GradeMax



Mark Scheme (Results)

October 2018

Pearson Edexcel IAL Accounting

In Accounting (WAC11)

Paper 01 The Accounting System and Costing

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com 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

October 2018
Publications Code WAC11_01_1810_MS
All the material in this publication is copyright
© Pearson Education Ltd 2018

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 (6), AO2 (7)** **AO1: Six marks for transferring balances to the income statement.** **A02: Seven marks for adjusting balances and transferring to the income statement.**	**(13)**

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

	£	£
Revenue		430 000
Opening inventory	22 000	
Purchases	285 000	
Carriage inwards	1 500 **(1)AO1**	
	308 500	
Goods taken by owner (drawings)	(400) **(1)AO1**	
	308 100	
Closing inventory	(17 100)	
Cost of sales		(291 000) **(1of)AO2**
Gross profit		139 000
Commission receivable (4 700+1 300)		6 000 **(1)AO2**
		145 000
Less		
Depreciation –Premises	3 000 **(1)AO2**	
Equipment	4 000 **(1)AO2**	
Fixtures and fittings	2 000 **(1)AO2**	
Wages	82 000 **(1)AO1**	
Rates (12 000 – 900)	11 100 **(1)AO2**	
Carriage outwards	9 650 **(1)AO1**	
Insurance	7 200 **(1)AO1**	
Equipment repairs	2 450 **(1)AO1**	
General expenses	14 300 **(1)AO1**	
		(135 700)
Profit for the year		9 300

Question Number	Answer	Mark
1 (a)(ii)	**AO1 (5), AO2 (7)** **AO1: Five marks for transferring balances to the financial position statement.** **A02: Seven marks for balances requiring adjustment/ or correct treatment in the financial position statement.**	**(12)**

Statement of Financial Position at 30 September 2018

Non-current assets			
	Cost	Accumulated depreciation	Carrying value
	£	£	£
Premises	150 000	50 000	100 000 **(1of)AO2**
Equipment	24 000	12 000	12 000 **(1of)AO2**
Fixtures and fittings	20 000	14 000	6 000 **(1of)AO2**
	194 000	76 000	118 000
Current assets			
Inventory		17 100 **(1of)AO1**	
Trade receivables		6 150 **(1)AO1**	
Other receivables (900**(1)AO2**+1 300**(1)AO2**)		2 200	
Cash and bank		5 900 **(1)AO1**	
			31 350
Total assets			149 350
Capital		120 000	
Profit for the year		9 300	
		129 300	
Drawings (16 350 **(1)AO1** +400 **(1)AO2**)		(16 750)	
			112 550 **(1of)AO2**
Current liabilities			
Trade payables		36 800 **(1)AO1**	
			36 800
Capital and liabilities			149 350

Question Number	Answer	Mark
1 (b)	**AO1 (4), AO2 (5)** **AO1: Four marks for transferring given balances to the bank account.** **A02: Five marks for deriving and transferring balances to the bank account.**	**(9)**

Bank Account

Date	Details	£	Date	Details	£
2017			2017		
1 October	Balance b/d	5 900	October	Trade payables	18 400 **(1)AO2**
October	Equipment sale	7 800 **(1)AO1**		Staff redundancy	9 000 **(1)AO2**
	Fixtures sale	800 **(1)AO2**		New fixtures	8 500 **(1)AO1**
	Inventory sale	17 100 **(1of)AO2**		Refurbishment	10 000 **(1)AO2**
	Trade receivables	6 150 **(1)AO1**		Running costs	8 000 **(1)AO1**
31 October	Balance c/d	16 150			
		53 900			53 900
			1 November	Balance b/d	16 150

Question Number	Answer	Mark
1 (c)	**AO1 (2), AO2 (3), AO3(4)** **AO1: Two marks for transferring given balances.** **A02: Three marks for balances requiring adjustment or calculation.** **AO3: Four marks for balances requiring two stage calculation.**	**(9)**

Forecast Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 September 2019

	£	£
Revenue (1 500 x 47 x£5)		352 500 **(1)AO3**
Cost of sales		(70 500) **(1of)AO3** if 20%
Gross profit		282 000 **(1of)AO2** if 80%
less		
Running costs	90 000 **(1)AO1**	
Depreciation- premises	3 400 **(1)AO2**	
fixtures	1 850 **(1)AO2**	
Loss on sale of equipment	4 200 **(1)AO3**	
Loss on sale of fixtures	2 200 **(1)AO3**	
Redundancy costs	9 000 **(1)AO1**	
		(110 650)
Forecast profit for the year		171 350

Question Number	Indicative Content	Mark
1 (d)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Points in favour of the change The coffee shop is more profitable a projected £171 350 against £9 300 Gross profit margins are high at 80%. Far higher than the grocery business. Profit has been steadily falling in recent years as competition rises. The coffee shop will reverse the trend of profit. Better use of premises and the capital of Pence. Cash is released by selling the equipment. Attract new/more business. Less operating expenses in the coffee shop. Growing demand for coffee shops. Points against the change The forecast is only an estimate therefore there is always the possibility that this could be wrong/the risk that the estimates may be incorrect. Projected customer numbers are high which may not be achievable. Social accounting aspects need consideration. Four staff have been made redundant. Also consider loss of the grocery shop on the local community To carry out the change a £16 150 overdraft is required in October. This will increase substantially in November when the second payment for trade payables and refurbishment are required. It will reduce the problems that retailing brings to the owner. The coffee business has no reputation. Decision Candidates may be in favour or against the change of business type. The decision should be supported by 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 (6), AO2 (8), AO3 (1)** **AO1: Six marks for transferring balances.** **A02: Eight marks for balances requiring. Adjustment.** **AO3: One mark for calculation of depreciation.**	**(15)**

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

		£	£
Revenue	48 750 **(1)AO1** + 8 700 – 5 250		52 200 **(1of)AO2**
Less			
Opening inventory		3 600	
Purchases	15 300 + 3 200 **(1)AO1** + 6 100 – 3 900	20 700 **(1of)AO2**	
		24 300	
Closing inventory		(4 400) **(1)AO1**	
Cost of sales			(19 900) **(1of)AO2**
Gross profit			32 300
plus			
Rent receivable	900 + 75		975 **(1)AO2**
Commission receivable			2 450 **(1)AO1**
			35 725
Less			
Wages	19 420 – 570 **(1)AO2** – 6000 **(1)AO2**	12 850	
Rent, rates and insurance	600 +9 900 – 200	10 300 **(1)AO2**	
Depreciation non-current assets		3 500 **(1)AO3**	
General expenses		1 900 **(1)AO1**	
Interest on bank loan		375 **(1)AO2**	
			(28 925)
Profit for the year			6 800 **(1of) AO1**

Question Number	Answer	Mark
2 (b)	**AO2 (7), AO3 (1)** **A02: Seven marks for correct figures in formula and calculation.** **AO3: One mark for establishing correct credit purchases.**	**(8)**

Current ratio	4 400 + 8 700 + 200 **(1)AO2** =1.67:1 **(1)AO2** 6 100 + 1 500 + 375
Liquid ratio(acid test)	8 700 + 200 = 1.11:1 **(1)AO2** 6 100 + 1 500 + 375 **(1)AO2**
Trade receivables collection period (in days)	8 700 x 365 **(1)AO2** = 60.8 days **(1)AO2** 52 200
Trade payables payment period (in days)	6 100 x 365 = 127.2 days **(1)AO2** 17 500 **(1)AO3**

Question Number	Answer	Mark
2 (c)	**AO2 (2), AO3(2)** **A02: Two marks for comparing with benchmarks.** **AO3: Two marks for comments of valid comments on length of collection and payment periods.** **Own figure rule applies.** Valid comments may include: The current ratio is within the 'benchmark' level of 1.5-2:1/the liquidity of the business is sufficient. **(1)AO2** The liquid ratio is above the benchmark level of 0.7-1:1/there is a small element of idle funds. **(1)AO2** Trade receivables collection period is **too long** at 60.8 days/effective credit control needs to be introduced. **(1)AO3** Trade payments payment period is **very long** when it is taking 127 days or 4 months to pay suppliers/this is a risk to the supply of goods. **(1)AO3** NOT A non-qualitative description e.g. up, down, higher, lower	**(4)**

Question Number	Answer	Mark
2 (d)	**AO1 (3)** **AO1: Three marks for stating possible reasons.** Possible reasons: More money tied up in inventory Non-current assets purchased More money tied up in trade receivables/payment too slow Higher expenses/drawings **(1)AO1** x 3	**(3)**

Question Number	Answer	Mark
2 (e)	**AO1 (2), AO2 (8)** **AO1: Two marks for recording cost per bag.** **A02: Eight marks for calculating correct costs under each category.**	**(10)**

	Option 1	**Option 2**
	Production	**Production**
	1 000 leather bags	**3 000 leather bags**
	£	£
Raw materials	4 000 **(1)AO2**	12 000 **(1)AO2**
Labour	10 000 **(1)AO2**	20 000 **(1)AO2**
Supervision and quality control	9 000 **(1)AO2**	18 000 **(1)AO2**
Production overheads	7 000 **(1)AO2**	11 000 **(1)AO2**
Total Production Cost	30 000	61 000
Cost per leather bag (£)	30 **(1of)AO1**	20.33**(1of)AO1**

Question Number	Answer	Mark
2 (f)	**AO2 (3)** **AO2: Three marks for applying characteristics to establish cost category.** Raw material — Variable **(1)AO2** Labour — Semi-variable **(1)AO2** Supervision and quality control — Semi-fixed **(1)AO2**	**(3)**

Question Number	Indicative Content	Mark
2 (g)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Points in favour of Padma manufacturing It is cheaper on the face of it to manufacture her own leather bags, £30 compared to £35 per bag. This will increase profitability. Profitability can be further increased if Padma manufactures leather bags for other retailers as the average cost of all bags will fall to £19 Manufacture and supply will be under her control Quality can be guaranteed. Issues with non-supply of bags will be removed. Points against Padma manufacturing The saving by manufacturing is marginal £30 compared to £35. Padma will have to deal with all production issues such as labour disputes and supply of materials. If she expands into production the lack of a proper double entry set of books will limit her ability to make management decisions. Does Padma have the cash/finance in place to embark on this development?/cost of setting up the manufacturing process. The estimates may turn out to be understated and she may be unable to resolve production difficulties. Without manufacturing can concentrate on other aspects of the business such as selling. Decision Candidates may conclude that this is a good/ or not a good development for Padma. The decision should be supported by 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
3 (a)	**AO1 (5), AO2 (12), AO3(3)** **AO1: Five marks for calculating balances.** **A02: Twelve marks for correct adjustment figure or final balance.** **AO3: Three marks for depreciation and allowance for doubtful debts.**	**(20)**

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

	Draft	Adjustment	Corrected
	£		£
Revenue	85 000	+3 600 **(1) AO2** -900 **(1) AO2**	87 700 **(1of) AO3**
Cost of sales	(39 000)	-550 **(1) AO2**	(38 450) **(1of) AO1**
Gross profit	46 000		49 250
Less			
Wages and salaries	18 400	+3 800 **(1) AO2** +250 **(1) AO2**	22 450 **(1of) AO2**
Rent and rates	4 000	+600 **(1) AO2**	4 600 **(1of) AO1**
Bank interest and charges	3 000	-1 160 **(1) AO2**	1 840**(1of) AO1**
Depreciation	7 500	-2 000 **(1) AO3**	5 500 **(1of) AO1**
General expenses	5 900	-600 **(1) AO2** +75 **(1) AO2**	5 375 **(1of) AO2**
Allowance for doubtful debts increase	100	-10 **(1) AO3**	90 **(1of) AO2**
	38 900		39 855
Profit for the year	7 100		9 395 **(1) AO1**

Adjustment (1) mark for correct figure
Corrected balance (1of) mark for correct adjustment, figure and orientation.

Question Number	Answer	Mark
3 (b)	**AO1 (4)** **AO1: Four marks for explaining the terms.** The Suspense Account will be opened with the **difference in the value of the debits and credits in the trial balance**/because not all transactions have a debit and credit entry of equal value **(1) AO1** as errors are located the Suspense Account will be debited or credited with the **individual differences found**. **(1) AO1** The Journal is a book of prime entry **(1) AO1** which will be used for the authorisation of the entries to be made to correct the double entry/**record the correction**. **(1) AO1**	**(4)**

Question Number	Indicative Content	Mark
3 (c)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of preparation with errors Gives an indication of the profit that has been achieved. This may assist decision making, but there is the danger that important decisions may be made on incorrect information. Points against preparation with errors The results will not be accurate which may impact upon decision making. The work will need to be repeated when the errors are located which will be expensive in time and cost. Decision Candidates may be in favour or against the preparation of the income statement with known errors. Candidate's conclusion should be supported with an appropriate rationale. NOT A discussion about errors.	**(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), AO2 (5), AO3(1)** **AO1: Two marks for narratives and balances without calculation.** **A02: Five marks for calculated balances and correct posting.** **AO3: One mark for calculated balances with correct posting.**	**(8)**

Journal

Date	Details	Dr	Cr
2018		£	£
30 March	Bank	1 800 **(1) AO3**	
	Bad debts	1 200 **(1) AO2**	
	Smith and sons		3 000 **(1) AO2**
Received part payment of debt, balance written off as irrecoverable. **(1) AO1**			
15 June	Bank	250 **(1) AO2**	
	Arca		250
	Arca	250 **(1) AO2**	
	Bad debts recovered		250 **(1) AO2**
Recovered part of debt from Arca written off as irrecoverable in previous year. **(1) AO1**			

(8)

Question Number	Answer	Mark
4 (a)(ii)	**AO2 (4), AO3(1)** **A02: Four marks for calculated balances and correct posting to account.** **AO3: One mark for transfer to income statement.**	**(5)**

Bad Debts Account

Date	Details	£	Date	Details	£
2018			2018		
4 January	Jegun	500 **(1)** **AO2**	31 August	Income statement	2 300 **(1of)** **AO3**
30 March	Smith and sons	1 200 **(1)** **AO2**			
19 May	Nuri	350 **(1)** **AO2**			
3 June	Ng	250 **(1)** **AO2**			
		2 300			2 300

Question Number	Answer	Mark
4 (a)(iii)	**AO1 (1), AO2 (2),** **AO1: One mark for narratives and balances without calculation.** **A02: Two marks for calculated balances and correct posting.**	**(3)**

Bad Debts Recovered Account

Date	Details	£	Date	Details	£
2018			2018		
31 August	Income statement	250 **(1)** **AO2**	15 June	Bank/Arca **(1)** **AO1**	250 **(1)** **AO2**
		250			250

Question Number	Answer	Mark
4 (a)(iv)	**AO1 (2), AO2 (1), AO3(1)** **AO1: Two marks for narratives and balances without calculation.** **A02: One mark for calculated closing balance and correct posting.** **AO3: One mark for calculated income statement transfer with correct use.**	**(4)**

Allowance for Doubtful Debts Account

Date	Details	£	Date	Details	£
2018			2017		
31 August	Income statement	250 **(1of)** **AO3**	1 September	Balance b/d	1 100 **(1)** **AO1**
	Balance c/d	850 **(1)** **AO2**			____
		1 100			1 100
			2018		
			1 September	Balance b/d	850 **(1of)** **AO1**

Question Number	Answer	Mark
4 (b)	**AO1 (4)** **AO1: Four marks for valid points about credit control.** Valid points may include: • Before supplying goods on credit a credit worthiness check should be made of the buyer • A credit limit should be set based upon the buyer's credit worthiness • Goods should be promptly invoiced • Statements provided to the buyer on a monthly basis • Unpaid debts 'followed up' after one month outstanding • Constant monitoring of aged debts with personal contact (telephone call) where debts are up to two months old • Restriction of further credit where debts remain unpaid for well over one month • Legal intervention only if debt is circa three months old and no movement towards payment. **(1)** **AO1** x 4 valid points NOT Give cash discount. Give trade discount.	**(4)**

Question Number	Indicative Content	Mark
4 (c)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of allowance for doubtful debts Ensures that profits are more realistic, because an allowance will be made of possible bad debts from the sales of the current period. Complies with the prudence concept in not overstating profits. Points in favour of writing off bad debts as they occur Will not be based upon estimates, as the allowance will be. Based upon actual bad debts if they occur. Decision Candidates may be in favour or against the allowance for doubtful debts. Candidate's conclusion should be supported with an appropriate rationale. NOT Time consuming. Easier.	**(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 (5), AO2 (12), AO3 (3)** **AO1: Five marks for headings or posting given balances.** **A02: Twelve marks for adjusting and posting balances.** **AO3: Three marks for applying inventory valuation to derive balances.**	**(20)**

Manufacturing Account for the month of July 2018

	Tables		Chairs	
	£	£	£	£
Raw materials				
Wood	15 600 **(2)AO3**		10 400 **(1)AO2**	
Fittings	5 550 **(1)AO3**		3 000 **(1)AO2**	
Cost of raw materials		21 150		13 400
Direct labour		4 320 **(1)AO2**		6 480 **(2)AO2**
Prime costs **(1)AO1**		25 470		19 880
Factory Overheads:				
Indirect labour	480 **(1)AO1**		2 160 **(1of)AO2**	
Production supervisor	1 500 **(1)AO2**		2 400 **(1)AO2**	
Depreciation	2 400 **(1)AO2**		4 200 **(1)AO2**	
Other overheads	3 000 **(1)AO1**		4 500 **(1)AO1**	
		7 380		13 260
Work in progress:				
1 July 2018	4 000		5 200	
31 July 2018	(3 850)		(6 160)	
		150 **(1)AO2**		(960) **(1)AO2**
Production cost **(1)AO1**		33 000		32 180

Workings

Wood for table
Wood (200@£100 + 50@120)=26 000 **(1)AO3** x 150/250 = 15 600 **(1)AO3**

Wood for chairs 26 000 – 15 600 = 10 400

Table fittings
(90 @ £25 + 110@£30)= £5 550
Chair fittings
300@£10 = 3 000

Labour
Table
5 x 160 hrs x £6 = £4 800 x 90% =£ 4 320
Chair
8 x (160@£6 + 15@£8) = 8 640**(1)AO2** x 75% = 6 480 **(1)AO2**

Depreciation
Tables 160 x 5 = 800 x £3 = £2 400
Chairs 175 x 8 = 1 400 x £3 = £4 200
2 200 £6 600

Question Number	Answer	Mark
5 (b)	**AO1 (4)** **AO1: Four marks for distinguishing valuation from rotation.** Inventory valuation – inventory must be **valued at cost**. **(1)AO1** The valuation of the inventory may depend upon the **assumptions made about the value** of the receipts and issues made in an accounting period/it is a **theoretical value e.g. FIFO/LIFO**. **(1)AO1** Inventory rotation – rotation relates to the **physical movement** of inventory being received and issued from the stores. **(1)AO1** In this respect a business will **generally issue its oldest inventory first** to avoid deterioration/obsolescence. **(1)AO1**	**(4)**

Question Number	Indicative Content	Mark
5 (c)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of perpetual The approach will allow the valuation method to issue inventory at **prices which will vary to each issue made** in line with the method chosen. Periodic could result in **issue prices which do not reflect replacement cost** when prices are rising or falling rapidly. Points in favour of periodic It is a **simpler approach** because issue prices will probably be constant for the period. Issue **costs will not be changing every day**. Decision Candidates may be in favour or against the use of perpetual inventory valuation. Candidate's conclusion should be supported 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 (6)** **AO1: Six marks for explaining terms.** Net realisable value- The **estimated receipt/selling price** from the sales of the inventory. **(1)AO1 Less any costs of completing** the goods or costs of selling the goods. **(1)AO1** Historic cost – All assets and expenses are recorded in the ledger accounts at their actual **cost** not at **market value**. **(1)AO1** The cost of the inventory is a known fact and can be verified. **(1)AO1** Realisation- **Not recording a profit/revenue (1)AO1** on goods until it has actually been **earned by selling the goods**. **(1)AO1**	**(6)**

Question Number	Answer	Mark
6 (b)	**AO2 (3)** **A02: Three marks for valuing individual elements of inventory.** 1 July Value £ £ 5 Cookers 180 each = 900 **(1)AO2** 8 Fridges 60 each = 480 **(1)AO2** 10 Washing machines 160 each = 1 600 **(1)AO2** 2 980	**(3)**

Question Number	Answer	Mark
6 (c)	**AO2 (6), AO3 (1)** **A02: Six marks for valuing individual elements of inventory.** **AO3: One mark for valuing total closing inventory.**	**(7)**

31 July

		Inventory 1 July	Purchases	Sales	Inventory 31 July	Value (£)
		Number	Number	Number	Number	
Cookers	Clearance	5		(3)	2	@180 = 360 **(1)AO2**
	New		12	(8)	4	@200 = 800 **(1)AO2**
Fridges	Clearance	8		(5)	3	@60 = 180 **(1)AO2**
	New		10	(6)	4	@100 = 400 **(1)AO2**
Washing	Clearance	10		(4)	6	@160 = 960**(1) AO2**
machines	New		15	(12)	3	@200 = 600 **(1)AO2**
						Total = 3 300 **(1of) AO3**

Question Number	Answer	Mark
6 (d)	**AO1 (3), AO2(3), AO3(2)** **AO1: Three marks for transferring previously calculated figures.** **A02: Three marks for revenue and cost of sales calculations.** **AO3: Two marks for purchases and revenue calculations.**	**(8)**

Statement of Profit or Loss and Other Comprehensive Income
for the month ending 31 July 2018

	£	£
Revenue		7 070 **(3)AO2/3**
Less		
Inventory -1 July	2 980 **(1of)AO1**	
Purchases	6 400 **(1)AO3**	
	9 380	
Inventory 31 July	(3 300) **(1of)AO1**	
Cost of sales		6 080 **(1of)AO2+w**
Gross profit		990 **(1of)AO1+w**

Workings

		Revenue		Purchases	
		£	Total £	£	Total £
Cookers	Clearance	3@190	570 **(1)AO2**		
	New	8@240	1 920	12@200	2 400
Fridges	Clearance	5@60	300 **(1)AO3**		
	New	6@120	720	10@100	1 000
Washing	Clearance	4@170	680 **(1)AO2**		
machines	New	12@240	2 880	15@200	3 000
			7 070		6 400 **(1)AO3**

Note: Revenue allow **(1of)AO2** for **any three** correct in own figure

Question Number	Indicative Content	Mark
6 (e)	**AO2 (1), AO3 (2), AO4 (3)** Points in favour of accounting concepts The use ensures consistency of approach of different organisations. The financial statements can be relied upon by various stakeholders. Comparisons can be drawn between different businesses. Points against accounting concepts The concepts can be contradictory on occasions. There is a cost implication of employing the skills to prepare the statements complying with the concepts. Does not consider non-financial factors. Decision Candidates should generally be positive towards the use of accounting concepts and conventions. Candidate's conclusion should be supported 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.

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