



Mark Scheme (Results)

October 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>AO2(6): A02: Six marks for calculating adjusted balances</p> <table border="1" style="margin-left: auto; margin-right: auto; border-collapse: collapse; text-align: center;"> <thead> <tr> <th></th> <th style="border-bottom: 1px solid black;">Alvor</th> <th style="border-bottom: 1px solid black;">Bernie</th> <th></th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th></th> </tr> </thead> <tbody> <tr> <td>Assets</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Goodwill</td> <td>18 000</td> <td>-</td> <td></td> </tr> <tr> <td>Non-current assets</td> <td>9 000 (1) AO2</td> <td>21 000</td> <td></td> </tr> <tr> <td>Inventory</td> <td>5 500 (1)AO2</td> <td>8 600</td> <td></td> </tr> <tr> <td>Trade receivables</td> <td>5 700 (1) AO2</td> <td>9 500 (1) AO2</td> <td></td> </tr> <tr> <td>Other receivables</td> <td>300</td> <td>900</td> <td></td> </tr> <tr> <td>Bank</td> <td><u>4 500</u></td> <td>-</td> <td></td> </tr> <tr> <td></td> <td>43 000</td> <td>40 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Liabilities</td> <td></td> <td></td> <td></td> </tr> <tr> <td>5% bank loan (repayable 2022)</td> <td>-</td> <td>12 000</td> <td></td> </tr> <tr> <td>Trade payables</td> <td>3 800</td> <td>5 400</td> <td></td> </tr> <tr> <td>Other payables</td> <td>1 200</td> <td>500</td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td>-</td> <td><u>6 100</u></td> <td>(1) AO2</td> </tr> <tr> <td></td> <td>5 000</td> <td>24 000</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Capital</td> <td>38 000</td> <td>16 000</td> <td>(1of) AO2 Both</td> </tr> </tbody> </table> <p>Alvor: Non-current assets 14000- 5000 = 9000 Inventory 7000- 1500 = 5500 Trade receivables 6000- 300 = 5700</p> <p>Bernie: Trade receivables 11600 – 1600 – 500 = 9500</p>		Alvor	Bernie			£	£		Assets				Goodwill	18 000	-		Non-current assets	9 000 (1) AO2	21 000		Inventory	5 500 (1)AO2	8 600		Trade receivables	5 700 (1) AO2	9 500 (1) AO2		Other receivables	300	900		Bank	<u>4 500</u>	-			43 000	40 000						Liabilities				5% bank loan (repayable 2022)	-	12 000		Trade payables	3 800	5 400		Other payables	1 200	500		Bank overdraft	-	<u>6 100</u>	(1) AO2		5 000	24 000						Capital	38 000	16 000	(1of) AO2 Both	(6)
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1 (b)	<p>AO1:(1)AO2(3):AO3(2) AO1: One mark for totalling sub section AO2: Three marks for calculating the bank overdraft AO3: Two marks for adjusting capital for goodwill not retained</p> <p style="text-align: center;">Alvor and Bernie Statement of Financial Position at 1 October 2018</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td colspan="3">Assets</td> </tr> <tr> <td>Non-current assets (carrying value)</td> <td></td> <td style="text-align: right;">30 000 (1) AO1</td> </tr> <tr> <td>No alien</td> <td></td> <td></td> </tr> <tr> <td colspan="3">Current assets</td> </tr> <tr> <td>Inventory</td> <td style="text-align: right;">14 100</td> <td></td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">15 200</td> <td></td> </tr> <tr> <td>Other receivables</td> <td style="text-align: right;"><u>1 200</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>30 500 (1of) AO2</u></td> </tr> <tr> <td>No alien</td> <td></td> <td></td> </tr> <tr> <td>Total assets</td> <td></td> <td style="text-align: right;"><u>60 500</u></td> </tr> <tr> <td colspan="3">Capital and liabilities</td> </tr> <tr> <td>Capital Alvor 38 000 – 12 000</td> <td style="text-align: right;">26 000 (1of) AO3</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Bernie 16 000 – 6 000</td> <td style="text-align: right;"><u>10 000 (1of) AO3</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">36 000</td> </tr> <tr> <td colspan="3">Non-current liabilities</td> </tr> <tr> <td>5% bank loan (repayable 2022)</td> <td></td> <td style="text-align: right;">12 000</td> </tr> <tr> <td colspan="3">Current liabilities</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">9 200</td> <td></td> </tr> <tr> <td>Other payables</td> <td style="text-align: right;">1 700</td> <td></td> </tr> <tr> <td>Bank overdraft 4 500 – 6 100</td> <td style="text-align: right;">1 600 (1) AO2</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>12 500 (1of) AO2</u></td> </tr> <tr> <td>Total capital and liabilities</td> <td></td> <td style="text-align: right;"><u>60 500</u></td> </tr> </tbody> </table>		£	£	Assets			Non-current assets (carrying value)		30 000 (1) AO1	No alien			Current assets			Inventory	14 100		Trade receivables	15 200		Other receivables	<u>1 200</u>				<u>30 500 (1of) AO2</u>	No alien			Total assets		<u>60 500</u>	Capital and liabilities			Capital Alvor 38 000 – 12 000	26 000 (1of) AO3		Bernie 16 000 – 6 000	<u>10 000 (1of) AO3</u>				36 000	Non-current liabilities			5% bank loan (repayable 2022)		12 000	Current liabilities			Trade payables	9 200		Other payables	1 700		Bank overdraft 4 500 – 6 100	1 600 (1) AO2				<u>12 500 (1of) AO2</u>	Total capital and liabilities		<u>60 500</u>	(6)
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1 (c)	<p>AO1:(5)AO2(11):AO3(3)</p> <p>AO1: Five marks for transferring balances to the income statement</p> <p>AO2: Eleven marks for calculating or adjusting balances for the income statement</p> <p>AO3: Three marks for balances requiring two levels of adjustment</p> <p>Statement of Profit or Loss and Comprehensive Income, including an appropriation section, for the year ended 30 September 2019</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">300 000</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Cost of sales:</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">14 100</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">148 000</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;"><u>7 900</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">170 000 (1of) AO2</td> <td></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;"><u>(17 600)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(152 400) (1of) +w AO2</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">147 600</td> </tr> <tr> <td>Plus</td> <td></td> <td></td> </tr> <tr> <td>Other income:</td> <td></td> <td></td> </tr> <tr> <td>Commission receivable 11 750 + 900</td> <td></td> <td style="text-align: right;"><u>12 650 (1) AO2</u></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">160 250</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Electricity and water 5 650 - 800</td> <td style="text-align: right;">4 850 (1) AO2</td> <td></td> </tr> <tr> <td>Telephone and communications</td> <td style="text-align: right;">6 150 (1) AO1</td> <td></td> </tr> <tr> <td>Supervision salaries</td> <td style="text-align: right;">24 000 (1) AO1</td> <td></td> </tr> <tr> <td>Rent 16 700 - 6 700</td> <td style="text-align: right;">10 000 (1) AO2</td> <td></td> </tr> <tr> <td>Wages 38 300 + 2 300</td> <td style="text-align: right;">40 600 (1) AO2</td> <td></td> </tr> <tr> <td>Bank loan interest</td> <td style="text-align: right;">600 (1) AO2</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">7 400 (1) AO1</td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">1 800 (1) AO1</td> <td></td> </tr> <tr> <td>Computer repairs</td> <td style="text-align: right;">2 900 (1) AO1</td> <td></td> </tr> </tbody> </table>		£	£	Revenue		300 000	Less			Cost of sales:			Opening inventory	14 100		Purchases	148 000		Carriage inwards	<u>7 900</u>			170 000 (1of) AO2		Closing inventory	<u>(17 600)</u>				<u>(152 400) (1of) +w AO2</u>	Gross profit		147 600	Plus			Other income:			Commission receivable 11 750 + 900		<u>12 650 (1) AO2</u>			160 250	Less			Electricity and water 5 650 - 800	4 850 (1) AO2		Telephone and communications	6 150 (1) AO1		Supervision salaries	24 000 (1) AO1		Rent 16 700 - 6 700	10 000 (1) AO2		Wages 38 300 + 2 300	40 600 (1) AO2		Bank loan interest	600 (1) AO2		General expenses	7 400 (1) AO1		Insurance	1 800 (1) AO1		Computer repairs	2 900 (1) AO1		
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Depreciation:			
Motor vehicles	3 200 (1) AO2		
Computers	1 500 (1) AO2		
Fixtures and fittings	800 (1) AO2		
Increase in allowance for doubtful debts 2 050 -800	<u>1 250</u> (1) AO3		
		(105 050)	
Profit for the year		55 200	
Add			
Interest on drawings:			
Alvor 12 000 - 10 000 x 10%	200		
Bernie 14 000 - 6 000 x 10%	<u>800</u>		
		1 000 (1) AO3	
Less Salaries:			
Alvor	10 000		
Bernie	<u>6 000</u>		
		(16 000) (1) AO2	
		40 200	
Share of profit:			
Alvor	26 800 (1 of) AO3	If correct split no aliens	
Bernie	<u>13 400</u>	_____	
		<u>40 200</u>	(19)

Question Number	Answer	Mark
1 (d)	<p>AO1:(6) AO1: Six marks for identifying and explaining the characteristics</p> <p>Supervision salaries Semi-fixed (1) AO1 Additional supervisors would be required as production or the service expands. This would lead to a stepped increase in costs. (1) AO1</p> <p>Rent Fixed (1) AO1 The rent would be constant for the accounting period irrespective of the activity undertaken within the premises. (1) AO1</p> <p>Telephone and communications Semi-variable (1) AO1 There would be a fixed charge plus a variable cost based upon usage. (1) AO1</p>	(6)

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1 (e)	<p>AO2(4):AO3(2) AO2: Four marks for calculating semi-fixed and semi-variable costs AO3: Two marks for calculating fixed and variable costs.</p> <p style="text-align: center;">Projected profit or loss for the year ended 30 September 2020</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">450 000 (1) AO2</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Variable cost</td> <td style="text-align: right;">180 000 (1of) AO2</td> <td></td> </tr> <tr> <td>Fixed cost</td> <td style="text-align: right;">46 000 (1) AO2</td> <td></td> </tr> <tr> <td>Semi-fixed cost</td> <td style="text-align: right;">92 000 (1of) AO3</td> <td></td> </tr> <tr> <td>Semi-variable cost</td> <td style="text-align: right;"><u>75 000</u> (1of) AO3</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(393 000)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>57 000</u> (1of) AO2</td> </tr> </tbody> </table>		£	£	Revenue		450 000 (1) AO2	Less			Variable cost	180 000 (1of) AO2		Fixed cost	46 000 (1) AO2		Semi-fixed cost	92 000 (1of) AO3		Semi-variable cost	<u>75 000</u> (1of) AO3				(393 000)	Profit for the year		<u>57 000</u> (1of) AO2	(6)
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1 (f)	<p>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</p> <p>Positive points in favour of projections</p> <ul style="list-style-type: none"> It is a target to work to for the forthcoming year. The plan can aid decision making. Projections of costs can aid control of costs. Gives idea of future profit. Provides a strategy for next year. Can help to manage the business. Sets goals for the business. <p>Negative points for projections</p> <ul style="list-style-type: none"> Projections are only estimates of what might happen and can be inaccurate. Events may occur outside the control of the partnership, such as changes in demand or government policy which can have a major negative impact on the projections. Investment decisions may be made in advance which are then not supported by increased revenue. Takes time and distracts managers from other tasks. Expertise to prepare accurate budgets. <p>NOT</p> <ul style="list-style-type: none"> Time consuming without development. Discussion of the figures derived from the question. <p>Decision</p> <p>Candidates may conclude that projections are or are not of value to the partnership. Candidates should support that decision with an appropriate rationale.</p>	(12)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	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.
Level 3	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
Level 4	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.

(TOTAL FOR QUESTION 1 = 55 MARKS)

Question Number	Answer	Mark																																																																								
2 (a) (i)	<p>AO1:(10) AO1: Ten marks for posting to account</p> <p style="text-align: center;">Receipts and Payments Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>£</th> <th>Date</th> <th>Details</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>2018</td> <td></td> <td></td> <td>2018/19</td> <td></td> <td></td> </tr> <tr> <td>1 Sept</td> <td>Balance b/d</td> <td style="text-align: right;">75</td> <td></td> <td>Wages</td> <td style="text-align: right;">7 550 (1) AO1</td> </tr> <tr> <td></td> <td>Subscriptions</td> <td style="text-align: right;">15 970 (1) AO1</td> <td></td> <td>Purchase equipment</td> <td style="text-align: right;">2 750 (1) AO1</td> </tr> <tr> <td></td> <td>Donations</td> <td style="text-align: right;">500 (1) AO1</td> <td></td> <td>Rent and insurance</td> <td style="text-align: right;">2 390 (1) AO1</td> </tr> <tr> <td></td> <td>Sale of equipment</td> <td style="text-align: right;">900 (1) AO1</td> <td></td> <td>Expenses for dance</td> <td style="text-align: right;">950 (1) AO1</td> </tr> <tr> <td></td> <td>Sale of tickets</td> <td style="text-align: right;">3 200 (1) AO1</td> <td></td> <td>Catering for dance</td> <td style="text-align: right;">250 (1) AO1</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>General expenses</td> <td style="text-align: right;">4 830 (1) AO1</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td style="text-align: right;">1 925</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>20 645</u></td> <td></td> <td></td> <td style="text-align: right;"><u>20 645</u></td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1 Sept</td> <td>Balance b/d</td> <td style="text-align: right;">1 925</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	£	Date	Details	£	2018			2018/19			1 Sept	Balance b/d	75		Wages	7 550 (1) AO1		Subscriptions	15 970 (1) AO1		Purchase equipment	2 750 (1) AO1		Donations	500 (1) AO1		Rent and insurance	2 390 (1) AO1		Sale of equipment	900 (1) AO1		Expenses for dance	950 (1) AO1		Sale of tickets	3 200 (1) AO1		Catering for dance	250 (1) AO1					General expenses	4 830 (1) AO1					Balance c/d	1 925			<u>20 645</u>			<u>20 645</u>	2019						1 Sept	Balance b/d	1 925				(10)
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2 (a) (iv)	<p>AO2(4) A02: Four marks for calculating entries and profit on activity</p> <p style="text-align: center;">Annual Dance Trading Account for the year ended 31 August 2019</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">£</th> <th style="text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Sale of dance tickets 3 200 + 430</td> <td></td> <td style="text-align: right;">3 630 (1) AO2</td> </tr> <tr> <td>less</td> <td></td> <td></td> </tr> <tr> <td>Expenses 950 – 125</td> <td style="text-align: right;">825 (1) AO2</td> <td></td> </tr> <tr> <td>Catering 250 + 2 100</td> <td style="text-align: right;"><u>2 350</u> (1) AO2</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(3 175)</td> </tr> <tr> <td>Profit on dance</td> <td></td> <td style="text-align: right;"><u><u>455</u></u> (1) AO2 +w</td> </tr> </tbody> </table>		£	£	Sale of dance tickets 3 200 + 430		3 630 (1) AO2	less			Expenses 950 – 125	825 (1) AO2		Catering 250 + 2 100	<u>2 350</u> (1) AO2				(3 175)	Profit on dance		<u><u>455</u></u> (1) AO2 +w	(4)
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2 (a) (v)	<p>AO1:(1)AO2(8):AO3(2) AO1: One marks for transferring balances AO2: Eight marks for calculating and entering balances AO3: Two mark for calculating and posting wages and equipment depreciation.</p> <p style="text-align: center;">Income and Expenditure Account for the year ended 31 August 2019</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td colspan="3">Income</td> </tr> <tr> <td>Subscriptions</td> <td style="text-align: right;">16 200 (1of) AO2</td> <td></td> </tr> <tr> <td>Donations</td> <td style="text-align: right;">500 (1) AO2</td> <td></td> </tr> <tr> <td>Profit on dance</td> <td style="text-align: right;"><u>455</u> (1of) AO2</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">17 155</td> </tr> <tr> <td colspan="3">Expenses</td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">360 (1) AO2</td> <td></td> </tr> <tr> <td>Rent and insurance</td> <td style="text-align: right;">2 300 (1of) AO2</td> <td></td> </tr> <tr> <td>Wages 7 550 -850 + 600</td> <td style="text-align: right;">7 300 (1) AO3</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">4 830 (1) AO1</td> <td></td> </tr> <tr> <td colspan="3">Depreciation:</td> </tr> <tr> <td style="padding-left: 20px;">Land and buildings</td> <td style="text-align: right;">400 (1) AO2</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">Equipment</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 20px;">(8 150 -900 +2 750 -9 400)</td> <td style="text-align: right;">600 (1) AO3</td> <td></td> </tr> <tr> <td>Allowance for irrecoverable debts</td> <td style="text-align: right;"><u>540</u> (1) AO2</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(16 330)</td> </tr> <tr> <td>Surplus</td> <td></td> <td style="text-align: right;"><u><u>6635</u></u> (1of) AO2 + w</td> </tr> </tbody> </table>		£	£	Income			Subscriptions	16 200 (1of) AO2		Donations	500 (1) AO2		Profit on dance	<u>455</u> (1of) AO2				17 155	Expenses			Bad debts	360 (1) AO2		Rent and insurance	2 300 (1of) AO2		Wages 7 550 -850 + 600	7 300 (1) AO3		General expenses	4 830 (1) AO1		Depreciation:			Land and buildings	400 (1) AO2		Equipment			(8 150 -900 +2 750 -9 400)	600 (1) AO3		Allowance for irrecoverable debts	<u>540</u> (1) AO2				(16 330)	Surplus		<u><u>6635</u></u> (1of) AO2 + w	(11)
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Question Number	Answer	Mark
2 (b) (i)	<p>AO1:(2) AO1: Two marks for explaining the concept and giving one example.</p> <p>Accruals concept The concept which matches the expenses for an accounting period to the income for the same accounting period. (1) AO1 Example: Wages, subscriptions, rent, rates and insurance, depreciation. (1) AO1</p>	(2)

Question Number	Answer	Mark
2 (b) (ii)	<p>AO1:(42) AO1: Two marks for explaining the concept and giving one example.</p> <p>Prudence concept The concept ensures that profits/surplus and assets are not overstated and the liabilities are not understated. (1) AO1 Examples: Allowance for irrecoverable debts, depreciation. (1) AO1</p>	(2)

Question Number	Answer	Mark
2 (c)	<p>AO1: (4)</p> <p>AO1: Four marks for explaining the concept of ethics</p> <ul style="list-style-type: none"> • Ethics begin where the law ends. Actions may be legal but not necessarily ethical. e.g applying only minimum safety standards. (1) AO1 • Profitability should not be only consideration in business policies, social and moral aspects should also be considered. (1) AO1 • Policy should consider honesty and trustworthiness. (1) AO1 • Fraud and corruption should be prevented. (1) AO1 • Accounting organisations should actively encourage members to apply a minimum code of conduct. (1) AO1 • To give a true and fair view of the business. (1) AO1 <p>4 points x 1 mark</p>	(4)

Question Number	Answer	Mark
2 (d)	<p>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</p> <p>Positive points for ICT Increases accuracy and reduces errors Automatically prepares reconciliations e.g subscriptions Can prepare financial statements automatically Less paperwork easier storage Will be more secure with passwords used Speed of processing You need to input data once and the computer will make the second entry</p> <p>Negative points against ICT Cost of hardware and software Training of staff Cost of updating equipment and training Cost of security and protection against virus Breakdowns caused disruption Incorrect original entries will still lead to errors</p> <p>Decision Candidates may conclude that ICT is or is not valuable to the club. Candidates should support that decision with an appropriate rationale.</p>	(12)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	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.
Level 3	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

Level 4	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.
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(TOTAL FOR QUESTION 2 = 55 MARKS)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Question Number	Answer	Mark
3 (a) (i)	<p>AO1 (2)AO2(1) AO1: One mark for percentage AO2: Two marks for calculating cost</p> <p style="margin-left: 40px;">200 000 + 35 000 – 25 000 (1) AO1 = 210 000 × 20% (1) AO1 = 42 000 (1of) AO2</p>	(3)

Question Number	Answer	Mark
3 (a) (ii)	<p>AO1 (1): AO2(2) AO1: One mark for percentage AO2: Three marks for calculating cost</p> <p style="margin-left: 40px;">500 000 + 120 000 – 40 000 = 580 000 (1) AO1 - (160 000-40 000) (1) AO1 = 460 000 × 25% = 115 000 (1of) AO2</p>	(3)

Question Number	Answer	Mark
3 (a) (iii)	<p>AO2: Three marks for calculating depreciation</p> <p style="margin-left: 40px;">25 000 + 9 000 = 34 000 (1) AO2 – 16 000 + 10 000 (1) AO2 = 8 000 (1of) AO2</p> <p>OR</p> <p style="margin-left: 40px;">15 000 (1) AO2 + 9 000 (1) AO2 – 16 000 = 8 000 (1of) AO2</p>	(3)

Question Number	Answer	Mark																																																
3 (b)	<p>AO1:(4)AO2(6):AO3(3) AO1: Four marks for transferring balances AO2: Six marks for calculating adjusted balances AO3: Three marks for disposals and depreciation on disposals</p> <p style="text-align: center;">Schedule of Non-current Assets at 30 September 2019</p> <table border="1"> <thead> <tr> <th></th> <th>Motor vehicles</th> <th>Plant and equipment</th> <th>Loose tools</th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Cost at 30 September 2018</td> <td>200 000</td> <td>500 000</td> <td>25 000</td> </tr> <tr> <td>Additions for year</td> <td>35 000 (1) AO1</td> <td>120 000 (1) AO1</td> <td>9 000 (1) AO1</td> </tr> <tr> <td>Disposals for year</td> <td>(25 000) (1) AO2</td> <td>(40 000) (1) AO3</td> <td>(-)</td> </tr> <tr> <td>Total non-current asset cost</td> <td>210 000</td> <td>580 000</td> <td>34 000</td> </tr> <tr> <td>Less Depreciation</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Provision at 30 September 2018</td> <td>(60 000)</td> <td>(160 000)</td> <td>(10 000)</td> </tr> <tr> <td>Depreciation on non-current asset disposals</td> <td>17 000 (1) AO3</td> <td>40 000 (1) AO3</td> <td>-</td> </tr> <tr> <td>Depreciation for the year ended 30 September 2019</td> <td>(42 000) (1of) AO2</td> <td>(115 000) (1of) AO2</td> <td>(8 000) (1of) AO2</td> </tr> <tr> <td>Total accumulated depreciation</td> <td>(85 000)</td> <td>(235 000)</td> <td>(18 000)</td> </tr> <tr> <td>Carrying value at 30 September 2019</td> <td>125 000 (1of) AO2</td> <td>345 000 (1of) AO2</td> <td>16 000 (1of) AO1</td> </tr> </tbody> </table>		Motor vehicles	Plant and equipment	Loose tools		£	£	£	Cost at 30 September 2018	200 000	500 000	25 000	Additions for year	35 000 (1) AO1	120 000 (1) AO1	9 000 (1) AO1	Disposals for year	(25 000) (1) AO2	(40 000) (1) AO3	(-)	Total non-current asset cost	210 000	580 000	34 000	Less Depreciation				Provision at 30 September 2018	(60 000)	(160 000)	(10 000)	Depreciation on non-current asset disposals	17 000 (1) AO3	40 000 (1) AO3	-	Depreciation for the year ended 30 September 2019	(42 000) (1of) AO2	(115 000) (1of) AO2	(8 000) (1of) AO2	Total accumulated depreciation	(85 000)	(235 000)	(18 000)	Carrying value at 30 September 2019	125 000 (1of) AO2	345 000 (1of) AO2	16 000 (1of) AO1	(13)
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3 (c)	<p>AO1:(2) AO1: Two marks for identifying reasons</p> <ul style="list-style-type: none"> • Many small items which are difficult to count and value • Possibility of major fluctuations in value • Book value matches market value/ more accurate <p>2 x (1) AO1</p>	(2)

Question Number	Answer	Mark
3 (d)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Positive points for using the straight line method Equal usage of non-current assets from year to year should result in equal depreciation charged Applies accruals concept ensuring actual depreciation is matched to the period The application of the method does not distort profits</p> <p>Negative points for using the straight line method Many non-current assets market value depreciates heavily in the first year of ownership The market value of the non-current asset may be substantially different from the book value. Total cost of ownership will increase when annual maintenance costs are added.</p> <p>NOT: Easy to calculate</p> <p>Decision Candidates may conclude that straight line depreciation for non-current assets is positive or negative for a club. Candidates should support that decision with an appropriate rationale.</p>	(6)

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	<p>Elements of knowledge and understanding, which are applied to the scenario.</p> <p>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.</p> <p>An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.</p>
Level 3	5-6	<p>Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective.</p> <p>A coherent and logical chain of reasoning, showing causes and effects is present.</p> <p>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.</p>

(TOTAL FOR QUESTION 3 = 30 MARKS)

Question Number	Answer	Mark
4 (a)	<p>AO1:(4) AO1: Four marks for explaining the difference between profit and profitability</p> <p>Profit is the difference between income and expenditure (1) AO1 for a given period recorded in the income statement. (1) AO1</p> <p>Whereas</p> <p>Profitability is the profit for a period compared to another factor usually revenue or capital employed. (1) AO1 It is the ability to generate profits. (1) AO1</p>	(4)

Question Number	Answer	Mark
4 (b)	<p>AO1:(3) AO2(5) AO1: Three marks for transferring balances to formula AO2: Five marks for calculating ratios</p> <p>Gross profit as a percentage of revenue</p> $\frac{100\,000}{240\,000} \times 100 = 41.7\% \text{ (1) AO2}$ <p>240 000 (1) AO1</p> <p>Net profit for the year as a percentage of revenue</p> $\frac{2\,000}{240\,000} \times 100 = 0.8\% \text{ (1) AO1}$ <p>240 000 (1) AO2</p> <p>Percentage return on capital employed</p> $\frac{2\,000 + 10\,000}{40\,000 + 10\,000} \times 100 = 6\% \text{ (1of) AO2}$ <p>40 000 + 10 000 (1) AO2</p> <p>Trade payables payment period.</p> $\frac{15\,000}{160\,000} \times 365 = 34.2 \text{ days (1of) AO2}$ <p>160 000 (1) AO1</p>	(8)

Question Number	Answer	Mark																																										
4 (c)	<p>AO1:(1)AO2(4) AO1: One marks for transferring opening balance of inventory AO2: Four marks for calculating balances</p> <p style="text-align: center;">Forecast Statement of Profit or Loss and Comprehensive Income for the year ended 30 September 2019</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">360 000</td> </tr> <tr> <td>Inventory 1 October 2019</td> <td style="text-align: right;">35 000 (1) AO1</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>255 000</u> (1) AO2</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">290 000</td> <td></td> </tr> <tr> <td>Inventory 30 September 2020</td> <td style="text-align: right;"><u>(50 000)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td style="text-align: right;">240 000 (1of) AO2</td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">120 000 (1) AO2</td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">77 000 (1) AO2</td> <td></td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">10 000</td> <td></td> </tr> <tr> <td>Bank loan interest</td> <td style="text-align: right;">2 000</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;"><u>17 000</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(106 000)</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>14 000</u> (1of) AO1</td> </tr> </tbody> </table>		£	£	Revenue		360 000	Inventory 1 October 2019	35 000 (1) AO1		Purchases	<u>255 000</u> (1) AO2			290 000		Inventory 30 September 2020	<u>(50 000)</u>		Cost of sales	240 000 (1of) AO2		Gross profit		120 000 (1) AO2	Wages	77 000 (1) AO2		Depreciation	10 000		Bank loan interest	2 000		General expenses	<u>17 000</u>				<u>(106 000)</u>	Profit for the year		<u>14 000</u> (1of) AO1	(6)
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Question Number	Answer	Mark
4 (d)	<p>AO2(3):AO3(1) AO2: Three marks for calculating the ratio AO3: One mark for arriving at the correct capital employed</p> <p>Net profit for the year as a percentage of revenue</p> $\frac{14\,000}{360\,000} \times 100 = 3.9\%$ <p>Percentage return on capital employed.</p> $\frac{14\,000 + 2\,000}{40\,000 + 8\,000 + 10\,000} \times 100 = 27.6\%$	(4)

Question Number	Answer	Mark
4 (e)	<p>AO3(2) AO3: Two marks for arriving at correct trade payables</p> $\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365 = \frac{20\,959}{255\,000} \times 365$ <p>Or</p> $\frac{£255\,000}{365 \text{ days}} = £698.6 \text{ per day} \times 30 \text{ days} = £20\,959$	(2)

Question Number	Answer	Mark
4 (f)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Positive points for using only financial factors Ratios measure past performance. They can tell us about our current profitability, liquidity and the use of assets. There are accepted performance 'yardsticks' for comparison. Non-financial factors are hard to measure. If they are included ratios are not accurate.</p> <p>Negative points for using only financial factors Non-financial factors will give an indication of performance in the future by considering such things such as quality of management and staff and products for the future/reputation which are within the business Other non-financial factors outside the business control such as and size and development of the market and the level of competition need to be considered. It ignores social and ethical responsibility May understate the business value</p> <p>Decision Candidates may conclude that the use of only financial factors is acceptable or not acceptable. Candidates should support that decision with an appropriate rationale.</p>	(6)
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 FOR QUESTION 4 = 30 MARKS)

Question Number	Answer	Mark																																
5 (a)	<p>AO:1(1):AO2(10):AO3(3) AO1: One mark for same fuel cost AO2: Ten marks for calculating costs AO3: Three marks for calculating costs</p> <p>Option 1</p> <table border="1" data-bbox="288 607 1417 1223"> <thead> <tr> <th></th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Depreciation</td> <td>2 800 (1) AO2</td> <td>2 800</td> <td>2 800</td> </tr> <tr> <td>Servicing</td> <td>150 (1) AO2</td> <td>300 (1) AO2</td> <td>550 (1) AO3</td> </tr> <tr> <td>Repairs</td> <td>100 (1) AO2</td> <td>800 (1) AO2</td> <td>1 500 (1) AO2</td> </tr> <tr> <td>Insurance</td> <td>600 (1) AO2</td> <td>600 (1) AO2</td> <td>630 (1) AO3</td> </tr> <tr> <td>Fuel</td> <td>1 200 (1) AO2</td> <td>1 500 (1) AO3</td> <td>1 500 (1) AO1 of</td> </tr> <tr> <td>Total cost</td> <td>4 850</td> <td>6 000</td> <td>6 980 (1of) AO2 All years</td> </tr> </tbody> </table>		Year 1	Year 2	Year 3		£	£	£	Depreciation	2 800 (1) AO2	2 800	2 800	Servicing	150 (1) AO2	300 (1) AO2	550 (1) AO3	Repairs	100 (1) AO2	800 (1) AO2	1 500 (1) AO2	Insurance	600 (1) AO2	600 (1) AO2	630 (1) AO3	Fuel	1 200 (1) AO2	1 500 (1) AO3	1 500 (1) AO1 of	Total cost	4 850	6 000	6 980 (1of) AO2 All years	(14)
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Question Number	Answer	Mark																								
5 (b)	<p data-bbox="288 342 884 465"> AO1:(2) AO2 (2) AO1: Two marks for calculating costs AO2: Two marks for calculating costs </p> <p data-bbox="288 521 424 562">Option2</p> <table border="1" data-bbox="288 566 1420 1046"> <thead> <tr> <th></th> <th>Year 1</th> <th>Year 2</th> <th>Year 3</th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Hire</td> <td>4 200</td> <td>4 200</td> <td>4 200 (1) AO2 All years</td> </tr> <tr> <td>Insurance</td> <td>600</td> <td>600</td> <td>630 (1) AO1 All years</td> </tr> <tr> <td>Fuel</td> <td>1 200</td> <td>1 500</td> <td>1 500 (1) AO1 All years</td> </tr> <tr> <td>Total cost</td> <td>6 000</td> <td>6 300</td> <td>6 330 (1of) AO2 All years</td> </tr> </tbody> </table>		Year 1	Year 2	Year 3		£	£	£	Hire	4 200	4 200	4 200 (1) AO2 All years	Insurance	600	600	630 (1) AO1 All years	Fuel	1 200	1 500	1 500 (1) AO1 All years	Total cost	6 000	6 300	6 330 (1of) AO2 All years	(4)
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Question Number	Answer	Mark
5 (c)	<p>AO1:(6) AO1: Six marks for comparing the options under the three headings</p> <p>Cash payments made by Frost Bakeries in year 1 Purchase – The cash payment will be high and include £14 000 for the purchase of the van (1) AO1 plus running costs of a further £2 050 Hire- The cash payment will be much lower at £6 000 as no delivery van purchase is involved. (1) AO1</p> <p>Profit for the year in year 3 Purchase – The profit will be lower as the delivery van costs are increasing which makes it more expensive than the hire option. (1) AO1 Hire- The profit will be higher as the rising costs of servicing and maintenance are covered in the monthly payment. (1) AO1</p> <p>One mark for identifying which option is the most profitable in year 3. Plus one mark state the reason why.</p> <p>Total cost of running the delivery van over the three years. Purchase – The total costs are marginally lower at £17 830 (1) AO1 but the yearly costs rise as the vehicle becomes older. Hire- The total costs are marginally higher at £18 630 which are distributed evenly over the three years. (1) AO1</p> <p>One mark calculating the total costs own figure. One mark stating which is higher and which is lower.</p>	(6)

Question Number	Answer	Mark
5 (d)	<p>AO2 (1), AO3 (2), AO4 (3) Own Figure Rule Applies</p> <p>Positive points for Option 1 purchase The total cost over the three years is lower at £17 680 After the initial payment no ongoing monthly payments with increased administration charges Sell it at the end for cash You can make modifications to the van e.g advertise on the side Under option 2 the hire charges could be increased.</p> <p>Positive points for Option 2 hire No initial expenditure to purchase, hire payments are even over the three years Cash outflow is even over the three years Profits even over three years therefore no distortion You make one payment, do not have to worry about repairs and servicing Stop hiring if business is poor Under option 1 you may need to take a loan.</p> <p>Decision Candidates may conclude that one option is better than the other. Candidates should support that decision with an appropriate rationale.</p>	(6)
Level	Mark	Descriptor
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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.
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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 FOR QUESTION 5 = 30 MARKS)

Question Number	Answer	Mark
6 (a) (i)	<p>AO1:(2) AO1: Two marks for explaining the term</p> <p>Error of commission</p> <p>The entry has been made on the correct side, correct number (1) AO1 of the wrong account within the same ledger/ class of account. (1) AO1</p>	(2)

Question Number	Answer	Mark
6 (a) (ii)	<p>AO1:(2) AO1: Two marks for explaining the term</p> <p>Error of principle</p> <p>The entry has been made on the correct side, correct number (1) AO1 of the wrong account within a different ledger/ class of account. (1) AO1</p>	(2)

Question Number	Answer	Mark																														
6 (b)	<p data-bbox="288 342 1278 461">AO2(8) AO2: Eight marks for naming the correct account and Dr or Cr correct value.</p> <p data-bbox="791 472 916 510" style="text-align: center;">Journal</p> <table border="1" data-bbox="413 517 1355 1144"> <thead> <tr> <th></th> <th style="text-align: center;">Dr</th> <th style="text-align: center;">Cr</th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Inventory (1) AO1</td> <td style="text-align: center;">3 500</td> <td></td> </tr> <tr> <td>Income statement</td> <td></td> <td style="text-align: center;">3 500 (1) AO2</td> </tr> <tr> <td>Drawings (1) AO1</td> <td style="text-align: center;">400</td> <td></td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: center;">400 (1) AO2</td> </tr> <tr> <td>Income statement</td> <td style="text-align: center;">700 (1) AO2</td> <td></td> </tr> <tr> <td>Rent</td> <td></td> <td style="text-align: center;">700 (1) AO2</td> </tr> <tr> <td>Bank (1) AO1</td> <td style="text-align: center;">7 200</td> <td></td> </tr> <tr> <td>Basher</td> <td></td> <td style="text-align: center;">7 200 (1) AO2</td> </tr> </tbody> </table>		Dr	Cr		£	£	Inventory (1) AO1	3 500		Income statement		3 500 (1) AO2	Drawings (1) AO1	400		Bank		400 (1) AO2	Income statement	700 (1) AO2		Rent		700 (1) AO2	Bank (1) AO1	7 200		Basher		7 200 (1) AO2	(8)
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6 (c)	<p>AO1(2):AO2(3):AO3(1) AO1: Two mark for calculating revised profit AO2: Three marks for calculating adjusted balances on profit AO3: One mark for arriving at correct impact of inventory undervaluation</p> <p style="text-align: center;">Calculation of revised profit for the year ended 31 December 2019</p> <table border="1" data-bbox="288 701 1406 1671"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Profit for the year</td> <td></td> <td></td> <td style="text-align: right;">25 000</td> </tr> <tr> <td></td> <td style="text-align: center;">Increase</td> <td style="text-align: center;">Decrease</td> <td></td> </tr> <tr> <td>(1) The closing inventory had been undervalued by £3 500.</td> <td style="text-align: center;">£3 500 (1) AO3</td> <td></td> <td></td> </tr> <tr> <td>(2) Kobi's had drawings £400 from the bank. No entries had been made in the books.</td> <td style="text-align: center;">No effect</td> <td style="text-align: center;">No effect (1) AO2</td> <td></td> </tr> <tr> <td>(3) General expenses owing at the end of the year of £700 had not been taken into account in calculating the profit.</td> <td></td> <td style="text-align: center;">700 (1) AO2</td> <td></td> </tr> <tr> <td>(4) A payment received from a credit customer, Basher £7 200, had not been recorded in the books.</td> <td style="text-align: center;">No effect</td> <td style="text-align: center;">No effect (1) AO2</td> <td></td> </tr> <tr> <td></td> <td style="text-align: center;">3 500</td> <td style="text-align: center;">700</td> <td></td> </tr> <tr> <td>Revised profit for the year</td> <td></td> <td></td> <td style="text-align: right;">27 800 (1of)AO1</td> </tr> </tbody> </table> <p>Award full marks if the total figure is correct.</p>		£	£	£	Profit for the year			25 000		Increase	Decrease		(1) The closing inventory had been undervalued by £3 500.	£3 500 (1) AO3			(2) Kobi's had drawings £400 from the bank. No entries had been made in the books.	No effect	No effect (1) AO2		(3) General expenses owing at the end of the year of £700 had not been taken into account in calculating the profit.		700 (1) AO2		(4) A payment received from a credit customer, Basher £7 200, had not been recorded in the books.	No effect	No effect (1) AO2			3 500	700		Revised profit for the year			27 800 (1of)AO1	(6)
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6 (d)	<p>AO2(4):AO3(2) A02: Four marks for calculating adjusted balances A03: Two marks for calculating the closing capital and the bank overdraft</p> <p style="text-align: center;">Corrected Statement of Financial Position at 31 December 2019</p> <table border="1"> <thead> <tr> <th></th> <th>£</th> <th>Workings</th> <th>£</th> </tr> </thead> <tbody> <tr> <td colspan="4">ASSETS</td> </tr> <tr> <td>Non-current assets (carrying value)</td> <td>30 000</td> <td></td> <td>30 000</td> </tr> <tr> <td colspan="4">Current assets</td> </tr> <tr> <td>Inventory</td> <td>17 000</td> <td>+ 3 500</td> <td>20 500 (1) AO2</td> </tr> <tr> <td>Trade receivables</td> <td>14 000</td> <td>-7 200</td> <td>6 800 (1) AO2</td> </tr> <tr> <td>Other receivables</td> <td><u>1 500</u></td> <td></td> <td><u>1 500</u></td> </tr> <tr> <td></td> <td><u>32 500</u></td> <td></td> <td><u>28 800</u></td> </tr> <tr> <td>Total assets</td> <td><u>62 500</u></td> <td></td> <td><u>58 800</u></td> </tr> <tr> <td colspan="4">CAPITAL AND LIABILITIES</td> </tr> <tr> <td>Capital</td> <td>32 500</td> <td></td> <td>32 500</td> </tr> <tr> <td>Profit for the year</td> <td><u>25 000</u></td> <td>+3 500 - 700</td> <td><u>27 800 of</u></td> </tr> <tr> <td></td> <td>57 500</td> <td></td> <td>60 300</td> </tr> <tr> <td>Drawings</td> <td>(15 000)</td> <td>+400</td> <td>(15 400) (1) AO2</td> </tr> <tr> <td></td> <td>42 500</td> <td></td> <td>44 900 (1of) AO3</td> </tr> <tr> <td colspan="4">Current liabilities</td> </tr> <tr> <td>Trade payables</td> <td>9 000</td> <td></td> <td>9 000</td> </tr> <tr> <td>Other payables</td> <td>1 000</td> <td>+700</td> <td>1 700 (1) AO2</td> </tr> <tr> <td>Bank overdraft</td> <td><u>10 000</u></td> <td>-7 200 +400</td> <td><u>3 200 (1) AO3</u></td> </tr> <tr> <td></td> <td><u>20 000</u></td> <td></td> <td><u>13 900</u></td> </tr> <tr> <td>Total capital and liabilities</td> <td><u>62 500</u></td> <td></td> <td><u>58 800</u></td> </tr> </tbody> </table>		£	Workings	£	ASSETS				Non-current assets (carrying value)	30 000		30 000	Current assets				Inventory	17 000	+ 3 500	20 500 (1) AO2	Trade receivables	14 000	-7 200	6 800 (1) AO2	Other receivables	<u>1 500</u>		<u>1 500</u>		<u>32 500</u>		<u>28 800</u>	Total assets	<u>62 500</u>		<u>58 800</u>	CAPITAL AND LIABILITIES				Capital	32 500		32 500	Profit for the year	<u>25 000</u>	+3 500 - 700	<u>27 800 of</u>		57 500		60 300	Drawings	(15 000)	+400	(15 400) (1) AO2		42 500		44 900 (1of) AO3	Current liabilities				Trade payables	9 000		9 000	Other payables	1 000	+700	1 700 (1) AO2	Bank overdraft	<u>10 000</u>	-7 200 +400	<u>3 200 (1) AO3</u>		<u>20 000</u>		<u>13 900</u>	Total capital and liabilities	<u>62 500</u>		<u>58 800</u>	(6)
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CAPITAL AND LIABILITIES																																																																																						
Capital	32 500		32 500																																																																																			
Profit for the year	<u>25 000</u>	+3 500 - 700	<u>27 800 of</u>																																																																																			
	57 500		60 300																																																																																			
Drawings	(15 000)	+400	(15 400) (1) AO2																																																																																			
	42 500		44 900 (1of) AO3																																																																																			
Current liabilities																																																																																						
Trade payables	9 000		9 000																																																																																			
Other payables	1 000	+700	1 700 (1) AO2																																																																																			
Bank overdraft	<u>10 000</u>	-7 200 +400	<u>3 200 (1) AO3</u>																																																																																			
	<u>20 000</u>		<u>13 900</u>																																																																																			
Total capital and liabilities	<u>62 500</u>		<u>58 800</u>																																																																																			

Question Number	Answer	Mark
6 (e)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Positive points for recording goodwill Purchased goodwill may be recorded May value goodwill when the business is about to be sold If very valuable needs to be considered for a realistic value of the business</p> <p>Negative points for recording goodwill Difficult to value accurately/ money measurement concept Can change in value suddenly Not prudent to record goodwill.</p> <p>Decision Candidates may conclude that the recording of goodwill is acceptable or not acceptable. Candidates should support that decision with an appropriate rationale.</p>	(6)
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 FOR QUESTION 6 = 30 MARKS)
TOTAL FOR SECTION B = 110 MARKS
TOTAL FOR PAPER = 200 MARKS

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