



# Mark Scheme (Results)

October 2019

Pearson Edexcel International Advanced  
Subsidiary

In Accounting (WAC11)

Paper 01 The Accounting System and  
Costing

## **Edexcel and BTEC Qualifications**

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at [www.edexcel.com](http://www.edexcel.com) or [www.btec.co.uk](http://www.btec.co.uk). Alternatively, you can get in touch with us using the details on our contact us page at [www.edexcel.com/contactus](http://www.edexcel.com/contactus).

## **Pearson: helping people progress, everywhere**

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: [www.pearson.com/uk](http://www.pearson.com/uk)

October 2019

Publications Code WAC11\_01\_MS\_1910

All the material in this publication is copyright

© Pearson Education Ltd 2019

## General Marking Guidance

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

## Section A

Question Number	Answer	Mark																																																																												
1 (a)	<p><b>AO2(6):</b> <b>AO2: Six marks for calculating adjusted balances</b></p> <table border="1"> <thead> <tr> <th></th> <th>Alvor</th> <th>Bernie</th> <th></th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th></th> </tr> </thead> <tbody> <tr> <td><b>Assets</b></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 <b>(1) AO2</b></td> <td>21 000</td> <td></td> </tr> <tr> <td>Inventory</td> <td>5 500 <b>(1) AO2</b></td> <td>8 600</td> <td></td> </tr> <tr> <td>Trade receivables</td> <td>5 700 <b>(1) AO2</b></td> <td>9 500 <b>(1) AO2</b></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><b>Liabilities</b></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><b>(1) AO2</b></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><b>(1of) AO2</b> Both</td> </tr> </tbody> </table> <p><b>Alvor:</b> Non-current assets 14000- 5000 = 9000 Inventory 7000- 1500 = 5500 Trade receivables 6000- 300 = 5700</p> <p><b>Bernie:</b> Trade receivables 11600 – 1600 – 500 = 9500</p>		Alvor	Bernie			£	£		<b>Assets</b>				Goodwill	18 000	-		Non-current assets	9 000 <b>(1) AO2</b>	21 000		Inventory	5 500 <b>(1) AO2</b>	8 600		Trade receivables	5 700 <b>(1) AO2</b>	9 500 <b>(1) AO2</b>		Other receivables	300	900		Bank	<u>4 500</u>	-			43 000	40 000						<b>Liabilities</b>				5% bank loan (repayable 2022)	-	12 000		Trade payables	3 800	5 400		Other payables	1 200	500		Bank overdraft	-	<u>6 100</u>	<b>(1) AO2</b>		5 000	24 000						Capital	38 000	16 000	<b>(1of) AO2</b> Both	(6)
	Alvor	Bernie																																																																												
	£	£																																																																												
<b>Assets</b>																																																																														
Goodwill	18 000	-																																																																												
Non-current assets	9 000 <b>(1) AO2</b>	21 000																																																																												
Inventory	5 500 <b>(1) AO2</b>	8 600																																																																												
Trade receivables	5 700 <b>(1) AO2</b>	9 500 <b>(1) AO2</b>																																																																												
Other receivables	300	900																																																																												
Bank	<u>4 500</u>	-																																																																												
	43 000	40 000																																																																												
<b>Liabilities</b>																																																																														
5% bank loan (repayable 2022)	-	12 000																																																																												
Trade payables	3 800	5 400																																																																												
Other payables	1 200	500																																																																												
Bank overdraft	-	<u>6 100</u>	<b>(1) AO2</b>																																																																											
	5 000	24 000																																																																												
Capital	38 000	16 000	<b>(1of) AO2</b> Both																																																																											

Question Number	Answer	Mark																																																																					
1 (b)	<p><b>AO1:(1)AO2(3):AO3(2)</b>  <b>AO1: One mark for totalling sub section</b>  <b>AO2: Three marks for calculating the bank overdraft</b>  <b>AO3: Two marks for adjusting capital for goodwill not retained</b></p> <p style="text-align: center;"><b>Alvor and Bernie</b>  <b>Statement of Financial Position at 1 October 2018</b></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"><b>Assets</b></td> </tr> <tr> <td><b>Non-current assets</b> (carrying value)</td> <td></td> <td style="text-align: right;">30 000 <b>(1) AO1</b></td> </tr> <tr> <td>No alien</td> <td></td> <td></td> </tr> <tr> <td colspan="3"><b>Current assets</b></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 <b>(1of) AO2</b></u></td> </tr> <tr> <td>No alien</td> <td></td> <td></td> </tr> <tr> <td><b>Total assets</b></td> <td></td> <td style="text-align: right;"><u>60 500</u></td> </tr> <tr> <td colspan="3"><b>Capital and liabilities</b></td> </tr> <tr> <td><b>Capital</b> Alvor 38 000 – 12 000</td> <td style="text-align: right;">26 000 <b>(1of) AO3</b></td> <td></td> </tr> <tr> <td>Bernie 16 000 – 6 000</td> <td style="text-align: right;"><u>10 000 <b>(1of) AO3</b></u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">36 000</td> </tr> <tr> <td colspan="3"><b>Non-current liabilities</b></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"><b>Current liabilities</b></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 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>12 500 <b>(1of) AO2</b></u></td> </tr> <tr> <td><b>Total capital and liabilities</b></td> <td></td> <td style="text-align: right;"><u>60 500</u></td> </tr> </tbody> </table>		£	£	<b>Assets</b>			<b>Non-current assets</b> (carrying value)		30 000 <b>(1) AO1</b>	No alien			<b>Current assets</b>			Inventory	14 100		Trade receivables	15 200		Other receivables	<u>1 200</u>				<u>30 500 <b>(1of) AO2</b></u>	No alien			<b>Total assets</b>		<u>60 500</u>	<b>Capital and liabilities</b>			<b>Capital</b> Alvor 38 000 – 12 000	26 000 <b>(1of) AO3</b>		Bernie 16 000 – 6 000	<u>10 000 <b>(1of) AO3</b></u>				36 000	<b>Non-current liabilities</b>			5% bank loan (repayable 2022)		12 000	<b>Current liabilities</b>			Trade payables	9 200		Other payables	1 700		Bank overdraft 4 500 – 6 100	1 600 <b>(1) AO2</b>				<u>12 500 <b>(1of) AO2</b></u>	<b>Total capital and liabilities</b>		<u>60 500</u>	<b>(6)</b>
	£	£																																																																					
<b>Assets</b>																																																																							
<b>Non-current assets</b> (carrying value)		30 000 <b>(1) AO1</b>																																																																					
No alien																																																																							
<b>Current assets</b>																																																																							
Inventory	14 100																																																																						
Trade receivables	15 200																																																																						
Other receivables	<u>1 200</u>																																																																						
		<u>30 500 <b>(1of) AO2</b></u>																																																																					
No alien																																																																							
<b>Total assets</b>		<u>60 500</u>																																																																					
<b>Capital and liabilities</b>																																																																							
<b>Capital</b> Alvor 38 000 – 12 000	26 000 <b>(1of) AO3</b>																																																																						
Bernie 16 000 – 6 000	<u>10 000 <b>(1of) AO3</b></u>																																																																						
		36 000																																																																					
<b>Non-current liabilities</b>																																																																							
5% bank loan (repayable 2022)		12 000																																																																					
<b>Current liabilities</b>																																																																							
Trade payables	9 200																																																																						
Other payables	1 700																																																																						
Bank overdraft 4 500 – 6 100	1 600 <b>(1) AO2</b>																																																																						
		<u>12 500 <b>(1of) AO2</b></u>																																																																					
<b>Total capital and liabilities</b>		<u>60 500</u>																																																																					

Question Number	Answer	Mark																																																																											
1 (c)	<p><b>AO1:(5)AO2(11):AO3(3)</b>  <b>AO1: Five marks for transferring balances to the income statement</b>  <b>AO2: Eleven marks for calculating or adjusting balances for the income statement</b>  <b>AO3: Three marks for balances requiring two levels of adjustment</b></p> <p><b>Statement of Profit or Loss and Comprehensive Income, including an appropriation section, for the year ended 30 September 2019</b></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 <b>(1of) AO2</b></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) <b>(1of) +w AO2</b></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 <b>(1) AO2</b></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 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Telephone and communications</td> <td style="text-align: right;">6 150 <b>(1) AO1</b></td> <td></td> </tr> <tr> <td>Supervision salaries</td> <td style="text-align: right;">24 000 <b>(1) AO1</b></td> <td></td> </tr> <tr> <td>Rent 16 700 - 6 700</td> <td style="text-align: right;">10 000 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Wages 38 300 + 2 300</td> <td style="text-align: right;">40 600 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Bank loan interest</td> <td style="text-align: right;">600 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">7 400 <b>(1) AO1</b></td> <td></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">1 800 <b>(1) AO1</b></td> <td></td> </tr> <tr> <td>Computer repairs</td> <td style="text-align: right;">2 900 <b>(1) AO1</b></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 <b>(1of) AO2</b>		Closing inventory	<u>(17 600)</u>				<u>(152 400) <b>(1of) +w AO2</b></u>	Gross profit		147 600	Plus			Other income:			Commission receivable 11 750 + 900		<u>12 650 <b>(1) AO2</b></u>			160 250	Less			Electricity and water 5 650 - 800	4 850 <b>(1) AO2</b>		Telephone and communications	6 150 <b>(1) AO1</b>		Supervision salaries	24 000 <b>(1) AO1</b>		Rent 16 700 - 6 700	10 000 <b>(1) AO2</b>		Wages 38 300 + 2 300	40 600 <b>(1) AO2</b>		Bank loan interest	600 <b>(1) AO2</b>		General expenses	7 400 <b>(1) AO1</b>		Insurance	1 800 <b>(1) AO1</b>		Computer repairs	2 900 <b>(1) AO1</b>		
	£	£																																																																											
Revenue		300 000																																																																											
Less																																																																													
Cost of sales:																																																																													
Opening inventory	14 100																																																																												
Purchases	148 000																																																																												
Carriage inwards	<u>7 900</u>																																																																												
	170 000 <b>(1of) AO2</b>																																																																												
Closing inventory	<u>(17 600)</u>																																																																												
		<u>(152 400) <b>(1of) +w AO2</b></u>																																																																											
Gross profit		147 600																																																																											
Plus																																																																													
Other income:																																																																													
Commission receivable 11 750 + 900		<u>12 650 <b>(1) AO2</b></u>																																																																											
		160 250																																																																											
Less																																																																													
Electricity and water 5 650 - 800	4 850 <b>(1) AO2</b>																																																																												
Telephone and communications	6 150 <b>(1) AO1</b>																																																																												
Supervision salaries	24 000 <b>(1) AO1</b>																																																																												
Rent 16 700 - 6 700	10 000 <b>(1) AO2</b>																																																																												
Wages 38 300 + 2 300	40 600 <b>(1) AO2</b>																																																																												
Bank loan interest	600 <b>(1) AO2</b>																																																																												
General expenses	7 400 <b>(1) AO1</b>																																																																												
Insurance	1 800 <b>(1) AO1</b>																																																																												
Computer repairs	2 900 <b>(1) AO1</b>																																																																												

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

Question Number	Answer	Mark																											
1 (e)	<p><b>AO2(4):AO3(2)</b>  <b>AO2: Four marks for calculating semi-fixed and semi-variable costs</b>  <b>AO3: Two marks for calculating fixed and variable costs.</b></p> <p style="text-align: center;"><b>Projected profit or loss for the year ended 30 September 2020</b></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 <b>(1) AO2</b></td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td>Variable cost</td> <td style="text-align: right;">180 000 <b>(1of) AO2</b></td> <td></td> </tr> <tr> <td>Fixed cost</td> <td style="text-align: right;">46 000 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Semi-fixed cost</td> <td style="text-align: right;">92 000 <b>(1of) AO3</b></td> <td></td> </tr> <tr> <td>Semi-variable cost</td> <td style="text-align: right;"><u>75 000</u> <b>(1of) AO3</b></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> <b>(1of) AO2</b></td> </tr> </tbody> </table>		£	£	Revenue		450 000 <b>(1) AO2</b>	Less			Variable cost	180 000 <b>(1of) AO2</b>		Fixed cost	46 000 <b>(1) AO2</b>		Semi-fixed cost	92 000 <b>(1of) AO3</b>		Semi-variable cost	<u>75 000</u> <b>(1of) AO3</b>				(393 000)	Profit for the year		<u>57 000</u> <b>(1of) AO2</b>	(6)
	£	£																											
Revenue		450 000 <b>(1) AO2</b>																											
Less																													
Variable cost	180 000 <b>(1of) AO2</b>																												
Fixed cost	46 000 <b>(1) AO2</b>																												
Semi-fixed cost	92 000 <b>(1of) AO3</b>																												
Semi-variable cost	<u>75 000</u> <b>(1of) AO3</b>																												
		(393 000)																											
Profit for the year		<u>57 000</u> <b>(1of) AO2</b>																											



Question Number	Answer	Mark
1 (f)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Positive points in favour of projections</p> <ul style="list-style-type: none"> <li>It is a target to work to for the forthcoming year.</li> <li>The plan can aid decision making.</li> <li>Projections of costs can aid control of costs.</li> <li>Gives idea of future profit.</li> <li>Provides a strategy for next year.</li> <li>Can help to manage the business.</li> <li>Sets goals for the business.</li> </ul> <p>Negative points for projections</p> <ul style="list-style-type: none"> <li>Projections are only estimates of what might happen and can be inaccurate.</li> <li>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.</li> <li>Investment decisions may be made in advance which are then not supported by increased revenue.</li> <li>Takes time and distracts managers from other tasks.</li> <li>Expertise to prepare accurate budgets.</li> </ul> <p><b>NOT</b></p> <ul style="list-style-type: none"> <li>Time consuming without development.</li> <li>Discussion of the figures derived from the question.</li> </ul> <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.
<b>Level 1</b>	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
<b>Level 2</b>	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
<b>Level 3</b>	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects.

		An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
<b>Level 4</b>	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

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

Question Number	Answer					Mark	
2 (a) (i)	<b>AO1:(10)</b> <b>AO1: Ten marks for posting to account</b>					<b>(10)</b>	
	<b>Receipts and Payments Account</b>						
	<b>Date</b>	<b>Details</b>	<b>£</b>	<b>Date</b>	<b>Details</b>		<b>£</b>
	2018			2018/19			
	1 Sept	Balance b/d	75		Wages		7 550 <b>(1) AO1</b>
		Subscriptions	15 970 <b>(1) AO1</b>		Purchase equipment		2 750 <b>(1) AO1</b>
		Donations	500 <b>(1) AO1</b>		Rent and insurance		2 390 <b>(1) AO1</b>
		Sale of equipment	900 <b>(1) AO1</b>		Expenses for dance		950 <b>(1) AO1</b>
		Sale of tickets	3 200 <b>(1) AO1</b>		Catering for dance		250 <b>(1) AO1</b>
					General expenses		4 830 <b>(1) AO1</b>
			<u>20 645</u>		Balance c/d		1 925 <u>20 645</u>
	2019						
	1 Sept	Balance b/d	1 925				

Question Number	Answer	Mark																																																
2 (a) (ii)	<p><b>AO2(5)</b>  <b>A02: Five marks for identifying entering balances and calculating bad debts and transfer to income and expenditure</b></p> <p style="text-align: center;"><b>Subscriptions Account</b></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</td> <td></td> <td></td> </tr> <tr> <td>1 Sept</td> <td>Balance b/d</td> <td>810</td> <td>1 Sept</td> <td>Balance b/d</td> <td>900 <b>(1) AO2</b> Both</td> </tr> <tr> <td>2019</td> <td></td> <td></td> <td>2018/9</td> <td>Receipts &amp; payment/bank</td> <td>15 970 <b>(1) AO2 + w</b></td> </tr> <tr> <td>31 Aug</td> <td>Income &amp; expenditure</td> <td>16 200 <b>(1) + W</b> AO2</td> <td>31 Aug</td> <td>Bad debts</td> <td>360 <b>(1) AO2</b></td> </tr> <tr> <td>31 Aug</td> <td>Balance c/d</td> <td><u>940</u></td> <td>31 Aug</td> <td>Balance c/d</td> <td><u>720</u></td> </tr> <tr> <td></td> <td></td> <td><u>17 950</u></td> <td></td> <td></td> <td><u>17 950</u></td> </tr> <tr> <td>1 Sept</td> <td>Balance b/d</td> <td>720</td> <td>1 Sept</td> <td>Balance b/d</td> <td>940 <b>(1) AO2</b> <b>Both</b></td> </tr> </tbody> </table>	Date	Details	£	Date	Details	£	2018			2018			1 Sept	Balance b/d	810	1 Sept	Balance b/d	900 <b>(1) AO2</b> Both	2019			2018/9	Receipts & payment/bank	15 970 <b>(1) AO2 + w</b>	31 Aug	Income & expenditure	16 200 <b>(1) + W</b> AO2	31 Aug	Bad debts	360 <b>(1) AO2</b>	31 Aug	Balance c/d	<u>940</u>	31 Aug	Balance c/d	<u>720</u>			<u>17 950</u>			<u>17 950</u>	1 Sept	Balance b/d	720	1 Sept	Balance b/d	940 <b>(1) AO2</b> <b>Both</b>	<b>(5)</b>
Date	Details	£	Date	Details	£																																													
2018			2018																																															
1 Sept	Balance b/d	810	1 Sept	Balance b/d	900 <b>(1) AO2</b> Both																																													
2019			2018/9	Receipts & payment/bank	15 970 <b>(1) AO2 + w</b>																																													
31 Aug	Income & expenditure	16 200 <b>(1) + W</b> AO2	31 Aug	Bad debts	360 <b>(1) AO2</b>																																													
31 Aug	Balance c/d	<u>940</u>	31 Aug	Balance c/d	<u>720</u>																																													
		<u>17 950</u>			<u>17 950</u>																																													
1 Sept	Balance b/d	720	1 Sept	Balance b/d	940 <b>(1) AO2</b> <b>Both</b>																																													

Question Number	Answer	Mark																																																
2 (a) (iii)	<p><b>AO2(5)</b>  <b>A02: Five marks for identifying entering balances correctly with correct narrative</b></p> <p style="text-align: center;"><b>Rent and insurance Account</b></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</td> <td></td> <td></td> </tr> <tr> <td>1 Sept</td> <td>Balance b/d</td> <td>400 <b>(1) AO2</b></td> <td>1 Sept</td> <td>Balance b/d</td> <td>180 <b>(1) AO2</b></td> </tr> <tr> <td>31 Aug</td> <td>Receipts and payments/ bank</td> <td>2 390 (1) + W <b>AO2</b></td> <td>2018/19</td> <td>Income and expenditure</td> <td>2 300 <b>(1 of) + w AO2</b></td> </tr> <tr> <td></td> <td></td> <td></td> <td>2019</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td>31 Aug</td> <td>Balance c/d</td> <td><u>310</u></td> </tr> <tr> <td></td> <td></td> <td><u>2 790</u></td> <td></td> <td></td> <td><u>2 790</u></td> </tr> <tr> <td>31 Aug</td> <td>Balance b/d</td> <td>310 <b>(1) AO2</b></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	£	Date	Details	£	2018			2018			1 Sept	Balance b/d	400 <b>(1) AO2</b>	1 Sept	Balance b/d	180 <b>(1) AO2</b>	31 Aug	Receipts and payments/ bank	2 390 (1) + W <b>AO2</b>	2018/19	Income and expenditure	2 300 <b>(1 of) + w AO2</b>				2019						31 Aug	Balance c/d	<u>310</u>			<u>2 790</u>			<u>2 790</u>	31 Aug	Balance b/d	310 <b>(1) AO2</b>				<b>(5)</b>
Date	Details	£	Date	Details	£																																													
2018			2018																																															
1 Sept	Balance b/d	400 <b>(1) AO2</b>	1 Sept	Balance b/d	180 <b>(1) AO2</b>																																													
31 Aug	Receipts and payments/ bank	2 390 (1) + W <b>AO2</b>	2018/19	Income and expenditure	2 300 <b>(1 of) + w AO2</b>																																													
			2019																																															
			31 Aug	Balance c/d	<u>310</u>																																													
		<u>2 790</u>			<u>2 790</u>																																													
31 Aug	Balance b/d	310 <b>(1) AO2</b>																																																

Question Number	Answer	Mark																					
2 (a) (iv)	<p><b>AO2(4)</b>  <b>A02: Four marks for calculating entries and profit on activity</b></p> <p style="text-align: center;"><b>Annual Dance Trading Account for the year ended 31 August 2019</b></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 <b>(1) AO2</b></td> </tr> <tr> <td>less</td> <td></td> <td></td> </tr> <tr> <td>Expenses 950 – 125</td> <td style="text-align: right;">825 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Catering 250 + 2 100</td> <td style="text-align: right;"><u>2 350</u> <b>(1) AO2</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(3 175)</u></td> </tr> <tr> <td>Profit on dance</td> <td></td> <td style="text-align: right;"><u>455</u> <b>(1) AO2 +w</b></td> </tr> </tbody> </table>		£	£	Sale of dance tickets 3 200 + 430		3 630 <b>(1) AO2</b>	less			Expenses 950 – 125	825 <b>(1) AO2</b>		Catering 250 + 2 100	<u>2 350</u> <b>(1) AO2</b>				<u>(3 175)</u>	Profit on dance		<u>455</u> <b>(1) AO2 +w</b>	<b>(4)</b>
	£	£																					
Sale of dance tickets 3 200 + 430		3 630 <b>(1) AO2</b>																					
less																							
Expenses 950 – 125	825 <b>(1) AO2</b>																						
Catering 250 + 2 100	<u>2 350</u> <b>(1) AO2</b>																						
		<u>(3 175)</u>																					
Profit on dance		<u>455</u> <b>(1) AO2 +w</b>																					

Question Number	Answer	Mark																																																						
2 (a) (v)	<p><b>AO1:(1)AO2(8):AO3(2)</b>  <b>AO1: One marks for transferring balances</b>  <b>AO2: Eight marks for calculating and entering balances</b>  <b>AO3: Two mark for calculating and posting wages and equipment depreciation.</b></p> <p style="text-align: center;"><b>Income and Expenditure Account</b>  <b>for the year ended 31 August 2019</b></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"><b>Income</b></td> </tr> <tr> <td>Subscriptions</td> <td style="text-align: right;">16 200 <b>(1of) AO2</b></td> <td></td> </tr> <tr> <td>Donations</td> <td style="text-align: right;">500 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Profit on dance</td> <td style="text-align: right;"><u>455</u> <b>(1of) AO2</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">17 155</td> </tr> <tr> <td colspan="3"><b>Expenses</b></td> </tr> <tr> <td>Bad debts</td> <td style="text-align: right;">360 <b>(1) AO2</b></td> <td></td> </tr> <tr> <td>Rent and insurance</td> <td style="text-align: right;">2 300 <b>(1of) AO2</b></td> <td></td> </tr> <tr> <td>Wages      7 550 -850 + 600</td> <td style="text-align: right;">7 300 <b>(1) AO3</b></td> <td></td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">4 830 <b>(1) AO1</b></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 <b>(1) AO2</b></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 <b>(1) AO3</b></td> <td></td> </tr> <tr> <td>Allowance for irrecoverable debts</td> <td style="text-align: right;"><u>540</u> <b>(1) AO2</b></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(16 330)</u></td> </tr> <tr> <td>Surplus</td> <td></td> <td style="text-align: right;"><u><u>6635</u></u> <b>(1of) AO2 + w</b></td> </tr> </tbody> </table>		£	£	<b>Income</b>			Subscriptions	16 200 <b>(1of) AO2</b>		Donations	500 <b>(1) AO2</b>		Profit on dance	<u>455</u> <b>(1of) AO2</b>				17 155	<b>Expenses</b>			Bad debts	360 <b>(1) AO2</b>		Rent and insurance	2 300 <b>(1of) AO2</b>		Wages      7 550 -850 + 600	7 300 <b>(1) AO3</b>		General expenses	4 830 <b>(1) AO1</b>		Depreciation:			Land and buildings	400 <b>(1) AO2</b>		Equipment			(8 150 -900 +2 750 -9 400)	600 <b>(1) AO3</b>		Allowance for irrecoverable debts	<u>540</u> <b>(1) AO2</b>				<u>(16 330)</u>	Surplus		<u><u>6635</u></u> <b>(1of) AO2 + w</b>	<b>(11)</b>
	£	£																																																						
<b>Income</b>																																																								
Subscriptions	16 200 <b>(1of) AO2</b>																																																							
Donations	500 <b>(1) AO2</b>																																																							
Profit on dance	<u>455</u> <b>(1of) AO2</b>																																																							
		17 155																																																						
<b>Expenses</b>																																																								
Bad debts	360 <b>(1) AO2</b>																																																							
Rent and insurance	2 300 <b>(1of) AO2</b>																																																							
Wages      7 550 -850 + 600	7 300 <b>(1) AO3</b>																																																							
General expenses	4 830 <b>(1) AO1</b>																																																							
Depreciation:																																																								
Land and buildings	400 <b>(1) AO2</b>																																																							
Equipment																																																								
(8 150 -900 +2 750 -9 400)	600 <b>(1) AO3</b>																																																							
Allowance for irrecoverable debts	<u>540</u> <b>(1) AO2</b>																																																							
		<u>(16 330)</u>																																																						
Surplus		<u><u>6635</u></u> <b>(1of) AO2 + w</b>																																																						

Question Number	Answer	Mark
2 (b) (i)	<p><b>AO1:(2)</b> <b>AO1: Two marks for explaining the concept and giving one example.</b></p> <p><b>Accruals concept</b> The concept which matches the expenses for an accounting period to the income for the same accounting period. <b>(1) AO1</b> Example: Wages, subscriptions, rent, rates and insurance, depreciation. <b>(1) AO1</b></p>	<b>(2)</b>

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

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



Question Number	Answer	Mark
2 (d)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></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.
<b>Level 1</b>	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
<b>Level 2</b>	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
<b>Level 3</b>	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations

<b>Level 4</b>	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.
----------------	---------	--

**(TOTAL FOR QUESTION 2 = 55 MARKS)**

**TOTAL FOR SECTION A = 110 MARKS**

## SECTION B

Question Number	Answer	Mark
3 (a) (i)	<p><b>AO1 (2)AO2(1)</b>  <b>AO1: One mark for percentage</b>  <b>AO2: Two marks for calculating cost</b></p> <p><math>200\,000 + 35\,000 - 25\,000</math> (1) <b>AO1</b>  <math>= 210\,000 \times 20\%</math> (1) <b>AO1</b>  <math>= 42\,000</math> (1of) <b>AO2</b></p>	(3)

Question Number	Answer	Mark
3 (a) (ii)	<p><b>AO1 (1): AO2(2)</b>  <b>AO1: One mark for percentage</b>  <b>AO2: Three marks for calculating cost</b></p> <p><math>500\,000 + 120\,000 - 40\,000</math>  <math>= 580\,000</math> (1) <b>AO1</b> - <math>(160\,000 - 40\,000)</math> (1) <b>AO1</b>  <math>= 460\,000 \times 25\%</math>  <math>= 115\,000</math> (1of) <b>AO2</b></p>	(3)

Question Number	Answer	Mark
3 (a) (iii)	<p><b>AO2: Three marks for calculating depreciation</b></p> <p><math>25\,000 + 9\,000</math>  <math>= 34\,000</math> (1) <b>AO2</b> - <math>16\,000 + 10\,000</math> (1) <b>AO2</b>  <math>= 8\,000</math> (1of) <b>AO2</b></p> <p>OR</p> <p><math>15\,000</math> (1) <b>AO2</b> + <math>9\,000</math> (1) <b>AO2</b> - <math>16\,000</math>  <math>= 8\,000</math> (1of) <b>AO2</b></p>	(3)

Question Number	Answer	Mark																																																
3 (b)	<p><b>AO1:(4)AO2(6):AO3(3)</b>  <b>AO1: Four marks for transferring balances</b>  <b>AO2: Six marks for calculating adjusted balances</b>  <b>AO3: Three marks for disposals and depreciation on disposals</b></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><b>Cost</b> 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 <b>(1) AO1</b></td> <td>120 000 <b>(1) AO1</b></td> <td>9 000 <b>(1) AO1</b></td> </tr> <tr> <td>Disposals for year</td> <td>( 25 000 ) <b>(1) AO2</b></td> <td>( 40 000 ) <b>(1) AO3</b></td> <td>( - )</td> </tr> <tr> <td><b>Total non-current asset cost</b></td> <td>210 000</td> <td>580 000</td> <td>34 000</td> </tr> <tr> <td><b>Less Depreciation</b></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 <b>(1) AO3</b></td> <td>40 000 <b>(1) AO3</b></td> <td>-</td> </tr> <tr> <td>Depreciation for the year ended 30 September 2019</td> <td>( 42 000 ) <b>(1of) AO2</b></td> <td>( 115 000 ) <b>(1of) AO2</b></td> <td>( 8 000 ) <b>(1of) AO2</b></td> </tr> <tr> <td><b>Total accumulated depreciation</b></td> <td>( 85 000 )</td> <td>( 235 000 )</td> <td>( 18 000 )</td> </tr> <tr> <td><b>Carrying value</b> at 30 September 2019</td> <td>125 000 <b>(1of) AO2</b></td> <td>345 000 <b>(1of) AO2</b></td> <td>16 000 <b>(1of) AO1</b></td> </tr> </tbody> </table>		Motor vehicles	Plant and equipment	Loose tools		£	£	£	<b>Cost</b> at 30 September 2018	200 000	500 000	25 000	Additions for year	35 000 <b>(1) AO1</b>	120 000 <b>(1) AO1</b>	9 000 <b>(1) AO1</b>	Disposals for year	( 25 000 ) <b>(1) AO2</b>	( 40 000 ) <b>(1) AO3</b>	( - )	<b>Total non-current asset cost</b>	210 000	580 000	34 000	<b>Less Depreciation</b>				Provision at 30 September 2018	( 60 000 )	( 160 000 )	( 10 000 )	Depreciation on non-current asset disposals	17 000 <b>(1) AO3</b>	40 000 <b>(1) AO3</b>	-	Depreciation for the year ended 30 September 2019	( 42 000 ) <b>(1of) AO2</b>	( 115 000 ) <b>(1of) AO2</b>	( 8 000 ) <b>(1of) AO2</b>	<b>Total accumulated depreciation</b>	( 85 000 )	( 235 000 )	( 18 000 )	<b>Carrying value</b> at 30 September 2019	125 000 <b>(1of) AO2</b>	345 000 <b>(1of) AO2</b>	16 000 <b>(1of) AO1</b>	<b>(13)</b>
	Motor vehicles	Plant and equipment	Loose tools																																															
	£	£	£																																															
<b>Cost</b> at 30 September 2018	200 000	500 000	25 000																																															
Additions for year	35 000 <b>(1) AO1</b>	120 000 <b>(1) AO1</b>	9 000 <b>(1) AO1</b>																																															
Disposals for year	( 25 000 ) <b>(1) AO2</b>	( 40 000 ) <b>(1) AO3</b>	( - )																																															
<b>Total non-current asset cost</b>	210 000	580 000	34 000																																															
<b>Less Depreciation</b>																																																		
Provision at 30 September 2018	( 60 000 )	( 160 000 )	( 10 000 )																																															
Depreciation on non-current asset disposals	17 000 <b>(1) AO3</b>	40 000 <b>(1) AO3</b>	-																																															
Depreciation for the year ended 30 September 2019	( 42 000 ) <b>(1of) AO2</b>	( 115 000 ) <b>(1of) AO2</b>	( 8 000 ) <b>(1of) AO2</b>																																															
<b>Total accumulated depreciation</b>	( 85 000 )	( 235 000 )	( 18 000 )																																															
<b>Carrying value</b> at 30 September 2019	125 000 <b>(1of) AO2</b>	345 000 <b>(1of) AO2</b>	16 000 <b>(1of) AO1</b>																																															

Question Number	Answer	Mark
3 (c)	<p><b>AO1:(2)</b>  <b>AO1: Two marks for identifying reasons</b></p> <ul style="list-style-type: none"> <li>• Many small items which are difficult to count and value</li> <li>• Possibility of major fluctuations in value</li> <li>• Book value matches market value/ more accurate</li> </ul> <p>2 x (1) <b>AO1</b></p>	(2)

Question Number	Answer	Mark
3 (d)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></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><b>NOT:</b>            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><b>AO1:(4)</b>  <b>AO1: Four marks for explaining the difference between profit and profitability</b></p> <p>Profit is the difference between income and expenditure <b>(1) AO1</b> for a given period recorded in the income statement. <b>(1) AO1</b></p> <p>Whereas</p> <p>Profitability is the profit for a period compared to another factor usually revenue or capital employed. <b>(1) AO1</b> It is the ability to generate profits. <b>(1) AO1</b></p>	(4)

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

Question Number	Answer	Mark																																										
4 (c)	<p><b>AO1:(1)AO2(4)</b>  <b>AO1: One marks for transferring opening balance of inventory</b>  <b>AO2: Four marks for calculating balances</b></p> <p style="text-align: center;"><b>Forecast Statement of Profit or Loss and Comprehensive Income for the year ended 30 September 2019</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="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 <b>(1) AO1</b></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;"><u>255 000</u> <b>(1) AO2</b></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 <b>(1of) AO2</b></td> <td></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">120 000 <b>(1) AO2</b></td> </tr> <tr> <td>Wages</td> <td style="text-align: right;">77 000 <b>(1) AO2</b></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> <b>(1of) AO1</b></td> </tr> </tbody> </table>		£	£	Revenue		360 000	Inventory 1 October 2019	35 000 <b>(1) AO1</b>		Purchases	<u>255 000</u> <b>(1) AO2</b>			290 000		Inventory 30 September 2020	<u>(50 000)</u>		Cost of sales	240 000 <b>(1of) AO2</b>		Gross profit		120 000 <b>(1) AO2</b>	Wages	77 000 <b>(1) AO2</b>		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> <b>(1of) AO1</b>	<b>(6)</b>
	£	£																																										
Revenue		360 000																																										
Inventory 1 October 2019	35 000 <b>(1) AO1</b>																																											
Purchases	<u>255 000</u> <b>(1) AO2</b>																																											
	290 000																																											
Inventory 30 September 2020	<u>(50 000)</u>																																											
Cost of sales	240 000 <b>(1of) AO2</b>																																											
Gross profit		120 000 <b>(1) AO2</b>																																										
Wages	77 000 <b>(1) AO2</b>																																											
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> <b>(1of) AO1</b>																																										



Question Number	Answer	Mark
4 (d)	<p><b>AO2(3):AO3(1)</b>  <b>A02: Three marks for calculating the ratio</b>  <b>A03: One mark for arriving at the correct capital employed</b></p> <p>Net profit for the year as a percentage of revenue</p> $\frac{14\,000 \text{ (1of) AO2}}{360\,000} \times 100 = 3.9\% \text{ (1of) AO2}$ <p>Percentage return on capital employed.</p> $\frac{14\,000 \text{ (of)} + 2\,000}{40\,000 + 8\,000 + 10\,000 \text{ (1) AO3}} \times 100 = 27.6\% \text{ (1of) AO2}$	(4)

Question Number	Answer	Mark
4 (e)	<p><b>AO3(2)</b>  <b>A03: Two marks for arriving at correct trade payables</b></p> $\frac{\text{Trade payables}}{\text{Credit purchases}} \times 365 = \frac{20\,959 \text{ (1of) AO3}}{255\,000 \text{ (1of) AO3}} \times$ <p><b>Or</b></p> $\frac{\pounds 255\,000 \text{ (1of) AO3}}{365 \text{ days}} = \pounds 698.6 \text{ per day} \times 30 \text{ days} = \pounds 20\,959 \text{ (1of) AO3}$	(2)

Question Number	Answer	Mark
4 (f)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></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><b>AO:1(1):AO2(10):AO3(3)</b>  <b>AO1: One mark for same fuel cost</b>  <b>AO2: Ten marks for calculating costs</b>  <b>AO3: Three marks for calculating costs</b></p> <p><b>Option 1</b></p> <table border="1" data-bbox="293 607 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><b>Total cost</b></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	<b>Total cost</b>	4 850	6 000	6 980 (1of) AO2 All years	(14)
	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																															
<b>Total cost</b>	4 850	6 000	6 980 (1of) AO2 All years																															

Question Number	Answer	Mark																								
5 (b)	<p><b>AO1:(2) AO2 (2)</b>  <b>AO1: Two marks for calculating costs</b>  <b>AO2: Two marks for calculating costs</b></p> <p><b>Option2</b></p> <table border="1" data-bbox="293 568 1417 1050"> <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 <b>(1) AO2</b> All years</td> </tr> <tr> <td>Insurance</td> <td>600</td> <td>600</td> <td>630 <b>(1) AO1</b> All years</td> </tr> <tr> <td>Fuel</td> <td>1 200</td> <td>1 500</td> <td>1 500 <b>(1) AO1</b> All years</td> </tr> <tr> <td><b>Total cost</b></td> <td>6 000</td> <td>6 300</td> <td>6 330 <b>(1of) AO2</b> All years</td> </tr> </tbody> </table>		Year 1	Year 2	Year 3		£	£	£	Hire	4 200	4 200	4 200 <b>(1) AO2</b> All years	Insurance	600	600	630 <b>(1) AO1</b> All years	Fuel	1 200	1 500	1 500 <b>(1) AO1</b> All years	<b>Total cost</b>	6 000	6 300	6 330 <b>(1of) AO2</b> All years	<b>(4)</b>
	Year 1	Year 2	Year 3																							
	£	£	£																							
Hire	4 200	4 200	4 200 <b>(1) AO2</b> All years																							
Insurance	600	600	630 <b>(1) AO1</b> All years																							
Fuel	1 200	1 500	1 500 <b>(1) AO1</b> All years																							
<b>Total cost</b>	6 000	6 300	6 330 <b>(1of) AO2</b> All years																							

Question Number	Answer	Mark
5 (c)	<p><b>AO1:(6)</b>  <b>AO1: Six marks for comparing the options under the three headings</b></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 <b>(1) AO1</b> 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. <b>(1) AO1</b></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. <b>(1) AO1</b>  Hire- The profit will be higher as the rising costs of servicing and maintenance are covered in the monthly payment. <b>(1) AO1</b></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 <b>(1) AO1</b> 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. <b>(1) AO1</b></p> <p>One mark calculating the total costs own figure. One mark stating which is higher and which is lower.</p>	<b>(6)</b>

Question Number	Answer	Mark
5 (d)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b>  <b>Own Figure Rule Applies</b></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
	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	<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 5 = 30 MARKS)**

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

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



Question Number	Answer	Mark																														
6 (b)	<p data-bbox="292 349 400 383"><b>AO2(8)</b></p> <p data-bbox="292 389 1276 465"><b>AO2: Eight marks for naming the correct account and Dr or Cr correct value.</b></p> <p data-bbox="794 477 914 510" style="text-align: center;"><b>Journal</b></p> <table border="1" data-bbox="416 517 1353 1144"> <thead> <tr> <th></th> <th style="text-align: center;"><b>Dr</b></th> <th style="text-align: center;"><b>Cr</b></th> </tr> <tr> <th></th> <th style="text-align: center;"><b>£</b></th> <th style="text-align: center;"><b>£</b></th> </tr> </thead> <tbody> <tr> <td>Inventory <b>(1) AO1</b></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 <b>(1) AO2</b></td> </tr> <tr> <td>Drawings <b>(1) AO1</b></td> <td style="text-align: center;">400</td> <td></td> </tr> <tr> <td>Bank</td> <td></td> <td style="text-align: center;">400 <b>(1) AO2</b></td> </tr> <tr> <td>Income statement</td> <td style="text-align: center;">700 (1) <b>AO2</b></td> <td></td> </tr> <tr> <td>Rent</td> <td></td> <td style="text-align: center;">700 <b>(1) AO2</b></td> </tr> <tr> <td>Bank <b>(1) AO1</b></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 <b>(1) AO2</b></td> </tr> </tbody> </table>		<b>Dr</b>	<b>Cr</b>		<b>£</b>	<b>£</b>	Inventory <b>(1) AO1</b>	3 500		Income statement		3 500 <b>(1) AO2</b>	Drawings <b>(1) AO1</b>	400		Bank		400 <b>(1) AO2</b>	Income statement	700 (1) <b>AO2</b>		Rent		700 <b>(1) AO2</b>	Bank <b>(1) AO1</b>	7 200		Basher		7 200 <b>(1) AO2</b>	<b>(8)</b>
	<b>Dr</b>	<b>Cr</b>																														
	<b>£</b>	<b>£</b>																														
Inventory <b>(1) AO1</b>	3 500																															
Income statement		3 500 <b>(1) AO2</b>																														
Drawings <b>(1) AO1</b>	400																															
Bank		400 <b>(1) AO2</b>																														
Income statement	700 (1) <b>AO2</b>																															
Rent		700 <b>(1) AO2</b>																														
Bank <b>(1) AO1</b>	7 200																															
Basher		7 200 <b>(1) AO2</b>																														

Question Number	Answer	Mark																																				
6 (c)	<p><b>AO1(2):AO2(3):AO3(1)</b>  <b>AO1: Two mark for calculating revised profit</b>  <b>AO2: Three marks for calculating adjusted balances on profit</b>  <b>AO3: One mark for arriving at correct impact of inventory undervaluation</b></p> <p style="text-align: center;"><b>Calculation of revised profit for the year ended 31 December 2019</b></p> <table border="1" data-bbox="293 703 1406 1668"> <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 <b>(1) AO3</b></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 <b>(1) AO2</b></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 <b>(1) AO2</b></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 <b>(1) AO2</b></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 <b>(1of)AO1</b></td> </tr> </tbody> </table> <p><b>Award full marks if the total figure is correct.</b></p>		£	£	£	Profit for the year			25 000		Increase	Decrease		(1) The closing inventory had been undervalued by £3 500.	£3 500 <b>(1) AO3</b>			(2) Kobi's had drawings £400 from the bank. No entries had been made in the books.	No effect	No effect <b>(1) AO2</b>		(3) General expenses owing at the end of the year of £700 had not been taken into account in calculating the profit.		700 <b>(1) AO2</b>		(4) A payment received from a credit customer, Basher £7 200, had not been recorded in the books.	No effect	No effect <b>(1) AO2</b>			3 500	700		Revised profit for the year			27 800 <b>(1of)AO1</b>	<b>(6)</b>
	£	£	£																																			
Profit for the year			25 000																																			
	Increase	Decrease																																				
(1) The closing inventory had been undervalued by £3 500.	£3 500 <b>(1) AO3</b>																																					
(2) Kobi's had drawings £400 from the bank. No entries had been made in the books.	No effect	No effect <b>(1) AO2</b>																																				
(3) General expenses owing at the end of the year of £700 had not been taken into account in calculating the profit.		700 <b>(1) AO2</b>																																				
(4) A payment received from a credit customer, Basher £7 200, had not been recorded in the books.	No effect	No effect <b>(1) AO2</b>																																				
	3 500	700																																				
Revised profit for the year			27 800 <b>(1of)AO1</b>																																			

Question Number	Answer	Mark																																																																																				
6 (d)	<p><b>AO2(4):AO3(2)</b>  <b>A02: Four marks for calculating adjusted balances</b>  <b>A03: Two marks for calculating the closing capital and the bank overdraft</b></p> <p style="text-align: center;"><b>Corrected Statement of Financial Position at 31 December 2019</b></p> <table border="1"> <thead> <tr> <th></th> <th>£</th> <th>Workings</th> <th>£</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>ASSETS</b></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"><b>Current assets</b></td> </tr> <tr> <td>Inventory</td> <td>17 000</td> <td>+ 3 500</td> <td>20 500 <b>(1) AO2</b></td> </tr> <tr> <td>Trade receivables</td> <td>14 000</td> <td>-7 200</td> <td>6 800 <b>(1) AO2</b></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><b>Total assets</b></td> <td><u>62 500</u></td> <td></td> <td><u>58 800</u></td> </tr> <tr> <td colspan="4"><b>CAPITAL AND LIABILITIES</b></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><u>(15 000)</u></td> <td>+400</td> <td><u>(15 400) (1) AO2</u></td> </tr> <tr> <td></td> <td>42 500</td> <td></td> <td>44 900 <b>(1of) AO3</b></td> </tr> <tr> <td colspan="4"><b>Current liabilities</b></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 <b>(1) AO2</b></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><b>Total capital and liabilities</b></td> <td><u>62 500</u></td> <td></td> <td><u>58 800</u></td> </tr> </tbody> </table>		£	Workings	£	<b>ASSETS</b>				Non-current assets (carrying value)	30 000		30 000	<b>Current assets</b>				Inventory	17 000	+ 3 500	20 500 <b>(1) AO2</b>	Trade receivables	14 000	-7 200	6 800 <b>(1) AO2</b>	Other receivables	<u>1 500</u>		<u>1 500</u>		<u>32 500</u>		<u>28 800</u>	<b>Total assets</b>	<u>62 500</u>		<u>58 800</u>	<b>CAPITAL AND LIABILITIES</b>				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	<u>(15 000)</u>	+400	<u>(15 400) (1) AO2</u>		42 500		44 900 <b>(1of) AO3</b>	<b>Current liabilities</b>				Trade payables	9 000		9 000	Other payables	1 000	+700	1 700 <b>(1) AO2</b>	Bank overdraft	<u>10 000</u>	-7 200 +400	<u>3 200 (1) AO3</u>		<u>20 000</u>		<u>13 900</u>	<b>Total capital and liabilities</b>	<u>62 500</u>		<u>58 800</u>	(6)
	£	Workings	£																																																																																			
<b>ASSETS</b>																																																																																						
Non-current assets (carrying value)	30 000		30 000																																																																																			
<b>Current assets</b>																																																																																						
Inventory	17 000	+ 3 500	20 500 <b>(1) AO2</b>																																																																																			
Trade receivables	14 000	-7 200	6 800 <b>(1) AO2</b>																																																																																			
Other receivables	<u>1 500</u>		<u>1 500</u>																																																																																			
	<u>32 500</u>		<u>28 800</u>																																																																																			
<b>Total assets</b>	<u>62 500</u>		<u>58 800</u>																																																																																			
<b>CAPITAL AND LIABILITIES</b>																																																																																						
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	<u>(15 000)</u>	+400	<u>(15 400) (1) AO2</u>																																																																																			
	42 500		44 900 <b>(1of) AO3</b>																																																																																			
<b>Current liabilities</b>																																																																																						
Trade payables	9 000		9 000																																																																																			
Other payables	1 000	+700	1 700 <b>(1) AO2</b>																																																																																			
Bank overdraft	<u>10 000</u>	-7 200 +400	<u>3 200 (1) AO3</u>																																																																																			
	<u>20 000</u>		<u>13 900</u>																																																																																			
<b>Total capital and liabilities</b>	<u>62 500</u>		<u>58 800</u>																																																																																			

Question Number	Answer	Mark
6 (e)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></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

