



**General Certificate of Education (A-level)**  
**January 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 students' 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 students' 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 students' 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 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.

<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 <b>all</b> 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 the following accounting terms.

**1 (a) (i)** Accrued expenses (2 marks)

Business costs which are due **(1)** but unpaid at the end of the (current) accounting period **(1)**. Will increase expenses (in the income statement) **(1)** and increase (current) liabilities (in the balance sheet) **(1)**. **Max 2 marks**

**1 (a) (ii)** Prepaid expenses (2 marks)

An expense that has been paid in advance **(1)** which relates to the next accounting period **(1)**. Will reduce expenses (in the income statement) **(1)** and increase current assets (in the balance sheet) **(1)**. **Max 2 marks**

**1 (a) (iii)** Cost of sales (cost of goods sold) (2 marks)

The cost of goods actually sold in the current accounting period **(1)** after adjusting purchases for opening and closing inventory (stock) **(1)**. Cost of sales is deducted from revenue (sales) to give gross profit (in the income statement) **(1)**. **Max 2 marks**

**1 (b)** Prepare the rent and rates expense account for the year ended 30 November 2011. Dates are **not** required. (6 marks)

### Rent and Rates

Dr			Cr		
Details	£		Details	£	
Prepayment b/d	960	<b>(1)</b>	Accrual b/d	12 800	<b>(1)</b>
			Income statement (profit and loss account)	3 360	<b>(1) OF</b>
Bank	19 200	<b>(1)</b>	Prepayment c/d	3 200	
			Prepayment c/d	800	
	20 160			20 160	
Prepayment b/d *	3 200	<b>(1)</b>	(must also appear as balance c/d before the total)		
Prepayment b/d *	800	<b>(1)</b>	(must also appear as balance c/d before the total)		

\*Accept £4000 for 2 marks

**6 marks**

2

Total for this question: 23 marks

- 2 (a)** Make the necessary entries in Paula Richards' cash book. Dates are **not** required. Bring down the updated balance at 24 November 2011. (7 marks)

### Cash Book

Dr			Cr		
Details	£		Details	£	
Bank interest received	46	(1)	Balance B/D	698	
Balance C/D	1 160		Direct debit	316	(1)
			Bank charges	85	(1)
			Unpaid cheque – P Hunter	80	(1)
			Correction – Umar Alam	27	(2)or(0)
	1 206			1 206	
			Balance B/D	1 160	(1) OF

7 marks

- 2 (b)** Prepare a bank reconciliation statement at 24 November 2011. (4 marks)

### Bank Reconciliation Statement at 24 November 2011

	£
(Overdrawn) balance per cash book (must be labelled)	(1 160)(1) OF
Unpresented cheques	208 (1)
	(952)
Outstanding lodgements	(255)(1)
(Overdrawn) balance per bank statement (must be labelled)	(1 207)(1)

### Alternative answer

	£
(Overdrawn) balance per bank statement (must be labelled)	(1 207)(1)
Unpresented cheques	(208)(1)
	(1 415)
Outstanding lodgements	255(1)
(Overdrawn) balance per cash book (must be labelled)	(1 160)(1) OF

4 marks

**2 (c)** Explain the meaning of the following terms relating to a bank reconciliation statement.

**2 (c) (i)** Unpresented cheque (2 marks)

A cheque drawn (and credited) in the cash book **(1)** that has not yet been processed by the bank **(1)** and therefore not shown on the bank statement **(1)**. **Max 2 marks**

**2 (c) (ii)** Outstanding lodgement (2 marks)

Funds (that have been debited) in the cash book **(1)** that have not yet been processed by the bank **(1)** and therefore not shown on the bank statement **(1)**. **Max 2 marks**

**2 (d)** Explain **three** benefits to Paula Richards of reconciling her cash book and bank statement balances. (8 marks)  
(includes 2 marks for quality of written communication)

**Answers include:**

- enables missing entries in the cash book to be accounted for **(1)**, preventing errors in the financial statements **(1)**. For example, the direct debit payment to *Shop Maintenance Ltd*, bank interest, bank charges and the dishonoured cheque from P Hunter **(1)**
- enables errors in the cash book to be identified **(1)** and corrected **(1)**, preventing errors in the financial statements **(1)**. For example the cheque received from Umar Alam **(1)**
- enables errors on the bank statement to be identified/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 benefit)**

**Max 6 marks**

**(In addition, there are 2 marks for quality of written communication)**

**Note re QWC**

**For 2 marks, there must be no more than two spelling/grammatical errors.**

**Award 1 mark if more than two spelling/grammatical errors but work is understandable.**

**Award zero marks where the quality of communication makes understanding difficult or the response is very limited, eg one sentence.**

**Total 8 marks**

3

Total for this question: 31 marks

**3 (a)** Calculate the adjusted (net) profit/loss for the year ended 30 November 2011 by completing the table below. Show clearly, by ticking the appropriate box, whether each adjustment increases profit, decreases profit or has no effect on profit. The first one has been completed for you. (14 marks)

	Effect on profit				£	
	Increase	Decrease	No effect			
<b>(Net) profit for the year</b>					<b>56 480</b>	
1. Inventory (stock)	✓				6 300	
2. Rates <b>W1</b>	✓			<b>(1)</b>	1 120	<b>(2) OF</b>
3. Bad debt written off		✓		<b>(1)</b>	360	
4. Rent <b>W2</b>		✓		<b>(1)</b> } <b>for both</b>	5 700	<b>(2) OF</b>
5. Motor vehicle depreciation <b>W3</b>		✓			5 635	<b>(2)</b>
6. Transfer from personal savings			✓	<b>(1)</b>		
7. Discounts allowed <b>W4</b>		✓		<b>(1)</b>	1 620	<b>(2)</b>
<b>Adjusted (net) profit/loss for the year</b>					50 585	<b>(1) OF</b>

14 marks

### Workings

**W1** Rates (3 360/12 x 4) **(1) = 1 120 (1) OF**

**W2** Rent (34 200/12 x 2) **(1) = 5 700 (1) OF**

**W3** Motor vehicle depreciation 26 540 – 4 000 **(1) = 22 540/4 = 5 635 (1) OF**

**W4** Discounts allowed 810 x 2 = 1 620 **(2)**



- 3 (b)** Prepare a balance sheet for Alison Novak at 30 November 2011, taking into account the additional information on page 8 and your answer to 3 (a).  
 (17 marks)  
 (includes 2 marks for quality of presentation)

**Alison Novak**  
**Balance sheet at 30 November 2011**

		£		£
<b>Non-current (fixed) assets</b>				
Motor vehicle cost		26 540	(1)	
Motor vehicle accumulated depreciation	W1	16 905	(2) OF	9 635
<b>Current assets</b>				
Inventory (stock)		59 280	(1)	
Trade receivables (debtors)	W2	9 470	(2) OF	
Prepayments		1 120	(1) OF	
		69 870		
<b>Current liabilities</b>				
Bank loan (repayable October 2012)		8 400	(1)	
Bank overdraft	W3	3 720	(2)	
Trade payables (creditors)		15 740	(1)	
Accruals		5 700	(1) OF	
		33 560		
Net-current assets				36 310
				45 945
<b>Capital account</b>				
Balance at 1 December 2010				21 220
Capital introduced				2 500 (1)
(Net) profit for the year				50 585 (1) OF
				74 305
Deduct: drawings				28 360 (1)
				45 945

**15 marks**

For quality of presentation: plus 2 marks  
 1 mark for stating 'Net current assets/working capital';  
 1 mark for all sub headings and title  
**Total 17 marks**

**Workings**

<b>W1</b> Accumulated depreciation	11 270 <b>(1)</b> + 5 635 <b>(1)</b>	=	16 905
<b>W2</b> Trade receivables	9 830 <b>(1)</b> – 360 <b>(1)</b>	=	9 470
<b>W3</b> Bank overdraft	6 220 <b>(1)</b> – 2 500 <b>(1)</b>	=	3 720

**4**

**Total for this question: 14 marks**

**4 (a)** *Explain the meaning of each of the following terms. State the double entry to record each transaction in Timoko Mitsui's books of account.*

**4 (a) (i)** *Standing order £675* (4 marks)

Explanation: Timoko Mitsui has instructed her bank **(1)** to make a regular fixed payment **(1)** of £675 in respect of maintenance.

Account to be debited: Maintenance **(1)**.

Account to be credited: Bank (account) **(1)**. **4 marks**

**4 (a) (ii)** *Credit transfer £318* (4 marks)

Explanation: An amount of £318 has been transferred directly into the bank account **(1)** on the instruction of M Gregory **(1)**.

Account to be debited: Bank (account) **(1)**.

Account to be credited: (Receivable/Debtor account) M Gregory **(1)**. **4 marks**

**4 (b)** *Explain the meaning of the following terms. Identify the source document that will be used by Timoko Mitsui for making entries in her business's books of account.*

**4 (b) (i)** *Direct debit £2100* (3 marks)

Explanation: Timoko Mitsui has authorised Reece Property Rental **(1)** to debit her bank account with varying amounts due **(1)**.

Source document: Bank statement **(1)**. **3 marks**

**4 (b) (ii)** *Cheque 486612 £185* (3 marks)

Explanation: Cheque reference 486612 drawn by Timoko Mitsui **(1)** has been presented to the bank for payment **(1)**.

Source document: Cheque book stub/counterfoil **(1)**. **3 marks**