GradeMax



Mark Scheme (Results)

Summer 2015

Pearson Edexcel IAL Accounting (WAC01/01)
Unit 1 The Accounting System and Costing

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General Marking Guidance

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

Section A

1(a)(i)

Tolbury Golf Club

Restaurant Trading Account for the year ended 30 April 2015

	£	£	
Revenue		175 000	√
Less			
Inventory 1 May 2014	7 000		√
Purchases	57 500		√
	64 500		
Inventory 30 April 2015	(6 500)		√
Cost of sales		(58 000)	√ + w
Gross profit		117 000	
Less Wages	35 000		√
Salary	27 500	√	
Electricity	8 500		√
Depreciation- Equipment	4 000		√
Fixtures and fittings	5 000		√
		(80 000)	
Restaurant profit for the year		37 000	

(10)

(ii)

Income and Expenditure Account for the year ended 30 April 2015

			£	£	
Income					
Subscriptions	225 000 -16 500 √ +27 500 √			236 000	Ignore
Restaurant profit			37 000	√of aliens	
Interest receivable	4 200 √ + 1 200 √			5 400	
Donations				12 000	√√
				290 400	
Less expenditure:					
Wages			96 000		√
Salaries			64 000		√
Electricity			19 200		√
Insurance	5 750 – 2 500		3 250		√
Golf course maintenance		64 850		√	
Bad debts – subscriptions		11 000		√	
Increase in PDD on subscriptions		500		√	
Depreciation: Clubhouse			5 600		√
Equipment			12 000		√
Fixtures and fittings			5 000		√
				(281 400)	
Surplus				9 000	√of + w (18)

(iii)

Statement of Financial Position at 30 April 2015

Non-current assets	Cost	Depreciation to Date	Carry over value	
	£	£	£	
Clubhouse	280 000	89 600	190 400	√of
Equipment	200 000	136 000	64 000	√of
Fixtures and fittings	100 000	60 000	40 000	√of
	580 000	285 600	294 400	
Current assets				
Inventory		6 500		√
Trade receivables	1 450		√	
Other receivables:				
Subscriptions in arrears	27 500			√
Less PDD	(3 000)			√
		24 500		√
Insurance prepaid		2 500		√
Interest receivable		1 200		√
Investment on deposit/Bank savings		90 000		√
Cash and bank		26 200		√
			152 350	
			446 750	
Accumulated fund			400 000	√ +w
Plus surplus for the year			9 000	√of
			409 000	
Current liabilities				
Trade payables		21 250		√
Subscriptions in advance	16 500		√	
			37 750	
			446 750	

(16)

(b)Valid answers may include

In favour

- Prudent to provide for bad debts/ Application of prudence concept
- Bad debts were incurred in current year
- Need to not overstate surplus
- Need to give correct value for subscriptions receivable.

Against

- The level of provision seems inadequate to the level of bad debts incurred
- Difficult to predict level of bad debts/ Bad debts are only estimated
- Easier just to write off descriptions when they occur
- Reduce subscriptions affecting income/surplus in current year.

NOT

- A DESCRIPTION OF A PROVISION FOR DOUBTFUL DEBTS
- More time consuming/Costly/ Need expertise
- Reputation affected
- Money measurement concept.

√√ per point (Max two points in favour and two points against) (8)

(Total 52 marks)

2

(a)(i)

Journal

	Dr		Cr	
	£		£	
Bank	900			√
Suspense			900	√
Discount allowed	1 880			√
Suspense			1 880	√
Income statement/Depreciation	4 000			√
Provision for depreciation – leasehold		4 000	√	
Computers	1 600			√
Computer maintenance			1 600	√
Income statement/Depreciation	400			√
Provision for depreciation-Computers		400	√	
Bank	480			√
Fung			480	√

(12)

(ii)

Suspense Account

	£			£	
Balance b/d	2 780	Bank	√	900	√
		Discount allowed	√	1 880	√
	2 780			2 780	

(4)

(b)

Correction of profit for the year ended 31 March 2015

		£	£	
Draft profit for the year			9 680	
Add				
Computer			1 600	√√
			11 280	
Less				
Discount allowed	1 880		√√	
Leasehold depreciation		4 000		√√
Computer depreciation		400		√√
			6 280	
Revised profit for the year		5 000	√√(√of)	

NOTE: A calculation is required so narratives are not required.

(10)

(c)

Statement of Financial Position at 31 March 2015

Non-current Assets	Cost	Accumulated depreciation	Carry over	
	£	£	£	
Leasehold buildings	100 000	54 000 √	46 000	
Computers	25 600 √	14 400 √	11 200	
Fixtures and fittings	12 500	10 000	2 500	√
	138 100	78 400	59 700	
Current Assets				
Inventory		16 100		√
Trade receivables 31 800 √– 480 √ = 31 320				
Less PDD		(2 300)√ 29 020		√
Other receivables:				
General expenses		750		√
Cash and bank 1 990 √+ 480 √ + 900 √		3 370		
			49 240	
			108 940	
Capital and equity:				
Capital		75 000 cf		
Plus Profit for the year		5 000 of		
			80 000 √of	
Current Liabilities				
Trade payables		27 500		√
Other payables:				
Wages		500		√
Heat and light		590		√*1 440 √√√
Computer maintenance		350		√
			28 940	
			108 940	

(18)

(d) Valid answers may include

In favour

- Gives a good idea of the level of profit for the year
- Draft profit can then be refined as errors are discovered
- Enables swift preparation of the financial statements

Against

- The profit for the year is inaccurate
- Financial accounts cannot be 'signed off' until the errors are found
- Time consuming as work has to be completed more than once/ Costly.

NOT

- ANYTHING TO DO WITH ERRORS/ Types/ Descriptions/Effect of/ Does not locate
- Help provide a true and fair view
- Identifies arithmetical errors
- Checking device

√√ per point (Max two points in favour and two points against) (8)

(Total 52 marks)

3(a)

Ratio	Garden Restaurant	New Restaurant
(i) gross profit as a percentage of revenue	162 000 x 100 = 60% √√ 270 000	70 000 x 100=50% √√ 140 000 √
(ii) return on capital employed percentage (based on the closing capital)	6 000 x 100 = 18.2% √√ 33 000	22 000 x 100 = 27.5% √√ 80 000
(iii) current ratio	22 000 = 1.5:1 √√ 15 000	15 000 = 3:1 √√ 5 000
(iv)trade payables payment period (in days)	15 000 =50 days √√ 110000/365	5 000 =26 days √√ 70 000/365
(v) non-current assets to revenue ratio	270 000 = 10:1 √√ 26 000 Or 26 000 = 0.096:1 270 000	140 000 = 2:1 √√ 70 000 Or 70 000 = 0.5:1 140 000
(vi) value of the goodwill included in the purchase price.	100 000 – 33 000=67 000√√	100 000 – 80 000=20 000 √√

(24)

NOTE:

- Award √√ if correct answer, percentage sign is not required in (i) (ii) or days in (iv)
- For √√ in (iii) and (v) must be :1, the correct figure without this is only worth √
- √ can be awarded if one figure is correct and an answer has been derived in (i) to (v)
- In (vi) it must be correct for the marks.

(b)

	Garden Restaurant	New Restaurant
Profitability	1. Possible higher prices 2. Higher costs reduced ROCE 3. Lower capital base 4. Lower profit 5. Wages very high 6. Fixed costs are higher √√ x MAX 2 points	Possible better raw materials use Costs under control Higher capital base Higher profit
Liquidity	1. High inventory 2. Taking a long time to pay trade payables 3. Low cash balance √√ x MAX 2 points	Low inventory Trade payables paid on time High cash balance
Use of assets	1. Revenue level is much higher 2. Low premises value 3. Leasehold one year to run 4. Current assets are efficiently used. Ratio close to the 'yardstick' figure. √√ x MAX 2 points	Revenue level is much lower High premises value Freehold premises Current assets not efficiently used. Idle funds.

(12)

(c) Calculates how many pounds of revenue sales are generated for each pound of non-current assets. √√ A large proportion of the owners capital can be invested in non-current assets, therefore it is important to calculate the return on each pound invested. √√

(4)

(d) Valid answers may include:

- Location of restaurant
- Skill of the staff
- Size of the local market
- Competition in the area
- Nural's knowledge of the restaurant trade
- Condition of the restaurant fabric
- Reputation of the restaurant
- Good products

√ per point x 4 points

(4)

(e) Valid answers may include financial and non-financial factors:

Points in favour:	
Garden Restaurant	**New Restaurant**
• High gross profit to revenue percentage	• High ROCE
• High revenue /NCA ratio	• Trade payables paid on time
• Long established business	• Much lower goodwill payment
• In town centre so potentially more business	• Will own freehold premises
• Higher turnover/Revenue/More customers	• Makes a higher net profit
	• High level of liquidity
	• More cash in the bank
Points against:	
• Lower ROCE/ high costs	• Lower gross profit to revenue percentage
• Long trade payables payment period	• Low revenue/NCA ratio
• High goodwill payment	• New business
• Leasehold only for one further year	

√√ per point (Max **two** points in favour and **two** points against) (8)

(Total 52 marks)

Section B

4 (a) Bad debts – Actual bad debts from the last accounting period. √√
Provision for doubtful debts- An estimate of the amount that Promita will lose in the next financial period because of bad debts. √√

(4)

(b) Possible reasons:

- Overpayment by debtor
- Prepayment by debtor
- Goods returned after payment
- Error in posting

√ per point x 2 (2)

(c)(i)

Sales Ledger Control Account

		£			£	
1 Feb	Balance b/d	32 500	1 Feb	Balance b/d	950	√ both
Feb	Sales	66 580 √	Feb	Sales returns	2 060	√
	Bank (dishonoured cheque)	3 360 √		Bank	55 900	√
	Bank (refund)	190 √		Discount allowed	1 620	√
				Bad debt	900	√
				Balance c/d	41 200	√
		102 630			102 630	
1 Mar	Balance b/d	41 200 √of if Dr balance				

Narratives must be present but accept reasonable narratives
Ignore aliens

(10)

(ii)

Journal

		Dr	Cr
		£	£
Bank	√	600 √	
Bad debts		900 √	
Chumi	√		1 500 √

Bad debt: Chumi paid £600 of his debt of £1 500. √

(6)

(iii)

Provision for Doubtful Debts Account

		£			£
28 Feb	Balance c/d	1 648 √of	1 Feb	Balance b/d	1 300 √
			28 Feb	Income statement √ √√(√of)	348
		1 648			1 648
			1 Mar	Balance b/d	1 648 √of if Cr

(6)

(d)
Valid answers may include
In favour

- Checks accuracy of ledger
- Minimise fraud
- Help to locate errors
- Provide summary totals to speed up preparation of the financial statements

Against

- Do not pinpoint errors or correct errors
- Require accounting expertise
- Not all errors can be revealed by control accounts.

√√ per point (Max one point in favour and one point against) (4)

(Total 32 marks)

5 (a)

Date	Receipts	Issues	Balance	
1 March			600@ £1.20	√√
3 March	1 800 @ £1.30		600 @ £1.20 1 800 @ £1.30	√√
5 March		1 800 @ £1.30 200 @ £1.20	400 @ £1.20	√√
17 March	1 500 @ £1.50		400 @ £1.20 1 500 @ £1.50	√√
20 March		1 000 @ £1.50	400 @ £1.20 500 @ £1.50 = £1 230	√√

(10)

(b)

Manufacturing Account for the month of March 2015

		Metres	£	
Inventory of raw material 1 March 2015		600	720	√√
Purchases of raw material	3 300	4 590		√√
		3 900	5 310	
Inventory of raw material 1 March 2015		900	1 230	√√of
Cost of raw materials consumed		3 000	4 080	
Factory wages	200 paid hours x £4 per hour x 12		9 600	√√
Direct expenses	3 800 x 40%		1 520	√√
Prime cost √			15 200	√of

(12)

NOTE: Marks awarded for £ not metres.

(c) 3 000 metres consumed – 5% = 2 850 metres √ = 950 frames √of
3 metres √ (3)

Prime cost= £15 200 √of = £16 per frame √of
Frames produced 950 frames √of

(3)

(d) Valid answers may include
In favour

- Raw materials are issued to production at current market value
- Selling/issue price will reflect current raw material cost.

Against

- Not accepted by IAS or tax authorities
- Value of closing inventory low compared to market value
- Gives a lower profit.

√√ per point (Max one point in favour and one point against) (4)

(Total 32 marks)

6 (a)

(i) No salaries √

(ii) 5% interest on loans over and above the capital √

(iii) Equal shares √

(iv) No interest on drawings √

(4)

(b)

(i)

Capital Accounts

	Poon £	Quan £		Poon £	Quan £
Motor vehicle	10 000 √		Balance	60 000	40 000
Inventory revaluation	4 000 √	2 000√	Goodwill	40 000√	20 000 √
Loan to Quan	50 000 √				
Bank	36 000 √of				
Balance c/d		58 000			
	100 000	60 000		100 000	60 000
			Balance b/d		58 000 √of

if Cr

NOTE: Poon bank settlement figure only of if no balance carried down

(8)

(ii)

Bank Account

	£		£
Balance b/d	2 000 √	Poon	36 000 √√(√of)
8% Bank loan	30 000 √		
Balance c/d	4 000		
	36 000		36 000
		Balance b/d	4 000 √of

(5)

(iii)

Quan - Statement of Financial Position at 1 March 2015

		£	
Non-current Assets			
Goodwill		60 000	√
Motor vehicles		15 000	√
Fixtures and fittings		9 000	√
		84 000	
Current Assets			
Inventory		30 000	√
Trade receivables	46 000		√
		160 000	
Capital:			
Quan		58 000	√√(√of)
Current Liabilities			
Trade payables		18 000	√
Bank overdraft		4 000	√of
Non-current Liabilities			
Loan – Poon		50 000	√
8% Bank loan		30 000	√
		160 000	

(11)

(c)

Valid answers may include

In favour

- Shows all assets at valuation
- Should be included when selling the business.

Against

- Not prudent to record goodwill
- Intangible, difficult to value.

√√ per point (Max one point in favour and one point against) (4)

(Total 32 marks)

7 (a)(i) Net realisable value – Estimated receipts from the sale of the inventory, √√ less any costs of completing the goods or costs of selling the goods.√√
(4)

(ii) If inventory was overvalued, due to damage, this would result in profit to be over stated for a period √√ and asset/current assets overvalued in the financial statements. √√ (4)

(b)(i) Purchases 69 000 √+ 25 800√– 15 500 √+ 16 700√ = 96 000 √ (5)

(ii) Revenue 138 000√ + 20 000√ – 18 000 √= 140 000 √ (4)

(c)

	£	£	
Revenue		140 000	√ (of)
Less			
Inventory 1 April	25 000 √		
Purchases	96 000	√ (of)	
	121 000		
Inventory 20 April:			
Remaining	(14 300)		√√
Destroyed	(6 700)		√√of If inventory combined √√of
Cost of sales		(100 000)	√√of
Gross profit		40 000	√√
		140 000	

(11)

(d) Valid answers may include
In favour

- Inventory would be recorded in the business at a single value
- If lower or the same then cost would be market value
- Makes the inventory up to date with market/replacement values

Against

- Would not comply with realisation/prudence/historic cost concepts
- Profit over stated
- Inventory overvalued
- Market value is a question of judgement

√√ per point (Max one point in favour and one point against) (4)

(Total 32 marks)

ASSESSMENT GRID

Question	Syllabus	AO1	AO2/3	AO4	Total
Q1					
(a)	3	4	6		10
(b)	3	7	11		18
(c)	3	7	9		16
(d)	1			8	8
Q2					
(a)	2	6	10		16
(b)	2	4	6		10
(c)	3	6	12		18
(d)	2			8	8
Q3					
(a)	5		24		24
(b)	5		12		12
(c)	5	4			4
(d)	5	4			4
(e)	5			8	8
Q4					
(a)	1	4			4
(b)	2	2			2
(c)	2	10	12		22
(d)	2			4	4
Q5					
(a)	4		10		10
(b)	4	4	8		12
(c)	4		6		6
(d)	4			4	4
Q6					
(a)	3	4			4
(b)	3	8	16		24
(c)	3			4	4
Q7					
(a)	3	8			8
(b)	3	3	6		9
(c)	3	3	8		11
(d)	3			4	4
Total mark		**88**	**156**	**40**	**284**
Total (%)		**31**	**55**	**14**	**100**

Specification(%)	**32**	**54**	**14**	**100**

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