



**General Certificate of Education (A-level)  
January 2013**

**Accounting**

**ACCN1**

**(Specification 2120)**

**Unit 1: Introduction to Financial Accounting**

***Report on the Examination***

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## General

This paper was generally well received by students with ample opportunity for the well prepared to gain good marks. As is always the case with the ACCN1 examination, the paper required a good understanding of the basic principles of accounting and overall, it was apparent that good progress had been made by most students in this area.

It was pleasing to note an overall improvement in the preparation of financial statements, though presentational skills were still below the expected level. Income statements and balance sheets are important documents and it is essential that students learn the standard format for these.

When faced with a question requiring a written answer, students must learn to focus more on the requirements of the question. Question 2(b) and 3(b) both required a more analytical approach but a large number of students failed to recognise what was required.

## Question 1

- (a) The question required students to process the receipt of a cheque and discount allowed through the cash book. Whilst most students correctly entered the cheque and discount on the debit side of the cash book, a significant number also entered details of the sales invoice and credit note into the cash book. Providing that the cheque received and discount were correctly entered, this was not penalised, though it did indicate a lack of understanding of the function of the cash book.

In the second part of the question, students were required to enter the opening balance on a customer's sales ledger account and then process the sales invoice, credit note and the cheque received and discount allowed. Less than 10% of students were able to gain full marks on this straight-forward double entry question. Whilst many students were able to correctly enter the numerical data, a general weakness was in providing the correct dates and narratives for the additional mark. Applying the correct narratives to transactions has been a long-standing problem for students.

- (b) For the final computational part to this question, students were required to annotate the correct heading to the discount account and transfer the discount allowed onto the correct side of the account. Just over one half of students were awarded both of the available marks for this part – a number of students incorrectly labelled the account discounts received and transferred the discount to the credit side of the account.
- (c) Students were required to identify two internal stakeholders and to explain their interest in the performance of the business. Whilst around half of the students gained full marks for the question, it is disappointing to note that many students were unable to distinguish between internal and external stakeholders, with suppliers and the bank being popular answers. Of those students giving correct stakeholders, the explanations of their interests were generally excellent.

## Question 2

- (a) The question centred on the preparation of an income statement from a list of balances together with four adjustments to be taken into account. Questions of this nature have been asked many times in the past and whilst a small number of students were clearly ill-prepared and were unable to correctly lay out the statement, the majority coped with the demands very well. A large number of students had difficulty calculating the correct charge for insurance due to having to time apportion the prepayment. The calculation of the depreciation charge also proved troublesome with some students including the provision for depreciation as a charge to the income statement. Once again, students often penalised themselves by not providing full workings for the adjustments.
- (b) Asked to assess the usefulness of the trial balance in verifying the accuracy of the books of account produced a number of good responses, but a significant number of students failed to recognise that the word 'accuracy' indicated that a discussion concentrating on errors was required. A number of students discussed the usefulness of the suspense account which did not answer the question. Those students who correctly interpreted the requirements mostly produced good responses, many discussing those errors that do affect the balancing of the trial balance as well as those that do not. One disappointing aspect of responses was that many students correctly named errors but did not develop their answers sufficiently to describe the particular error. Overall, the quality of written communication again showed signs of improvement.

## Question 3

- (a) Students were required to prepare a purchases ledger control account from a list of data and incorporate three adjustments. The overall standard of work was good, but a number of students netted off figures for both the bank entry and the discount received. Whilst this was generally done correctly and duly rewarded, some calculations were corrupted by incorrect figures. If in doubt, it is safer to show individual figures. Students frequently had difficulty accounting for the discount received on the returned cheque, often simply crediting the gross amount of £380 to the control account. It was pleasing to note that most students were able to correctly deal with the contra item.
- (b) Asked to explain why an error of commission would not affect the balancing of the control account proved difficult for students. Most described an error of commission but failed to develop their answer to address the question. For this reason, few students were rewarded with the two marks on offer.

#### **Question 4**

The final question required students to correct an incorrect balance sheet incorporating various adjustments. The question provided a good opportunity for the well prepared student to gain good marks as many did. The main weakness was once again a tendency to either provide incomplete workings or often no workings whatsoever. To stress the importance of this issue, the revised profit figure was awarded eight marks, but an incorrect figure with no workings gained no marks. The majority of students correctly included all sub-headings in the balance sheet, but a significant number are still labelling the main heading 'for the year ended'. The only adjustment to cause problems was to recognise that the capital introduced caused the bank balance to move from a current liability to a current asset. Most students realised that a bank loan due for repayment in two years' time would appear as a non-current liability. Presentation of the balance sheet was mostly good.

#### **Summary**

In general, performance was good by most students. However two points must be stressed to all students:

- the importance of showing full workings in computational questions – students are penalising themselves greatly by not doing so
- the importance of developing written answers fully.

It was pleasing to note that although this was the first paper not to employ both old style terminology and IAS terminology side by side, the majority of students are now correctly using IAS terminology in almost all cases. I would stress however that students who are still using the old style terminology were not penalised in any way.

#### **Mark Ranges and Award of Grades**

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