GradeMax



Mark Scheme (Results)

January 2019

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)(i)	**AO1(2), AO2(2)** **AO1: Two marks for balances and introducing capital.** **A02: Two marks for goodwill calculation and posting.**	**(4)**

Capital Account

Date	**Details**	**Rach**	**Saada**	**Galenia**	**Date**	**Details**	**Rach**	**Saada**	**Galenia**
2018		**£**	**£**	**£**	**2018**		**£**	**£**	**£**
1 Jan	Goodwill	20 000	20 000	10 000	1 Jan	Balance	25 000	30 000	
		All	balances	**1 AO2**		Introduced			15 000
									1 AO1
31 Dec	Balance	30 000	35 000	5 000		Goodwill	25 000	25 000	
		_____	_____	_____			**1 AO2**	Both__	_____
		50 000	55 000	15 000			50 000	55 000	15 000
					2019				
					1 Jan	Balance b/d	30 000	35 000	5 000
							All	balances	**1 AO1**

Question Number	Answer	Mark
1 (a)(ii)	**AO1 (5), AO2(12), AO3(2)** **AO1: Five marks for transferring balances to the income statement.** **A02: Twelve marks for calculating or adjusting balances in the income statement.** **AO3: Two marks for balances requiring two levels of adjustment.**	**(19)**

Rach, Saada and Galenia
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2018

	£	£	£
Revenue		246 400 + 7 000	253 400 **(1) AO2**
Less			
Telephone and broadband expenses		6 200 +300	6 500 **(1) AO1**
Depreciation –Leasehold premises			8 000 **(1) AO2**
Motor vehicles			6 000 **(1) AO2**
Fixtures and computers			11 000 **(1) AO2**
Loss on sale of computer			1 150 **(1) AO3**
Motor vehicle running expenses			24 350 **(1) AO1**
Computer maintenance			17 950 **(1) AO1**
Insurance			30 000 **(1) AO1**
Electricity and water			8 550 **(1) AO1**
Marketing		15 000 - 2 100	12 900 **(1) AO2**
Wages and salaries		75 500 +4 600	80 100 **(1) AO2**
Bank loan interest			1 800 **(1) AO2**
Bad debt			3 000 **(1) AO2**
Allowance for doubtful debts			2 100 **(1) AO3**
			(213 400)
Profit for the year			40 000
Plus			
Interest on drawings- Rach			400 **(1) AO2**
Saada			300 **(1) AO2**
Galenia			300
			1 000
			41 000
Less			
Interest on capital Rach			3 000 **(1of) AO2 All**
Saada			3 500
Galenia			500

		(7 000)	
		34 000	
Share of profit	Rach	13 600	**(1of) AO2 All**
	Saada	13 600	Correct split
	Galenia	6 800	
		(34 000)	

Question Number	Answer	Mark
1 (a)(iii)	**AO1 (4)** **AO1: Four marks for posting balances.**	**(4)**

Current Account

Date	**Details**	**Rach**	**Saada**	**Galenia**	**Date**	**Details**	**Rach**	**Saada**	**Galenia**
2018		**£**	**£**	**£**	**2018**		**£**	**£**	**£**
31 Dec	Drawings	10 000	7 500	7 500	1 Jan	Balance	2 600	4 100	-
		All	balances	**1 AO1**	31 Dec	In't on cap	3 000	3 500	500
	Dr'gs int	400	300	300			All	balances	**1 AO1**
		All	balances	**1 AO1**					
						Profit	13 600	13 600	6 800
							All	balances	**1 AO1**
	Balance	8 800	13 400			Balance			500
		19 200	21 200	7 800			19 200	21 200	7 800
2019					2019				
1 Jan	Balance			500	1 Jan	Balance b/d	8 800	13 400	

Question Number	Answer	Mark
1 (b)	**AO1 (5), AO2 (9), AO3(2)** **AO1: Five marks for transferring balances to the position statement.** **A02: Nine marks for calculating or adjusting balances in the position statement.** **AO3: Two marks for balances requiring two levels of adjustment.**	**(16)**

Statement of Financial Position at 31 December 2018

Non-current Assets			
	Cost	Accumulated depreciation	Carrying value
	£	£	£
Leasehold premise	160 000	94 900	65 100 **(1)of AO2**
Motor vehicles	62 000	38 000	24 000**(1)of AO2**
Fixtures and computers	44 000**(1) AO2**	22 400**(1)of AO3**	21 600
	266 000	155 300	110 700**(1)of AO2**
Current Assets			
Trade receivables		38 000-3 000+7 000	42 000**(1)of AO2**
Less Allowance for doubtful debts			(2 100)
			39 900**(1) AO3**
Other receivables:			2 100**(1) AO2**
Cash and bank		2 450 + 250	2 700 **(1) AO2**
			44 700
Total Assets			155 400
CapitalAccounts			
Rach	30 000		
Saada	35 000		
Gallenia	5 000		
			70 000 **(1)of AO2**
Current Accounts			
Rach	8 800		
Saada	13 400		
Gallenia	(500)		
			21 700 **(1of) AO2**
Non-current Liabilities			
6% Bank loan (repayable 2022)			40 000 **(1) AO1**

Current Liabilities		
Trade payables		17 000 **(1) AO1**
Other payables:	(300+4 600+1 800)	6 700
	(1) AO1 (1) AO1 (1) AO1	23 700
Total Capital and Liabilities		155 400

Question Number	Indicative Content	Mark
1 (c)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Positive points for concepts and conventions Enables the financial statements of different businesses to be prepared using the same approach. Enables different periods and businesses to be ompared. Trust on the reliability of the information by stakeholders. Negative points for concepts and conventions Requires professional input to apply the concepts and conventions. Concepts and conventions can contradict each other. Interpretation of concepts and conventions can vary. Decision Candidates may conclude concepts and conventions are critical for accounting or not critical for accounting. Candidates should support that decision with an appropriate rationale. **NOTE** Candidates are required to evaluate the use **NOT** to describe particular concepts or conventions. No marks will be awarded for descriptions of concepts and conventions.	**(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 (3), AO2 (9), AO3 (4)** **AO1: Three marks for transferring balances to the position statement.** **A02: Nine marks for calculating or adjusting balances in the position statement.** **AO3: Four marks for balances requiring two levels of adjustment.**	**(16)**

Abhra Sandwiches

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.

		£	£
Revenue			
	180 000 + 39 000 + 18 000 + 1 700 – 4 900 + 5 700		239 500 **(4) AO2**
Cost of sales		115 000 – 12 350 + 17 800	(120 450) **(2) AO2**
Gross profit			119 050
Other income			
Commission received			9 100 **(1) AO1**
Rent received			5 900 **(1) AO1**
			134 050
Expenses			
Wages		23 450+ 39 000	62 450 **(1) AO2**
Motor vehicle expenses		14 100+1 700–600–350	14 850 **(2) AO3**
Premises rent			10 000 **(1) AO1**
Bank loan interest		7 300 – 6 000	1 300 **(1) AO2**
General expenses		15 800 – 750 + 1 300	16 350 **(1) AO2**
Depreciation – Motor vehicles			6 500 **(1) AO3**
	Fixtures and fittings		800 **(1) AO3**
			112 250
Profit for the year			21 800

Note:
Revenue adjustment to 180 000, 1 mark for two correct, 2 marks for three correct. 3 marks for four correct.

Cost of sales adjustment to 135 000, 1 mark for one correct.

Question Number	Answer	Mark
2 (b)	**AO1 (4), AO2 (1)** **AO1: Four marks for transferring balances given in resource booklet.** **A02: One mark for correctly recording purchases.**	**(5)**

Quality Catering Account

Date	Details	£	Date	Details	£
2018			2018		
	Bank	115 000 **(1) AO1**	1 Jan	Balance b/d	12 350 **(1) AO1**
31 Dec	Balance c/d	17 800 **(1) AO1**		Purchases	120 450 **(1of) AO2**
		132 800			132 800
			2019		
			1 Jan	Balance b/d	17 800 **(1) AO1**

Question Number	Answer	Mark
2 (c)	**AO1 (4)** **AO1: Four marks for identifying advantages.** Valid answers may include: • Running balance in accounts such as Quality Catering • Queries about account balances can be discussed with reference to the account • Statements of account can be sent out each month • The existence of errors can be identified by a trial balance • Financial statements can be prepared at regular intervals and profit ascertained 4 x 1 mark	**(4)**

Question Number	Answer	Mark
2 (d)	**AO1 (2), AO2 (8), AO3 (2)** **AO1: Two marks for arriving at a total cost.** **A02: Eight marks for calculating raw material, labour and direct expenses.** **AO3: Two marks for arriving at the overhead cost.**	**(12)**

Sandwich type	**Basic**	**Superior**
Production required per week	800	300
	£	£
Raw materials		
Bread – 2 slices per sandwich	100 **(1) AO2**	60 **(1) AO2**
Fillings	400 **(1) AO2**	240 **(1) AO2**
Labour		
Production time @ £7.20 per hour	576 **(1) AO2**	360 **(1) AO2**
Direct expenses		
Packaging	124 **(1) AO2**	90 **(1) AO2**
Overheads		
Total additional overheads	400 **(1) AO3**	150 **(1) AO3**
Total production cost (£)	1600 **(1) AO1**	900 **(1) AO1**

Question Number	Answer	Mark
2 (e)	**AO1 (2)** **A01: Two marks for calculating the production cost.** Production cost per sandwich 1600 = £2 per **(1of) AO1** 900 = £3 per **(1of) AO1** 800 300	**(2)**

Question Number	Answer	Mark
2 (f)	**AO2 (4)** **A02: Four marks for calculating the selling price.** Selling price £2x100=£3.33**(1of) AO2** £3x100=£5**(1of) AO2** 60 **(1) AO2** 60 **(1) AO2**	**(4)**

Question Number	Indicative Content	Mark
2 (g)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **Own figure rule applies.g vtdrv** **Potential positive points for production of sandwiches** Production will be secure and within his control. The sandwiches can be made cheaper than the current purchase arrangements. Quality control can be assured. **Potential negative points against production of sandwiches** Production problems will now be for Abhra to resolve. There will be more calls on his management time in the business. He could not really reduce the selling prices so there is no advantage in increased sales potential. Extra staff required to carry out work. Hygiene requirements for production which might be costly. **Decision)** Candidates may conclude that the production in house is advantageous or not advantageous. The candidate's 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 (4)** **AO1: Four marks for describing the difference.** Error of compensation More than one error **(1) AO1** which cancel each other out **(1) AO1** Error of reversal A single error **(1) AO1** where the debiting and crediting are reversed **(1) AO1**	**(4)**

Question Number	Answer	Mark
3 (b)	**AO1 (4), AO2 (8)** **AO1: Four marks for correct description of account.** **A02: Eight marks for correct description of account and numeric entry.**	**(12)**

General Journal

	Debit	Credit
	£	£
Johns **(1) AO1**	2 800	
Revenue/Sales		2 800 **(1) AO2**
Sales returns	600 **(1) AO2**	
Johns		600 **(1) AO2**
Income statement **(1) AO1**	1 300	
Inventory		1 300 **(1) AO2**
Motor vehicle expenses **(1) AO1**	800	
General expenses		800 **(1) AO2**
Provision for depreciation **(1) AO1**	1 750	
Income statement		1 750 **(1) AO2**
Advertising	2 500 **(1) AO2**	
Income statement		2 500 **(1) AO2**

Question Number	Answer	Mark
3 (c)	**AO1 (3), AO2 (3), AO3 (2)** **AO1: Three marks for arriving at profits.** **A02: Three marks for calculating adjusted balances.** **AO3: Two marks for arriving at adjusted balances where two errors have occurred.**	**(8)**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018

	Draft	Workings	Revised
	£	£	£
Revenue	84 000	+ 2 800 - 600	86 200 **(1) AO3**
Cost of sales	(47 000)	+1 300	(48 300) **(1) AO2**
Gross profit	37 000		37 900 **(1of) AO1**
General expenses	(8 000)	-800	(7 200) **(1) AO2**
Motor vehicle expenses (including depreciation)	(18 000)	-1 750 +800	(17 050) **(1) AO3**
Advertising	(12 000)	- 2 500	(9 500) **(1) AO2**
Profit/(loss) for the year	(1 000)		4 150 **(2/1of) AO1**

Question Number	Indicative Content	Mark
3 (d)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for ICT Errors will be reduced because many of the functions of the software are automated. The software will ensure that for every debit there is a credit so single entry errors will not occur. Regular reconciliations are available to minimise errors. Negative points ICT Requires professional input. Expenses and incomes can still be incorrectly categorised. Decision Candidates may conclude that errors would be significantly reduced but not eliminated. 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.

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>4 (a)</td><td>AO1 (4)
AO1: Four marks for explaining differences.

<table>
<tr><th>Receipts and payments</th><th>Income and expenditure</th></tr>
<tr><td>The cash book of the club</td><td>Establishes the surplus/deficit for a period</td></tr>
<tr><td>Cash payments and receipts unadjusted</td><td>Incomes/expenses adjusted for prepayments and accruals</td></tr>
<tr><td>Only records non-current assets when purchased or sold</td><td>Annual depreciation set against income.</td></tr>
</table>

2 x (1) AO1 from Receipts and payments section

2 x (1) AO1 from Income and expenditure section</td><td>(4)</td></tr>
</table>

Question Number	Answer	Mark
4 (b)(i)	**AO2 (2)** **A02: Two marks for calculating the accumulated fund.**	**(2)**

Accumulated fund

Asset	£	liabilities	£
Receipts and payments	800	Trade payables	110
Equipment and fixtures	12 400	Subs in advance	1 250
Subs in arrears	500	Life subscriptions	11 500
Inventory	85		12 860 **(1)AO2**
	13 785		

Accumulated fund 13 785 – 12 860 = 925 **(1of) AO2**

Question Number	Answer	Mark
4 (b)(ii)	**AO2 (2), AO3 (1)** **A02: Two marks for calculating annual subscriptions and those in arrears.** **AO3: One mark for arriving at subscriptions paid involving multiple calculation.**	**(3)**

Annual subscriptions in arrears

	£	
Subscriptions 18 900 + 1 250 - 500 – 250 = 19 400		**(1) AO3**
Annual subscription	= (20 000)	**(1) AO2**
Subscriptions in arrears	600	**(1of) AO2**

Question Number	Answer	Mark
4 (b)(iii)	**AO1 (1), AO2 (1), AO3 (1)** **AO1: One mark for arriving at profits.** **A02: One mark for calculating income.** **AO3: One mark for arriving at expenses involving multiple calculation.**	**(3)**

Profit from competitions

Income	£	£	
Competition fees 1475 +30		1 505	**(1) AO2**
Expenditure			
Expenses 430 + 75	505		
Prizes	910		
		(1 415)	**(1) AO3**
Profit on competitions		90 +w	**(1of) AO1**

Question Number	Answer	Mark
4 (b)(iv)	**AO1 (1), AO2 (2)** **AO1: One mark for arriving at profits.** **A02: Two marks for calculating adjusted cost of sales.**	**(3)**

Profit on refreshments

		£	£
Income		2 050	
Sales			
Opening inventory		85	
Purchases	1875 -110 +125	1 890 **(1) AO2**	
		1 975	
Closing inventory		(160)	
Cost of sales			(1 815) +w **(1) AO2**
Profit on refreshments			235 + w **(1) AO1**

Question Number	Answer	Mark
4 (c)(i)	**AO1 (3), AO2 (1)** **AO1: Three marks for transferring balances and balancing account.** **A02: One mark for calculating transfer to income and expenditure account.**	**(4)**

Life Subscriptions Account

Date	Details	£	Date	Details	£
2018			2018		
31 Dec	Income & Exp'ure	1 750 **(1) AO2**	1 Jan	Balance b/d	11 500 **(1)AO1**
	Balance c/d	15 750		Receipts & paym't	6 000 **(1) AO1**
		17 500			17 500
			2019		
			1 Jan	Balance b/d	15 750 **(1of)AO1**

Question Number	Answer	Mark
4 (c)(ii)	**AO1 (1), AO2 (3), AO3(1)** **AO1: One mark for transferring balances and balancing account.** **A02: Three marks for calculating adjusted balances.** **AO3: One mark for arriving at correct depreciation.**	**(5)**

Income and Expenditure Account for the year ended 31 December 2018

	£	£
Income		
Subscriptions–Annual 80 x £250	20 000 **(1)AO2**	
Life members	1 750	
Profit from competitions	90	
Profit on refreshments	235	
Donations	700 **(1)AO1**	
		22 775
Expenditure		
General expenses	9 000	
Wages	10 930	
Depreciation –equipment and fixtures 12 400 + 3 850 – 450 – 13 300	2 500 **(1) AO3**	
		22 430 **(1of)AO2**
	(three entries)	
Surplus		345 +w**(1of)AO2**

Question Number	Indicative Content	Mark
4 (d)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for Life membership Initial inflow of cash. 'Locks in' members to the club. Eliminates chance of bad debts or late payment. Less administration in collecting subscriptions. Negative points for life membership Life memberships will be at a heavy discount so loss of income. Service must now be supplied for an extended period. Decision Candidates may conclude that life membership is positive or negative for a club. 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 (2)** **AO1: Two marks for explaining the accounting terms.** Job costing – Used where jobs are unique **(1) AO1** and to meet the specific order requirements **(1) AO1** of the customer.	**(2)**

Question Number	Answer	Mark
5 (b)(i)	**AO1 (1), A02 (1)** **A01: One mark for calculating rates.** **A02: One mark for total budgeted labour.**	**(2)**

Chargeable hours 50 x 48= 2 400 **(1) AO1** x 75% = 1 800 hours **(1) AO2**

Question Number	Answer	Mark
5 (b)(ii)	**AO2 (2), A03 (1)** **A02: Two marks for calculating rate to be charged.** **A03: One mark for total budgeted labour cost.**	**(3)**

Labour rate per hour

((40 x £7)+(10 x £10.5)+£32)x48=<u>20 016</u> **(1) AO3**=£11.12 per hour **(1of)**

1 800 **(1of) AO2** **AO2**

Or

<u>100 080</u> **(1) AO3** = £11.12 per hour **(1of) AO2**

9 000 **(1of) AO2**

Question Number	Answer	Mark
5 (b)(iii)	**AO2 (2)** **A02: Two marks for calculating overhead recovery rate.**	**(2)**

Overhead recovery rate

135 000 = £15 **(1of) AO2** per direct labour hour

9 000 **(1of) AO2**

Question Number	Answer	Mark
5 (c)	**AO1 (1), AO2 (4)** **AO1: One mark for calculating total price.** **A02: Four marks for calculating quotation components.**	**(5)**

Quotation

	£		**£**
Raw materials 103 + 15	118	**(1of) AO2**	
Direct labour 7 x £11.12	77.84	**(1of) AO2**	
Overheads 7 x £15	105	**(1of) AO2**	
			300.84
Profit			75.21 **(1of) AO2**
Price to customer			376.05 **(1of) AO1**

Question Number	Answer	Mark
5 (d)	**AO1 (2)** **AO1: Two marks for stating reasons.** • Workers worked more hours on productive work than planned • Less overtime was worked than planned • Actual overheads were lower than budgeted. 2 x **(1) AO1**	**(2)**

Question Number	Answer	Mark
5 (e)(i)	**AO1(2)** **AO1: Two marks for explaining the difference between terms.** Allocated costs are those which are wholly identifiable to one cost centre. **(1) AO1** Apportioned costs are shared between cost centres on some equitable basis. **(1) AO1**	**(2)**

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>5 (e)(ii)</td><td>
AO1 (1), AO2 (3), A03 (2)
AO1: One mark for calculating totals
A02: Three marks for allocated overheads and two way apportionment.
A03: Two marks for overheads requiring three way apportionment.

<table>
<tr><td></td><td>Administration</td><td>Stores</td><td>Repairs</td></tr>
<tr><td></td><td>£</td><td>£</td><td>£</td></tr>
<tr><td>Allocated</td><td>9 800</td><td>2 700 (1)</td><td>4 500</td></tr>
<tr><td>Motor vehicle expenses</td><td>5 000</td><td>5 000 (1)</td><td>25 000</td></tr>
<tr><td>Rent and rates</td><td>20 000</td><td>5 000 (1)</td><td>-</td></tr>
<tr><td>Management salaries</td><td>19 200</td><td>4 800 (1)</td><td>24 000</td></tr>
<tr><td>Premises insurance</td><td>8 000</td><td>2 000 (1)</td><td>-</td></tr>
<tr><td></td><td>62 000</td><td>19 500 (1)</td><td>53 500</td></tr>
</table>
(1) AO1 x 1
(2) AO2 x 2
(3) AO3 x 3
</td><td>(6)</td></tr>
</table>

Question Number	Indicative Content	Mark
5 (f)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for apportionment Uses the most appropriate 'cost driver' to divide the overhead into departments. Enables costs of departments etc to be calculated and used for management purposes. Negative points for apportionment Lacks precision, only the best cost driver available can be used. Only an estimate of cost of a department or activity. Decision Candidates may conclude that apportionment of overheads is positive or negative. 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)	**AO2 (2)** **A02: Two marks for calculating ratio.** 9 000 = 9 000= 0.5:1 **(1) AO2** 4 000 + 12 000 + 2 000 18 000 **(1) AO2**	**(2)**

Question Number	Answer	Mark
6 (b)	**AO1 (4)** **AO1: Four marks for stating reasons.** • Suppliers will probably limit credit to a new business • Sales will take time to grow • Customers will take time to pay debts • Expenses such as wages will need to be paid in cash • Non-current assets must be purchased.	**(4)**

Question Number	Answer	Mark
6 (c)	**AO1 (2), AO2 (10), A03 (2)** **AO1: Two marks for calculating accrued expenses.** **A02: Ten marks for calculating trade receivables, trade payables and bank.** **A03: Two marks for calculating inventory.**	**(14)**

Balances 30 November 2018	Workings	Balances 31 December 2018
trade receivables £9 000	-2 000 **(1)** – 7 000 **(1)** +15 000 **(1)**	15 000
trade payables £4 000	-3 500 **(1)** +6 000 **(1)**	6 500
inventory £15 000	+6 000 **(1)** -10 000 **(1)**	11 000
bank overdraft £12 000	+500 **(1)** + 7 000**(1)** -3 500 **(1)** – 2000 **(1)** +3 000 **(1)**	7 000
accrued expenses £2 000	+2 500 **(1)** -2 000 **(1)**	2 500

2 x **(1)** **AO1**

10 x **(1)** **AO2**

2 x **(1)** **AO3**

(1) mark for each correct adjustment

Question Number	Answer	Mark
6 (d)(i)	**AO1(1): AO2 (1)** **AO1: One mark for final answer.** **A02: One mark for calculating component costs.**	**(2)**

15 000
6 500 + 7 000 +2 500

= 15 000 =0.94:1 **(1of)** **AO1**
16 000 **(1of)** **AO2**

Question Number	Answer	Mark
6 (d)(ii)	**AO1 (1), AO2 (1)** **AO1: One mark for identifying liquidity changes.** **A02: One mark for development of possible reason.**	**(2)**

The bank overdraft has reduced by £5 000. **(1)** **AO1**
The acid test ratio at 0.94:1 is close to the guide of 1:1 **(1)** **AO1**
Sales are increasing and with good credit control cash will flow into the business. **(1)** **AO2**
Expenses and inventory are controlled.
(1) **AO2**
Trade payables have increased but not out of proportion to the inventory required to meet increased sales. **(1)** **AO2**
Max 2 x (1)

Question Number	Indicative Content	Mark
6 (e)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for credit control If the customer Fowler had been 'vetted' correctly the bad debt. may not have occurred and Mabon would not have incurred that expense of the bad debt. Credit control will limit the risk of debtors over extending their debt with Mabon and then being unable to pay. Negative points for credit control Sales could be lost if debtors can obtain better terms with another seller. It does require resources to constantly monitor and 'chase' debtors. Decision Candidates may conclude that credit control is positive or negative for a club. Candidates should support that decision with an appropriate rationale.	**(6)**

Level	Mark	Descriptor
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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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