



# Mark Scheme (Pre-standardisation)

Summer 2019

Pearson Edexcel International Advanced  
Subsidiary

In Accounting (WAC11) Paper 01

The Accounting System and Costing

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

**SECTION A**

Question Number	Answer	Mark																																																																																																																				
1 (a)	<p><b>AO1:(8)AO2(9):AO3(5)</b>  <b>AO1: Eight marks for transferring balances to the income statement</b>  <b>AO2: Nine marks for calculating or adjusting balances in the income statement</b>  <b>AO3: Five marks for balances requiring two levels of adjustment</b></p> <p style="text-align: center;"><b>Bob's Material</b></p> <p style="text-align: center;"><b>Departmental Statement of Profit or Loss and Other Comprehensive Income</b>  <b>for the year ended 30 April 2019</b></p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 15%; text-align: center;">Shop</th> <th style="width: 15%; text-align: center;">Yard</th> <th style="width: 10%;"></th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">(1) 235 000</td> <td style="text-align: right;">(1) 145 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1 (c)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Points in favour of closing the Timber yard</p> <ul style="list-style-type: none"> <li>• The Timber yard is making a loss and all or a proportion of this could be saved as expenses are reduced.</li> <li>• Management can concentrate on one department.</li> <li>• It provides the opportunity to use the space more effectively by expanding the profit making shop.</li> <li>• The Timber yard equipment is the most valuable non-current asset. This can be sold generating cash for the expansion of the shop.</li> <li>•</li> </ul> <p>Points against closing the Timber yard</p> <ul style="list-style-type: none"> <li>• If the Timber yard is closed some of the expenses apportioned to the Timber yard, e.g rent, rates and insurance, will now have to be borne by the shop.</li> <li>• Customers may find it convenient to purchase all of their building supplies from a single source. So closing the Timber yard may also reduce shop sales.</li> <li>• Timber yard staff will have to be retrained or made redundant, which will be costly.</li> <li>• With an overdraft, does Bob's Material have the cash to expand the shop?</li> <li>• He will lose out on all the investment that he has made</li> <li>• The decision should not be based on 1 years results</li> </ul> <p>Decision</p> <p>Candidates may conclude that this is a good/ or not a good development to close the Timber yard. The decision should be supported by an appropriate rationale.</p>	<b>(12)</b>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	A completely incorrect response.
<b>Level 1</b>	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
<b>Level 2</b>	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
<b>Level 3</b>	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
<b>Level 4</b>	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Question Number	Answer	Mark
1 (d)	<p><b>AO1: (4)AO2(4)</b>  <b>AO1: Four marks for description</b>  <b>AO2: Four marks for application</b></p> <p>(i) This is an intangible asset <b>(1) AO1</b> equal to the difference between the sale price of the business and the net value of the assets less liabilities. <b>(1) AO1</b>  <b>(2)</b></p> <p>(ii) Location  Quality products  Skilled/experienced staff  Brand  Reputation/loyal customers  2 x <b>(1) AO1</b>  <b>(2)</b></p> <p>(iii) Difficult to value / Estimation of costs  Value can fluctuate  Not prudent  Money measurement concept  2 x <b>(1) AO2</b>  <b>(2)</b></p> <p>(iv) Profit/loss for the year                      No effect <b>(1) AO2</b>  Bank overdraft                                      No effect <b>(1) AO2</b>  <b>(2)</b></p>	<b>(8)</b>

**(TOTAL MARKS FOR QUESTION 1 = 55 MARKS)**



Question Number	Answer	Mark																																																																																				
2 (a)	<p><b>AO1: (8)AO2(2)</b>  <b>AO1: Eight marks for correctly populating the trial balance</b>  <b>AO2: Two marks for calculating the capital</b></p> <p style="text-align: center;"><b>Samantha</b>  <b>Trial balance at 30 April 2019</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">Dr</th> <th style="text-align: center;">Cr</th> <th></th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">5 000</td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">2 700</td> <td></td> <td></td> </tr> <tr> <td>Returns inwards</td> <td style="text-align: right;">450</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Returns outwards</td> <td></td> <td style="text-align: right;">210</td> <td></td> </tr> <tr> <td>Discount allowed</td> <td style="text-align: right;">120</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">50</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Bad debts recovered</td> <td></td> <td style="text-align: right;">200</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">1 250</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">600</td> <td></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">2 990</td> <td></td> <td></td> </tr> <tr> <td>Allowance for doubtful debts</td> <td></td> <td style="text-align: right;">300</td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Trade payables</td> <td></td> <td style="text-align: right;">1 900</td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td></td> <td style="text-align: right;">730</td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Non-current assets</td> <td style="text-align: right;">4 100</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Provision for depreciation- non-current assets</td> <td></td> <td style="text-align: right;">3 000</td> <td></td> </tr> <tr> <td>Drawings</td> <td style="text-align: right;">550</td> <td></td> <td></td> </tr> <tr> <td>Capital</td> <td></td> <td style="text-align: right;">1 470</td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>12 810</u></td> <td style="text-align: right;"><u>12 810</u></td> <td style="text-align: right;"><b>(1of) if balancing</b></td> </tr> </tbody> </table>		Dr	Cr			£	£		Revenue		5 000	(1)AO1	Purchases	2 700			Returns inwards	450		(1)AO1	Returns outwards		210		Discount allowed	120		(1)AO1	Bad debts	50		(1)AO1	Bad debts recovered		200		General expenses	1 250		(1)AO1	Inventory	600			Trade receivables	2 990			Allowance for doubtful debts		300	(1)AO1	Trade payables		1 900		Bank overdraft		730	(1)AO1	Non-current assets	4 100		(1)AO1	Provision for depreciation- non-current assets		3 000		Drawings	550			Capital		1 470	(1) AO2						<u>12 810</u>	<u>12 810</u>	<b>(1of) if balancing</b>	<b>(10)</b>
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2 (b)	<p><b>AO1: (2)</b>  <b>AO1: Two marks for identifying possible reason for balance</b></p> <p>Returns of goods after payment made.  Set off/Contra from trade payable account.  Pay for goods in advance  Paid twice/overpaid  Error in recording</p> <p><b>2</b> x <b>(1)</b> <b>AO1</b></p>	(2)																																																												
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2 (c)	<p><b>AO2 (12)</b>  <b>AO2: Twelve marks for calculating balances and populating control account</b></p> <p style="text-align: center;"><b>Trade Receivables Control Account</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">£</th> <th style="width: 10%;">Date</th> <th style="width: 20%;">Details</th> <th style="width: 10%;">£</th> </tr> </thead> <tbody> <tr> <td>2019</td> <td></td> <td></td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td>1 April</td> <td>Balance b/d</td> <td style="text-align: right;">2 650 <b>(1)</b></td> <td>1 April</td> <td>Balance b/d</td> <td style="text-align: right;">90 <b>(1)</b></td> </tr> <tr> <td>30 April</td> <td>Credit sales</td> <td style="text-align: right;">5 000 <b>(1)</b></td> <td>30 April</td> <td>Returns inwards</td> <td style="text-align: right;">450 <b>(1)</b></td> </tr> <tr> <td></td> <td>Bad debt recovered</td> <td style="text-align: right;">200 <b>(1)</b></td> <td></td> <td>Discount allowed</td> <td style="text-align: right;">120 <b>(1)</b></td> </tr> <tr> <td></td> <td>Interest charged</td> <td style="text-align: right;">20 <b>(1)</b></td> <td></td> <td>Bad debts/Irrecoverable</td> <td style="text-align: right;">50 <b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Bank/Cheques</td> <td style="text-align: right;">4 170 <b>(1)</b></td> </tr> <tr> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>60</u></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;"><u>3 050</u> <b>(1)</b></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>7 930</u></td> <td></td> <td></td> <td style="text-align: right;"><u>7 930</u></td> </tr> <tr> <td>1 May</td> <td>Balance b/d</td> <td style="text-align: right;">3 050 <b>(1of)</b></td> <td>1 May</td> <td>Balance b/d</td> <td style="text-align: right;">60 <b>(1)</b></td> </tr> </tbody> </table>	Date	Details	£	Date	Details	£	2019			2019			1 April	Balance b/d	2 650 <b>(1)</b>	1 April	Balance b/d	90 <b>(1)</b>	30 April	Credit sales	5 000 <b>(1)</b>	30 April	Returns inwards	450 <b>(1)</b>		Bad debt recovered	200 <b>(1)</b>		Discount allowed	120 <b>(1)</b>		Interest charged	20 <b>(1)</b>		Bad debts/Irrecoverable	50 <b>(1)</b>					Bank/Cheques	4 170 <b>(1)</b>		Balance c/d	<u>60</u>		Balance c/d	<u>3 050</u> <b>(1)</b>			<u>7 930</u>			<u>7 930</u>	1 May	Balance b/d	3 050 <b>(1of)</b>	1 May	Balance b/d	60 <b>(1)</b>	(12)
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2 (e)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Points in favour of control accounts</p> <ul style="list-style-type: none"> <li>• Check on accuracy of ledger by ensuring that total of individual accounts in ledger equal corresponding summarised entries.</li> <li>• Can assist in locating errors when differences are discovered they are 'narrowed down' to particular ledgers.</li> <li>• Total balances of trade receivables and trade payables available immediately which can assist the preparation of financial statements.</li> <li>• Speeds up preparation of financial statements.</li> <li>• Help reduce fraud as differences have a greater chance of being discovered with the separation of duties in posting the ledger.</li> <li>• Checks arithmetic accuracy</li> </ul> <p>Points against control accounts</p> <ul style="list-style-type: none"> <li>• Time in preparation.</li> <li>• Higher level of skilled staff required to prepare.</li> <li>• Errors not revealed by the trial balance would not be detected</li> </ul> <p>Decision</p> <p>Candidates may conclude that this is useful/not useful to prepare control accounts. The decision should be supported by an appropriate rationale.</p>	<b>(12)</b>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	A completely incorrect response.
<b>Level 1</b>	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
<b>Level 2</b>	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
<b>Level 3</b>	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
<b>Level 4</b>	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Question Number	Answer	Mark														
2 (f)	<p><b>AO1: (6): AO2(6)</b>  <b>AO1: Six marks for describing concept or convention</b>  <b>AO2 : Six marks for identifying correct concept or convention</b></p> <table border="1"> <thead> <tr> <th>Concept</th> <th>Explanation</th> </tr> </thead> <tbody> <tr> <td>(1) Business entity/accounting entity <b>(1)</b></td> <td>The business and the owner are separate entities. <b>(1)</b></td> </tr> <tr> <td>(2) Consistency <b>(1)</b></td> <td>Once a method is chosen it should be used each period. <b>(1)</b></td> </tr> <tr> <td>(3) Historic cost <b>(1)</b></td> <td>Although market value may change the cost must be applied to the asset as this is known <b>(1)</b></td> </tr> <tr> <td>(4) Prudence <b>(1)</b></td> <td>Potential losses must be recorded as such when they are identified. Profits/Current assets/Trade receivables must not be overstated. <b>(1)</b></td> </tr> <tr> <td>(5) Money measurement <b>(1)</b></td> <td>Intangible asset difficult to measure. <b>(1)</b></td> </tr> <tr> <td>(6) Realisation <b>(1)</b></td> <td>Profit is not realised until the sale is confirmed by the customer. <b>(1)</b></td> </tr> </tbody> </table>	Concept	Explanation	(1) Business entity/accounting entity <b>(1)</b>	The business and the owner are separate entities. <b>(1)</b>	(2) Consistency <b>(1)</b>	Once a method is chosen it should be used each period. <b>(1)</b>	(3) Historic cost <b>(1)</b>	Although market value may change the cost must be applied to the asset as this is known <b>(1)</b>	(4) Prudence <b>(1)</b>	Potential losses must be recorded as such when they are identified. Profits/Current assets/Trade receivables must not be overstated. <b>(1)</b>	(5) Money measurement <b>(1)</b>	Intangible asset difficult to measure. <b>(1)</b>	(6) Realisation <b>(1)</b>	Profit is not realised until the sale is confirmed by the customer. <b>(1)</b>	<b>(12)</b>
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**(TOTAL MARKS FOR QUESTION 2 = 55 MARKS)**  
**TOTAL MARKS FOR SECTION A = 110 MARKS**

### Section B

Question Number	Answer	Mark
3 (a)	<p><b>AO1: (4)</b>  <b>AO1: Four marks for describing the two terms</b></p> <p>Liquidity relates to the speed or ease with which assets can be turned into cash. <b>(1) AO1</b> This provides the ability to meet short term debts. <b>(1) AO1</b></p> <p>Profitability relates the gross profit or profit for the year to other figures within the same set of accounts/ability to generate profits. <b>(1) AO1</b> Comparison with the other figures could be to revenue or capital employed. <b>(1) AO1</b></p>	<b>(4)</b>

Question Number	Answer	Mark
3 (b)	<p><b>AO2: (7)AO3(3)</b>  <b>AO2: Seven marks for calculating the ratios including correct labelling</b>  <b>AO3: Three marks for deriving figures requiring two stage calculation</b></p> <ul style="list-style-type: none"> <li>• current ratio  <math display="block">\frac{12\,000 + 38\,000 + 4\,000}{27\,000 + 3\,000} \text{ (1)AO2} = 1.8:1 \text{ (1)AO2}</math> </li> <li>• liquid (acid test) ratio  <math display="block">\frac{38\,000 + 4\,000}{27\,000 + 3\,000} \text{ (1)AO2} = 1.4:1 \text{ (1)AO2}</math> </li> </ul>	<b>(2)</b>

	<ul style="list-style-type: none"> <li>gross profit as a percentage of revenue  <math>\frac{14\,000}{80\,000} \times 100 = 17.5\%</math></li> </ul>	(2)
	<ul style="list-style-type: none"> <li>profit for the year as a percentage of revenue for the year  <math>\frac{4\,000}{80\,000} \times 100 = 5\%</math></li> </ul>	(2)
	<ul style="list-style-type: none"> <li>percentage return on capital employed.  <math>\frac{4\,000 + 1\,600}{120\,000 + 20\,000} = 4\%</math></li> </ul>	(2)
		(10)

Question Number	Answer	Mark
3 (c)	<p><b>AO1: (2)</b>  <b>AO1: Two marks for valid comment on sufficiency</b></p> <p>Liquidity is sufficient (1) AO1 as both ratios are above the accepted parameters of 1.4:1 and 0.7:1.</p> <p>The profitability is probably not sufficient at 5% and 4%. (1) AO1</p>	(2)

Question Number	Answer	Mark
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<b>3 (d)</b>	<b>AO1: (3)AO2(5)</b>		<b>(8)</b>	
	<b>AO1: Three marks for final answers</b>			
	<b>AO2: Five marks for calculating the required figures</b>			
		<b>Workings</b>		<b>Answer</b>
	Revenue for April 2019	15 000 x 140% <b>(1)AO2</b>		21 000 <b>(1) AO2</b>
Inventory at 30 April 2019	12 000 + 10 000 – 15 000 <b>(1)AO2</b> two figures correct	7 000 <b>(1) AO1</b>		
Expenses for April 2019	-3 000 + 11 000 – 4 000 <b>(1)AO2</b> two figures correct	4 000 <b>(1) AO1</b>		
Profit for the month of April 2019	21 000 – 15 000 – 4 000 <b>(1 of) AO2</b> two figures correct	2 000 <b>(1 of) AO1</b>		

Question Number	Answer	Mark
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<p><b>3 (e)</b></p>	<p><b>AO1: (3)AO2(5)</b>  <b>AO1: Three marks for final answers</b>  <b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Points in favour the use of ratios</p> <ul style="list-style-type: none"> <li>• Enable comparison with accepted 'yardsticks', previous performance and competitors.</li> <li>• Accepted measures can be applied.</li> </ul> <p>Points against the use of ratios</p> <ul style="list-style-type: none"> <li>• Does not consider non-financial factors such as skill of the workforce or the quality of the products.</li> <li>• The existence of direct comparators.</li> <li>• Based on historic data/Does not take account of inflation</li> <li>• Seasonal differences can distort the results</li> </ul> <p>Decision</p> <p>Candidates may be in favour or against the use of ratios in determining the success of a business. Candidate's conclusion should be supported with an appropriate rationale.</p> <p>NOT EXPLANATION OF INDIVIDUAL RATIOS</p>	<p><b>(6)</b></p>
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Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

(TOTAL MARKS FOR QUESTION 3 = 30 MARKS)

Question Number	Answer	Mark
4 (a)	<p><b>AO1: (4)</b> <b>AO1: Four marks for explaining the difference</b></p> <p>Inventory rotation    The physical movement of inventory in and out of the store. <b>(1) AO1</b> Normally the oldest inventory will be issued first to avoid deterioration or obsolescence. <b>(1)AO1</b></p> <p>Inventory valuation    Is the price at which inventory is sold to the customer or issued to production/at a theoretical price. <b>(1) AO1</b> The valuation may be different from the physical rotation. Based on LIFO/FIFO/AVCO <b>(1) AO1</b></p>	<b>(4)</b>

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4 (b)	<p><b>AO1: (3)AO2(10):AO3: (3)</b>  <b>AO1: Three marks for correct transfer of information</b>  <b>AO2: Ten marks for calculating the required figures and correctly inserting in the account</b>  <b>AO3: Three marks for correctly calculating the closing inventory, prime cost and production cost with correct labels.</b></p> <p style="text-align: center;"><b>Manufacturing Account for the month of March 2019</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Opening inventory of raw material</td> <td style="text-align: right;">20 000</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Purchases of raw material</td> <td style="text-align: right;">16 500</td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;"><u>(1 650)</u></td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td></td> <td style="text-align: right;">34 850</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory of raw material</td> <td style="text-align: right;"><u>(21 100)</u></td> <td></td> <td style="text-align: right;">(1)AO3</td> </tr> <tr> <td>Cost of raw materials</td> <td></td> <td style="text-align: right;">13 750</td> <td style="text-align: right;">(1 of)AO2 +w</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Direct labour</td> <td></td> <td style="text-align: right;"><u>7 140</u></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Prime cost</td> <td></td> <td style="text-align: right;">20 890</td> <td style="text-align: right;">(1 of)AO3 + w</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Overheads:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Indirect labour</td> <td style="text-align: right;">420</td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td>Management salaries</td> <td style="text-align: right;">10 500</td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td>Rent, rates and insurance</td> <td style="text-align: right;">6 000</td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td>Production machinery depreciation</td> <td style="text-align: right;"><u>6 750</u></td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>23 670</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">44 560</td> <td></td> </tr> <tr> <td>Work in progress:</td> <td></td> <td></td> <td></td> </tr> <tr> <td>At 1 March</td> <td style="text-align: right;">710</td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td>At 31 March</td> <td style="text-align: right;"><u>(615)</u></td> <td></td> <td style="text-align: right;">(1)AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>95</u></td> <td></td> </tr> <tr> <td>Production cost</td> <td></td> <td style="text-align: right;">44 655</td> <td style="text-align: right;">(1 of)AO3 +w</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Profit on manufacture</td> <td></td> <td style="text-align: right;">3 345</td> <td style="text-align: right;">(1 of)AO1 +w</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Transfer to finished goods</td> <td></td> <td style="text-align: right;">48 000</td> <td style="text-align: right;">(1)AO1 +w</td> </tr> </tbody> </table>		£	£		Opening inventory of raw material	20 000		(1)AO1	Purchases of raw material	16 500		(1)AO2	Purchase returns	<u>(1 650)</u>		(1)AO2		34 850			Closing inventory of raw material	<u>(21 100)</u>		(1)AO3	Cost of raw materials		13 750	(1 of)AO2 +w					Direct labour		<u>7 140</u>	(1)AO2					Prime cost		20 890	(1 of)AO3 + w					Overheads:				Indirect labour	420		(1)AO2	Management salaries	10 500		(1)AO2	Rent, rates and insurance	6 000		(1)AO2	Production machinery depreciation	<u>6 750</u>		(1)AO2			<u>23 670</u>				44 560		Work in progress:				At 1 March	710		(1)AO2	At 31 March	<u>(615)</u>		(1)AO2			<u>95</u>		Production cost		44 655	(1 of)AO3 +w					Profit on manufacture		3 345	(1 of)AO1 +w					Transfer to finished goods		48 000	(1)AO1 +w	<b>(16)</b>
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4 (c)	<p><b>AO1: (2)AO2(2)</b>  <b>AO1: Two marks for identifying the effect on profit or inventory value.</b>  <b>AO2: Two marks for identifying the net impact</b></p> <ul style="list-style-type: none"> <li>• Statement of profit or loss and other comprehensive income</li> </ul> <p>The <b>value of the adjustment</b> would be recorded. <b>(1) AO2</b>  An <b>increase</b> in the provision would be recorded to <b>reduce the profit.</b><b>(1) AO1</b></p> <ul style="list-style-type: none"> <li>• Statement of financial position</li> </ul> <p>The <b>total value (1) AO2</b> of the provision would be <b>deducted from the inventory (1) AO1</b> of finished goods.</p>	<b>(4)</b>

Question Number	Answer	Mark
4 (d)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Points in favour of LIFO</p> <ul style="list-style-type: none"> <li>• Inventory is issued close to replacement cost when prices are rising.</li> <li>• Profits prudently lower</li> </ul> <p>Points against the LIFO</p> <ul style="list-style-type: none"> <li>• Not accepted by tax authorities</li> <li>• Inventory remaining is undervalued</li> </ul> <p>Decision</p> <p>Candidates may be in favour or against the use of LIFO in a business.</p> <p>Candidate's conclusion should be supported with an appropriate rationale.</p>	<b>(6)</b>

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

**(TOTAL MARKS FOR QUESTION 4 = 30 MARKS)**

Question Number	Answer	Mark
5 (a)	<p><b>AO1: (4)</b> <b>AO1: Four marks for explaining the difference</b></p> <p>Semi-fixed contains a fixed element which at a certain point (step) rises <b>(1) AO1</b> and then remains fixed for a further level of production <b>(1) AO1</b> before rising again.</p> <p>Semi-variable contains a fixed element which does not vary with output <b>(1) AO1</b> and a variable output which varies directly proportionately with the level of output. <b>(1) AO1</b></p>	<b>(4)</b>

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5 (b)	<p><b>AO1: (1)AO2(12):AO3: (3)</b>  <b>AO1: One mark for total profit</b>  <b>AO2: Twelve marks for calculating incomes and expenses</b>  <b>AO3: Three marks for correctly calculating gross profit</b></p> <p><b>Projected Statement of Profit or Loss and Other Comprehensive Income  for the year ended 30 April 2020</b></p> <table border="1"> <thead> <tr> <th></th> <th>Eastville Store</th> <th>Northern Store</th> <th>Weston Store</th> <th>Total</th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>365 000</td> <td>345 000 <b>(1) AO2</b></td> <td>400 000</td> <td>1 110 000</td> </tr> <tr> <td>Cost of sales</td> <td>(292 000)</td> <td>(276 000)</td> <td>(296 000)</td> <td>(864 000) <b>(1)of AO2</b></td> </tr> <tr> <td>Gross profit</td> <td>73 000 <b>(1)</b> <b>AO3</b></td> <td>69 000 <b>(1) AO3</b></td> <td>104 000 <b>(1) AO3</b></td> <td>246 000</td> </tr> <tr> <td>less</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td>21 900 <b>(1)</b> <b>AO2</b></td> <td>17 000 <b>(1)</b> <b>AO2</b></td> <td>28 000 <b>(1) AO2</b></td> <td>66 900</td> </tr> <tr> <td>Advertising</td> <td>12 300 <b>(1)</b> <b>AO2</b></td> <td>11 900 <b>(1)</b> <b>AO2</b></td> <td>13 000 <b>(1) AO2</b></td> <td>37 200</td> </tr> <tr> <td>Rent payable</td> <td>12 600 <b>(1)</b> <b>AO2</b></td> <td>16 200 <b>(1)</b> <b>AO2</b></td> <td>18 000 <b>(1) AO2</b></td> <td>46 800</td> </tr> <tr> <td>Overheads</td> <td>20 000 <b>(1)</b> <b>AO2</b></td> <td>20 000</td> <td>20 000</td> <td>60 000</td> </tr> <tr> <td></td> <td>(66 800)</td> <td>(65 100)</td> <td>(79 000)</td> <td>(210 900)</td> </tr> <tr> <td>Profit for the year</td> <td>6 200</td> <td>3 900</td> <td>25 000</td> <td>35 100 <b>(1)of AO1</b></td> </tr> </tbody> </table>		Eastville Store	Northern Store	Weston Store	Total		£	£	£	£	Revenue	365 000	345 000 <b>(1) AO2</b>	400 000	1 110 000	Cost of sales	(292 000)	(276 000)	(296 000)	(864 000) <b>(1)of AO2</b>	Gross profit	73 000 <b>(1)</b> <b>AO3</b>	69 000 <b>(1) AO3</b>	104 000 <b>(1) AO3</b>	246 000	less					Wages	21 900 <b>(1)</b> <b>AO2</b>	17 000 <b>(1)</b> <b>AO2</b>	28 000 <b>(1) AO2</b>	66 900	Advertising	12 300 <b>(1)</b> <b>AO2</b>	11 900 <b>(1)</b> <b>AO2</b>	13 000 <b>(1) AO2</b>	37 200	Rent payable	12 600 <b>(1)</b> <b>AO2</b>	16 200 <b>(1)</b> <b>AO2</b>	18 000 <b>(1) AO2</b>	46 800	Overheads	20 000 <b>(1)</b> <b>AO2</b>	20 000	20 000	60 000		(66 800)	(65 100)	(79 000)	(210 900)	Profit for the year	6 200	3 900	25 000	35 100 <b>(1)of AO1</b>	(16)
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5 (c)	<p><b>AO1: (4)</b>  <b>AO1: Four marks identifying cost</b></p> <ul style="list-style-type: none"> <li>• Variable cost            Cost of sales/Wages <b>(1) AO1</b></li> <li>• Semi-variable cost      Advertising <b>(1) AO1</b></li> <li>• Semi-fixed cost          Overheads <b>(1) AO1</b></li> <li>• Fixed cost                 Rent <b>(1) AO1</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
5 (d)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Points in favour of projections</p> <ul style="list-style-type: none"> <li>• Enables forward planning.</li> <li>• Assists decision making.</li> <li>• Motivate managers with targets.</li> </ul> <p>Points against projections</p> <ul style="list-style-type: none"> <li>• They are only estimates of what might happen and may be inaccurate.</li> <li>• Not all events can be planned for.</li> <li>• Time consuming to prepare projections.</li> </ul> <p>Decision</p> <p>Candidates may be in favour or against preparing projections. Candidate's conclusion should be supported with an appropriate rationale.</p>	<b>(6)</b>

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**(TOTAL MARKS FOR QUESTION 5 = 30 MARKS)**

Question Number	Answer	Mark																																																																
6 (a)	<p>AO1: (3)AO2(2):AO3: (2)</p> <p>AO1: Three marks for posting bank, loan and carrying down the balances</p> <p>AO2: Two marks for calculating the opening balances</p> <p>AO3: Two marks for correctly calculating the goodwill and correctly posting</p> <p style="text-align: center;"><b>Capital accounts</b></p> <table border="1"> <thead> <tr> <th>Date</th> <th>Details</th> <th>Able</th> <th>Baker</th> <th>Date</th> <th>Details</th> <th>Able</th> <th>Baker</th> </tr> <tr> <th>2018</th> <th></th> <th>£</th> <th>£</th> <th>2018</th> <th></th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>1 May</td> <td>Bank</td> <td></td> <td>4 000 <b>(1)AO1</b></td> <td>1 May</td> <td>Opening balance</td> <td>25 000 <b>(1)AO2</b></td> <td>35 000 <b>(1)AO2</b></td> </tr> <tr> <td></td> <td>10% Loan</td> <td>5 000 <b>(1)AO1</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Goodwill</td> <td>4 000 <b>(1)AO3</b></td> <td>8 000 <b>(1)AO3</b></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td>Balance c/d</td> <td><u>16 000</u></td> <td><u>23 000</u></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>25 000</u></td> <td><u>35 000</u></td> <td></td> <td></td> <td><u>25 000</u></td> <td><u>35 000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>1 May</td> <td>Balance b/d</td> <td>16 000</td> <td>23 000 <b>(1of) Both AO1</b></td> </tr> </tbody> </table>	Date	Details	Able	Baker	Date	Details	Able	Baker	2018		£	£	2018		£	£	1 May	Bank		4 000 <b>(1)AO1</b>	1 May	Opening balance	25 000 <b>(1)AO2</b>	35 000 <b>(1)AO2</b>		10% Loan	5 000 <b>(1)AO1</b>							Goodwill	4 000 <b>(1)AO3</b>	8 000 <b>(1)AO3</b>						Balance c/d	<u>16 000</u>	<u>23 000</u>							<u>25 000</u>	<u>35 000</u>			<u>25 000</u>	<u>35 000</u>					1 May	Balance b/d	16 000	23 000 <b>(1of) Both AO1</b>	(7)
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6 (b)	<p>AO1: (1)AO2(6):AO3: (1)  AO1: One mark for correct transfer of capital balances  AO2: Six marks for calculating the balances and recording under correct label  AO3: One mark for correctly calculating the bank overdraft</p> <p style="text-align: center;"><b>Able and Baker</b>  <b>Statement of Financial Position at 1 May 2018</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Non-current assets (carrying value)</td> <td></td> <td style="text-align: right;">32 000 (1) <b>AO2</b></td> </tr> <tr> <td>Current assets</td> <td></td> <td></td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">22 500 (1) <b>AO2</b></td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">16 000 (1) <b>AO2</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>38 500</u></td> </tr> <tr> <td>Total assests</td> <td></td> <td style="text-align: right;"><u>70 500</u></td> </tr> <tr> <td>Capital:</td> <td></td> <td></td> </tr> <tr> <td>    Able</td> <td style="text-align: right;">16 000</td> <td></td> </tr> <tr> <td>    Baker</td> <td style="text-align: right;">23 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">39 000 (1of) <b>AO1</b></td> </tr> <tr> <td>Non-current liabilities</td> <td></td> <td></td> </tr> <tr> <td>10% loan- Able</td> <td></td> <td style="text-align: right;">5 000 (1) <b>AO2</b></td> </tr> <tr> <td>Current liabilities</td> <td></td> <td></td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">17 500(1) <b>AO2</b></td> <td></td> </tr> <tr> <td>Bank overdraft (8 000)+3 000(1) <b>AO3</b>-4 000 (1) <b>AO2</b></td> <td style="text-align: right;">9 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>26 500</u></td> </tr> <tr> <td>Total capital and liabilities</td> <td></td> <td style="text-align: right;"><u>70 500</u></td> </tr> </tbody> </table>		£	£	Non-current assets (carrying value)		32 000 (1) <b>AO2</b>	Current assets			Inventory	22 500 (1) <b>AO2</b>		Trade receivables	16 000 (1) <b>AO2</b>				<u>38 500</u>	Total assests		<u>70 500</u>	Capital:			Able	16 000		Baker	23 000				39 000 (1of) <b>AO1</b>	Non-current liabilities			10% loan- Able		5 000 (1) <b>AO2</b>	Current liabilities			Trade payables	17 500(1) <b>AO2</b>		Bank overdraft (8 000)+3 000(1) <b>AO3</b> -4 000 (1) <b>AO2</b>	9 000				<u>26 500</u>	Total capital and liabilities		<u>70 500</u>	<b>(8)</b>
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6 (c)	<p><b>AO1:(4)</b>  <b>AO1: Four marks for correct treatment</b></p> <ul style="list-style-type: none"> <li>• Loan from Able                      Interest at 5% <b>(1) AO1</b></li> <li>• Salary                                      No salaries <b>(1) AO1</b></li> <li>• Interest on drawings                  No interest on drawings <b>(1) AO1</b></li> <li>• Share of profit or loss.                Equal shares<b>(1) AO1</b></li> </ul>	<b>(4)</b>

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6 (d)	<p><b>AO1:(1)AO2(4)</b>  <b>AO1: One marks for salary</b>  <b>AO2: Four marks for calculating interest on drawings and share of profit</b></p> <p style="text-align: center;"><b>Appropriation section of the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2019</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: right;">£</td> </tr> <tr> <td>Profit for the year</td> <td style="text-align: right;">20 800</td> </tr> <tr> <td>Plus Interest on drawings</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Able</td> <td style="text-align: right;">600 <b>(1) AO2</b></td> </tr> <tr> <td style="padding-left: 20px;">Baker</td> <td style="text-align: right;">800 <b>(1) AO2</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>1 400</u></td> </tr> <tr> <td></td> <td style="text-align: right;">22 200</td> </tr> <tr> <td>Less Salary</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Baker</td> <td style="text-align: right;">(9 000) <b>(1) AO1</b></td> </tr> <tr> <td>Share of profit</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Able</td> <td style="text-align: right;">(4 400) <b>(1of) AO2 No alien</b></td> </tr> <tr> <td style="padding-left: 20px;">Baker</td> <td style="text-align: right;"><u>(8 800)</u> <b>(1of) AO2 Correct proportion</b></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>22 200</u></td> </tr> </table>		£	Profit for the year	20 800	Plus Interest on drawings		Able	600 <b>(1) AO2</b>	Baker	800 <b>(1) AO2</b>		<u>1 400</u>		22 200	Less Salary		Baker	(9 000) <b>(1) AO1</b>	Share of profit		Able	(4 400) <b>(1of) AO2 No alien</b>	Baker	<u>(8 800)</u> <b>(1of) AO2 Correct proportion</b>		<u>22 200</u>	<b>(5)</b>
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Question Number	Answer	Mark
6 (e)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Points in favour of forming a partnership</p> <ul style="list-style-type: none"> <li>• Individual skills can be used by each partner specialising.</li> <li>• More capital contribution</li> <li>• Burden of the work will be shared</li> <li>• More ideas</li> </ul> <p>Points against forming a partnership</p> <ul style="list-style-type: none"> <li>• The partners will have joint and several liability and be responsible for each other's actions.</li> <li>• Disagreements can develop into serious disputes.</li> <li>• Profit will be shared</li> </ul> <p>Decision</p> <p>Candidates may be in favour or against partnership as a form of business entity. Candidate's conclusion should be supported with an appropriate rationale.</p>	<b>(6)</b>

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present.

		Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.
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**(TOTAL MARKS FOR QUESTION 6 = 30 MARKS)**

**TOTAL MARKS FOR SECTION B = 90 MARKS**

**TOTAL MARKS FOR PAPER = 2000 MARKS**

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