GradeMax



Mark Scheme (Results)

October 2017

Pearson Edexcel IAL Accounting (WAC11)
Paper 01 The Accounting System and Costing



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General Marking Guidance

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

Question Number	Answer	Mark
1 (a)(i)	**AO1 (1), AO2 (1), AO3 (3)** **AO1: One mark for posting the correct capital introduced.** **A02: One mark for deriving the correct closing balances.** **AO3: Three marks for correctly calculating and recording the goodwill adjustment.**	**(5)**

(i)

Capital Accounts

	Aaron	Bitan	Chaman		Aaron	Bitan	Chaman
	£	£	£		£	£	£
Goodwill	16 000 **(1) AO3**	16 000	8 000 **(1) AO3**	Balance b/d	50 000	75 000	
Balance c/d	54 000	79 000	27 000	Assets			35 000 **(1) AO1**
				Goodwill	20 000	20 000 **(1) AO3**	
	70 000	95 000	35 000		70 000	95 000	35 000
				Balance b/d	54 000	79 000 **(1)of AO2**	27 000 **All 3**

(5)

(ii)

AO1 (6), AO2 (14)

AO1: Six marks for transferring balances from the list of balances to the financial statements without amendment.

A02: Fourteen marks for adjusting balances from the list of balances and posting correctly in the financial statements.

Aaron, Bitan and Chaman
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 July 2017

		£	£
Revenue			377 500
Less			
Opening inventory		36 500	
Purchases		183 200	
Carriage inwards		10 300 **(1) AO1**	
		230 000	
Closing inventory		(40 000)	
Cost of sales			190 000 **(1)of + w AO2**
Gross profit			187 500
Plus Other income:			
Rent receivable (1 750 + 750)			2 500 **(1) AO2**
			190 000
Less			
Depreciation –	Land and buildings	2 000 **(1) AO2**	
	Motor vehicles	11 200 **(1) AO2**	
	Office equipment	6 000 **(1) AO2**	
Wages and salaries		56 500 **(1) AO1**	
General expenses	(31 000 – 4 000)	27 000 **(1) AO2**	
Allowance for doubtful debts increase		900 **(1) AO2**	
Carriage outwards		7 450 **(1) AO1**	
Insurance	(3 650 – 600)	3 050 **(1) AO2**	
Rent		12 000 **(1) AO1**	
Motor vehicle expenses		9 800 **(1) AO1**	
Bank loan interest	(2 000 + 2 000)	4 000 **(1) AO2**	
			(139 900)
Profit for the year			50 100
Plus			
Interest on drawings -	Aaron	400 **(1) AO2**	
	Bitan	300 **(1) AO2**	
	Chaman	200 **(1) AO2**	
			900
			51 000
Less			
Salaries-	Bitan	15 000	
	Chaman	12 000 **(1) AO1**	
			(27 000)
			24 000
Share of profit	Aaron		9 600 **(1)of AO2**
	Bitan		9 600
	Chaman		4 800 **(1)of AO2**
			24 000

(20)

(iii)

AO1 (2), AO2 (4)

AO1: Two marks for transferring balances from the list of balances to the account without amendment.

A02: Four marks for recording correct calculations from appropriation.

Current Accounts

	Aaron	Bitan	Chaman		Aaron	Bitan	Chaman
	£	£	£		£	£	£
Balance b/d	1 300			Balance b/d		900	
Salaries paid		15 000 **(1) AO2**	12 000 **Both**	Salaries		15 000 **(1) AO1**	12 000 **Both**
Drawings	8 000 **(1) AO1**	6 000	4 000	Share of profit	9 600	9 600 **(1)of AO2**	4 800 **All 3**
Int on drawing	400	300 **(1)of AO2**	200 **All 3**	Balance c/d	100		
Balance c/d		4 200	600				
	9 700	25 500	16 800		9 700	25 500	16 800
Balance b/d	100			Balance b/d		4 200 **(1) of AO2**	600 **All 3**

(6)

Question Number	Answer	Mark
1 (b)	**AO1 (4), AO2 (7), AO3 (1)** **AO1: Four marks for correctly transferring balances from the list of balances to the position statement without amendment.** **A02: Seven marks for adjusting balances for the treatment of the item in the income statement.** **AO3: One mark for correctly calculating the adjusted trade receivables.**	**(12)**

Statement of Financial Position at 31 July 2017

	Cost	Accumulated Depreciation	Carrying Value	
	£	£	£	
Assets				
Non-current Assets				
Land and buildings	100 000	6 000	94 000	**(1)of AO2**
Motor vehicles	80 000	35 200	44 800	**(1)of AO2**
Office equipment	40 000	16 000	24 000	**(1)of AO2**
	220 000	57 200	162 800	
Current Assets				
Inventory			40 000	**(1) AO1**
Trade receivables	48 000			
Less Allowance for doubtful debts	(2 400)			
			45 600	**(1)of AO3**
Other receivables: (4 000 + 750 +600			5 350	**(1) AO2**
Bank			5 000	**(1) AO1**
			95 950	
Total Assets			258 750	
Capital and Liabilities				
Capital Accounts				
Aaron		54 000		
Bitan		79 000		
Chaman		27 000		
			160 000	**(1)of AO2**
Current Accounts				
Aaron		100 Dr		
Bitan		4 200 Cr		
Chaman		600 Cr		
			4 700	**(1)of AO2**
Non-current Liabilities				
8% bank loan (repayable December 2025)			50 000	**(1) AO1**
Current Liabilities				
Trade payables		42 050	**(1) AO1**	
Other payables:		2 000	**(1) AO2**	
			44 050	
Total Capital and Liabilities			258 750	

Question Number		Indicative Content
1 (c)		**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Potential arguments for Greater resources available to business. Can specialise to strengths of the partnership. Cover for holidays and sickness. Potential arguments against Must share profits. Cannot make decisions without referring to other partners. Need for mutual trust as joint and several liability. Decision Candidates may decide that the decision to join the partnership was a positive or negative move. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion. **(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
2 (a)	**AO2 (3)** **AO2: Three marks for correctly identifying the errors requiring a suspense account.** (1) **(1)** AO2 (4) **(1)** AO2 (6) **(1)** AO2	**(3)**

Question Number	Answer	Mark
2 (b)	**AO1 (3), AO2 (13)** **AO1: Three marks for correctly identifying the account.** **AO2: Thirteen marks for correctly identifying the account and the entry and value.** **Journal** **Dr** **Cr** **£** **£** Suspense 3 250 **(1)** AO2 Revenue 3 250 **(1)** AO2 Gihan 850 **(1)** AO2 Gayesha 850 **(1)** AO2 Inventory **(1)** AO1 900 Income statement 900 **(1)** AO2 Discount Allowed 560 **(1)** AO2 Suspense **(1)** AO1 560 Rent 2 000 **(1)** AO2 Income statement **(1)** AO1 2 000 Telephone Expenses 180 **(1)** AO2 Suspense 180 **(1)** AO2 Computer 5 000 **(1)** AO2 Computer Expenses 5 000 **(1)** AO2 Income statement/ Depreciation 1 250 **(1)** AO2 Provision for depreciation 1 250 **(1)** AO2	**(16)**

Question Number	Answer	Mark
2 (c)	**AO1 (2), AO2 (3)** **AO1: Two marks for establishing the opening balance of the account.** **AO2: Three marks for posting the correct narrative and value.** Suspense Account £ £ Revenue 3 250 **(1)** AO2 Balance b/d 2 510 **(2) / (1) of** AO1 Telephone expenses 180 **(1)** AO2 Discount allowed 560 **(1)** AO2 3 250 3 250	**(5)**

Question Number	Answer	Mark
2 (d)(i)	**AO1 (3)** **AO1: Three marks for recording the correction or balancing the account.**	**(3)**

Inventory Account

2017		£	2017		£
31 Aug	Balance b/d	41 600 **(1)** AO1	31 Aug	Balance c/d	42 500
	Income Statement	900 **(1)** AO1			
		42 500			42 500
I Sept	Balance b/d	42 500 **(1)of** AO1			

(3)

Question Number	Answer	Mark
2 (d)(ii)	**AO1 (3)** **AO1: Three marks for recording the correction or balancing the account.**	**(3)**

Discount Allowed Account

2017		£	2017		£
31 Aug	Balance b/d	1 320 **(1)** AO1	31 Aug	Balance c/d	1 880
	Suspense	560 **(1)** AO1			
		1 880			1 880
1 Sept	Balance b/d	1 880 **(1)of** AO1			

(3)

Question Number	Answer	Mark
2 (d)(iii)	**AO1 (3)** **AO1: Three marks for recording the correction or balancing the account.**	**(3)**

Computer Expenses Account

2017		£	2017		£
31 Aug	Balance b/d	12 300 **(1)** AO1	31 Aug	Computer Account	5 000 **(1)** AO1
			31 Aug	Balance c/d	7 300
		12 300			12 300
1 Sept	Balance b/d	7 300 **(1)of** AO1			

(3)

Question Number	Answer	Mark
2 (e)	**AO2 (9), AO3 (1)** **AO2: Nine marks for identifying the correct effect of the error.** **AO3: One mark for correctly calculating the depreciation.**	**(10)**

			£
Draft profit for the year			23 350
	Increase	Decrease	
	£	£	
(1) The Sales Day Book had been under-cast by £3 250.	3 250 **(1)** AO2		
(2) Purchases on credit from Gayesha £850, had been recorded in the ledger account of Gihan.	No effect **(1)** AO2		
(3) On 31 August 2017, a page from the inventory count (stock-take), for a total of £900, had been omitted.	900 **(1)** AO2		
(4) Discount allowed of £280 had been credited to the Discount Allowed Account.		560 **(1)** AO2	
(5) Rent of £6 000 had been paid for the period 1 May - 31 October 2017. The full amount had been charged to the Statement of Profit or Loss and Other Comprehensive Income.	2 000 **(1)** AO2		
(6) Telephone expenses of £750, had been correctly recorded in the Bank Account but had been recorded in the Telephone Expenses Account as £570.		180 **(1)** AO2	
(7) The purchase of a new computer, £5 000, had been recorded in the Computer Expenses Account. Depreciation is charged on computers at the rate of 25% per annum using the straight line method.	5 000 **(1)** AO2	1 250 **(1)** AO3	
Sub total	11 150	1 990	
Revised profit for the year			32 510 **(2)/(1)of** AO2

Question Number	Indicative Content	Mark
2 (f)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Potential arguments for Prepares draft figures for use. Gives a reasonable estimate of profit. Assists the making of decisions. Easier to adjust draft statements to prepare final statements. Potential arguments against Reliance cannot be placed upon the information which is not accurate. Work has to be repeated – time and cost. Can lead to incorrect decisions. **NOT** Any discussion of errors such as type, location, identification etc. Check accuracy. Decision Candidates may decide that the decision to prepare financial statements when there are errors in the books was a positive or negative move. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion.	**(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) (i)	**AO2 (4)** **AO2: Four marks for completing the calculations.** Revenue £ Cash receipts 34 000 **(1)** AO2 Cheque receipts 106 000 **(1)** AO2 Trade receivables at end 9 200 149 200 Trade receivables at start (10 400) **(1)** AO2 Revenue 138 800 **(1)of** AO2	**(4)**

Question Number	Answer	Mark
3 (a) (ii)	**AO2 (3)** **AO2: Three marks for completing the calculations.** Purchases £ Cheque payments 95 000 **(1)** AO2 Trade payables at end 15 000 110 000 Trade payables at start (8 000) **(1)** AO2 Purchases 102 000 **(1)of** AO2	**(3)**

Question Number	Answer	Mark
3 (b) (i)	**AO3 (3)** **A03: Three marks for calculations for closing inventory.** Closing inventory Sales 138 800 x 100 / 133 1/3 = Cost of sales 104 100 **(1)of** AO3 (13 600 + Purchases 102 000 **of**)= 115 600 **(1)of** AO3- Cost of sales 104 100 = 11 500 **(1)of** AO3	**(3)**

Question Number	Answer	Mark
3 (b) (ii)	**AO1 (2), AO2 (1)** **AO1: Two marks for establishing receipts and payments.** **A02: One mark for adjusting the calculations for opening balance.** Bank £ £ Receipts Payments Trade receivables 106 000 Trade receivables 95 000 **(1)** Cash sales 3 000 General expenses 6 500 AO1 109 000 **(1)** AO1 101 500 Opening balance (1 700) + 109 000 – 101 500 = 5 800 **(1)of** AO2	**(3)**

Question Number	Answer	Mark
3 (c)	**AO1 (4), AO2 (3)** **AO1: Four marks for transferred balances.** **A02: Three marks adjusting balances to be included.**	**(7)**

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

	£	£
Revenue		138 800 **(1)of** AO1
Opening inventory	13 600	
Purchases	102 000 **of**	
	115 600	
Closing inventory	(11 500) **(1)of** AO1	
Cost of sales		104 100
Gross profit		34 700 **(1)of** AO2
Less		
Motor van expenses	7 800 **(1)** AO1	
Wages (14 000 + 900)	14 900 **(1)** AO2	
Motor van depreciation	3 100 **(1)** AO1	
General expenses (6 500 – 400)	6 100 **(1)** AO2	
		31 900
Profit for the year		2 800

Question Number	Answer	Mark
3 (d)	**AO1 (1), AO3 (1)** **AO1: One mark for stating the meaning of the concept.** **AO3: One mark for naming the concept.** Accounting/Business entity **(1)** AO3 the owner and the business will have a separate identity **(1)** AO1.	**(2)**

Question Number	Answer	Mark
3 (e)	**AO1 (2)** **AO1: Two marks for explaining the method and its application.** Revaluation method **(1)** AO1 based on the reduction in the market value over the accounting period. **(1)** AO1	**(2)**

Question Number	Indicative Content	Mark
3 (f)	**AO2 (1), AO3 (2), AO4 (3)** Potential positive points for maintaining a set of books Balances of personal accounts available at all times. Profit can be ascertained. Assists decision making. Potential arguments for not maintaining a set of books Cost and employment of accounting specialist. More time to run the business. **NOT** Decision about errors. Decision Candidates may decide that maintaining a formal set of books is a positive or negative move. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion.	**(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) (i)	**AO1 (2)** **AO1: Two marks for stating how the concepts apply to depreciation.** Going concern It is assumed that the business will have perpetual life **(1)** AO1 Therefore the cost of non-current assets should be matched to each accounting period over the useful life of the asset. **(1)** AO1	**(2)**

Question Number	Answer	Mark
4 (a) (ii)	**AO1 (2)** **AO1: Two marks for stating how the concepts apply to depreciation.** Consistency Whichever method of depreciation and rate has been chosen for a non-current asset it should be consistently applied to the non-current assets' useful life **(1)** AO1 to avoid distortion of profit. **(1)** AO1	**(2)**

Question Number	Answer	Mark
4 (b) (i)	**AO2 (2)** **AO2: Two marks for completing the calculations.** Land and buildings 250 000 + 60 000 = 310 000 **(1)** AO2 x 10% = 31 000 **(1)of** AO2	**(2)**

Question Number	Answer	Mark
4 (b) (ii)	**AO2 (2), AO3 (1)** **AO2: Two marks for completing the calculations.** **A03: One mark for adjusting the calculations for disposals.** Motor vehicles Carrying value after disposal 37 000 **(1)** AO3 + 23 000 = 60 000 **(1)** AO2 x 25% = 15 000 **(1)of** AO2 OR ((42 000 – 5 000 **(1)** AO3) + 23 000 **(1)** AO2)) x 25% = 15 000 **(1)of**	**(3)**

Question Number	Answer	Mark
4 (b) (iii)	**AO2 (1), AO3 (2)** **AO2: One mark for completing the calculations.** **A03: Two marks for adjusting the calculations for disposals.** Loose tools 15 000 + 6 000 = 21 000 **(1)** AO2 – 14 000 = 7 000 **(1)** AO3 – 5000 = 2 000 **(1)** AO3	**(3)**

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>4 (c)</td><td>
AO1 (5), AO2 (7)
AO1: Five marks for inserting figures in the table.
A02: Seven marks for applying provision for depreciation correctly.

Schedule of Non-current Assets at 30 June 2017.
<table>
<tr><td></td><td>Land and buildings</td><td>Motor vehicles</td><td>Loose tools</td></tr>
<tr><td></td><td>£</td><td>£</td><td>£</td></tr>
<tr><td>Cost at 30 June 2016</td><td>250 000</td><td>72 000</td><td>15 000</td></tr>
<tr><td>Additions for year</td><td>60 000
(1) AO1</td><td>23 000
(1) AO1</td><td>6 000
(1) AO2</td></tr>
<tr><td>Disposals for year</td><td>(-)</td><td>(25 000)
(1) AO2</td><td>(-)</td></tr>
<tr><td>Total non-current asset cost</td><td>310 000</td><td>70 000</td><td>21 000</td></tr>
<tr><td>Less depreciation</td><td></td><td></td><td></td></tr>
<tr><td>Provision at 30 June 2016</td><td>(80 000)</td><td>(30 000)</td><td>(5 000)</td></tr>
<tr><td>Depreciation on non-current asset disposals</td><td>-</td><td>20 000
(1) AO2</td><td>-</td></tr>
<tr><td>Depreciation for the year ended 30 June 2017</td><td>(31 000)
(1) of AO2</td><td>(15 000)
(2)(1)of AO2</td><td>(2 000)
(1)of AO2</td></tr>
<tr><td>Total accumulated depreciation</td><td>(111 000)</td><td>(25 000)</td><td>(7 000)</td></tr>
<tr><td>Carrying value at 30 June 2017</td><td>199 000
(1)of AO1</td><td>45 000
(1)of AO1</td><td>14 000
(1)of AO1</td></tr>
</table>
</td><td>(12)</td></tr>
</table>

Question Number	Indicative Content	Mark
4 (d)	**AO2 (1), AO3 (2), AO4 (3)** Potential positive arguments for the policy Buildings will require depreciation because they will deteriorate. Accruals/matching concepts are being applied. Prudence concept has been applied. Straight line method is the same depreciation each year and does not distort profit. Potential negative points for the policy Land is not normally depreciated. At 10% the rate is too high for matching/accruals concept. The book value may not be near to the market value. **NOT** Less time to calculate. Less errors. Decision Candidates may decide that the application of 10% straight line depreciation to land and buildings is appropriate or not appropriate. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion.	**(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 explaining the terms.** Semi-variable cost The cost includes a fixed **(1)** AO1 and a variable component **(1)** AO1 OR Electricity, telephone charges where there is a fixed cost (standing charge) **(1)** and a variable cost (cost of calls or electricity usage) **(1)**.	**(2)**

Question Number	Answer	Mark
5 (a) (ii)	**AO1 (2)** **A01: Two marks for explaining the terms.** Overhead allocation Costs which are wholly identifiable **(1)** AO1 with one cost centre. **(1)** AO1	**(2)**

Question Number	Answer	Mark
5 (a) (iii)	**AO1 (2)** **A01: Two marks for explaining the terms.** Absorption of overheads A basis of recovering the total costs of a cost centre by the jobs that pass through them **(1)** AO1. This may be by a labour hour rate or machine hour rate. **(1)** AO1 OR The money charged for customers jobs **(1)** based on the calculated budgeted overhead absorption rate **(1)**	**(2)**

Question Number	Answer	Mark
5 (b)	**AO1 (2), AO2 (4), AO3 (1)** **AO1: Two marks for transferring the allocated overheads and totalling.** **A02: Four marks for identifying the correct basis of apportionment and carrying out the apportionment.** **AO3: One mark for apportioning depreciation.**	**(7)**

	Metal shop £	Paint shop £	Administration £	
Allocated overheads	39 000	53 000	24 000	**(1)** AO1
Rent and rates	12 000	6 000	2 000	**(1)** AO2
Depreciation	4 000	20 000	4 000	**(1)** AO3
Insurance	1 000	5 000	1 000	**(1)** AO2
Management salaries	25 000	15 000	5 000	**(1)** AO2
	81 000	99 000	36 000	
Reallocation	27 000	9 000		**(1)of** AO2
Total	108 000	108 000		**(1)of** AO1

Question Number	Answer	Mark
5 (c) (i)	**AO2 (1), AO3 (1)** **A02: One mark for calculating the hourly rate.** **A03: One mark for calculating the annual hours chargeable to customer's jobs.** Metal shop £108 000 = £12 **(1)of** AO2 9 000 **(1)** AO3	**(2)**

Question Number	Answer	Mark
5 (c) (ii)	**AO2 (1), AO3 (1)** **A02: One mark for calculating the hourly rate.** **A03: One mark for calculating the annual hours chargeable to customer's jobs.** Paint shop £108 000 = £20 **(1)of** AO2 5 400 **(1)** AO3	**(2)**

Question Number	Answer	Mark
5 (d)	**AO1 (1), AO2 (6)** **A01: One mark for transferring the profit figure to the quotation.** **A03: Six marks for calculating the corrected figure and then correctly inserting it into the quotation.** **Quotation** £ £ Raw materials £250 + 20% 300 **(1)** AO2 Direct labour Metal shop 16 x £7.5 120 **(1)** AO2 Paint shop 20 x £10 200 **(1)** AO2 320 Overheads Metal shop 16 x £12 192 **(1)of** AO2 Paint shop 20 x £20 400 **(1)of** AO2 592 Total 1 212 Profit 150 **(1)** AO1 Quotation price 1 362 **(1)of** AO2	**(7)**

Question Number	Indicative Content	Mark
5 (e)	**AO2 (1), AO3 (2), AO4 (3)** Potential positive arguments for apportionment A realistic estimate of the usage of specific costs by each department. A departmental rate can be calculated for quotations. Potential negative points for apportionment Only an estimate. Cost may not be reduced if the department is removed or under performs. Costly, time consuming, requires skill. Decision Candidates may decide that apportionment is useful or not useful. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion.	**(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
6 (a) (i)	**AO1 (2)** **A01: Two marks for explaining the terms.** Profitability – The amount of profit earned **(1)** AO1 by a business for every £ of capital/sales invested in it. **(1)** AO1	**(2)**

Question Number	Answer	Mark
6 (a) (ii)	**AO1 (2)** **A01: Two marks for explaining the terms.** Liquidity – The ability of the business to meet financial commitments/current liabilities **(1)** AO1 turning current assets into cash. **(1)** AO1	**(2)**

Question Number	Answer	Mark
6 (b)	**AO1 (1), AO2 (3)** **A01: One mark for using the opening bank balance.** **A02: Three marks for calculating the total receipts and expenditure and calculating the closing balance.**	**(4)**

Receipts	£	**Payments**	£
Receipts from trade receivables	625 000	Payments to trade payables	580 000
6% Loan taken out by Yaso	300 000	Non-current assets	250 000
		Expenses paid	125 000
		Drawings	40 000
	925 000		995 000

Balance 40 000 **(1)** AO1 + 925 000 **(1)** AO2 – 995 000 **(1)** AO2 = 30 000 overdraft **(1)of** AO2

Question Number	Answer	Mark
6 (c) (i)	**AO2 (1), AO3 (1)** **A02: One mark for the correct answer with descriptor.** **A03: One mark for calculating the corrected figure and then correctly inserting it into the ratio.** Inventory turnover (times) 560 000 **(1)** AO3 / (35 000 + 45 000)/2 = 14 times **(1)of** AO2	**(2)**

Question Number	Answer	Mark
6 (c) (ii)	**AO2 (1), AO3 (1)** **A02: One mark for the correct answer with descriptor.** **A03: One mark for calculating the corrected figure and then correctly inserting it into the ratio.** Current ratio 45 000 + 160 000 +20 000 **(1)** AO3 / 60 000 + 30 000 **of** = 2.50:1 **(1)of** AO2	**(2)**

Question Number	Answer	Mark
6 (c) (iii)	**AO2 (2)** **A02: Two marks for calculating the correct answer with descriptor.** Liquid (acid test) ratio 160 000 +20 000 / 60 000 + 30 000 **of (1)** AO2 = 2:1 **(1)of** AO2	**(2)**

Question Number	Answer	Mark
6 (c) (iv)	**AO2 (2)** **A02: Two marks for calculating the correct answer with descriptor.** Trade payables payment period (in days) 60 000 x 365 / 570 000 **(1)** AO2 = 38.42 days **(1)** AO2	**(2)**

Question Number	Answer	Mark
6 (c) (v)	**AO2 (2)** **A02: Two marks for calculating the correct answer with descriptor.** Trade receivables collection period (in days) 160 000 x 365 / 800 000 **(1)** AO2 = 73 days **(1)** AO2	**(2)**

Question Number	Answer	Mark
6 (c) (vi)	**AO2 (1), AO3 (1)** **A02: One mark for the correct answer with descriptor.** **A03: One mark for calculating the corrected figure and then correctly inserting it into the ratio.** Revenue to non-current assets 800 000 / 320 000 **(1)** AO2 = 2.5:1 **(1)** AO3 OR 250% **(1)**	**(2)**

Question Number	Indicative Content	Mark
6 (d)	**AO2 (1), AO3 (2), AO4 (3)** **Own figure rule applies** Potential positive arguments for liquidity The current and liquid (acid test) ratio are higher than the accepted benchmark. Inventory is being turned over quicker than last year or the sector average. The current and liquid (acid test) ratio are higher than last year and the sector average. Trade payables payment period is slightly better than last year and the sector average. Potential negative points for liquidity The current and liquid (acid test) ratio mainly consist of outstanding trade receivables. The trade receivables collection at 73 days is too high and debt collection procedures need reviewing. Trade receivables collection has worsened and is more than twice the sector average. Although the revenue to non-current assets is comparable with last year and the sector average. The purchase of £320 000 of new non-current assets has had an effect on the availability of cash. Decision Candidates may decide that the liquidity is sufficient or insufficient. Candidate's decisions must be supported by a rationale of key points in arriving at that conclusion.	**(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
6 (e)	**AO1 (4)** **A01: Four marks for listing non-financial factors.** Skill of the staff Management Product range Product development Location of the business Reputation/goodwill Customer loyalty Relationship with suppliers Competitive environment 4 x **(1)** AO1	**(4)**

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