



Mark Scheme (Results)

Summer 2016

Pearson Edexcel IAL 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.

Question Number	Answer	Mark																																																																																																																																												
1(a)(i)	<p>A01 (5), A02 (12), A03 (1) A01: Five marks for recording the given expense in the account without adjustment. A02: Twelve marks for adjusting the given figure or calculating the figure and inserting this correctly in the account. A03: One mark for calculating the correct figure and inserting this into the correct section of the account.</p> <p>Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">117 300</td> <td>(1)A01</td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">19 500</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">54 000</td> <td></td> <td></td> </tr> <tr> <td>Purchase returns</td> <td style="text-align: right;"><u>(1 700)</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">71 800</td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;"><u>(13 800)</u></td> <td></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(58 000)</u></td> <td>(1)A02</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">59 300</td> <td></td> </tr> <tr> <td>Plus Other income</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Commission receivable</td> <td></td> <td style="text-align: right;"><u>900</u></td> <td>(1)A01</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">60 200</td> <td></td> </tr> <tr> <td>Less expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rates 4 750 – 250</td> <td style="text-align: right;">4 500</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Wages and salaries 24 500 – 10 000</td> <td style="text-align: right;">14 500</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Electricity and water 8 150 + 600</td> <td style="text-align: right;">8 750</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Sundry expenses</td> <td style="text-align: right;">10 300</td> <td></td> <td>(1)A01</td> </tr> <tr> <td>Interest on loan Azlina</td> <td style="text-align: right;">1 600</td> <td></td> <td>(1)A03</td> </tr> <tr> <td>Interest on bank loan</td> <td style="text-align: right;">2 000</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Increase in ADD</td> <td style="text-align: right;">120</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Depreciation- Delivery vehicle</td> <td style="text-align: right;">900</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Fixtures & fittings</td> <td style="text-align: right;"><u>1 400</u></td> <td></td> <td>(1)A02</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>44 070</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">16 130</td> <td>(1 of)A01</td> </tr> <tr> <td>Less appropriations</td> <td></td> <td></td> <td>No aliens</td> </tr> <tr> <td>Interest on capital – Azlina</td> <td style="text-align: right;">2 500</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Siti</td> <td style="text-align: right;">1 250</td> <td></td> <td>(1)A02</td> </tr> <tr> <td>Salaries Azlina</td> <td style="text-align: right;">5 000</td> <td></td> <td>(1)A01</td> </tr> <tr> <td>Siti</td> <td style="text-align: right;"><u>5 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>13 750</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2 380</td> <td></td> </tr> <tr> <td>Share of profit Azlina</td> <td></td> <td style="text-align: right;">1 190</td> <td>(1 of)A02</td> </tr> <tr> <td>Siti</td> <td></td> <td style="text-align: right;"><u>1 190</u></td> <td>(1 of)A02</td> </tr> <tr> <td></td> <td></td> <td></td> <td>No aliens</td> </tr> </tbody> </table>		£	£		Revenue		117 300	(1)A01	Less				Opening inventory	19 500			Purchases	54 000			Purchase returns	<u>(1 700)</u>					71 800		Less Closing inventory	<u>(13 800)</u>			Cost of sales		<u>(58 000)</u>	(1)A02	Gross profit		59 300		Plus Other income				Commission receivable		<u>900</u>	(1)A01			60 200		Less expenses				Rates 4 750 – 250	4 500		(1)A02	Wages and salaries 24 500 – 10 000	14 500		(1)A02	Electricity and water 8 150 + 600	8 750		(1)A02	Sundry expenses	10 300		(1)A01	Interest on loan Azlina	1 600		(1)A03	Interest on bank loan	2 000		(1)A02	Increase in ADD	120		(1)A02	Depreciation- Delivery vehicle	900		(1)A02	Fixtures & fittings	<u>1 400</u>		(1)A02			<u>44 070</u>		Profit for the year		16 130	(1 of)A01	Less appropriations			No aliens	Interest on capital – Azlina	2 500		(1)A02	Siti	1 250		(1)A02	Salaries Azlina	5 000		(1)A01	Siti	<u>5 000</u>					<u>13 750</u>				2 380		Share of profit Azlina		1 190	(1 of)A02	Siti		<u>1 190</u>	(1 of)A02				No aliens	(18)
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1(b)	AO1 (5) A01: Five marks for identifying whether the expense is capital expenditure or revenue expenditure. (1) Capital expenditure (1)AO1 (2) Revenue expenditure (1)AO1 (3) Revenue expenditure (1)AO1 (4) Revenue expenditure (1)AO1 (5) Capital expenditure (1)AO1	(5)

Question Number	Answer	Mark
1(c)	<p>A01 (1), A02 (1), A03 (5), A04 (5)</p> <p>A01: One mark for knowing identifying positive and negative aspects of this business.</p> <p>A02: One mark for applying positive or negative aspects of this business to the scenario.</p> <p>A03: Five marks for interpreting and analysing the aspects of the proposals made.</p> <p>A04: Five marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</p> <p>Potential arguments for changing</p> <ul style="list-style-type: none"> • The business is in an area with growing demand • The percentage of gross profit to sales is high at 50% • The business has a substantial asset in the Freehold Property which could be used to raise loans • Increased sales may improve profit/profitability NOT just sales may increase or profit may increase • Need to take advantage of opportunity otherwise a competitor might. <p>Potential arguments against changing</p> <ul style="list-style-type: none"> • The business already has substantial liabilities in the form of loans • Loans are repayable in current year leaving weak liquidity • The business has no cash available as it already has an bank overdraft • Loans will have to be raised increasing the risk for the partners • Major risk that business will not expand to the extent expected • Projections made are only estimates • Expenses will increase substantially • Large loans may impact on reputation. 	(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.
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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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2(a)(i)	<p>AO1 (6), AO2 (13), AO3 (2)</p> <p>AO1: Six marks for recording the given expense in the account without adjustment and providing correct labels to key costs.</p> <p>AO2: Thirteen marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.</p> <p>AO3: Two marks for calculating the correct expense and then correctly apportioning.</p> <p style="text-align: center;">Manufacturing Account for the year ended 30 April 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Opening inventory of raw materials</td> <td></td> <td style="text-align: right;">23 400</td> <td></td> </tr> <tr> <td>Purchases of raw materials</td> <td></td> <td style="text-align: right;">97 800</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td></td> <td style="text-align: right;"><u>8 450</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">129 650</td> <td></td> </tr> <tr> <td>Less Closing inventory of raw materials</td> <td></td> <td style="text-align: right;"><u>(16 950)</u></td> <td></td> </tr> <tr> <td>Cost of raw materials consumed (1)AO1</td> <td></td> <td style="text-align: right;">112 700 (1)AO2</td> <td></td> </tr> <tr> <td>Manufacturing wages 81 400(1)AO1+ 2 600</td> <td></td> <td style="text-align: right;">84 000 (1)AO2</td> <td></td> </tr> <tr> <td>Direct factory consumables</td> <td></td> <td style="text-align: right;"><u>35 300</u> (1)AO2</td> <td></td> </tr> <tr> <td>Prime cost (1)AO1</td> <td></td> <td style="text-align: right;">232 000 (1of)AO2</td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">No aliens</td> </tr> <tr> <td>Plus overheads</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Production management salaries</td> <td style="text-align: right;">59 500</td> <td></td> <td style="text-align: right;">(1)AO1</td> </tr> <tr> <td>Depreciation - 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2(a)(ii)	<p>AO1 (3), AO3 (2) AO1: Three marks for correctly recording balances and using correct narrative in the account. AO3: Two marks for calculating the correct adjustment to the provision and accurately recording this.</p> <p style="text-align: center;">Provision for Unrealised Profit on Manufactured Goods Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">12 000 (1)AO1</td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>15 000</u></td> <td style="text-align: right;">Income statement (1)AO1</td> <td style="text-align: right;"><u>3 000</u> (2/1of)AO3</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>15 000</u></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;"><u>15 000</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;">15 000 (1of)AO1</td> </tr> </table>		£		£			Balance b/d	12 000 (1)AO1	Balance c/d	<u>15 000</u>	Income statement (1)AO1	<u>3 000</u> (2/1of)AO3		<u>15 000</u>	Balance b/d	<u>15 000</u>				15 000 (1of)AO1	(5)
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2(a)(iii)	<p>AO1 (3), AO2 (2) AO1: Three marks for recording the calculated figure in the ratio without adjustment. AO2: Two marks for inserting the appropriate figure and carrying out the calculation and correctly identifying the correct descriptor.</p> <p style="text-align: center;">Manufacturing Wages Account</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;">£</td> <td style="width: 50%;"></td> <td style="width: 10%; text-align: center;">£</td> </tr> <tr> <td style="text-align: right;">Cash Bank</td> <td style="text-align: right;">81 400 (1)AO1</td> <td style="text-align: right;">Manufacturing Account</td> <td style="text-align: right;">84 000 (1)AO2</td> </tr> <tr> <td style="text-align: right;">Balance c/d</td> <td style="text-align: right;"><u>2 600</u> (1)AO2</td> <td style="text-align: right;">(1) AO1</td> <td style="text-align: right;"><u>84 000</u></td> </tr> <tr> <td></td> <td style="text-align: right;"><u>84 000</u></td> <td style="text-align: right;">Balance b/d</td> <td style="text-align: right;">2 600(1of)AO1</td> </tr> </table>		£		£	Cash Bank	81 400 (1)AO1	Manufacturing Account	84 000 (1)AO2	Balance c/d	<u>2 600</u> (1)AO2	(1) AO1	<u>84 000</u>		<u>84 000</u>	Balance b/d	2 600(1of)AO1	(5)
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2(b)	<p>AO1 (4),AO2 (8) AO1: Four marks for identifying the concept which has not been complied with. AO2: Eight marks for explaining why the concept would be broken.</p> <p>Proposal 1 This would breach the money measurement concept (1)AO1</p> <p>The skill of the workforce cannot be measured accurately in monetary terms (1) AO2 If workers leave that value will be lost without compensation (1)AO2</p> <p>Proposal 2 This would breach the going concern or accruals concept (1)AO1</p> <p>Non-current assets would be used for many years (1)AO2 and therefore a proportion of the cost should be charged to each of those years (1)AO2</p> <p>Expenses should be matched to a period (1) AO2 Profit should not be overstated (1)AO2</p> <p>Proposal 3 This would breach the concept (1)AO1 realisation or accruals</p> <p>Profit is not realised until the goods are sold (1)AO2 A profit on manufactured goods is contained in the finished goods inventory which has yet to be realised (1)AO2</p> <p>Expenses should be matched to a period (1) AO2 Profit should not be overstated (1)AO2</p> <p>Proposal 4 This would breach the business entity concept (1)AO1</p> <p>There must be a clear separation between the business and the owner (1)AO2</p> <p>Owners drawings should be recorded separately and set against the profit for the year in the Financial Position Statement (1)AO2</p>	(12)

Question Number	Answer	Mark
2(c)	<p>A01 (1), A02 (1), A03 (5), A04 (5) A01: One mark for knowing identifying positive and negative aspects of this business. A02: One mark for applying positive or negative aspects of the use of IAS. A03: Five marks for interpreting and analysing the aspects of IAS. A04: Five marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</p> <p>Potential arguments for IAS</p> <ul style="list-style-type: none"> • Provides a common international standard which can be applied across the world • Stakeholders can rely upon the validity of figures in the statements • Greater accuracy of reporting in statements prepared in the same format • Enables comparisons to be made. <p>Potential arguments against IAS</p> <ul style="list-style-type: none"> • Only legally applies to corporate bodies • Requires trained accounting staff to apply • Cost of implementation will be higher NOT just time consuming on its own • Non-financial factors are not included in IAS accounting • Standards can be contradictory. <p>Not Discussion of individual accounting concepts/principals.</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.
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3(a)	<p>AO1 (3), AO2 (2) AO1: Three marks for recording the given expense in the account without adjustment. AO2: Two marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.</p> <p style="text-align: center;">Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2016</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;">90 000 (1) AO1</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">4 000</td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>60 000</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">64 000</td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;"><u>(6 000)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(58 000)</u></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">32 000</td> </tr> <tr> <td>Less expenses</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">12 000</td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">8 000</td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td>Rent of market stall</td> <td style="text-align: right;">7 200</td> <td style="text-align: right;">all three</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">800</td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td>Interest on loan</td> <td style="text-align: right;"><u>400</u></td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>28 400</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>3 600</u></td> </tr> </tbody> </table>		£	£	Revenue		90 000 (1) AO1	Less			Opening inventory	4 000	(1) AO1	Purchases	<u>60 000</u>			64 000		Less Closing inventory	<u>(6 000)</u>		Cost of sales		<u>(58 000)</u>	Gross profit		32 000	Less expenses			Wages	12 000		General expenses	8 000	(1) AO1	Rent of market stall	7 200	all three	Depreciation	800	(1) AO2	Interest on loan	<u>400</u>	(1) AO2			<u>28 400</u>	Profit for the year		<u>3 600</u>	(5)
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3(b)	<p>AO1 (3), AO2 (3) AO1: Three marks for recording the calculated figure in the ratio without adjustment. AO2: Three marks for inserting the appropriate figure and carrying out the calculation and correctly identifying the correct descriptor.</p> <p>(i) Rate of inventory turnover</p> $\frac{58\,000}{(4\,000 + 6\,000/2)} = 11.6 \text{ times}$ <p>(1) AO1 = 11.6 times (1) AO2 (1) AO2</p> <p>(ii) Profit for the year as a percentage of revenue</p> $\frac{3\,600 \times 100}{90\,000} = 4\%$ <p>(1of) AO1 = 4% (1of) AO2 (1) AO1</p>	(6)

Question Number	Answer	Mark																																																			
3(c)	<p>A01 (1), A02 (6), A03 (3) A01: One mark for recording the given expense in the account without adjustment. A02: Six marks for adjusting the given figure or calculating the figure and inserting this correctly in the account. A03: Three marks for calculating the correct figure and inserting this into the correct section of the account.</p> <p>Forecast Statement of Profit or Loss and Other Comprehensive Income for the first year of trading in the shop.</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;">144 000 (1) A02</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">(1) A01</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>78 000</u></td> <td style="text-align: right;">(1) A02</td> </tr> <tr> <td></td> <td style="text-align: right;">84 000</td> <td></td> </tr> <tr> <td>Less Closing inventory</td> <td style="text-align: right;"><u>(12 000)</u></td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(72 000)</u> (1of) A03</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">72 000</td> </tr> <tr> <td>Less expenses</td> <td></td> <td></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">(1) A02</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">10 000</td> <td style="text-align: right;">(1) A02</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">18 200</td> <td style="text-align: right;">(1) A02</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">5 200</td> <td style="text-align: right;">(2) A03</td> </tr> <tr> <td>Interest on loan</td> <td style="text-align: right;"><u>2 000</u></td> <td style="text-align: right;">(1) A02</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>50 400</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>21 600</u></td> </tr> </tbody> </table> <p>Workings: Depreciation 21 000 – 15 000 = 6 000 (1) – 800 (1) = 5 200</p>		£	£	Revenue		144 000 (1) A02	Less			Opening inventory	6 000	(1) A01	Purchases	<u>78 000</u>	(1) A02		84 000		Less Closing inventory	<u>(12 000)</u>		Cost of sales		<u>(72 000)</u> (1of) A03	Gross profit		72 000	Less expenses			Wages	15 000	(1) A02	General expenses	10 000	(1) A02	Rent	18 200	(1) A02	Depreciation	5 200	(2) A03	Interest on loan	<u>2 000</u>	(1) A02			<u>50 400</u>	Profit for the year		<u>21 600</u>	(10)
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3(d)	<p>AO1 (2), AO2 (1) AO1: Two marks for recording the calculated figure in the ratio without adjustment. AO2: One mark for inserting the appropriate figure and carrying out the calculation and correctly identifying the correct descriptor.</p> <p>Profit for the year as a percentage of revenue</p> $\frac{21\,600 \times 100 \text{ (1of) AO1}}{144\,000 \text{ (1of) AO1}} = 15\% \text{ (1of) AO2}$	(3)

Question Number	Answer	Mark
3(e)	<p>A02 (1), A03 (2), A04 (3)</p> <p>A02: One mark for applying positive or negative aspects of Channa’s business to the scenario set, drawing out key points.</p> <p>A03: Two marks for interpreting and analysing courses of action to Channa’s dilemma of whether to move his business, using a developed chain of reasoning.</p> <p>A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</p> <p>Potential arguments for changing</p> <ul style="list-style-type: none"> • The profit for the year is much greater £21 600 per annum as opposed to £3 600 per annum with the market stall • Percentage net profit to revenue is higher • The profile of the business will be much greater with a shop • Wide range of new customers. <p>Potential arguments against changing</p> <ul style="list-style-type: none"> • Inventory turnover is slower with a shop. Greater chance of inventory becoming outdated. • The debt of the business will increase as the bank loan increases • The total investment by Channa is much higher and therefore the risk is higher if he fails • He has a low owners capital for the project • If own figure shows a loss it would be less profitable • May lose customers because selling price increases. <p>Not</p> <p>Greater revenue</p> <p>Greater closing stock</p> <p>Lower/decreased rate of inventory turnover unless they quantity by how much</p> <p>Higher expenses for shop, wages and general expenses unless it states the impact on profit</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.

Question Number	Indicative content
4 (a)	<p>AO1 (1), AO2 (2), AO3 (1)</p> <p>AO1: One mark for identifying that depreciation relates to age and usage.</p> <p>AO2: Two marks for explaining the impact upon the income for the period and non-current asset values in the financial position statement.</p> <p>AO3: One mark for linking the need for depreciation to the application of accounting concepts.</p> <ul style="list-style-type: none"> • Non-current assets generally fall in value with age and usage (1)AO1 • The depreciation is a cost/expense of a period of time and therefore should be charged against income for that period/profits should not be overstated (1)AO2 • Because the non-current assets are generally falling in value this should be reflected in the financial position statement (1)AO2 • Charging depreciation complies with the going concern(1)AO3 • Charging depreciation complies with the accruals concepts. (1)AO3 <p>Max 4</p> <p>Not Prudence concept</p>

Question Number	Indicative content
4 (b)	<p>AO2 (2)</p> <p>AO2: One mark for calculating the depreciation on existing non-current assets and additions. One mark for calculating the depreciation on disposals.</p> <p>Cost 30 April 2015 £30 000 + Additions £10 000 = £40 000 - Disposals £5 000 = £35 000 × 20% = £7000 (1)AO2 + Disposals £5 000 × 20%/2 £500 (1)AO2 = Total £7 500</p>

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4 (c)	<p>AO1 (4), AO2 (4), AO3 (2) AO1: Four marks for correctly recording the opening balances and bringing down the balances to the next period. AO2: Four marks for correctly recording the transactions for the year. AO3: Two marks for calculating the disposal sums and correctly recording in the accounts.</p> <p style="text-align: center;">Computer Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: center;">£</th> <th colspan="2"></th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td></td> <td></td> <td>2015</td> <td></td> <td></td> </tr> <tr> <td>1 May</td> <td>Balance b/d</td> <td>30 000 (1)AO1</td> <td>Disposal</td> <td>5 000 (1)AO3</td> <td></td> </tr> <tr> <td></td> <td>Bank/cash</td> <td><u>10 000 (1)AO2</u></td> <td>2016</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>40 000</u></td> <td>30 April Balance c/d</td> <td><u>35 000 (1)AO2</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td><u>40 000</u></td> <td></td> </tr> <tr> <td>2016</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>1 May</td> <td>Balance b/d</td> <td>35 000 (1of)AO1</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p style="text-align: center;">Computer- Provision for Depreciation Account</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: center;">£</th> <th colspan="2"></th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td></td> <td></td> <td>2015</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Disposal(1)AO2</td> <td>2 500 (1)AO3</td> <td>1 May Balance b/d</td> <td>9 200 (1)AO1</td> <td></td> </tr> <tr> <td>2016</td> <td></td> <td></td> <td>2016</td> <td></td> <td></td> </tr> <tr> <td>30 April</td> <td>Balance c/d</td> <td><u>14 200</u></td> <td>30 April Income statement</td> <td><u>7 500(1of)AO2</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td><u>16 700</u></td> <td></td> <td><u>16 700</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>1 May Balance b/d</td> <td>14 200 (1of)AO1</td> <td></td> </tr> </tbody> </table>			£			£	2015			2015			1 May	Balance b/d	30 000 (1)AO1	Disposal	5 000 (1)AO3			Bank/cash	<u>10 000 (1)AO2</u>	2016					<u>40 000</u>	30 April Balance c/d	<u>35 000 (1)AO2</u>						<u>40 000</u>		2016						1 May	Balance b/d	35 000 (1of)AO1						£			£	2015			2015				Disposal(1)AO2	2 500 (1)AO3	1 May Balance b/d	9 200 (1)AO1		2016			2016			30 April	Balance c/d	<u>14 200</u>	30 April Income statement	<u>7 500(1of)AO2</u>				<u>16 700</u>		<u>16 700</u>					1 May Balance b/d	14 200 (1of)AO1	
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4(e)	<p>A02 (1), A03 (2), A04 (3)</p> <p>A02: One mark for applying positive or negative aspects of Jabir's depreciation policy, drawing out key points.</p> <p>A03: Two marks for interpreting and analysing possible solutions to depreciating computers, using a developed chain of reasoning.</p> <p>A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</p> <p>Potential positive arguments for the business</p> <ul style="list-style-type: none"> • Depreciation is being charged and therefore the accounting concepts are being complied with. • The method will reflect the principle of equal usage equal charge for each year. • Does not distort profits. <p>Potential negative points for the business</p> <ul style="list-style-type: none"> • Computers depreciate quickly due to obsolescence and therefore 20% is a fairly low figure for the early years. • In the early years the computer value in the financial position statement will be overstated. • A full year's depreciation in the year of purchase would result in high depreciation for non-current assets bought late in the year. <p>Not Easier to calculate Consistent method</p>

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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5 (a)	<p>AO1 (4) A01: Two marks for explaining the term semi-fixed cost and two marks for explaining the term semi-variable cost.</p> <ul style="list-style-type: none">• A semi-fixed cost are fixed over a limited range of output (1 AO1) but once that limit is reached it increases but then remain fixed over the next range of output (1 AO1)• A semi-variable cost includes both a fixed and a variable component (1 AO1) The fixed cost will be incurred if there is no output but the variable element will increase directly with usage (1 AO1) <p>Accept valid diagrams but not examples on their own.</p>

Question Number	Indicative content
5 (b)	<p>AO1 (4) A01: Four marks for differentiating between allocated overheads and apportioned overheads.</p> <p>Allocated overheads are those costs which directly relate to a department or cost centre (1 AO1) therefore they can be directly allocated to those specific departments or cost centres (1 AO1). Apportioned overheads relate to at least two departments or cost centres (1 AO1) they must be apportioned on the most appropriate and reasonable basis (1 AO1).</p>

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5 (c)	<p>AO1 (1), AO2 (12), AO3 (3) AO1: One marks recording the correct raw material. AO2: Twelve marks for correct calculations. AO3: Three marks for the correct basis for calculating the product overheads and unit cost.</p> <p>(c)</p> <p>(i) Total overhead</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 15%; text-align: center;">Assembly £</th> <th style="width: 15%; text-align: center;">Finishing £</th> <th style="width: 30%; text-align: center;">Administration £</th> </tr> </thead> <tbody> <tr> <td>Rent and rates</td> <td style="text-align: right;">8 000</td> <td style="text-align: right;">4 800</td> <td style="text-align: right;">3 200 (1 AO2)</td> </tr> <tr> <td>Employment insurance</td> <td style="text-align: right;">4 600</td> <td style="text-align: right;">2 800</td> <td style="text-align: right;">1 600 (1 AO2)</td> </tr> <tr> <td>Premises maintenance</td> <td style="text-align: right;">6 000</td> <td style="text-align: right;">3 600</td> <td style="text-align: right;">2 400 (1 AO2)</td> </tr> <tr> <td>Management salaries</td> <td style="text-align: right;">9 200</td> <td style="text-align: right;">5 600</td> <td style="text-align: right;">3 200 (1 AO2)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">27 800</td> <td style="text-align: right; border-top: 1px solid black;">16 800</td> <td style="text-align: right; border-top: 1px solid black;">10 400 (1 AO2)</td> </tr> <tr> <td>Re-apportionment</td> <td style="text-align: right;">5 200</td> <td style="text-align: right;">5 200</td> <td style="text-align: right;">(10 400) (1 AO2)</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">33 000</td> <td style="text-align: right; border-top: 1px solid black;">22 000</td> <td style="text-align: right; border-top: 1px solid black;">(1 AO2)</td> </tr> </tbody> </table> <p>(ii) Overhead recovery rate</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;"></th> <th style="width: 30%; text-align: center;">Assembly</th> <th style="width: 30%; text-align: center;">Finishing</th> </tr> </thead> <tbody> <tr> <td>Overhead</td> <td style="text-align: center;">$\frac{£33\ 000}{9\ 200} = £3.59$ per hour</td> <td style="text-align: center;">$\frac{£22\ 000}{5\ 600} = £3.93$ per hour</td> </tr> <tr> <td>Labour hours</td> <td style="text-align: center;">9 200 (1of AO2)</td> <td style="text-align: center;">5 600 (1of AO2)</td> </tr> </tbody> </table> <p>Any reasonable rounding.</p>		Assembly £	Finishing £	Administration £	Rent and rates	8 000	4 800	3 200 (1 AO2)	Employment insurance	4 600	2 800	1 600 (1 AO2)	Premises maintenance	6 000	3 600	2 400 (1 AO2)	Management salaries	9 200	5 600	3 200 (1 AO2)		27 800	16 800	10 400 (1 AO2)	Re-apportionment	5 200	5 200	(10 400) (1 AO2)		33 000	22 000	(1 AO2)		Assembly	Finishing	Overhead	$\frac{£33\ 000}{9\ 200} = £3.59$ per hour	$\frac{£22\ 000}{5\ 600} = £3.93$ per hour	Labour hours	9 200 (1of AO2)	5 600 (1of AO2)
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5(e)	<p>A02 (1), A03 (2), A04 (3)</p> <p>A02: One mark for applying positive or negative aspects of Hiruni's pricing policy, drawing out key points.</p> <p>A03: Two marks for interpreting and analysing possible solutions to pricing, using a developed chain of reasoning.</p> <p>A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</p> <p>Potential positive arguments for reducing the price</p> <ul style="list-style-type: none"> • The actual manufacturing cost without mark-up is less than the £4 per component requirement • Hiruni will need to consider whether she wishes to lose a major customer for her components • Still leaves a positive contribution. <p>Potential negative points for reducing the price</p> <ul style="list-style-type: none"> • The actual cost of manufacture at £4.14 per component, including mark-up, is greater than what Wash the World will pay • If Huruni is to meet the price a reduced profit/profit margin will be made on the component.

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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6(a)	<p>AO1 (4) AO1: Four marks for stating a type of error which will not affect the balancing of the books.</p> <p>Error of original entry Error of omission Error of reversal Error of compensation Error of commission Error of principle (1 AO1) x 4</p> <p>Not transposition</p>	(4)																																
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6(b)	<p>AO1 (3), AO2 (6), AO3 (3) AO1: Three marks for identifying the correct account name to be adjusted. AO2: Six marks for identifying the correct accounts to be adjusted and applying the correct adjustment. AO3 Three marks for identifying the correct accounts to be adjusted and applying the correct adjustment where entries have been made to the wrong side of the account.</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th colspan="2" style="text-align: center;">Journal</th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">Dr</th> <th style="text-align: center;">Cr</th> </tr> <tr> <th colspan="2"></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td style="width: 40%;">Ruwan Revenue (1 AO1)</td> <td style="width: 15%; text-align: right;">1 500</td> <td style="width: 15%;"></td> <td style="width: 30%; text-align: right;">(1 AO3) 1 500</td> </tr> <tr> <td>Income statement Inventory</td> <td style="text-align: right;">450</td> <td></td> <td style="text-align: right;">(1 AO3) 450 (1 AO2)</td> </tr> <tr> <td>Motor vehicle expenses/ Income statement Motor vehicle Provision for depreciation Income statement</td> <td style="text-align: right;">400 80</td> <td></td> <td style="text-align: right;">(1 AO2) 400 (1 AO2) (1 AO2) 80 (1 AO2)</td> </tr> <tr> <td>Suspense (1 AO1) Rent receivable</td> <td style="text-align: right;">4 600</td> <td></td> <td style="text-align: right;">4 600 (1 AO3)</td> </tr> <tr> <td>Drawings (1 AO1) Wages</td> <td style="text-align: right;">6 100</td> <td></td> <td style="text-align: right;">6 100 (1 AO2)</td> </tr> </tbody> </table>			Journal				Dr	Cr			£	£	Ruwan Revenue (1 AO1)	1 500		(1 AO3) 1 500	Income statement Inventory	450		(1 AO3) 450 (1 AO2)	Motor vehicle expenses/ Income statement Motor vehicle Provision for depreciation Income statement	400 80		(1 AO2) 400 (1 AO2) (1 AO2) 80 (1 AO2)	Suspense (1 AO1) Rent receivable	4 600		4 600 (1 AO3)	Drawings (1 AO1) Wages	6 100		6 100 (1 AO2)	(12)
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6(c)	<p>AO1 (2), AO2 (6) AO1: Two marks for arriving at a revised profit for the year. AO2: Six marks for adjusting the profit for the year with the correct figure and increase/decrease.</p> <table border="1" data-bbox="416 456 1385 1955"> <tr> <td colspan="4"></td> <td style="text-align: right;">£</td> </tr> <tr> <td colspan="4">Draft profit for the year</td> <td style="text-align: right;">72 000</td> </tr> <tr> <td></td> <td></td> <td style="text-align: center;">Increase</td> <td style="text-align: center;">Decrease</td> <td></td> </tr> <tr> <td>Error</td> <td></td> <td style="text-align: center;">£</td> <td style="text-align: center;">£</td> <td></td> </tr> <tr> <td>(1)</td> <td>The entries for a sale of goods to Ruwan, £750, had been reversed in the books</td> <td style="text-align: center;">1 500 (1 AO2)</td> <td></td> <td></td> </tr> <tr> <td>(2)</td> <td>Some goods had been recorded in the closing inventory check at their retail value of £1 350. All goods are marked-up by 50%</td> <td></td> <td style="text-align: center;">450 (1 AO2)</td> <td></td> </tr> <tr> <td>(3)</td> <td>Motor vehicle expenses of £400 had been recorded in the Motor Vehicles Account. Depreciation of £80 had been charged in the draft financial statements</td> <td style="text-align: center;">80 (1 AO2)</td> <td style="text-align: center;">400 (1 AO2)</td> <td></td> </tr> <tr> <td>(4)</td> <td>Rent receivable of £2 300 had been correctly entered in the bank account and debited to the Rent Receivable Account</td> <td style="text-align: center;">4 600 (1 AO2)</td> <td></td> <td></td> </tr> <tr> <td>(5)</td> <td>Dula had paid herself a salary of £6 100 which had been recorded in the Wages Account.</td> <td style="text-align: center;">6 100 (1 AO2)</td> <td></td> <td></td> </tr> <tr> <td></td> <td>Total increase and decrease</td> <td style="text-align: center;">12 280 (1 of AO1)</td> <td style="text-align: center;">850</td> <td></td> </tr> <tr> <td></td> <td>Revised profit for the year</td> <td colspan="2"></td> <td style="text-align: right;">83 430 (1 of AO1))</td> </tr> </table>					£	Draft profit for the year				72 000			Increase	Decrease		Error		£	£		(1)	The entries for a sale of goods to Ruwan, £750, had been reversed in the books	1 500 (1 AO2)			(2)	Some goods had been recorded in the closing inventory check at their retail value of £1 350. All goods are marked-up by 50%		450 (1 AO2)		(3)	Motor vehicle expenses of £400 had been recorded in the Motor Vehicles Account. Depreciation of £80 had been charged in the draft financial statements	80 (1 AO2)	400 (1 AO2)		(4)	Rent receivable of £2 300 had been correctly entered in the bank account and debited to the Rent Receivable Account	4 600 (1 AO2)			(5)	Dula had paid herself a salary of £6 100 which had been recorded in the Wages Account.	6 100 (1 AO2)				Total increase and decrease	12 280 (1 of AO1)	850			Revised profit for the year			83 430 (1 of AO1))	(8)
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6(d)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>AO2: One mark for applying positive or negative aspects of Dula's business to the scenario set, drawing out key points.</p> <p>AO3: Two marks for interpreting and analysing courses of action to Dula's dilemma of whether to implement the proposal.</p> <p>AO4: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</p> <p>Potential arguments for using an ICT accounting software package</p> <ul style="list-style-type: none"> • Errors should be reduced because the software package determines and carries out the double entry for a given transaction • It will be quicker • Less storage space required • Standard reports can be extracted. <p>Potential arguments against using an ICT accounting software package</p> <ul style="list-style-type: none"> • The cost of the hardware and software • Training of staff to use the software will be required • Security issues • Risk of losing data. 	(6)

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