

Teacher Resource Bank

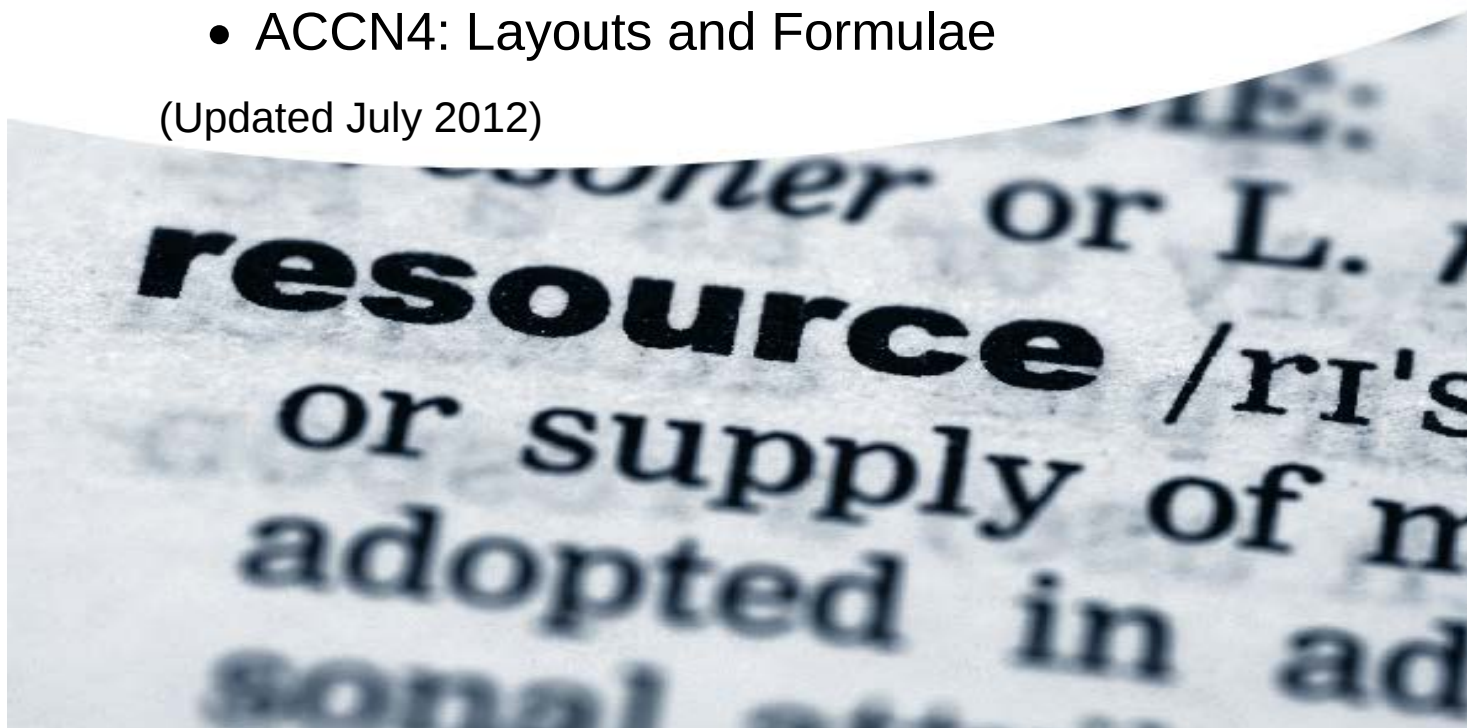
GCE Accounting

Other Guidance:

Layouts and Formulae

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

(Updated July 2012)



LAYOUTS: ACCN1

The following are preferred layouts for presenting Income Statements, Balance Sheets and other accounts for ACCN1.

1. Income Statements

John Smith
Income Statement for the year ended 31 December 2011

	£	£	£
Revenue			XXX
Less: returns inwards			<u>XXX</u>
			XXX
Cost of sales			
Inventory at 1 January 2011		XXX	
Purchases	XXX		
Less: returns outwards	<u>XXX</u>		
	XXX		
Carriage inwards	<u>XXX</u>	<u>XXX</u>	
		XXX	
Inventory at 31 December 2011		<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>
Profit for the year			<u>XXX</u>

2. Balance Sheets

John Smith Balance sheet at 31 December 2011

	£	£
Non-current assets		
Premises		XXX
Fixtures and fittings cost	XXX	
Fixtures and fittings depreciation	<u>XXX</u>	<u>XXX</u>
		XXX
Current assets		
Inventory	XXX	
Trade receivables	XXX	
Prepayments	XXX	
Bank	<u>XXX</u>	
	<u>XXX</u>	
Current liabilities		
Trade payables	XXX	
Accruals	XXX	
Bank overdraft	<u>XXX</u>	
	<u>XXX</u>	
Net current assets		<u>XXX</u>
		XXX
Non-current liabilities		
Mortgage on premises		<u>XXX</u>
		<u>XXX</u>
Capital account		
At 1 January 2011		XXX
Add: 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 financial statements of limited companies.

Information concerning the layout of Income Statements, Balance Sheets and Statement of Changes in Equity are now provided in the document "Other Guidance – ACCN2 Update on IAS".

Ratios

The following ratios are recommended for use in ACCN2, however if the candidate uses an acceptable alternative they will be rewarded

Ratio	Formula
Gross profit margin	$\frac{\text{Gross profit}}{\text{Revenue (Sales)}} \times 100$
Gross profit mark-up	$\frac{\text{Gross profit}}{\text{Cost of sales}} \times 100$
Profit in relation to revenue (Net profit margin)	$\frac{\text{Profit for the year before tax}}{\text{Revenue (sales)}} \times 100$
Overheads in relation to revenue	$\frac{\text{Overheads (expenses)}}{\text{Revenue (sales)}} \times 100$
Return on capital employed	$\frac{\text{Profit from operations* (Operating profit)}}{\text{Capital employed\#}} \times 100$ *Profit before interest and tax # Equity + non-current liabilities (for a sole trader this would be capital + non-current liabilities)
Rate of inventory turnover	$\frac{\text{Cost of sales}}{\text{Average inventory*}}$ *Opening + closing inventory ÷ 2
Net current asset ratio (Current ratio)	$\frac{\text{Current assets}}{\text{Current liabilities}}$
Liquid capital ratio (Acid test ratio)	$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$

Receivable days	$\frac{\text{Trade receivables}}{\text{Credit sales}} \times 365$
Payable days	$\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365$
Gearing	$\frac{\text{Non-current liabilities}}{\text{Capital employed}} \times 100$

Candidates will be expected to state the formula used in their calculations and this should include x100 or x 365 etc. If a candidate uses an acceptable alternative formula then this must be stated and must match their calculation if they are to receive full marks.

Cash budget

There are a number of acceptable layouts for a cash budget; the one shown below will be used in mark schemes. However, alternative presentations will be rewarded.

The cash budget should have a title and the period should be specified. It should also contain headings for receipts and payments, with £ signs, and the closing balance should be clearly identified.

Example Ltd**Cash budget for the three months ending March 2011**

	January	February	March
	£	£	£
Receipts			
Cash sales	18 000	19 500	21 000
Credit sales - 1 month	56 000	33 600	36 400
Credit sales - 2 months	12 600	14 000	8 400
Rights issue	260 000		
	<u>346 600</u>	<u>67 100</u>	<u>65 800</u>
Payments			
Purchases	30 000	32 500	35 000
Operating expenses	15 000	16 250	17 500
Dividend payment			50 000
Loan repayment		350 000	
	<u>45 000</u>	<u>398 750</u>	<u>102 500</u>
Net cash flow	301 600	(331 650)	(36 700)
Opening balance	32 500	334 100	2 450
Closing balance	<u>334 100</u>	<u>2 450</u>	<u>(34 250)</u>

LAYOUTS AND FORMULAE: ACCN4**1. Budgets****(i) Sales budget**

	Month 1	Month 2	Month 3
Sales unit	x	x	x
Sales value	<u>£ x</u>	<u>£ x</u>	<u>£ x</u>

(ii) Production budget (units)

	Month 1	Month 2	Month 3
Sales	x	x	x
Opening stock	(x)	(x)	(x)
Closing stock	<u>x</u>	<u>x</u>	<u>x</u>
Production	<u>x</u>	<u>x</u>	<u>x</u>

(iii) Purchases budget

	Month 1	Month 2	Month 3
Units			
Sales	x	x	x
Opening stock	(x)	(x)	(x)
Closing stock	<u>x</u>	<u>x</u>	<u>x</u>
Purchases	<u>x</u>	<u>x</u>	<u>x</u>
Purchases cost	<u>£ x</u>	<u>£ x</u>	<u>£ x</u>

(iv) Receivables 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) Payables 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.