GradeMax



Mark Scheme (Results)

January 2020

Pearson Edexcel International Advanced Subsidiary

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.

1(a)
AO2(6)
AO2: Six marks for correct narrative and numerical adjustment

General Journal

	Dr	Cr
	£	£
Global ICT	1 800 **(1)**AO2	
Purchases returns		1 800 **(1)**AO2
Drawings	900 **(1)**AO2	
Wages		900 **(1)**AO2
Electricity and water	2 300 **(1)**AO2	
Bank		2 300 **(1)**AO2

(6)

(b)(i)

AO1:(4) AO2(9) :AO3(2)
AO1: Four marks for recording balances
AO2: Nine marks for adjusting balances
AO3: Two marks for calculating the cost of sales and wages

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

	£	£
Revenue		309 000 **(1)**AO1
Opening inventory	37 600	
Purchases	216 000	
Purchase returns 20 300 + 1 800	(22 100) **(1)**AO2	
	231 500	
Closing inventory	(51 100)	
Cost of sales		(180 400) **(1)**AO3+W
Gross profit		128 600 **(1of)**AO1+W
Wages 40 800 - 900 + 3 700	43 600 **(1)**AO3	
Management salaries	25 000 **(1)**AO1	
Electricity and water 9 700 + 2 300	12 000 **(1)**AO2	
Premises running costs	6 900 **(1)**AO1	
Advertising expenses 17 000 – 2 400	14 600 **(1)**AO2	
Bank loan interest 1 700 +1 300	3 000 **(1)**AO2	
Irrecoverable debt	2 500 **(1)**AO2	
Increase in allowance for irrecoverable debts	800 **(1)**AO2	
Depreciation:		
Premises	1 600 **(1)**AO2	
Computers and equipment	4 000 **(1)**AO2	
Fixtures and fittings	2 400 **(1)**AO2	
		(116 400)
Profit for the year		12 200

(15)

(ii)

AO1:(5) AO2(12) :AO3(1)
AO1: Five marks for recording balances
AO2: Twelve marks for calculating and recording balances
AO3: One mark for calculating trade receivables less allowance

Statement of Financial Position at 31 December 2019

Non-current assets				
		Cost	Accumulated depreciation	Carrying value
		£	£	£
Premises		80 000	23 600	56 400 **(1of)**AO2
Computers and equipment		30 000	18 000	12 000 **(1of)**AO2
Fixtures and fittings		16 000	12 000	4 000 **(1of)**AO2
		126 000	53 600	72 400
Current assets				
Inventory				51 100 **(1)**AO1
Trade receivables	37 500 – 2 500	35 000 **(1)**AO2		
Less Allowance for ID		(1 400)		
				33 600 **(1of)**AO3
Other receivables:				2 400 **(1)**AO2
Bank and cash	10 350 - 2 300			8 050 **(1)**AO2
				95 150
Total assets				167 550
Capital				80 000 **(1)**AO1
Current account:				
Balance				6 700 **(1)**AO1
Net profit				12 200
				18 900
Drawings	22 000 + 900			(22 900)
				(4 000)
				76 000 **(1of)**AO2
Non-current liabilities **(1)**AO1				
5% Bank loan				30 000 **(1)**AO2
Current liabilities				
Trade payables	28 350 **(1)**AO1- 1 800			26 550 **(1)**AO2
5% Bank loan				30 000 **(1)**AO2
Other payables:	3 700 **(1)**AO2+ 1 300 **(1)**AO2			5 000
				61 550
Total capital and liabilities				167 550

(18)

(c)

AO1:(3) AO3(1)

AO1: Three marks for recording balances given in question

AO3: One mark for calculating goodwill apportionment

	Raj	Paul
	£	£
Capital	80 000	80 000 **(1)**AO1 both
Goodwill	-	60 000 **(1)**AO1
	80 000	140 000
Goodwill adjustment	(24 000)	(36 000) **(1)**AO3 both
Adjusted capital	56 000	104 000 **(1of)**AO1 both

(4)

(d)

AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Positive points in favour of the partnership

- The partnership will offer both software and hardware solutions to customers
- Paul has an established business which is generating high profits/goodwill
- Extra expertise will be available to Raj and to customers
- Greater management resource available to allowing holiday and sickness cover.
- Raj and Paul can exercise their specialist skills.
- Both partners are in complimentary businesses.
- Increases the capital therefore enabling expansion to take place.

Negative points for the partnership

- Raj loses a third of his capital buying a proportion of Paul's goodwill
- Raj cannot make decisions alone, both partners must agree
- Joint and several liability for actions

Decision

Candidates may conclude that formation of the partnership is positive or negative. Candidates should support that decision with an appropriate rationale.

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.

(12)

Q1	**Total marks**	**55**

2 (a)

AO1:(2) AO2(3) :AO3(3)
AO1: Two marks for recording opening balance and closing total
AO2: Three marks for calculating balance with two elements
AO3: Three marks for calculating balance with three elements

Date	Receipt	Sales	Balance
1 December			650@£13=8 450 **(1)**AO1
3 December	800 @ £12		650@£13=8 450 800@£12=9 600 **(1)**AO2
4 – 14 December		600@£13	50@£13= 650 800@£12=9 600 **(1)**AO2
15 December	400 @ £11		50@£13= 650 800@£12=9 600 400@£11=4 400 **(1)**AO3
16 – 23 December		50@£13 450@£12	350@£12= 4 200 400@£11= 4 400 **(1)**AO2
24 December	300@ £10		350@£12= 4 200 400@£11= 4 400 300@£10= 3 000 **(1)**AO3
25 – 31 December		200@£12	150@£12= 1 800 400@£11= 4 400 **(1)**AO3 300@£10= 3 000 Total 9 200 **(1)**AO1

(8)

(b)

AO2(1):AO3(1)
AO2: One mark for application
AO3: One mark for reasoning the impact of LIFO

The inventory value would be higher **(1)**AO2

Reason: prices are falling and the cheaper inventory would be sold (in value) first **(1)**AO3

(2)

(c)

AO1:(4)
AO1: Four marks for explaining the difference

Inventory rotation
This is the order in which the inventory physically enters and leaves the store. **(1)**AO1
It is good business to always issue the oldest inventory first to avoid deterioration. **(1)**AO1

Inventory valuation
The method by which inventory is valued for issues/sales. **(1)**AO1
There are many methods that can be used such as FIFO and LIFO. **(1)**AO1

(4)

(d)

AO1:(2) AO2(5) :AO3(1)
AO1: Two marks for bringing down balances
AO2: Five marks for recording balances
AO3: One mark for calculating and recording returns

Trade Receivables (Sales) Ledger Control Account

Date	Details	£	Date	Details	£
2019			2019		
December			December		
1	Balance b/d	5 100	1	Balance b/d	240
	Sales	3 850 **(1)**AO2		Returns	350 **(1)**AO3
	Inte't charged	60 **(1)**AO2		Bank	4 050 **(1)**AO2
				Irrecoverable	230 **(1)**AO2
				Discount All	170 **(1)**AO2
31	Balance c/d	350	31	Balance c/d	4 320
		9 360			9 360
2020			2020		
January			January		
1	Balance b/d	4 320 **(1of)**AO1	1	Balance b/d	350 **(1)**AO1

(8)

(e)
AO1:(1) AO2(5) :
AO1: One mark for deducting closing cash
AO2: Five marks for recording balances

Details	£	Details	£
Opening balance	750	Trade payables	1 850
Receipts	4 050 **(1)**AO2	Wages	1 500 **(1)**AO2
Sale – non-current	600	Expenses	1 350
Cash sales	780 **(1)**AO2	Refunds	70 **(1)**AO1
		Closing balance	1 410 **(1of)**AO2
	6 180		6 180

Bank = 1 410 – 50 cash = 1 360 **(1of)**AO2

(6)

(f)

AO1:(6) AO2(1)
AO1: Six marks for recording pre calculated balances
AO2: One mark for calculating trade receivables

Current assets		£
Inventory		9 200 **(1of)**AO1
Trade receivables 4320 -350 = 3 970 **(1of)**AO1		
Less Allowance for ID	(400)	
		3 570 **(1of)**AO2
Other receivables	600 + 95	695 **(1)**AO1
Bank		1 360 **(1of)**AO1
Cash		50 **(1)**AO1
		14 875 **(1of)**AO1

(7)

(g)

AO1:(4):AO2(4)
AO1: Four marks for explaining concepts
AO2: Four marks for applying to current assets

(i) Consistency

There are some areas of accounting where a choice of method is available.
The method chosen **(1)**AO1 must be consistently used from one period to another. **(1)**AO1

This can most commonly be seen in current assets with **inventory** valuation **(1)**AO2
Where most commonly FIFO or LIFO must be consistently used from period to period. **(1)**AO2

(ii) Prudence

Ensure that profits and assets are not overstated **(1)**AO1 and that liabilities are not understated. **(1)**AO1

This is most commonly used in current assets with **trade receivable** valuation. **(1)**AO2
Where this is valued after deducting an amount for possible non-payment for irrecoverable debts. **(1)**AO2

(8)

(h)

AO1 (1), AO2 (1), AO3 (5), AO4 (5)

Positive points in favour of the concepts and conventions

Provides a common framework/yardstick applied by all businesses
Comparison can be drawn between business, periods and countries
Reliance on the information
Ensures trust from the 'stakeholders' that the statements can be relied upon.
Statements are more understandable by the reader.
Concepts and conventions are the result of past experience and best practice.
Gives a true and fair view.

Negative points for the concepts and conventions

Required skilled staff to implement.
Staff need to be trained and this is costly.
The application of some concepts can be contradictory.
Does not include non-financial factors.

Decision

Candidates may conclude that concepts and conventions are positive or negative. Candidates should support that decision with an appropriate rationale.

NOT

Discussions about errors.
Discussions of individual concepts.

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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.

(12)

Q2	**Total marks**	**55**

Section B

3(a)

AO1:(2)

AO1: Two marks for stating disadvantages of not maintaining double entry books.

No information about expenditure or income
Inadequate information to manage the business
Individual expense totals paid not known
Profit to date cannot be calculated
Amount owing to trade payables/ by trade receivables cannot be verified
2 x 1 Mark
NOT
Discussion about errors.

(2)

(b)(i)
AO1:(2) AO2(5) :AO3(1)
AO1: Two marks for recording equipment and balancing the account
AO2: Five marks for calculating and recording entries
AO3: One mark for calculating the payment to the trade payables

Summarized
Bank Account

Date	Details	£	Date	Details	£
2019			2019		
1 Jan	Capital	2 000		Sales returns	3 600 **(1)**AO2
	Sales	79 200 **(1)**AO2		Trade payables	40 750 **(1)**AO3
				Rent	6 500 **(1)**AO2
				Postage	8 250 **(1)**AO2
				Office expenses	3 450
				Internet costs	5 050
				Fixtures	1 300 **(1)**AO1
				Drawings	6 000 **(1)**AO2
		_____	31 Dec	Balance c/d	6 300
		81 200			81 200
2020					
1 Jan	Balance b/d	6 300 **(1of)**AO1			

Calculation of payment to trade payables (7 500 - 200) x £7 = £51 100 – £10 350 = £40 750

(8)

(ii)

AO1:(3) AO2(3) :AO3(2)
AO1: Three marks for transferring balances to statement
AO2: Three marks for calculating and recording sales and expenses
AO3: Two marks for calculating and recording purchases and closing inventory

Natalie

Statement of profit or loss and other comprehensive income for the year ended 31 December 2019

	£	£
Revenue	79 200	
Less Returns	(3 600)	
		75 600 **(1)**AO2
Opening inventory	-	
Purchases	52 500	
Purchase returns	(1 400)	
	51 100 **(1)**AO3	
Closing inventory	(7 000) **(1)**AO3	
Cost of sales		44 100
Gross profit		31 500
Less		
Rent	6 000 **(1)**AO1	
Postage on sales	8 250 **(1)**AO2	
Office expenses	3 450 **(1)**AO1	
Internet costs	5 050 **(1)**AO1	
Depreciation	1 100 **(1)**AO2	
		23 850
Profit for the year		7 650

Closing inventory (7 500 – 200) = 7 300 – (6 600 – 300) = 1 000 x £7 = £7 000

(8)

(iii)

AO1:(2) AO2(4)

AO1: Two marks for recording capital and trade payables correctly

A02: Four marks for other receivable and totals of sections

Statement of financial position for the year ended 31 December 2020

Non-current assets

	Cost	Accumulated Depreciation	Carrying value
	£	£	£
Office and storage fixtures	3 800	1 100	2 700 **(1)**AO2
Current assets			
Inventory		7 000	
Other receivables		500 **(1)**AO2	
Bank		6 300	
			13 800 **(1of)**AO2
Total assets			16 500
Capital		4 500 **(1)**AO1	
Profit for the year		7 650	
		12 150	
Drawings		(6 000)	
			6 150 **(1of)**AO2
Current liabilities			
Trade payables			10 350**(1)**AO1
Total capital and liabilities			16 500

(6)

(c)
AO2 (1), AO3 (2), AO4 (3)

Positive points for Natalie using ICT

- Records of inventory, income, expenditure and trade payables can be kept for scrutiny.
- Software keeps an audit trail.
- Information will be available to aid management e.g inventory levels
- Regular reports will be available e.g profit statement
- Less storage of documents-paperless office is more sustainable.
- Security of information

Negative points for Natalie using ICT

- Cost of equipment and software can be high
- Training to use the software will take time away from running the business
- Regular software updates will require time to re-train.
- Natalie's business might not be big enough to justify the expenditure.
- Viruses could remove data and hackers could gain access to data.

Decision
Candidates may conclude that the use of ICT should be implemented or not implemented.
Candidates should support that decision with an appropriate rationale.

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	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.

(6)

Q3	Total marks	30

4 (a)

AO1:(8)
AO1: Eight marks for identification and explanation of good credit control

Valid points may include:

- Credit worthiness check **(1)**AO1 should be made of the buyer before supplying goods **(1)**AO1
- A credit limit **(1)**AO1 should be set based upon the buyer's credit worthiness **(1)**AO1
- Goods should be promptly invoiced **(1)**AO1 within days of being supplied **(1)**AO1
- Statements provided **(1)**AO1 to the buyer on a monthly basis**(1)**AO1
- Unpaid debts 'followed up'**(1)**AO1 after one month outstanding
- Constant monitoring of aged debts **(1)**AO1 with personal contact (telephone call) where debts are up to two months old**(1)**AO1
- Restriction of further credit **(1)**AO1 where debts remain unpaid for well over one month.**(1)**AO1
- Offer cash discount **(1)**AO1 to get customers to pay faster. **(1)**AO1
- Charge interest on overdue accounts **(1)**AO1 to get customers not to exceed their credit terms. **(1)**AO1

4x2 Marks

(8)

(b)

AO1(1):AO2(11) :AO3(3)
AO1: One mark for purchases transferred
AO2: Three marks for including full data or calculating ratio
AO3: Twelve marks for including full data or calculating ratio minimum three elements

Ratio	31 December 2018	31 December 2019
Current ratio	22 + 12 + 5 + 6 **(1)**AO3 = 2.5:1 15 + 3 **(1)**AO2	24 + 30 + 2 = 1.33:1 **(1)**AO2 10 +4 + 28 **(1)**AO2
Liquid (acid test) ratio	12 + 5 + 6 **(1)**AO3= 1.28:1 15 +3 **(1)**AO2	30 + 2 = 0.76:1 **(1)**AO2 10 +4 + 28 **(1)**AO3
Trade payables payment period	15 x 365 = 61 days **(1)**AO2 90 **(1)**AO2	10 x 365 = 26 days **(1)**AO2 140 **(1)**AO1
Trade receivables collection period	12 x 365 = 37 days 120 **(1)**AO2	30 x 365 = 55 days **(1)**AO2 200 **(1)**AO2

Note: If elements correct accept reasonable rounding for answer

(16)

(c)

AO2 (1), AO3 (2), AO4 (3)

Own figure rule applies

Positive points for liquidity

- The inventory has been controlled even though revenue has increased by 25%
- Liquid (acid test) ratio although deteriorating is still acceptable within the range 0.7 -1.0:1
- Payment of trade payables has improved and they are now being paid within one month.
- It could be argued that liquidity was too high in 2018, restricting profitability.

Negative points for liquidity

- The liquidity is deteriorating.
- The current ratio at 1.33:1 is below the 'yardstick' of 1.4 – 2:1
- Payments from trade receivables has slowed significantly showing a weakness in credit control.
- The bank is now overdrawn and further payments may be restricted by the bank.

Decision

Candidates may conclude that Alex has a good or bad liquidity position. Candidates should support that decision with an appropriate rationale.

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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.

(6)

Q4	**Total marks**	**30**

5(a)

AO1:(5) AO2(12) :AO3(3)
AO1: Five marks for transferring balances to statement or totalling sub sections
AO2: Twelve marks for calculating expenses, profit or transfer value of each product
AO3: Three marks for sub dividing expense and then apportioning

Manufacturing Account
For the year ended 31 December 2019

	Desk	Table	Total
	£	£	£
Opening inventory of raw materials			54 000
Purchases of raw materials			193 000
			247 000
Closing inventory of raw materials			(61 000)
Cost of raw materials	112 000	74 000 **(1)**AO3	186 000 **(1)**AO1
Production wages	128 000 **(1)**AO2	80 000 **(1)**AO2	208 000
Sundry materials	12 000 **(1)**AO3	6 000 **(1)**AO3	18 000
Royalties	20 000 **(1)**AO1	-	20 000
Prime cost (1)AO1	272 000 **(1of)**AO1	160 000 **(1of)**AO1	432 000
Production overheads:			
Sundry materials	8 000 **(1)**AO2	4 000	12 000
Rent and rates	24 000 **(1)**AO2	16 000	40 000
Management salaries	40 000 **(1)**AO2	25 000	65 000
Insurance of machinery	6 000 **(1)**AO2	9 000	15 000
Electricity	9 600 **(1)**AO2	7 200	16 800
Depreciation of machinery	12 000 **(1)**AO2	18 000	30 000
	99 600	79 200	178 800
	371 600 **(1of)**AO2	239 200	610 800
Work in progress:			
1 January	37 000	24 000	61 000
31 December	(38 600)	(23 200)	(61 800)
	(1 600) **(1)**AO2	800	(800)
Cost of production	370 000	240 000	610 000
Manufacturing profit 10%	37 000 **(1of)**AO2	24 000	61 000
Transfer value	407 000 **(1of)**AO2	264 000	671 000

(20)

(b) AO1:(4)
AO1: Four marks for explaining the entries

The closing inventory of finished goods at 31 December 2019 contains £60 000 **(1)**AO1 of unrealised profit. The existing balance of the provision for unrealised profit is £70 000, **(1)**AO1

therefore the difference of £10 000 **(1of)**AO1 must be DEBITED **(1)**AO1 to the provision for unrealised profit account using the narrative income statement, which will be balanced and brought down.

(4)

(c) AO2 (1), AO3 (2), AO4 (3)

Positive points for group bonus

Workers may work harder and output may increase.
The scheme will reward extra effort.
Unit costs may decrease.
The bonus will be paid only when production figures is high.

Negative points for group bonus

Quality of output may be compromised.
Accidents may increase as workers work quicker.
Worker disagreements between those workers who wish to work faster and those who do not.

Decision

Candidates may conclude that the use of a group bonus scheme should be implemented or not implemented. Candidates should support that decision with an appropriate rationale.

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.

(6)

Q5	Total marks	30

6(a)

AO1:(4)
AO1: Four marks for explaining concepts

Historic cost concept — Inventory should be recorded at cost **(1)**AO1 at time of purchase / not at its market value **(1)**AO1

Net realizable value — Where realizable value is less than cost, the estimated selling price **(1)**AO1 less any further costs before the goods are suitable for sale. **(1)**AO1

(4)

(b) AO1:(2) AO2(4)
AO1: Two marks for closing inventory
AO2: Four marks for sub totals

	Printers	**Ink cartridges**
	Number	**Number**
Inventory – 1 September 2019	16	120
Purchases	48	290
Sales returns	1	-
	65**(1)**AO2	410 **(1)**AO1
Less Sales	(50)	(300)
Purchase returns	-	(16)
	(50) **(1)**AO2	(316) **(1)**AO2
Inventory – 31 December 2019	15 **(1)**AO1	94 **(1)**AO1

(6)

(c) **AO2(4)**

AO2: Four marks for calculating the percentages

Printers — $\frac{5}{80}$ **(1)**AO2 x 100 = 6.25% **(1)**AO2

Ink cartridges — $\frac{15}{25}$ **(1)**AO2 x 100 = 60% **(1)**AO2

(4)

(d) A01(3):AO2(4) :AO3(3)

AO1: Three marks for correct returns and calculation of total gross profit
AO2: Four marks for calculating correct entries
AO3: Three marks for calculating correct sales, purchases and closing inventory

Statement of Profit or Loss and Other Comprehensive Income for the three months ended 31 December 2019

	£	£
Revenue		11 500 **(1)**AO3
Less returns		(80) **(1)**AO1
		11 420
Inventory	2 400 **(1)**AO2	
Purchases	6 500 **(1)**AO3	
Purchases returns	(160) **(1)**AO1	
	8 740	
Inventory	(2 065) **(1of)**AO3	
Cost of sales:		(6 675)**(1of)**AO2+W
Gross profit		4 745
Expenses	2 135 **(1)**AO2	
Depreciation	600 **(1)**AO2	
		2 735
Profit for the three months		2 010 **(1of)**AO1

(10)

Workings

	Printers	Ink cartridges	Total
	£	£	
Sales	50@80	300@25	11 500
Sales returns	1@80	-	80
Opening inventory	16@75	120@10	2 400
Purchases	48@75	290@10	6 500
Purchase returns	-	16@10	160
Closing inventory	15@75	94@10	2 065

(e) AO2 (1), AO3 (2), AO4 (3)

Own figure applies

Positive points for strategy

Printers offered at competitive prices to customers.
Customers buy printer cheaply and then are 'tied into' buying ink cartridges.
Generates repeat business.
A very good gross profit margin achieved on ink cartridges.

Negative points for strategy

A 6.25% gross margin for printers is very low and when expenses are considered the sale of printers will probably be making a net loss.
If customers find a more competitive price for ink cartridges the strategy will fail.

Decision

Candidates may conclude that the current strategy is sound or not sound. Candidates should support that decision with an appropriate rationale.

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.

(6)

Q6	Total marks	30