GradeMax



Mark Scheme (Results)

Summer 2018

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

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General Marking Guidance

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

Question Number	Answer	Mark
1 (a)	**AO1 (1), AO2 (2)** **AO1: One mark for sub total.** **AO2: Two marks for calculation.** £ Inventory 1 May 2017 23 400 Purchases 152 500 **(1) AO1** Unrecorded purchase 1 750 **(1) AO2** 177 650 Inventory 30 April 2018 (27 300) Maintenance spares used 150 350 **(1) AO2**	**(3)**

Question Number	Answer	Mark
1 (b)(i)	**AO1 (5), AO2 (7)** **AO1: Five marks for transferring balances to the income statement.** **AO2: Seven marks for balances requiring adjustment.**	**(12)**

Future Solar

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2018

	£	£
Revenue		750 000 **(1)** **AO1**
Less		
Depreciation- Buildings	11 000 **(1)** **AO2**	
Solar panels and equipment	24 000 **(1)** **AO2**	
Computers and fixtures	12 500 **(1)** **AO2**	
Maintenance spares	150 350 **(1of)** **AO1**	
Wages of maintenance staff (110 000+5 700)	115 700 **(1)** **AO2**	
Management salaries (280 000 + 11 200)	291 200 **(1)** **AO2**	
Selling expenses	9 500 **(1)** **AO1**	
Computer expenses	16 750 **(1)** **AO1**	
Administration expenses	34 900 **(1)** **AO1**	
General expenses (41 000 - 1 400)	39 600 **(1)** **AO2**	
Loss on sale of computers	4 500 **(1)** **AO2**	
	710 000	
Profit for the year		40 000

Question Number	Answer	Mark
1 (b)(ii)	**AO1 (5), AO2 (9), AO3 (2)** **AO1: Five marks for transferring balances to the financial position statement.** **AO2: Nine marks for balances requiring adjustment.** **AO3: Two marks for adjusting the non-current asset for the computer sale.**	**(16)**

Statement of Financial Position at 30 April 2018

Non-current assets			
	Cost	Accumulated depreciation	Carrying value
	£	£	£
Land and buildings	800 000	96 000	704 000 **(1of)AO2**
Solar panels and equipment	600 000	144 000	456 000 **(1of)AO2**
Computers and fixtures	60 000 **(1)AO3**	22 500 **(1)AO3**	37 500
	1 460 000	262 500	1 197 500 **(1of)AO2**
Current assets			
Inventory			27 300 **(1)AO1**
Trade receivables			69 000 **(1)AO1**
Other receivables			1 400 **(1)AO2**
Cash and bank (19 100–1 750+1 500–3 000)			15 850 **AO2**
		(1) (1) (1)	113 550
Total Assets **(1)AO1**			1 311 050

Capital	1 250 000	
Profit for the year	40 000	
	1 290 000	
Drawings (25 000 + 3 000)	(28 000) **(1)AO2**	
		1 262 000 **(1of)AO1**
Current Liabilities		
Trade payables	32 150 **(1)AO1**	
Other payables (5 700 + 11 200)	16 900 **(1)AO2**	
		49 050
Total Capital and Liabilities		1 311 050

Question Number	Answer	Mark
1 (c)(i)	**AO2 (5)** **A02: Five marks for calculating components and profit.** £ Revenue 8 000 x £135 = 1 080 000 **(1)** **AO2** Less Fixed cost 880 000 **(1)** + 45 000 **(1)** = (925 000) **AO2** Variable cost 8 000 x £12 = (96 000) **(1)** **AO2** Profit for the year 59 000 **(1of)** **AO2**	**(5)**

Question Number	Answer	Mark
1 (c)(ii)	**AO2 (3)** **A02: Three marks for calculating cost.** 925 000 **(1of)** + 96 000 **(1of)** **AO2** 8 000 = £127.625 per megawatt hour **(1of)** **AO2**	**(3)**

Question Number	Answer	Mark
1 (d)(i)	**AO1 (2)** **AO1: Two marks for the definition.** A cost which is remains constant **(1)** **AO1** over a varying range of output/period of time **(1)** **AO1**	**(2)**

Question Number	Answer	Mark
1 (d)(ii)	**AO3 (2)** **AO3: Two marks for suggesting reasons.** The generation of electricity requires considerable capital equipment/non-current assets/staff costs **(1) AO3** this will involve a high level of depreciation which is a fixed cost and does do not vary with output **(1) AO3** Variable costs usually include raw materials and direct labour. The raw material is free **(1) AO3** and as no product or service is being delivered by a significant workforce the direct labour is relatively small. **(1) AO3** Max 2	**(2)**

Question Number	Indicative Content	Mark
1 (e)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Positive points for expanding **(own figure rule applies)** Expansion does produce a higher profit, £59 000 against £40 000. The energy being generated is 'clean green energy' which will probably escape government environmental taxes in the future. The energy generated will be well received in the market place. Social accounting will be seen to apply. The source of the energy is constantly renewable. Increased revenue and market share. Can take advantage of economies of scale. Will generate more work and meets social accounting objectives. Negative points for expanding (own figure rule applies) To expand Future Solar must obtain a major bank loan of £750 000. Repayment of this loan places long term risk on the business. Prices have already fallen. Further falls would result in losses not profits. Dealing with a single customer and the risks of that customer failing. The energy is sold to a single customer National Distribution. Decisions of this company will impact directly upon Future Solar. At 5.46% the sales margin is very small. These are only estimates and the actual figures may vary. The expansion will require £50 000 from the bank account which will require an overdraft. Decision Candidates may conclude that Solar Futures should expand manufacture. Candidates should support that decision with an appropriate rationale.	**(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)	**AO1 (5), AO2 (3)** **AO1: Five marks for correcting trial balance.** **AO2: Three marks for matching trial balance totals.**	**(8)**

Roshan

Trial balance at 30 April 2018

	Dr	Cr
	£	£
Capital		60 000
Drawings	11 900	
Revenue		205 000
Purchases	125 000	
Returns inwards	800 **(1)AO1**	
Inventory -1 May 2017	31 000	
Non-current assets (cost)	64 000	
Provision for depreciation – non-current assets		36 000
Discount allowed	1 680 **(1)AO1**	
Discount received		3 100 **(1)AO1**
Trade receivables	19 000 **(1)AO1**	
Trade payables		15 650
Allowance for doubtful debts		400 **(1)AO1**
Wages	27 000	
Rent and rates	8 500	
Electricity and gas	4 600	
General expenses	23 500	
Cash in hand	3 170 **(1)AO2**	
Suspense	-	-
	320 150	320 150 **(2/1of)AO2**

The same

Question Number	Answer	Mark
2 (b)	**AO2 (12), AO3 (2)** **AO2: Twelve marks for adjusting profit.** **AO3: Two marks for calculating depreciation.**	**(14)**

Corrected profit/(loss) for the year ended 30 April 2018

			£
Draft profit for the year			30 700
	Increase £	Decrease £	
(1) The inventory at 30 April 2018 was recorded in the financial statements as £35 500. There was an error in the inventory count which should have been £32 700.		2 800 **(1) AO2** correct number **(1) AO2** correct treatment	
(2) No adjustment had been made for discount receivable owing. £3 100 had been recorded in the financial statements when this should have been £3 450.	350 **(1) AO2** correct number **(1) AO2** correct treatment		
(3) No adjustment had been made for general expenses prepaid £1 200 and owing £550.	1 200 **(1)AO2**	550 **(1) AO2**	
(4) Annual depreciation on non-current assets had been charged at the rate of 25% on cost, when this should have been 15%.	6 400 **(1) AO3** correct number **(1) AO2** correct treatment		
(5) No adjustment had been made to the allowance for doubtful debts which should have been maintained at 4%.		360 **(1) AO2** correct number **(1) AO2** correct treatment	

(6) A provision was to be made for an injury claim from one of Roshan's employees. The injury claim would be for 7 weeks loss of earnings at £180 per week plus a total loss of bonus £120.		1 380 **(1) AO3** correct number **(1) AO2** correct treatment	
Total	7 950	(5 090)	2 860
Revised profit/(loss) for the year			33 560 **(2/1of) AO2**

Question Number	Answer	Mark
2 (c)	**AO1 (6), AO3 (3)** **AO1: Six marks for transferring entries to the accounts correctly and balancing off accounts.** **AO3: Three marks for deriving bank or income statement figures.**	**(9)**

Allowance for Doubtful Debts Account

		£			£
			2017		
			1 May	Balance b/d	400 **(1) AO1**
2018			2018		
30 April	Balance c/d	760	30 April	Income statement	360 **(1of) AO3**
		760			760
			1 May	Balance b/d	760 **(1of) AO1**

Wages Account

		£			£
2017/18	Bank/cheque	27 650 **(1) AO3**	2017		
2018			1 May	Balance b/d	650
30 April	Balance c/d	175	2018		
		____	30 April	Income statement	27 175 **(1) AO1**
		27 825			27 825
			1 May	Balance b/d	175 **(1) AO1**

Electricity and Gas Account

		£			£
2017					
1 May	Balance b/d	250			
2017/18	Bank/cheque	4 350 **(1)** **AO1**			
2018			2018		
30 April	Balance c/d	360	30 April	Income statement	4 960 **(1)** **AO3**
		4 960			4 960
			1 May	Balance b/d	360 **(1)** **AO1**

Question Number	Answer	Mark
2 (d)(i)	**AO1 (4)** **AO1: Four marks for explaining the distinction.**	**(4)**

Accruals	**Money measurement**
Matches income to expenditure for a period	Recognises that some assets cannot be measured in monetary terms in financial statements
Applies to all expenses and incomes	Some assets to the business such as peoples skill cannot be recorded on the SOFP
Ensures not overstating profits	All assets liabilities which can be measured in monetary terms should be included

Marks awarded only if two points are distinguished, one from each concept **(1)** **AO1** x 4

Question Number	Answer	Mark
2 (d)(ii)	**AO1 (4)** **AO1: Four marks for explaining the distinction.**	**(4)**

Bad debts	**Allowance for doubtful debts**
Actual bad debts from the **last period**	Estimate of possible debts in the **next period**
Actual figure	**Estimate** only
Expense of the period entered in the income statement	Application of prudence concept to value trade receivables accurately
These have occurred in the current period	This is for a debt which might occur in a future period

Two marks awarded for first category and two marks for second category **(1)**
AO1 x 4

Question Number	Answer	Mark
2 (d)(iii)	**AO1 (4)** **AO1: Four marks for explaining the distinction.**	**(4)**

Social accounting	**Ethical accounting**
Business should consider their actions in a social context not just profit	Businesses should report with honesty
Considers impact on workers, community, environment etc	Not misleading by issuing incorrect statements or financial statements
Long term benefit for business and society	Not withholding relevant information

Marks awarded only if two points are distinguished, one from each concept **(1)**
AO1 x 4

Question Number	Indicative Content	Mark
2 (e)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Positive points for the proposal Errors may be reduced because the software package will complete the double entry so the correct corresponding account will receive the entry. The software package will produce financial reports/ statements on as regular a basis as is required. Therefore the construction and base data used will be correctly applied. The computer will ensure no arithmetical/calculation errors. Negative points for the proposal Although the double entry will be completed with the debit and credit the computer can only apply the figures supplied by the inputter. An error in inputting from the source documents will not be detected by the computer. Regular financial reports/ statements will require period end financial adjustments. If these are not accurately applied the outcome will be inaccurate. If poorly programmed errors may occur. Repetitive input can lead to errors. Lack of training can lead to input errors. Some of the errors which do not affect the trial balance will still not be detected if using ICT e.g. error of omission or error of original entry. Decision Candidates may conclude that errors will be reduced but there is no guarantee of elimination of errors. Candidates should support that decision with an appropriate rationale. **NOT** General advantages and disadvantages of using ICT. ALL errors not revealed by the trial balance will still not be detected.	**(12)**

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

Question Number	Answer	Mark
3 (a)	**AO1 (4)** **AO1: Four marks for identifying possible reasons for the fall.** Sales will probably be falling If sales for cash, smaller cash inflow If for sales on credit, fewer trade receivables to convert into cash Inventory may rise unless purchases are restrained May require bank overdraft to pay expenses Difficulty in paying trade payables MAX 4 x **(1)** **AO1**	**(4)**

Question Number	Answer	Mark
3 (b)	**AO2 (12)** **AO2: Twelve marks for calculating the ratio / days.**	**(12)**

	30 April 2017	**30 April 2018**
Liquid (acid test) ratio	12 000 + 10 000 = 1:1 **(1)** **AO2** 22 000 **(1)** **AO2**	26 000 36 000 + 16 000 **(1)** **AO2** = 0.50:1 **(1)** **AO2**
Trade receivables collection period (in days)	12 000 **(1)** **AO2** x 365 175 200 =25 days **(1)** **AO2**	26 000 x 365 240 000 **(1)** **AO2** = 39.5 days **(1)** **AO2**
Percentage return on capital employed	17 500 **(1)** **AO2** x 100 35 000 = 50% **(1)** **AO2**	(17 700 + 3 900) **(1)** **AO2** (50 000 + 40 000) **(1)** **AO2** x 100 = 24%

Question Number	Answer	Mark
3 (c)	**AO1(1), AO3 (2)** **AO1: One mark for identifying decline in liquidity.** **AO3: Two/Three marks for analysing the liquidity position.** The liquid (acid test) ratio is deteriorating **(1) AO1** The liquid (acid test) ratio is half of the benchmark of 1:1 **(1) AO3** The business has no liquid funds/now has an overdraft which makes it difficult to pay expenses or trade payables **(1) AO3** Trade payables are increasing possibly due to inability to pay **(1) AO3** Trade receivables collection period is extending **(1) AO3** MAX 3 marks	**(3)**

Question Number	Answer	Mark
3 (d)	**AO2 (2)** **A02: Two marks for calculating the capital introduced.** £ Capital 1 May 2017 35 000 Plus profit for year 17 700 52 700 Less Drawings (15 500) Closing capital 37 200 **(1) AO2** Capital introduced 12 800 **(1) AO2** Capital 30 April 2018 50 000	**(2)**

Question Number	Answer	Mark
3 (e)	**AO1 (3)** **AO1: Three marks for identifying sources.** Hire the non-current assets Lease the non-current assets Introduce greater capital funding/reduce drawings Go into partnership to increase capital Venture capital Government subsidy **NOT** Issue shares or debentures Bank overdraft Extend trade payables Reduce inventory or trade receivables Retained profit 3 x **(1) AO1**	**(3)**

Question Number	Indicative Content	Mark
3 (f)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for ratios They provide a yardstick to measure against e.g. liquidity ratios, profitability, use of assets. Provide a basis for comparison with previous performance or compared to competitors. Compare ROCE to alternative investments. Negative points for ratios They do not consider non-financial factors such as the life of the product or skill of the workforce. They are always analysing historical data. Decision Candidates may conclude that ratios are useful. Candidates should support that decision with an appropriate rationale.	**(6)**

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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)** **AO1: Four marks for stating differences.** 2 x 2 marks **AO1** for stating differences	**(4)**

Club	**Sole trader**
Non-profit making organisation	Profit making business
Accumulated fund representing net assets/funded by subscription	Owner invests capital
Surplus belongs to all the club members	All the profit belongs to the sole trader
Primarily for pursuit of mutual interest not trading	Primarily for trading to generate profit
Decision making is by committee	Decision making is by the owner
Prepare receipts and payment account	Prepare bank account
Prepare income and expenditure account	Prepare income statement/profit or loss account

Question Number	Answer	Mark
4 (b)	**AO1 (1), AO2 (2)** **AO1: One mark for calculating balance.** **AO2: Two marks for identifying incomes and expenditures and adjusting to opening balance.** 1 mark **(1)** **AO2** for 525 and 310 added to the opening balance 1 mark **(1)** **AO2** for deducting 400, 190, 25 and 120 1 mark **(1)** **AO1** for cash stolen Alternative presentations accepted	**(3)**

Cash Account

	£		£
Balance	250	Wages	400
Receipts from hire charges	525	Cleaning	190
Subscriptions	310	Refund	25
		Sundry	120
	____	Cash stolen	350
	1085		1085

Question Number	Answer	Mark
4 (c)	**AO1 (1), AO2 (2), AO3 (1)** **AO1: One mark for using given figure for inventory remaining.** **A02: Two marks for calculating the purchases, cost of sales and gross profit.** **AO3: One mark for calculating the inventory stolen.** Trading Account 1 April to 27 April 2018 £ £ Revenue 4 200 Less Opening inventory 3 500 Purchases 2 800 + 400 3 200 **(1)AO2** 6 700 Closing inventory (2 300) **(1)AO1** Inventory stolen (1 250) **(1)AO3** Cost of sales (3 150) **(1)AO2** Gross profit 1 050 Alternative presentations accepted.	**(4)**

Question Number	Answer	Mark
4 (d)	**AO1 (1), AO2 (1)** **AO1: One mark for calculating the claim for stolen cash.** **A02: One mark for calculating the total insurance claim.** Insurance claim: 1 250 of + (350 of – 200) **(1of)** **AO2** = 1 400 **(1of)** **AO1**	**(2)**

Question Number	Answer	Mark
4 (e)	**AO1 (2), AO2 (2), AO3 (1)** **AO1: Two marks for using given figure for inventory remaining.** **A02: Two marks for calculating the purchases and gross profit.** **AO3: One mark for cost of sales and inventory stolen.**	**(5)**

Journal

	Dr	Cr
	£	£
Sports Insurance Company **(1)** **AO1**	1 400 **(1of)** **AO2**	
Inventory of sports equipment		1 250 **(1of)** **AO2**
Cash		150 **(1of)** **AO3**
Theft of cash and inventory on 27 April 2018. Insurance claim submitted **(1)** **AO1**		

Question Number	Answer	Mark
4 (f)	**AO2 (5), AO3 (1)** **A02: Five marks for calculating the incomes and expenses.** **AO3: One mark for calculating the depreciation.**	**(6)**

Statement of Profit or Loss for the three months ending 31 March 2018

	£	£
Function room hire-15 days@£250		3 750 **(1)AO2**
Less		
Rates	390 **(1)AO2**	
Wages	1 120 **(1)AO2**	
Advertising	1 650 **(1)AO2**	
Heating	600 **(1)AO2**	
Depreciation – fixtures	200 **(1)AO3**	
		(3 960)
Loss on hire		(210)

Question Number	Indicative Content	Mark
4 (g)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for closing the functions room Many of the expenses can be reduced such as wages and advertising, but closure would not result in some other costs being saved. The functions room is making a loss and eliminating this could increase the surplus/reduce the deficit. Negative points for closing the functions room Some of the costs attributed to the functions room would not be saved if the hire was ceased e.g. rates. This cost would now need to be borne by the sports club as a whole. Does the sports club have an alternative for use or will the functions room remain unused and deteriorate? By offering a room for hire the public is visiting the Club which may attract future members. Decision Candidates will conclude that it is or is not advantageous to close the functions room to hire. Candidates should support that decision with an appropriate rationale.	**(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)	**AO1 (4)** **AO1: Four marks for explaining the concepts.** (i) Historic cost – All assets and expenses are recorded in the ledger accounts at their **actual cost (1) AO1** at the time of purchase/**not at current market value. (1) AO1** **(2)** (ii) Consistency – where a choice of method is available, **once a method has been selected (1) AO1** the method must be used consistently from **one accounting period to the next/to not distort profits**. **(1) AO1** **(2)**	**(4)**

Question Number	Answer	Mark
5 (b)	**AO2 (8)** **A02: Eight marks for calculating the value of the inventory.**	**(8)**

First In First Out (F.I.F.O)

	Purchases from national mint (coins)	Sales (coins)	Balance
Balance			200 @ £900 **(1)** **AO2**
January	200 @ £950	110	90 @ £900 **(1)** **AO2** 200 @ £950 **(1)** **AO2**
February	250 @ £980	220	70 @ £950 **(1)** **AO2** 250 @ £980 **(1)** **AO2**
March	150 @ £1050	200	120 @ £980 **(1)** **AO2** 150 @ £1050 **(1)** **AO2**
Total closing value			£275 100 **(1)** **AO2**

Question Number	Answer	Mark
5 (c)	**AO1 (4), AO2 (1), AO3 (1)** **AO1: Four marks for using the correct figures.** **A02: One mark for calculating the value of the expenses.** **AO3: One mark for calculating the total value of the purchases.** Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 March 2018 £ £ Revenue 550 000 **(1)AO1** Less Opening inventory 180 000 **(1)AO1** Purchases 592 500 **(1)AO3** 772 500 Less closing inventory (275 100) **(1of)AO1** Cost of sales (497 400) Gross profit 52 600 Expenses (12 200 x 3) (36 600) **(1)AO2** Profit for the 3 months 16 000 **(1of)AO1**	**(6)**

Question Number	Answer	Mark
5 (d)(i)	**AO1 (1), AO2 (3)** **AO1: One mark for using the correct opening inventory.** **A02: Three marks for calculating the monthly balance.**	**(4)**

Last In First Out (L.I.F.O)

	Purchases from National Mint (coins)	Sales (coins)	Balance
Balance			200 @ £900 **(1)** **AO1**
January	200 @ £950	110	200 @ £900 90 @ £950 **(1)** **AO2**
February	250 @ £980	220	200 @ £900 90 @ £950 30 @ £980 **(1)** **AO2**
March	150 @ £1050	200	200 @ £900 70 @ £950 **(1)** **AO2**
Total closing value			£246 500

Question Number	Answer	Mark
5 (d)(ii)	**AO3 (2)** **AO3: Two marks for the effect on quarterly profit.** Closing inventory valuation – FIFO £275 100 – LIFO £246 500 = £28 600 **(1of)** **AO3** less **(1of)** **AO3**	**(2)**

Question Number	Indicative Content	Mark
5 (e)	**AO2 (1), AO3 (2), AO4 (3)** Positive points FIFO FIFO is a more logical approach to inventory rotation in that you would look to sell your oldest inventory first. This is not particularly important with gold but would be important with perishable items. FIFO will yield higher profits **when commodity prices are rising** because the most expensive items are valued in closing inventory. Therefore a higher value is deducted from the goods for resale giving a lower cost of sales and a higher profit. If prices are rising FIFO will yield a higher profit but if the reverse is the case the profits will be lower. The value of inventory in the statement of financial position will be nearer to the replacement valuation. Negative points for FIFO The reverse will be the case **when commodity prices are falling.** When prices are falling profit will be reduced because the value of the closing inventory will be smaller increasing the cost of sales and reducing the profit. Decision Candidates should conclude that the Sales Manager's statement is not always valid. Candidates should support that decision with an appropriate rationale.	**(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)	**AO1 (3)** **AO1: Three marks for stating the rule.** Interest on loans – Will be paid at 5% per annum **(1) AO1** Partners salaries – There will be no salaries paid **(1) AO1** Share of profit or loss- Equal shares **(1) AO1**	**(3)**

Question Number	Answer	Mark
6 (b)(i)	**AO1 (3), AO2 (4)** **AO1: Three marks for recording given balances.** **A02: Four marks for calculating the balance and correctly recording this in the account.** Appropriation section of the Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2018 £ £ Profit for the year 45 585 **(1)AO1** Plus Interest on drawings Asanka 290 Bhulo 325 **(1)AO2** all Padman 400 1 015 46 600 Interest on capital: Asanka 2 000 **(1)AO2** Salaries: Bhulo 8 000 **(1)AO1** Padman 10 000 **(1)AO1** (20 000) 26 600 Share of profit: Asanka 5 910 **(1of)AO2** If ratio correct Bhulo 11 820 Padman 8 870 **(1of)AO2** 26 600	**(7)**

Question Number	Answer	Mark
6 (b)(ii)	**AO1 (2), AO2 (2), AO3 (3)** **AO1: Two marks for recording the opening balance and balancing the account.** **A02: Two marks for recording the bank entries correctly.** **AO3: Three marks for calculating and recording the impact of goodwill.**	**(7)**

Capital Accounts

	Asanka	Bhulo	Padman		Asanka	Bhulo	Padman
	£	£	£		£	£	£
Goodwill	4 000	8 000**(1)**	6 000**(1)**	Balance b/d	30 000	25 000**(1)**	
Bank	10 000**(1)**			Bank			20 000**(1)**
Balance c/d	25 000	26 000	14 000	Goodwill	9 000**(1)**	9 000	_____
	39 000	34 000	20 000		39 000	34 000	20 000
				Balance b/d	25 000	26 000	14 000
						(1of) All	

Balances b/d **(1)** **AO1 x2**
Bank entries **(1)** **AO2 x 2**
Goodwill adjustment **(1)** **AO3 x3**

Question Number	Answer	Mark
6 (b)(iii)	**AO1 (1), AO2 (6)** **AO1: One mark for recording the opening balance and balancing the account.** **A02: Six marks for correctly recording the transfers from appropriation and the salaries and drawings paid.**	**(7)**

Current Accounts

	Asanka	Bhulo	Padman		Asanka	Bhulo	Padman
	£	£	£		£	£	£
Balance b/d		1 500		Balance b/d	600		
Int on dr'gs	290	325 **(1of)**	400				
Salaries paid		7 500 **(1)**	9 000	Int on cap	2 000 **(1of)**		
Drawings	5 800	6 500 **(1)**	8 000	Salaries		8 000 **(1)**	10 000
Balance c/d	2 420	3 995	1 470	Share of pr't	5 910	11 820 **(1of)**	8 870
	8 510	19 820	18 870		8 510	19 820	18 870
				Balance b/d	2 420	3 995	1 470
						(1of)	

Balances **(1)** **AO1**
Appropriation, salary and drawings paid entries **(1)** **AO2** **x 6**
Marks are for ALL three partners entries correct

Question Number	Indicative Content	Mark
6 (c)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for partnership agreement Partners are clear about the terms of their partnership relationship. This clarity should help to avoid disagreements or understandings at a later date. Negative points for partnership agreement If the agreement is formalised there is the cost and time of doing this. No agreement can cater for all eventualities that the partnership will face. Decision Candidates should conclude that a partnership agreement in some form will be valuable. Candidates should support that decision with an appropriate rationale. **NOT** General benefits of a partnership	**(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.

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