

Teacher Resource Bank

GCE Accounting

Other Guidance:

Layouts and Formulae

- ACCN1: Layouts
- ACCN2: Layouts and Formulae
- ACCN4: Layouts and Formulae



LAYOUTS: ACCN1

The following are preferred layouts for presenting Trading and Profit and Loss accounts, Balance Sheets and other accounts for ACCN1.

1. Trading and Profit and Loss Accounts

John Smith
Trading and profit and loss account for the year ended 31 December 2008

	£	£	£
Sales			XXX
Less: returns inwards			<u>XXX</u>
			XXX
Cost of sales			
Stock at 1 January 2008		XXX	
Purchases	XXX		
Less: returns outwards	<u>XXX</u>		
	XXX		
Carriage inwards	<u>XXX</u>	<u>XXX</u>	
		XXX	
Stock at 31 December 2009		<u>XXX</u>	<u>XXX</u>
Gross profit			XXX
Add: Discount received			<u>XXX</u>
			XXX
Less: expenses			
Discount allowed		XXX	
General expenses		XXX	
Depreciation		<u>XXX</u>	<u>XXX</u>
Net profit for the year			<u>XXX</u>

2. Balance Sheets

John Smith Balance sheet at 31 December 2008

	£	£
Fixed assets		
Premises		XXX
Fixtures and fittings cost	XXX	
Fixtures and fittings depreciation	<u>XXX</u>	<u>XXX</u>
		XXX
Current assets		
Stock	XXX	
Trade debtors	XXX	
Prepayments	XXX	
Bank	<u>XXX</u>	
	<u>XXX</u>	
Current liabilities		
Trade creditors	XXX	
Accruals	XXX	
Bank overdraft	<u>XXX</u>	
	<u>XXX</u>	
Net current assets		<u>XXX</u>
		XXX
Long term liabilities		
Mortgage on premises		<u>XXX</u>
		<u>XXX</u>
Capital account		
At 1 January 2008		XXX
Add: net profit for the year		<u>XXX</u>
		XXX
Deduct: drawings		<u>XXX</u>
		<u>XXX</u>

3(a). Balancing Accounts

Details	£	Details	£
Balance b/d	2000	Bank	5000
Sales	<u>6000</u>	Balance c/d	<u>3000</u>
	<u>8000</u>		<u>8000</u>
Balance b/d	3000		

3(b). Bank Reconciliation

	£
Balance per cash book	XXX
Add: Unpresented cheques	XXX
Deduct: Uncredited lodgements	<u>(XXX)</u>
Balance per bank statement	<u>XXX</u>

Alternative presentation

	£
Balance per bank statement	XXX
Add: Uncredited lodgements	XXX
Deduct: Unpresented cheques	<u>(XXX)</u>
Balance per cash book	<u>XXX</u>

This layout will be used in mark schemes, however other acceptable layouts will be rewarded.

LAYOUTS AND FORMULAE: ACCN2

Presentation of Internal Final Accounts of Limited Companies

In this unit, the presentation of internal final accounts will **not** use IAS formats, however candidates who present information using the IAS format will be rewarded appropriately.

The title should include the company name and the heading for the account including the date in full.

1. Profit and Loss Accounts

AQA Ltd
Profit and loss account for the year ended 31 December 2008

	£	£
GROSS PROFIT*		XXXX
Other income		XXXX
		XXXX
Less expenses		
	XXXX	
	XXXX	
OPERATING PROFIT*		XXXX
Interest payable		(XXXX)
Interest receivable		XXXX
NET PROFIT*		XXXX

*These labels should be included and may earn marks for quality of presentation.

2. Profit and Loss Appropriation Accounts

AQA Ltd
Profit and loss appropriation account for the year ended 31 December 2008

	£	£
NET PROFIT FOR THE YEAR*		XXXX
Less corporation tax		<u>XXXX</u>
NET PROFIT AFTER TAX*		XXXX
Dividends		
Ordinary - interim	XXXX	
Ordinary - final	XXXX	
Preference	<u>XXXX</u>	
		<u>XXXX</u>
Retained profit for the year*		XXXX
Retained profits brought forward*		<u>XXXX</u>
Retained profits carried forward*		<u><u>XXXX</u></u>

*These labels should be included and may earn marks for quality of presentation.

The balance sheet should include the following labels:

Fixed assets

Current assets

Creditors: amounts falling due within one year

Net current assets

Creditors: amounts falling due after more than one year

Net assets

Capital and reserves

3. Ratio Analysis

The following ratios will be used in the mark schemes. However alternative acceptable ratios will be rewarded.

Ratio	Formula
Gross profit margin	$\frac{\text{Gross profit} \times 100}{\text{Sales}}$
Gross profit mark-up	$\frac{\text{Gross profit} \times 100}{\text{Cost of goods sold}}$
Net profit margin	$\frac{\text{Net profit} \times 100}{\text{Sales}}$
Overheads in relation to turnover	$\frac{\text{Expenses}^* \times 100}{\text{Sales}}$ * Expenses plus interest
Return on capital employed	$\frac{\text{Operating profit}^* \times 100}{\text{Capital employed}^\#}$ * Profit before interest and tax # Capital and reserves plus creditors: amounts due after more than one year
Rate of stock turnover	$\frac{\text{Cost of goods sold}}{\text{Average stock}^*}$ * average stock = $\frac{\text{opening} + \text{closing}}{2}$
Net current asset ratio (Current ratio)	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid capital ratio (Acid test ratio)	$\frac{\text{Current assets} - \text{stock}}{\text{Current liabilities}}$
Debtor collection period	$\frac{\text{Average debtors}^* \times 365}{\text{Credit sales}}$ *Closing debtors may be used

Ratio	Formula
Creditor payment period	$\frac{\text{Average creditors}^* \times 365}{\text{Credit sales}}$ <p>*Closing creditors may be used</p>
Gearing	$\frac{\text{Creditors: amounts falling due after more than one year} \times 100}{\text{Capital and reserves}}$ <p>For a sole trader:</p> $\frac{\text{Long term liabilities} \times 100}{\text{Capital}}$

Candidates will be expected to state the formula used and accuracy will be rewarded, eg for $\times 100$, or $\times 365$.

Candidates will be expected to explain the ratios in general, eg *'the current ratio measures the firm's ability to meet its current liabilities using current assets'*, and to explain the ratio they have calculated. They will also be expected to evaluate the performance by comparing with past figures, industry averages or budgeted figures.

Candidates should be able to explain the difference between cash and profit and to calculate the effect of transactions on cash and profit.

Candidates should be able to explain the limitations of ratios and accounts in evaluating performance.

4. Cash Flow Forecast

This layout will be used in mark schemes, however other acceptable layouts will be rewarded.

	£
	Month
Receipts	
Total receipts	<div style="border-top: 1px solid black; width: 100%;"></div> <div style="border-top: 1px solid black; width: 100%;"></div>
Payments	
Total payments	<div style="border-top: 1px solid black; width: 100%;"></div> <div style="border-top: 1px solid black; width: 100%;"></div>
Net cash flow	
Opening Balance	<div style="border-top: 1px solid black; width: 100%;"></div>
Closing Balance	<div style="border-top: 3px double black; width: 100%;"></div>

LAYOUTS AND FORMULAE: ACCN4

Part 1 of this document presents preferred layouts for budgets used in ACCN4. Parts 2 and 3 provide the formulae required for break-even analysis and variances.

1. Budgets

(i) Sales budget

	Month 1	Month 2	Month 3
Sales unit	x	x	x
Sales value	£ x	£ x	£ x

(ii) Production budget (units)

	Month 1	Month 2	Month 3
Sales	x	x	x
Opening stock	(x)	(x)	(x)
Closing stock	x	x	x
Production	x	x	x

(iii) Purchases budget

	Month 1	Month 2	Month 3
Units			
Sales	x	x	x
Opening stock	(x)	(x)	(x)
Closing stock	x	x	x
Purchases	x	x	x
Purchases cost	£ x	£ x	£ x

(iv) Debtor budget

	Month 1	Month 2	Month 3
	£	£	£
Opening debtors	x	x	x
Credit sales	x	x	x
Receipts	(x)	(x)	(x)
Discount allowed	(x)	(x)	(x)
Bad debts w/o	(x)	(x)	(x)
Closing debtors	<u>x</u>	<u>x</u>	<u>x</u>

(v) Creditor budget

	Month 1	Month 2	Month 3
	£	£	£
Opening creditors	x	x	x
Credit purchases	x	x	x
Payments	(x)	(x)	(x)
Discount received	(x)	(x)	(x)
Closing debtors	<u>x</u>	<u>x</u>	<u>x</u>

(vi) Labour budget

	Month 1	Month 2	Month 3
Labour hours	<u>x</u>	<u>x</u>	<u>x</u>
Labour cost	<u>£x</u>	<u>£x</u>	<u>£x</u>

2. Break-Even Analysis

$$(i) \text{ Contribution} = \text{Selling price} \text{ less } \text{Variable cost}$$

$$(ii) \text{ Formula for units} = \frac{\text{Fixed costs}}{\text{Contribution per unit}}$$

$$(iii) \text{ Formula for revenue} = \frac{\text{Fixed costs}}{\text{Contribution per unit}} \times \text{Selling price per unit}$$

$$(iv) \text{ Units at desired profit} = \frac{\text{Fixed costs} + \text{Profit}}{\text{Contribution per unit}}$$

(v) Statement to show contribution and profit

	£
Turnover	x
Variable costs	(x)
Total contribution	x
Fixed costs	(x)
Net profit	x

3. Variances – Formulae

1. Material price = SQ (AP – SP)
2. Material usage = SP (AQSPR) – SQ
3. Labour rate = SH (AR – SR)
4. Labour efficiency = SR (AHSPR – SH)
5. Sales price = AQ (AP – SP)
6. Sales volume = SP (AQ – SQ)

Note: other approaches can be used to calculate variances.