GradeMax



Mark Scheme (Results)

Summer 2017

Pearson Edexcel IAL 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 or 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.

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

Summer 2017
Publications Code WAC11_01_1706_MS
All the material in this publication is copyright
© Pearson Education Ltd 2017

General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.

- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.

- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.

- 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/indicative content will not be exhaustive.

- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.

- Crossed-out work should be marked unless the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1 (a)(i)	**AO1 (11), AO2 (17), AO3 (2)** **A01: Eleven marks for recording the correct balance into the financial statements without adjustment.** **A02: Seventeen marks for recording the correct balance into the financial statements with adjustment.** **A03: Two marks for calculating and applying two stage adjustment.**	

Amsha

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 March 2017

	£	£
Revenue		525 000 **(1)AO1**
Inventory 1 April 2016	17 500 **(1)AO1**	
Purchases		
(88 100 **(1)AO1** +2 500 **(1)AO2**)	90 600	
	108 100	
Inventory 30 March 2017	(20 800) **(1)AO1**	
Cost of sales		(87 300)
Gross profit		437 700
Less		
Plumbing technician's wages	139 200 **(1)AO1**	
Management salaries (75 000- 18 000)	57 000 **(1)AO2**	
Motor vehicle running expenses	45 000 **(1)AO1**	
Electricity and gas	5 700 **(1)AO1**	
Rent of premises (32 000 – 4 000)	28 000 **(1)AO2**	
Marketing expenses (65 000 + 1 900)	66 900 **(1)AO2**	
Bank loan interest (3 000 + 1 800)	4 800 **(1)AO2**	
Provisions for depreciation:		
Motor vehicles	36 000 **(1)AO2**	
Office equipment	6 000 **(1)AO2**	
Loose tools	12 000 **(1)AO2**	
Allowance for doubtful debts	1 200 **(1)AO2**	
		401 800
Profit for the year		35 900 **(1)of+w AO2**
		437 700

(17)

Question Number	Answer	Mark
1 (a)(ii)	Statement of Financial Position at 31 March 2017 Cost £ / Accumulated Depreciation £ / Carrying value £ **Non-current Assets** Motor vehicles 180 000 / 108 000 / 72 000 **(1of)AO2** Office equipment 40 000 / 31 000 / 9 000 **(1of)AO2** Loose tools 38 000 / 20 000 / 18 000 **(1)AO2** 258 000 / 159 000 / 99 000 **Current Assets** Inventory 20 800 **(1)AO1** Trade receivables 70 000 Less Allowance for doubtful debts (2 100) 67 900 **(1of)AO3** Other receivables 4 000 **(1)AO2** Cash and bank 3 100 **(1)AO1** 95 800 **Total Assets** 194 800 **Capital** 65 000 Profit for the year 35 900 of 100 900 Drawings (18 000) 82 900 **(1of)AO3** **Current Liabilities** Trade payables (45 700 **(1)AO1** + 2 500 **(1)AO2**) 48 200 Other payables: (1 900 **(1)AO2** + 1 800 **(1)AO2**) 3 700 8% Bank loan (repayable 31 May 2017) 60 000 **(1)AO1** 111 900 **Total Capital and Liabilities** 194 800	**(13)**

Question Number	Answer	Mark
1 (b)(i)	**AO1 (1), AO2 (7), AO3 (1)** **AO1: One mark for correctly including the annual wage.** **A02: Seven marks for correctly calculating the annual costs and hourly rate.** **AO3: One mark for correctly calculating the productive hours per annum.** **Per plumbing Technician** **£** Wages 10 000 **(1)AO1** Employment taxes 2 000 **(1)AO2** Motor vehicle depreciation 3 000 **(1)AO2** Motor vehicle running exp 4 000 **(1)AO2** Loose tools depreciation 1 000 **(1of)AO2** 20 000 Overheads and profit 7 000 **(1of)AO2** 27 000 **(1of)AO2**	**(7)**

Question Number	Answer	Mark
1 (b)(ii)	Total cost 27 000 **of** Productive hours per annum 1 800 hours per annum (45 x 50 x 80%) **(1)AO3** £15 per hour **(1of)AO2**	**(2)**

Question Number	Answer	Mark
1 (c)	**AO1 (4)** **AO1: Four marks for describing a group incentive scheme.** A **standard time** would be established for each job **(1)AO1** All of the jobs undertaken by all of the plumbing technicians would be allocated a standard time. The **total standard time** to complete all jobs for all technicians could then be established. **(1)AO1** This would be compared with the actual time taken to complete all jobs to establish the **time saved**. **(1)AO1** The plumbing technicians would then **share** a percentage (usually 50%) of the monetary value of time saved. **(1)AO1** **NOT** Benefits and disadvantages of a group incentive	**(4)**

<table>
<tr><th colspan="2">Question Number</th><th>Indicative Content</th></tr>
<tr><td colspan="2">1(d)</td><td>AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Potential arguments for
• Technicians may complete the job in less time
• More efficient use of time, more jobs completed
• Cost of each job reduces
• Fixed overheads spread over more jobs
• Quick completion of jobs would make the business more competitive, gaining customers
• Improved team work.

Potential arguments against
• Quality issues/more supervision required
• Some technicians may not work more efficiently but may leave others to complete the task more quickly
• Possible reduction in customer service
• More efficient technicians may see the bonus scheme as unfair and become demotivated.

Decision
Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.
(12)</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th></tr>
<tr><td></td><td>0</td><td>A completely incorrect response.</td></tr>
<tr><td>Level 1</td><td>1-3</td><td>Isolated elements of knowledge and understanding recall based.
Weak or no relevant application to the scenario set.
Generic assertions may be present.</td></tr>
<tr><td>Level 2</td><td>4-6</td><td>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.</td></tr>
<tr><td>Level 3</td><td>7-9</td><td>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</td></tr>
<tr><td>Level 4</td><td>10-12</td><td>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.</td></tr>
</table>

Question Number	Answer	Mark
2 (a)	**AO1 (8), AO2 (2)** **AO1: Eight marks for correctly locating the balances in the trial balance.** **A02: Two marks for correctly calculating the accumulated fund and applying the balances to the trial balance.**	

Aviana Gym Club
Trial Balance at 30 April 2017

	Dr £	Cr £
Members' subscriptions		5 300 **(1)AO1**
Equipment rental income		1 050 **(1)AO1**
Refreshment sales		2 400
Refreshment purchase	960	
Non-current assets (cost)		
Gym equipment	8 500 **(1)AO1**	
Office fixtures	3 000	
Provisions for depreciation		
Gym equipment		2 500 **(1)AO1**
Office fixtures		800
Rent of premises	2 000	
Heating and lighting	1 100	
Trade payable –refreshment		570 **(1)AO1**
Sundry expenses	1 600	
Cash	80 **(1)AO1**	
Bank overdraft		4 000 **(1)AO1**
Gym equipment maintenance	950 **(1)AO1**	
Inventory of refreshments		
1 May 2016	480	
Accumulated fund		2 050**(2)AO2 / (1)of AO2**
	18 670	**18 670**

(10)

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>2 (b)</td><td>
AO1 (4)
A01: Four marks for stating the differences.
<table>
<tr><th>Trial balance</th><th>Statement of financial position</th></tr>
<tr><td>Consists of all balances in the ledger from which Financial statements will be prepared. (1)AO1</td><td>Consists of only year-end assets and liabilities carrying forward to next year. (1)AO1</td></tr>
<tr><td>Not adjusted for year-end adjustments. (1)AO1</td><td>Contains only year-end adjustments carrying forward to the next financial year. (1)AO1</td></tr>
<tr><td>Prepared before income statement. (1)AO1</td><td>Prepared after income statement. (1)AO1</td></tr>
<tr><td>Not part of published financial statements (1)AO1</td><td>Part of published financial statements (1)AO1</td></tr>
</table>
NOT
Monthly and yearly
Relating to errors or fraud
</td><td>(4)</td></tr>
</table>

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>2 (c)(i)</td><td>
AO1 (3), AO2 (23), AO3 (3)
A01: Three marks for recording the correct opening balances.
A02: Twenty three marks for correctly applying the balances to the accounts
A03: Three marks for calculating and applying the correct adjustment to the correct account for the disposal of gym equipment.
<table>
<tr><th colspan="6">Subscriptions Account</th></tr>
<tr><td>Date</td><td>Details</td><td>£</td><td>Date</td><td>Details</td><td>£</td></tr>
<tr><td>2017
30 April</td><td>Income and expenditure</td><td>5 180
(1of)AO2</td><td>2017</td><td>Bank/members subscriptions/R & P</td><td>5 300
(1)AO2</td></tr>
<tr><td></td><td></td><td></td><td>30 April</td><td>Bad debts/irrecoverable debts/written off</td><td>140
(1)AO2</td></tr>
<tr><td>30 April</td><td>Balance c/d</td><td>350</td><td>30 April</td><td>Balance c/d</td><td>90</td></tr>
<tr><td></td><td></td><td>5 530</td><td></td><td></td><td>5 530</td></tr>
<tr><td>1 May</td><td>Balance b/d</td><td>90
(1)AO2</td><td>1 May</td><td>Balance b/d</td><td>350
(1)AO2</td></tr>
</table>
</td><td>(5)</td></tr>
</table>

Question Number	Answer	Mark
2 (c)(ii)		**(4)**

Gym Equipment Account					
Date	Details	£	Date	Details	£
2016 1 May	Balance b/d	8 500 **(1)AO1**	2017 30 April	Disposal	1 500 **(1)AO3**
2017 30 March	Bank	4 600 **(1)AO2**	30 April	Balance c/d	11600
		13 100			13 100
2017 1 May	Balance b/d	11 600 **(1of)AO2**			

Question Number	Answer	Mark
2(c)(iii)		**(4)**

Gym Equipment – Provision for Depreciation Account					
Date	Details	£	Date	Details	£
2017 30 April	Disposal	900 **(1)AO3**	2016 1 May	Balance b/d	2 500 **(1)AO1**
30 April	Balance c/d	3 600	2017 30 April	Income & Expenditure	2 000 **(1of)AO2**
		4 500			4 500
			2017 1 May	Balance b/d	3 600 **(1of)AO2**

Question Number	Answer	Mark
2 (c)(iv)		**(3)**

Avianna Gym Club
Refreshment Trading Account for the year ended 30 April 2017

	£	£
Revenue		2 400
Less		
Opening inventory	480	
Purchases (960 + 60)	1 020 **(1)AO2**	
	1 500	
Closing inventory	(570)	
Cost of sales		930 **(1of +w)AO2**
Trading profit		1 470 **(1of+ w)AO2**
		2 400

Question Number	Answer	Mark
2 (c)(v)	Income and Expenditure Account for the year ended 30 April 2017 £ £ Income Subscriptions 5 180 **(1of)AO2** Income from rental of equipment 1 050 Profit on refreshment 1 470 **(1of)AO2** Profit on sale of gym equipment 200 **(1)AO3** 7 900 Less Expenditure Rent of premises 2 000 Heating and lighting 1 100 Sundry expenses 1 600 Equipment maintenance 950 Bad debts 140 Depreciation - Gym equipment 2 000 **(1of)AO2** Office fixtures 300 **(1)AO2** (8 090) **(1of)AO2** Deficit 190 **(1of)+wAO2** 7 050	**(7)**

Question Number	Answer	Mark
2 (d)	Statement of Financial Position (Extract) at 30 April 2017 Non-current Assets Cost / Accumulated Depreciation / Carrying value £ £ £ Gym equipment 11 600 **(1)AO2** 3 600 8 000 **(1)AO2** Office fixtures 3 000 1 100 1 900 **(1)AO2** 14 600 4 700 9 900 Current Assets Inventory of refreshments 570 **(1)AO2** Subscriptions in arrears(230 – 140) 90 **(1)AO2** Cash (80 + 800) 880 **(1)AO1** 1 540 11 440	**(6)**

Question Number	Indicative Content	Mark
2 (e)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Potential arguments for • The club will have control of the premises • The club can change premises to meet their needs • Potential additional source of income through renting • Will no longer have to pay rent which will reduce the expenses of the club. Potential arguments against • The costs involved in purchase – large long term loan • Long term nature of purchase • All running costs will fall on the club • The club is making a loss, can it support such a long term project. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed	**(12)**

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

Question Number	Answer	Mark
3 (a)	**AO1 (4)** **A01: Four marks for stating the difference between trade receivable ledger and sales day book.** The trade receivables ledger consists of the **individual accounts (1)AO1** of customers to whom we have **sold goods or services on credit (1)AO1**. The sales day book **lists all of the credit sales (1)AO1** made in a day/specific period. **(1)AO1** before it is **totalled and posted to the ledger**. **Accept** The trade receivables ledger is not a book of prime entry **(1)** the sales day book is a book of prime entry **(1)** **NOT** All sales (must be credit)	**(4)**

Question Number	Answer	Mark
3 (b)	**AO1 (2), AO2 (4)** **A01: Two mark for identifying the account.** **A02: Four marks for calculating the figure and inserting this correctly in the journal.** Journal Dr Cr £ £ Sales returns/TRCA **(1)AO1** 70 **(1)AO2** Mill Street Stores 70 **(1)AO2** Mill Street Stores 45 **(1)AO2** Revenue (Sales)/TRCA **(1)AO1** 45 **(1)AO2**	**(6)**

Question Number	Answer	Mark
3 (c)	**AO1 (2), AO2 (2)** **A01: Two marks for recording the opening and closing balances.** **A02: Two marks for making the correct adjustments.** Mill Street Stores £ Balance b/d 700 **(1)AO1** Less Returns (70) **(1)AO2** 630 Plus Trade discount 45 **(1of from (b))AO2** Corrected balance 675 **(1of)AO1**	**(4)**

Question Number	Answer	Mark
3 (d)	**AO1 (1), AO2 (6), AO3 (3)** **A01: One mark for recording the correct closing credit balance.** **A02: Six marks for correctly applying the monthly balances to the account.** **A03: Three marks for calculating the corrected figure from the journal adjustment before applying the corrected figure to the account.**	**(10)**

Trade Receivables Control Account

	£			£	
Balance b/d	3 450		Balance b/d	50	
Revenue7830 **(1)AO2** +45	7 875	**(1)AO3**	Sales returns 470 **(1)AO2** +70	540	**(1)AO3**
Bank (cash refund)	210	**(1)AO2**	Discount allowed	520	**(1)AO2**
Interest charged	95	**(1)AO2**	Bank (receipts)	6 695	**(1)AO2**
Balance c/d	150		Balance c/d	3 975	
	11 780			11 780	
Balance b/d	3 975	**(1)AO3**	Balance b/d	150	**(1)AO1**

Question Number	Answer	Mark
3 (e)	**AO2 (1), AO3 (2), AO4 (3)** Potential positive arguments for control accounts • Checking device on the double entry • Facilitates total balances for financial statement preparation • Restricts fraud • Owner can see total trade payables and trade receivables Potential negative points against control accounts • Additional resources required to prepare. • Require an experienced book-keeper to prepare • Not all errors will be revealed. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.	**(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	Answer	Mark
4 (a)	**AO1 (4)** **A01: Four marks for stating the importance of liquidity.** Liquidity is the **ability of a business to meet its short term debts**. **(1) AO1** Failure to meet short term debts will result in the **delay/failure to provide supplies (1) AO1** which the business **can resell at a profit (1) AO1**. This could lead to **bankruptcy/cease trading (1) AO1**. Need to have **good cash flow** to meet obligations **(1) AO1**. Ability to convert **inventory to cash** in a short period of time **(1) AO1**. The liquidity of the business should be within the range 1.4 - 2:1 for the current ratio or 0.7 – 1:1 for the acid test ratio **(1) AO1**. Max 4	**(4)**

Question Number	Answer	Mark
4 (b)(i)	**AO1 (2)** **A01: Two marks for applying the formula correctly.** Current assets / Current liabilities = 70 000 / 15 000 = 4.67:1 **(1) AO1** **(1) AO1**	**(2)**

Question Number	Answer	Mark
4 (b)(ii)	**AO1 (2)** **A01: Two marks for applying the formula correctly.** (Current assets – inventory) / Current liabilities = (70 000 – 40 000) / 15 000 **(1) AO1** = 2:1 **(1) AO1**	**(2)**

Question Number	Answer	Mark
4 (c)	**AO1 (1), AO2 (12), AO3 (3)** **A01: One mark for recording the given expense in the account without adjustment.** **A02: Twelve marks for calculating the figure and inserting this correctly in the statement.** **A03: Three marks for calculating the corrected figure from a number of adjustments before applying the figure to the correct statement.**	**(10)**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2017

	Workings	**£**	**£**
Revenue			135 000
less			**(1)AO1**
Opening inventory		40 000	**(1)AO1**
Purchases		72 000	**(1)AO1**
less		112 000	
Closing inventory		(25 000)	
Cost of sales			(87 000)
Gross profit			48 000
Expenses		33 000	**(1)AO1**
Depreciation		4 500	**(1)AO2**
			37 500
Profit for the year			10 500

Statement of Financial Position at 30 April 2017

	Workings	**£**	**£**
Assets			
Non-current assets	30000-4 500	25 500	**(1)AO2**
Inventory		25 000	
Trade receivables	25 000+135 000 - 123 000	37 000	**(1)AO3**
Bank	5 000-33 000+ 123 000-80 000	15 000	**(1)AO3**
		102 500	
Capital and liabilities			
Capital	85 000 +10 500	95 500	**(1)AO2**
Trade payables	15 000+72 000 - 80 000	7 000	**(1)AO3**
		102 500	

Question Number	Answer	Mark
4 (d)(i)	**AO2 (2)** **A02: Two marks for applying the formula correctly.** Cost of sales = 87 000 **(1of)AO2** = 2.68 times **(1of)AO2** Average inventory 32 500	**(2)**

Question Number	Answer	Mark
4 (d)(ii)	**AO2 (2)** **A02: Two marks for applying the formula correctly.** Trade receivables x 365 = 37 000 **of** x 365 **(1of)AO2** = 100 days/3.29 months Credit sales 135 000 **(1of)AO2**	**(2)**

Question Number	Answer	Mark
4 (d)(iii)	**AO2 (2)** **A02: Two marks for applying the formula correctly.** Trade payables x 365 = 7 000 **(1of)AO2** x 365 = 35days/1.17 months Credit purchases 72 000 **(1of)AO2**	**(2)**

Question Number	Indicative Content	Mark
4 (e)	**AO2 (1), AO3 (2), AO4 (3)** **Own figure rules apply** Potential positive arguments for Easi Spend • Trade payables have a reasonable settlement period of just over a month • The level of inventory has fallen during the year • High current ratio/ Quick ratio. (This could also be seen as a negative point). Potential negative points for Easi Spend • It is taking a long while (100 days) to collect the debts • Inventory levels are still high only turning over every 4 months. For most businesses this is a low rate of inventory turnover. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.	**(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	Answer	Mark
5 (a)(i)	**AO1 (2)** **A01: Two marks for defining fixed costs** Fixed costs – costs which are **constant for a period** of time or range of output**. (1)AO1** They are **unaffected by the volume** of output **(1)AO1**	**(2)**

Question Number	Answer	Mark
5 (a)(ii)	**AO1 (2)** **A01: Two marks for defining semi-fixed costs.** Semi-fixed costs- costs which are **fixed for a range** of production and then step increase **(1)AO1** where they are **fixed for a further range** of production **(1)AO1** until a further step increase is required.	**(2)**

Question Number	Answer	Mark
5 (b)	**AO1 (4)** **A01: Four marks for stating how depreciation will be calculated and identifying two concepts.** **Accruals (matching) concept (1)AO1** each year should be charged with a proportion of the cost **(1) AO1** **Consistency (1) AO1** each year should be charged with depreciation calculated on the same basis with previous years **(1) AO1** **Going concern (1)AO1** concepts will assume that this business has continuity into the future **(1)AO1** Two concepts x 2 marks	**(4)**

Question Number	Answer	Mark
5 (c)(i)	**AO1 (1), AO2 (12), AO3 (3)** **A01: One mark for recording the given expense in the total running costs without adjustment.** **A02: Twelve marks for calculating the figure and inserting this correctly in the total running costs.** **A03: Three marks for calculating the correct figure requiring a two stage calculation before applying the figure to the total running costs.** **Total running cost** **£** 4% loan interest 5 600 **(1) AO2** Electricity 600 + 5 000 5 600 **(1) AO2** Water and gas 2 400 **(1) AO2** Cable TV and internet 900 **(1) AO2** Insurance 800 **(1) AO1** Management and marketing costs 1 000 +1 000 2 000 **(1) AO2** Repairs and maintenance 1 200 + 2 000 3 200 **(1) AO3** Villa cleaning 100 x 20 2 000 **(1) AO2** Depreciation 3 000 + 1 500 4 500 **(1) AO3** 27 000 **(1of) AO2**	**(10)**

Question Number	Answer	Mark
5 (c)(ii)	Income 250 x 125 31 250 **(1)AO2** Total running costs 27 000 **(1)ofAO2** Profit for the year 4 250 **(1)ofAO2**	**(3)**

Question Number	Answer	Mark
5 (c)(iii)	Profit before interest x 100 = 4 250 **of** + 5600 = Capital + Non-current liabilities 60 000 + 140 000 9 850 **(1of) AO2** = 4.93% **(1)of AO2** 200 000 **(1) AO2**	**(3)**

Question Number	Answer	Mark
5 (d)	**AO2 (1), AO3 (2), AO4 (3)** **Own figure rule applies** Potential positive arguments for Sunshine Villa • The project makes a profit and a reasonable ROCE • In the long term residential property prices tend to rise • Bookings may increase next year with repeat business. Potential negative points for Sunshine Villa • A major capital investment for low returns • Risk that the property may lose value due to economic conditions • Economic conditions may reduce income if bookings reduce. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed	**(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.

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>6 (a)</td><td>
AO2 (4)
A02: Four marks for selecting the units and prices remaining in the inventory at the end of each quarter.
<table>
<tr><th>Date</th><th>Receipts</th><th>Issues</th><th>Balance</th></tr>
<tr><td>Opening balance</td><td></td><td></td><td>120 @ £800</td></tr>
<tr><td>April - June 2016</td><td>80 £750</td><td>90@ £800</td><td>30@ £800
80@ £750
(1)AO2</td></tr>
<tr><td>July – September 2016</td><td>70 @ £700</td><td>30 @ £800
30 @ £750</td><td>50 @ £750
70 @ £700
(1)AO2</td></tr>
<tr><td>October – December 2016</td><td>100 @ £650</td><td>50 @ £750
30 @ £700</td><td>40 @ £700
100 @ £650
(1)AO2</td></tr>
<tr><td>January – March 2017</td><td>60 @ £600</td><td>40 @ £700
30 @ £650</td><td>70 @ £650
60 @ £600
(1)AO2</td></tr>
<tr><td>Closing balance</td><td></td><td></td><td>£81 500</td></tr>
</table>
</td><td>(4)</td></tr>
</table>

Question Number	Answer	Mark
6 (b)	**AO1 (5), AO2 (6), AO3 (3)** **A01: Five marks for recording the given expense in the account without adjustment.** **A02: Six marks for calculating the figure and inserting this correctly in the account.** **A03: Three marks for calculating the corrected figure and then carrying out the correct apportionment before applying the figure to the correct section of the account.** Banwell Products Manufacturing Account for the year ended 31 April 2017 £ £ Opening inventory 96 000 Purchases 210 000 **(1)AO2** 306 000 Closing inventory (81 500) **(1)ofA01** Cost of raw materials 224 500 Machinists wages 93 000 **(1)AO1** Assembly wages (83 500 – 6 500) 77 000 **(1)AO2** Prime cost 394 500 **(1of)AO2w+f** Manufacturing overheads: Production management salaries 84 000 **(1)AO1** Indirect manufacturing wages 16 800 **(1)AO1** Depreciation on equipment 45 000 **(1)AO1** Rent 34 000 **(1)AO3** Insurance 21 000 **(1)AO3** 200 800 595 300 **(1)AO2** Work in progress: Opening inventory 1 April 2016 55 000 Closing inventory 31 March 2017 (47 300) 7 700 **(1)AO2** Cost of production 603 000 Manufacturing profit 37 000 **(1of)AO3** Transfer to trading account 640 000 **(1)AO2w+f**	**(14)**

Question Number	Answer	Mark
6 (c)(i)	**AO1 (4), AO2 (2)** **A01: Four marks for demonstrating knowledge of the treatment of prepaid expenses and depreciation.** **A02: Two marks for applying knowledge of unrealised profits to profits on manufacture.** The value of the prepaid wages would be would be recorded under the heading of **Other receivables (1)AO1** under **current assets**. **(1)AO1**	**(2)**

Question Number	Answer	Mark
6 (c)(ii)	The annual depreciation would be added to the accumulated depreciation and **deducted from the cost (1)AO1** to establish the **carrying (Net Book) value**. **(1)AO1**	**(2)**

Question Number	Answer	Mark
6 (c)(iii)	The value of the **inventory of finished goods (1)AO2** would be **reduced by the balance of the provision** for unrealised profit. **(1)AO2**	**(2)**

Question Number	Answer	Mark
6 (d)	**AO2 (1), AO3 (2), AO4 (3)** Potential positive arguments for LIFO • When prices are falling issues will be close to current replacement cost • Product/sales will not be overpriced in current market conditions. Potential negative points for LIFO • Not accepted by tax authorities or IAS • When prices are falling remaining inventory will become increasingly over-valued • LIFO may under state cost of sales which is against the prudence concept. NOT An evaluation of inventory rotation Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.	**(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.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London WC2R 0RL, United Kingdom