



**General Certificate of Education (A-level)  
June 2012**

**Accounting**

**ACCN1**

**(Specification 2120)**

**Unit 1: Introduction to Financial Accounting**

**Final**

***Mark Scheme***

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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 events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process 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 standardisation each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised 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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June 2012

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## MARK SCHEME

### INSTRUCTIONS TO EXAMINERS

You should remember that your marking standards should reflect the levels of performance of students, 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 students penalise themselves in terms of the time they have spent.

#### **Mark Range**

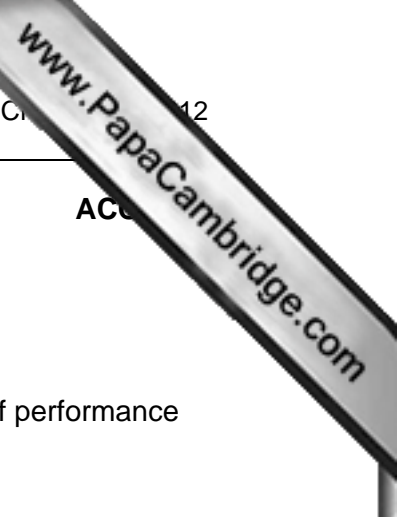
You should use the whole mark range available in the mark scheme. Where the student's response to a question is such that the mark scheme permits full marks to be awarded, full marks must be given. A perfect answer is not required. Conversely, if the student's answer does not deserve credit, then no 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, students may set out their accounts in either a vertical or horizontal format. Both methods are acceptable.

#### **Own Figure Rule**

In cases where students are required to make calculations, arithmetic errors can be made so that the final or intermediate stages are incorrect. To avoid a student being penalised repeatedly for an initial error, students 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 students make correct conclusions or inferences from their incorrect calculations.



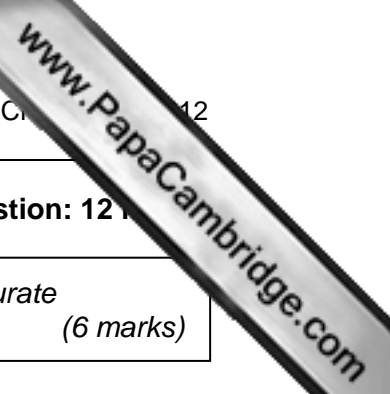
**Assessment Objectives (AOs)**

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.

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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.

<b>AO1: Knowledge and Understanding</b>	Demonstrate knowledge and understanding of accounting principles, concepts and techniques.
<b>AO2: Application</b>	Select and apply knowledge and understanding of accounting principles, concepts and techniques to familiar and unfamiliar situations.
<b>AO3: Analysis and Evaluation</b>	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.
<b>Quality of Written Communication (QWC)</b>	<p>In GCE specifications which require students to produce written material in English, students must:</p> <ul style="list-style-type: none"> <li>• ensure that text is legible and that spelling, punctuation and grammar are accurate so that meaning is clear</li> <li>• select and use a form and style of writing appropriate to purpose and to complex subject matter</li> <li>• organise information clearly and coherently, using specialist vocabulary when appropriate.</li> </ul> <p>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.</p>



1

**Total for this question: 12 marks**

**1 (a)** Explain **three** reasons why it is important for Helen to keep accurate accounting records. (6 marks)

- To record what has happened in the past **(1)** to enable Helen to produce an income statement **(1)** and balance sheet **(1)**. **Max 2 marks**
- Based on what has happened in the past, it will enable Helen to forecast for the future **(1)** and produce forecast income statements and balance sheets **(1)** together with cash budgets **(1)**. **Max 2 marks**
- It will enable Helen to monitor what has actually happened in the business **(1)** compared to what was forecast to happen **(1)** and take corrective action if necessary **(1)**. **Max 2 marks**
- To enable HM Revenue and Customs **(1)** to collect the correct amount of income tax **(1)** and value added tax **(1)**. **Max 2 marks**
- To enable fraud to be detected **(1)** by checking against external records **(1)** for example a bank statement, etc. **Max 2 marks**
- To assess performance/to see how successful the business is **(1)** by reviewing profitability and liquidity **(1)**. **Max 2 marks**
- To provide evidence to support application for finance **(1)** and that the business will be able to repay loan of £10 000 and interest **(1)**. **Max 2 marks**
- To monitor amounts owed by the business **(1)** and amounts owed to the business **(1)**. **Max 2 marks per reason**  
**Overall max 6 marks**

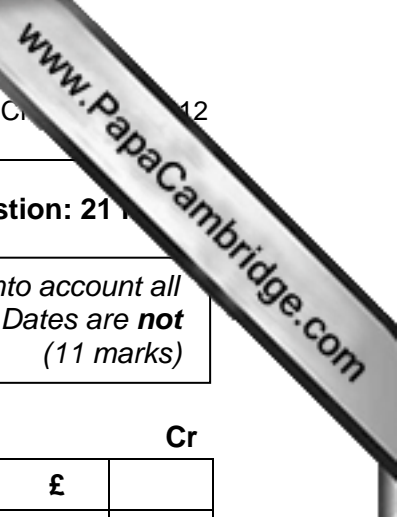
**1 (b)** Explain what interest the following stakeholders will have in Helen's financial statements. (6 marks)

**Helen's suppliers**

To assess whether the business is able to pay for all goods and services supplied (1) within the agreed terms (1). To gauge the likelihood of obtaining repeat orders (1). Accept continue as a customer (1). **3 marks**

**Helen's employees**

To assess whether the business is able to continue trading (1) and therefore continue to provide employment (1) and pay wages due (1). To assess the effect that the performance (1) is likely to have on future wage levels/bonuses (1). **Max 3 marks**



2

Total for this question: 21 marks

**2 (a)** Prepare a sales ledger control account at 30 April 2012 taking into account all the information on the page opposite and balance the account. Dates are **not** required. (11 marks)

Dr		Sales Ledger Control Account				Cr	
Details	£		Details	£			
Balance B/D	86 212	(1)	Discounts allowed	519	(1)		
Bank – returned cheque	1 244	(1)	Returns inwards	2 490	(1)		
Discounts allowed	32	(1)	Bank	32 194	(1)		
Sales	38 213	(1)	Bad debt written off	204	(1)		
			Contra	681	(1)		
			Discount allowed	56	(1)		
			Balance C/D	89 557			
	125 701			125 701			
Balance B/D	89 557	(1) OF					

**2 (b)** Explain how this sales ledger control account should be used by Depesh to verify the balances in the sales ledger. (2 marks)

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 **(1)** or the control account **(1)** or both **(1)**.

**2 (c)** Explain **two** other ways in which the sales ledger control account can act as an aid to managing the business. (8 marks)  
(includes 2 marks for quality of written communication)

- provides up-to-date/instant management information **(1)** of total receivables (debtors) **(1)** aiding preparation of financial statements **(1)**
- acts as a check on staff **(1)** so makes it more difficult for fraud to be committed **(1)** because there is a division of responsibility/independent check **(1)**
- assists in the preparation of final accounts **(1)** saving time **(1)** by identifying total receivables (debtors) **(1)** to be recorded as a current asset on the balance sheet **(1)**.

**Max 3 marks for each point**

**(Plus 2 marks for quality of written communication)**

**Quality of written communication**

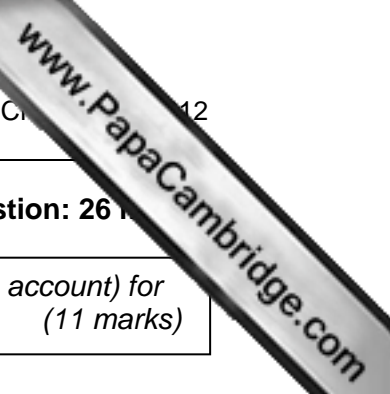
Award 2 marks where there is less than 2 spelling/grammatical/punctuation errors.

Award 1 mark where there is more than 2 spelling/grammatical/ punctuation errors but the content is readable and can be understood.

Award 0 marks where the content cannot be understood.

**Overall max 8 marks**





3

Total for this question: 26 marks

**3 (a)** Complete the extract from the income statement (profit and loss account) for Michelle Kaufman for the year ended 30 April 2012. (11 marks)

**Michelle Kaufman**  
**Extract from the income statement (profit and loss account)**  
**for the year ended 30 April 2012**

Gross profit (must be labelled)		82 510	<b>(1)</b>
Discounts received		940	<b>(1)</b>
		83 450	
Deduct expenses			
Discounts allowed	1 390		<b>(1)</b>
Insurance	<b>W1</b> 16 860		<b>(2) OF</b>
Motor running expenses	8 310		<b>(1)</b>
Rent and rates	<b>W2</b> 25 350		<b>(2) OF</b>
Depreciation	<b>W3</b> 3 550		<b>(2 or 0)</b>
		55 460	
(Net) profit for the year (must be labelled)		27 990	<b>(1) OF</b>

**11 marks**

**Workings**

**W1**

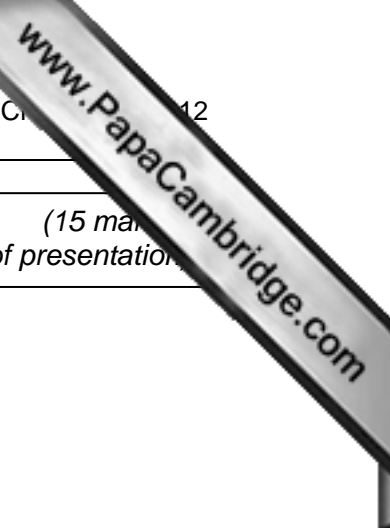
Insurance:  $17\,520 (1) - 660 = 16\,860 (1) \text{ OF}$   
 Accept for insurance: 17 520 **(1)**; 18 180 **(1)**; 16860 **(2)**

**W2**

Rent and rates:  $24\,780 (1) + 570 = 25\,350 (1) \text{ OF}$   
 Accept for rent and rates: 24780 **(1)**; 24210 **(1)**; 25350 **(2)**

**W3**

Depreciation  $(26\,500 - 5\,200/6 = 3\,550 (2 \text{ or } 0))$



**3 (b)** Prepare a balance sheet for Michelle Kaufman at 30 April 2012. (15 marks)  
(includes 2 marks for quality of presentation)

**Michelle Kaufman**  
**Balance sheet at 30 April 2012**

	£		£
<b>Non-current (fixed) assets</b>			
Motor vehicle cost	26 500		
Motor vehicle accumulated depreciation	<b>W1</b> 17 750	(1)	8 750 (1) OF
<b>Current assets</b>			
Inventory (stock)	46 280	}	(1) for both
Trade receivables (debtors)	13 550		
Prepayments	660		(1) OF
Bank	<b>W2</b> 3 630	(2)	
	64 120		
<b>Current liabilities</b>			
Trade payables (creditors)	8 280	(1)	
Accruals	570	(1) OF	
	8 850		
Net current assets			55 270
			64 020
<b>Non-current (long term) liabilities</b>			
Bank loan (repayable July 2013)			(4 600) (1)
			59 420
<b>Capital account</b>			
Balance at 1 May 2011			54 390 (1)
Capital introduced			10 000 (1)
(Net) profit for the year			27 990 (1) OF
			92 380
Deduct drawings			32 960 (1)
			59 420

**13 marks**

**(Plus 2 marks for quality of presentation)**

**1 mark for stating 'Net current assets'; 1 mark for all sub headings and title**

**Allow statement of financial position or balance sheet in heading**

**Overall marks: 15 marks**

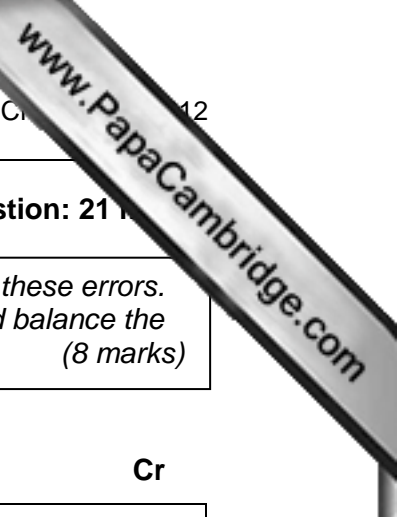
**Workings**

**W1**

Motor vehicle provision for depreciation:  $14\,200 + 3\,550 = 17\,750$  (1)

**W2**

Bank:  $(6\,370)$  (1) +  $10\,000$  (1) =  $3\,630$  (2)



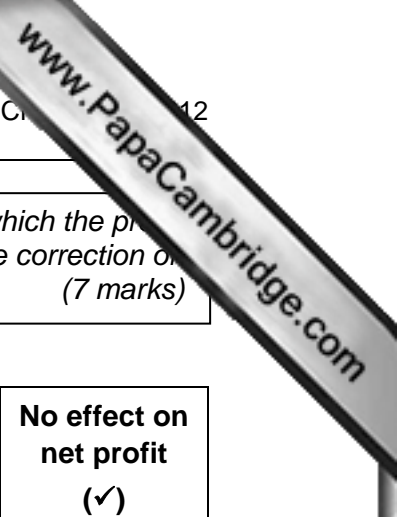
4

Total for this question: 21 marks

**4 (a)** *Make any necessary entries in the suspense account to correct these errors. Clearly show the opening balance on the suspense account and balance the account.* (8 marks)

Dr	Suspense Account				Cr
Details	£		Details	£	
General expenses	90	(1)	Discount allowed	850	(1)
Purchase returns	200	(1)	Carriage inwards	9	(1)
Rents received	450	(1)	Sales	1 000	(1)
Opening balance	1 119	(1) <b>OF</b>			
	1 859			1 859	

Add 1 mark for recording a total **(OF)** on each side of the account – totals must be for the same figure. **8 marks**



**4 (b)** Complete the following table to identify the **amount**, if any, by which the profit for the year (net profit) of Tom Berridge would be affected by the correction of the errors (1) to (7) shown opposite. (7 marks)

Details	Increase net profit by		Reduce net profit by		No effect on net profit (✓)
	£		£		
(1) General expenses	90	(1)			
(2) Purchases returns day book	200	(1)			
(3) Cheque to A Smith					✓(1)
(4) Discounts allowed			850	(1)	
(5) Carriage inwards			9	(1)	
(6) Sales			1 000	(1)	
(7) Rents received	450	(1)			

**7 marks**

**4 (c)** State and explain **three** types of error that will not affect the balancing of the trial balance. (6 marks)

- error of omission **(1)**, where a transaction is completely omitted from the books of account **(1)**
- compensating error **(1)**, where equal and opposite errors cancel each other out **(1)**
- error of commission **(1)**, where an amount is posted to an incorrect account of the correct type **(1)**
- error of original entry **(1)**, where an error is made transferring an amount from the source document into the books of original entry **(1)**
- error of principle **(1)** where an amount is posted to an incorrect class of account **(1)**
- error of reversal **(1)** where the account that should have been debited is credited and vice versa **(1)**.

**1 mark for identification, one mark for development**

**Max 2 marks per error**

**Overall 6 marks**