310).
- Do not reward headings which contain abbreviations.
- The cost of sales label could appear immediately before the gross profit. Accept cost of goods sold instead of cost of sales.
- If carriage inward appears in the profit and loss section, treat as an alien and do not reward net profit figure
- If accumulated depreciation is shown in the income statement, treat is as an alien.

3 (b) Prepare a balance sheet for Brian Murphy at 31 October 2010. (16 marks)

Brian Murphy
Balance Sheet at 31 October 2010

	£	£
<u>Non-current (fixed) assets #</u>		
Motor vehicle cost	28 340 (1)	
Less: provision for depreciation	<u>18 200 (1OF)</u>	10 140
 <u>Current assets #</u>		
Inventory (stock)	48 250 (1)	
Trade receivables (debtors) W1	22 670 (2OF)	
Prepayments	1 675 (1OF)	
Bank W2	<u>2 180 (2OF)</u>	
	<u>74 775</u>	
 <u>Current liabilities #</u>		
Trade payables (creditors)	19 680 (1)	
Accruals	1 310 (1)	
Bank loan (repayable July 2011) **	<u>5 400 (1)</u>	
	<u>26 390</u>	
 <u>Net current assets/working capital #</u>		 48 385
 Net assets		 <u>58 525</u>
 <u>Capital account / Financed by / Represented by #</u>		
Balance at 1 November 2009		35 850 (1)
Capital introduced		5 000 (1)
Profit (net profit) for the year		<u>40 115 (1OF)</u>
		80 965
Deduct: drawings		<u>(22 440) (1)</u>
		<u>58 525</u>

W1 Trade receivables $22\,860\ (1) - 190\ (1) = 22\,670$
W2 Bank $(2820)\ (1) + 5000\ (1) = 2180$
 (ie 1 mark for showing bank overdraft of £2820)

** No marks if bank loan is shown as a non-current liability.

Quality of presentation mark for all five (#) correct labels

15 marks

(for quality of presentation: plus 1 mark)

Markers' notes:

- Capital introduced should be shown separately. Award 1 mark if capital is shown as 40 850 with no workings; award 2 marks for 40 850 if this is supported by workings.
- The figures for accruals/prepayments must be those used in task (a) for own figure marks.
- Trade receivables alternative answer: 23 050 (1) (ie 22 860 +190)
- Bank alternative answer: overdraft 7 820 (1) (ie original overdraft 2820 and 5000)
- If two bank accounts shown (ie original overdraft 2820 and a positive bank balance of 5000) award 1 mark.

4

Total for this question: 14 marks

4 (a) Define the following terms:

(4 marks)

(i) Non-current (fixed) assets

Resources (assets) held for more than one financial year **(1)** with a view to generating profits for the business **(1)**. Resources not purchased primarily for resale **(1)**.

Max 2 marks**Markers' notes:**

- Accept resources purchased to benefit the businesses **(1)**.
- Accept resources purchased to benefit business or generated profits/income **(1)** as long as candidate also clarifies time period (more than one year) **(1)**; if candidate only mentions the idea of benefit to business/generating profit but does not give the time period award 0 marks
- No marks awarded for examples.
- 'Things owned by the business' **(0)**
- Do not accept long term in place of more than 1 financial year.

(ii) Current assets

Resources (assets) that are intended to be turned into cash **(1)** within the next twelve months **(1)**.

2 marks**Markers' notes:**

- No marks awarded for examples.
- 'Things owned by the business' **(0)**
- Do not accept short term in place of less than 12 months.
- Accept resources purchased to benefit business or generated profits/income **(1)** as long as a candidate also clarifies time period (less than one year) **(1)**; if candidate only mentions the idea of benefit to business/generating profit but does not give the time period award 0 marks

4 (b) Assess the usefulness of the trial balance as a means of checking the accuracy of the ledgers.

(10 marks)

The trial balance verifies the arithmetical accuracy of the ledgers **(1)** but does not verify that everything has been posted **(1)** or that items have been posted to the correct account **(1)**.

Max 2 marks

Examples of errors

Not revealed by the trial balance (award a maximum of 2 examples; 1 mark for identification plus 1 mark for development which could be an example – overall maximum 4 for errors not revealed by the trial balance)

- error of omission – the transaction has been completely omitted from the records.
- error of commission – an amount is posted to an incorrect account of the correct type.

- compensating error – equal error(s) on the debit and credit sides cancel each other out.
- error of principle – an amount is posted to an incorrect class of account.
- error of original entry – an error is made in transferring the amount from the source documents into the records.
- error of reversal – the account that should have been debited is credited and vice versa.

Revealed by the trial balance:

Examples of errors (award a maximum of 2 examples; 1 mark for identification plus 1 mark for development which could be an example – overall maximum 4 for errors revealed by the trial balance)

Transposition error: eg posting a figure incorrectly from a subsidiary book

Addition error: eg as when calculating a balance

Posting error: where one entry is posted to the wrong side of an account

Partial omission: only one entry made

Unequal posting: debit entry and credit entry are for different amounts

Markers' notes:

When allocating marks for examples aim to find the best rewarded combination for the candidate, ie the combination of errors plus development which gives the highest mark

Accept: does not reveal location of error **(1)**

Overall max 6 marks

(1 mark for identification, plus 1 mark for development)

(for quality of written communication: plus 2 marks)

Markers' note:

There must be no more than two spelling/grammatical errors. Award 0 marks where the quality of communication makes understanding difficult as the response is very limited (eg one sentence) or illegible.