



General Certificate of Education

Accounting ACCN1

Unit 1 Introduction to Financial Accounting

Mark Scheme

2009 examination - June 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.

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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.

1

Total for this question 12

REQUIRED

- 1 (a) Explain **three** reasons for keeping accounting records.
- To assess profitability (1) and solvency (1) by assessing what has happened in the past.
 - An aid to decision-making to enable the production of cash budgets (1), projected profit and loss accounts and balance sheets (1).
 - Monitoring and control (1). To monitor what has actually happened and compare with forecasts (1) and take any necessary corrective action (1).
 - To enable HM Revenue and Customs to assess the correct amount of income taxes (1) and value added tax (1).
 - Minimising the chances of fraud (1)
 - Evidence for external borrowings (1) as when applying for a bank loan (1)

Accept: reference to comparing with previous years
1 mark for idea plus 1 mark for development

max 6 marks**REQUIRED**

- 1 (b) Explain the following accounting terms:

Accrued expenses

A liability for services that have already been used (1) but not yet invoiced to the business (1). Expense used this financial period but not paid for (2).

An amount this is owing 0/ an expense/bill that is owing (1)

An amount not yet paid (0)

Expense shown in P+L (1) and as a CL in the balance sheet (1).

Prepaid expenses

An expense that has been paid in advance (1) part of which relates to the next accounting period (1).

Expense paid for this period (1) but which relates to the next (1)

Expense deducted in P + L (1) shown as CA in BS (1)

Expense paid for this year (1) but benefit not yet received (1)

An expense paid in advance (1)

An amount paid in advance (0)

Depreciation

The apportionment of the cost (1) of a fixed asset over its useful economic life (1).

The amount by which FA falls in value (1)

The drop in value of a fixed asset (1) over a certain period of time (1)

Fall in value of a FA (1) due to wear and tear/obsolescence etc (1)

6 marks

2

Total for this question: 17

REQUIRED

- 2 (a) Enter the difference in the trial balance totals in the suspense account below. Make any necessary entries in the suspense account to correct the errors.

Dr		Suspense Account		Cr	
Details	£		Details	£	
Discount received	200	(1)	Trial balance difference	399	(1)
Rents received	700	(2)	General expenses	36	(1)
	If 350	(0)		accept	
				Cr £95	
				Dr £59	
			Discount allowed	65	(1)
			Drawings	200	(1)
			Wages	200	(1)
	900	**		900	**

There must be 2 entries of £200 for these marks
A credit entry of £400 (0) marks

Ignore a Dr +Cr entry for £325

1 mark for appropriate narratives (reasonable abbreviations accepted) for entries (must be at least four entries to qualify)

** 1 (OF) for balancing/totalling the suspense account (no extraneous items)

Accept Dr 748 113, Cr 748 512 instead of an opening balance (1)

If balanced: must have a balance c/d and balance b/d

Alien entries result in loss of balancing/total mark

10 marks

- 2 (b) Complete the following table to identify the **amount**, if any, by which the net profit of Joshua Rose would be affected by the **correction** of the errors on page 4.

Error	Increase net profit £	Reduce net profit £	No effect on net profit <input checked="" type="checkbox"/>
(1)	200 (1)		
(2)		36 (1)	
(3)		65 (1)	
(4)		325 (1)	
(5)	700 (1)		
(6)		200 (2)	

Ticks are not acceptable in the first two columns

7 marks

3

Total for this question: 34

REQUIRED

- 3 (a) Prepare a profit and loss account for Abdul Miraz for the year ended 30 April 2009.

Abdul Miraz
Profit and Loss Account for the year ended 30 April 2009 (1)
If Trading and Profit and Loss Account (0)
To include name – no abbreviations

	£		£	
If sales shown disregard – does not count as an alien				
Gross profit **			76 510	(1)
Less expenses				
Discount allowed	310	(1)		
General expenses* (12 420 + 400)	12 820	(3)		
Motor expenses	18 730	(1)		
Rent and rates* (24 700 – 1340)	23 360	(3)		
Depreciation (16 400 x 20%)	3 280	(1)	58 500	
Net profit **			18 010	(10F)

Alien items, then
lose NP mark

12 marks

***General expenses**

3 marks for correct figure of 12 820

1 mark for either 12 420 or 400, or 2 marks for 12 020.

***Rent and rates**

3 marks for correct figure of 23 360

1 mark for either 24 700 or 1340, or 2 marks for 26 040.

QWC:

For quality of presentation:

**1 mark for both correct labels (must not be abbreviated)

Overall 13 marks

REQUIRED

3 (b) Prepare a balance sheet for Abdul Miraz at 30 April 2009.

Abdul Miraz
Balance Sheet at 30 April 2009

	£		£	
Fixed assets **				
Premises			95 000	(1)
Motor vehicles - cost	16 400	(1)		
Motor vehicles - depreciation W1	6 560	(3OF)	9 840	
			104 840	
Current assets **				
Stock	24 850	(1)		
Trade debtors	8 790	(1)		
Prepayments	1 340	(1)		
			34 980	
Current liabilities **				
Bank overdraft W2	14 630	(3OF)		
Trade creditors	11 860	(1)		
Accruals	400	(1)		
Bank loan account	4 100	(1)		
			30 990	
Net current assets			3 990	
			108 830	
Long term liabilities **				
Mortgage on premises			(37 500)	(1)
			71 330	
Capital				
At 1 May 2008			71 500	(1)
Add: net profit for the year			18 010	(1OF)
			89 510	
Less: drawings W3			18 180	(3OF)
			71 330	

W1: 3 280 (1) + 3 280 (1OF) = 6 560 (1OF)

If 3280, (0) marks

W2: 12 630 (1) + 2 000 (1) = 14 630 (1OF)

1 mark for either 12 630 or 2000, or 2 marks for 10 630.

W3: 16 180 (1) + 2 000 (1) = 18 180 (1OF)

1 mark for either 16 180 or 2000, or 2 marks for 14 180.

20 marks

Items recorded under the wrong subheading receive 0 marks

Candidates who produce a TB –style answer receive 0 marks

QWC:

For quality of presentation:

** 1 mark for all four sub-headings

Overall 21 marks

4

Total for this question: 17 marks

REQUIRED

4 (a) Prepare a sales ledger control account for May 2009.

Dr		Sales Ledger Control Account				Cr	
Date	Details	£		Date	Details	£	
May 1	Balances b/d	33 459	(1)	May 31	Sales returns day book	1 635	(1)
May 31	Sales day book	48 144	(1)	May 31	Bank	42 912	(1)
May 31	Dishonoured cheque	169	(1)	May 31	Discount allowed	992	(1)
		_____		May 31	Contra	214	(1)
		_____		May 31	Balances c/d	36 019	
		81 772				_____	
June 1	Balances b/d	36 019	(10F) – lose mark if alien entries			81 772	

1 mark for correct narratives and dates (must be at least four entries to qualify for this mark)
 Reasonable abbreviations accepted (accept 1/5 or 31/5 for dates)
Complete and perfect reversal, 4 marks.

9 marks

4 (b) Explain how the balance on James Shea's sales ledger control account verifies the accuracy of his sales ledger.

The balance on the control account should agree with the totals of the individual accounts in the sales ledger (1). If these do not agree, it indicates an error in either the sales ledger or the control account itself (1).

If agreement (1) – probably no errors (1)

If no agreement (1) – there are errors (1) in SL/control

2 marks

- 4 (c) Explain **two** types of error that would **not** be identified by preparing a sales ledger control account.

Errors of omission: where both sides of the transaction, debit and credit, have been omitted from the records.

Compensating error: where errors on the debit side equal errors on the credit side and they cancel each other out.

Error of commission / misposting: where an amount is posted to an incorrect account of the correct type. For example Andrew Smith account instead of Alf Smith account.

Error of original entry / transcription: where an error is made transferring an amount from the source document into the book of original entry.

Error of reversal: where the account that should have been debited has been credited and the amount that should have been credited has been debited.

1 mark for identification, 1 mark for development for each error.

Explanation only awarded if a type of error identified and matches the type of error identified.

Error of principle (0) marks

max 4 marks

QWC

For quality of written communication: plus 2 marks

(2) legible answer, generally well spelt (max 2 spelling errors); continuous prose with sound sentence structure.

(1) One shortcoming in criteria

(0) More than 2 shortcomings in criteria

QWC awarded where candidate has written about 2 types of error – no marks for QWC if only one error explained.

Overall max 6 marks