GradeMax



Mark Scheme (Results)

January 2021

Pearson Edexcel International Advanced Subsidiary
In Accounting (WAC11)
Unit 1: 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.

Mark Scheme
WAC11
Unit 1
January 2021
SECTION A

1 (a) AO1 (6), AO2 (13),

A01: Six marks for transferring balance and calculating new balance
A02: Thirteen marks for entries requiring calculation.

Borin and Priti

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	£	£
Revenue		370 000
Less		
Opening inventory	38 000	
Purchases	180 000	
Carriage inwards	4 200	
	222 200 **(1)** AO2	
Closing inventory	(41 000)	
Cost of sales		(181 200) **(1of)** AO1 + w
Gross profit		188 800 No aliens
plus		
Rent receivable (4 000 + 2 000)		6 000 **(1)** AO2
Decrease in allowance for irrecoverable debts		700 **(1)** AO1
		195 500
Less		
Depreciation:		
Motor vehicles	5 000 **(1)** AO2	
Office fixtures	3 000 **(1)** AO2	
Wages and salaries (97 000 – 9 000 -6 000)	82 000 **(1)** AO2	
General expenses	27 100 **(1)** AO1	
Carriage outwards	19 000 **(1)** AO1	
Bank loan interest (1 200 + 1 200)	2 400 **(1)** AO2	
Insurance (6 000 – 500)	5 500 **(1)** AO2	
Rent payable (21 000 – 3 000)	18 000 **(1)** AO2	
Motor vehicles running expenses	11 000 **(1)** AO1	
		(173 000)
Profit for the year		22 500

Add Interest on drawings		
Borin	400 **(1)** AO2	
Priti	500 **(1)** AO2	
		900
		23 400
Less Interest on capital		
Borin	2 000 **(1)** AO2	
Priti	2 500 **(1)** AO2	
		(4 500)
Less Salaries:		
Borin	9 000	
Priti	6 000	
		(15 000) **(1)** AO1
		3 900
Share of profit:		
Borin		2 340 **(1of)** AO2 if
Priti		1 560 correct split
		3 900

(19)

(b) **AO2 (5)**

A02: Five marks for calculations of total additions and deductions and calculating final balances.

	Borin	**Priti**
	£	£
Opening balance	(200)	2 500
Plus		
Interest on capital	2 000 of	2 500 of
Salaries	9 000	6 000
Share of profit	4 770 of	1 560 of
	13 140 **(1of)** AO2	12 560 **(1of)** AO2
less	All three	All three
Interest on drawings	(400)	(500)
Salaries paid	(9 000)	(6 000)
Drawings	(4 000)	(5 000)
	(13 400) **(1of)** AO2	(11 500) **(1of)** AO2
	All three	All three
Closing balance	260 Dr	1 060 Cr **(1of)** AO2

(5)

(c) **AO1 (8), AO2 (3), AO3 (3)**

A01: Eight marks for transferring balance and calculating simple balances
A02: Three marks for calculating correct figure and inclusion in correct section.
AO3: Three marks for correct carrying values and total partners salaries due

Statement of Financial Position at 31 December 2020

Non-current Assets

	Cost	Accumulated depreciation	Carrying value	
	£	£	£	
Motor vehicles	55 000	– 35 000 =	20 000	**(1of)** AO3
Office fixtures	20 000	– 11 000 =	9 000	**(1of)** AO3
			29 000	

Current Assets			
Inventory		41 000 **(1)** AO1	
Trade receivables	50 000		
less Allowance for doubtful debts	(2 000)		
		48 000 **(1of)** AO3	
Other receivables:			
Insurance	500 **(1)** AO1		
Rent receivable	2 000 **(1)** AO1		
Rent payable	3 000 **(1)** AO1	5 500	
Bank (17 500 – 3 800)		13 700 **(1)** AO2	
			108 200
			137 200
Capital and liabilities			
Capital Accounts:			
Borin	40 000		
Priti	50 000		
			90 000 **(1)** AO1
Current Accounts:			
Borin	260 Dr		
Priti	1 060 Cr		
			800 **(1of)** AO1
Non-current Liabilities			
8% bank loan			24 000 **(1)** AO1
Current liabilities			
8% bank loan	6 000 **(1)** AO2		
Trade payables (19 000 – 3 800)	15 200 **(1)** AO2		
Other payables:			
Bank loan interest	1 200 **(1)** AO1		
			22 400
			137 200

(14)

(d) AO1 (3), AO3 (2)

A01: Three marks for the cash and bank entries and the balance brought down.
AO3: Two marks for correctly recording the balances at 1 January.

Capital Accounts

Date	Details	Borin	Priti	Date	Details	Borin	Priti
		£	£			£	£
2020				2020			
1 April	Bank	25 000 **(1)**		1 Jan	Balance b/d	65 000 **(1of)**	30 000 **(1of)**
31 Dec	Balance c/d	40 000	50 000	1 Mar	Cash	_____	20 000 **(1)**
		65 000	50 000			65 000	50 000
				2021			
				1 Jan	Balance b/d	40 000	50 000 **(1)**
							Both

No own figures if capital at 1 Jan 40 000 and 50 000

(5)

1(e)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **A01: One marks for knowing identifying positive and negative aspects of this proposal.** **A02: One marks for applying positive or negative aspects of this proposal.** **A03: Five marks for interpreting and analysing the proposal.** **A04: Five marks for evaluating the scenario counter balancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential arguments for inclusion Additional capital will be introduced although this is limited. Javid will take more responsibility for the management and ownership of the business. As an existing manager Javid will be aware of how the business works. Sharing risks with existing partners. Can still bring in new ideas. Potential arguments against inclusion Profits may not increase greatly but must be distributed amongst three partners. Javid's investment is modest and will not enable a major expansion of investment. Javid must be consulted on all decisions made. Three partners would need to now agree making decisions more difficult to make. This may lead to conflict between partners. Decision Candidates may conclude that the partnership is positive or negative. Candidates conclusion 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.

(Total: 55 marks)

2(a) **AO1 (8), AO3 (2)**

A01: Eight marks for recording entries in the trial balance
AO3: Two marks for correctly calculating the suspense balance.

Teemu
Trial Balance as at 31 December 2020

	Dr	**Cr**
	£	**£**
Equipment (cost)	4 000	
Equipment- Provision for depreciation		1 600
Sundry expenses	1 900	
Wages	26 330	
Inventory	6 750	
Purchases	52 000	
Revenue		89 000
Equipment maintenance	1 120	
Discount allowed	300	
Discount received		730
Bank (overdraft)		700
Electricity and water	2 800	
Trade receivables	7 800	
Trade payables		4 700
Capital		8 000
Drawings	900	
Suspense	830 **(2)/1of)**	
	AO3	_____
	104 730	104 730

(1) AO1 for each **two correct** entries x 8. Round up if uneven score.
(2) for Suspense Account balance **(10)**

(b) **AO1 (5)**
A01: Five marks for identifying the type of error.

(1) Principle **(1)** AO1
(2) Reversal **(1)** AO1
(3) Commission **(1)** AO1
(4) Omission **(1)** AO1
(5) Original entry **(1)** AO1

(5)

(c) **AO2 (16), AO3 (2)**

A02: Sixteen marks for correct journal entry, name and number.

AO3: Two marks for suspense entries in compensating error.

General Journal

	Dr	**Cr**
	£	**£**
Equipment maintenance/repairs	470 **(1)** AO2	
Equipment		470 **(1)** AO2
Discount allowed	120 **(1)** AO2	
Dominic		120 **(1)** AO2
Riaz	290 **(1)** AO2	
Robin		290 **(1)** AO2
Tower Industries	800 **(1)** AO2	
Revenue/Sales		800 **(1)** AO2
Collinge	270 **(1)** AO2	
Purchases		270 **(1)** AO2
Bank	50 **(1)** AO2	
Suspense		50 **(1)** AO3
Suspense	50 **(1)** AO3	
Wages		50 **(1)** AO2
Bank	950 **(1)** AO2	
Suspense		950 **(1)** AO2
Suspense	120 **(1)** AO2	
Bank		120 **(1)** AO2

(18)

(d) **AO1 (1): AO2 (4)**

A01: One mark for transferring balance from trial balance

AO2: Four marks for journal transfers and details

Suspense Account

Date	Details	£	Date	Details	£
2020			2020		
31 Dec	Balance	830 **(1of)** AO1	31 Dec		
	Wages	50 **(1)** AO2		Bank	50 **(1)** AO2
	Bank	120 **(1)** AO2		Bank	950 **(1)** AO2
		_____			_____
		1 000			1 000

Ignore aliens. Accept reasonable narratives.

(5)

(e) **AO2 (5),**

A02: Five marks for calculating the closing balance

	£	£
Opening balance (overdraft)		(700)
Plus		
Sundry expenses	50 **(1)** AO2	
Richard	950 **(1)** AO2	
		1 000
		300
Less		
Drawings	120 **(1)** AO2	
		120
Closing balance		180 **(2/1of)** AO2

Ignore aliens. No narratives required.

If in account format allow Dr as plus and Cr as minus

(5)

2(f)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **A01: One marks for knowing identifying positive and negative aspects of this advice.** **A02: One marks for applying positive or negative aspects of this advice.** **A03: Five marks for interpreting and analysing the advice.** **A04: Five marks for evaluating the scenario counter balancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential arguments for ICT Double entry will be completed **automatically.** Calculations will be made by the computer and will be **accurate.** There will be **no** errors which will affect the balancing of the trial balance, such as those **single entry** and requiring a suspense account. **Audit trail** can be kept. Potential arguments against ICT Cost and updating of system to ensure that **software operates correctly**, using latest version. **Inputting errors** will still occur resulting in incorrect accounts. Considerable **staff training to ensure accurate inputting** for the use of ICT. Errors **not affecting the balancing of the trial balance** such as errors of commission and omission may still occur. Decision Candidates may conclude that ICT is positive or negative. Candidates conclusion should be supported by an appropriate rationale. **NOT** General advantages and disadvantages of ICT	**(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.

(Total: 5 marks)

SECTION B

3(a) **AO1 (4)**
A01: Four marks for explaining the terms

Going concern
It is assumed that the business will **continue** to operate **(1)** AO1 for an **indefinite** period of time. **(1)** AO1

Business entity
The business is treated as a completely **separate** entity **(1)** AO1 from the **owner. (1)** AO1

(4)

(b) AO2 (6)
A02: Six marks for calculating correct figure and inclusion in correct section.

Departmental Trading Account for the year ended 31 December 2020

	Food	Magazines
	£	£
Revenue	65 000	50 000
less		
Opening inventory	3 500	5 000
Purchases	46 500	44 000
Purchase returns	(-)	(1 000)
	50 000 **(1)** AO2	48 000 **(1)** AO2
Closing inventory	(3 000)	(5 500)
Cost of sales	47 000 **(1of)** AO2	42 500 **(1of)** AO2
Gross profit	18 000 **(1of)** AO2	7 500 **(1of)** AO2

(6)

(c) AO1 (3), AO2 (4), AO3 (3)
A01: Three marks for transferring balances correctly
A02: Four marks for calculating correct figure
AO3: Three marks for using correct formula and correct process.

Food 65 000 x $\frac{30}{100}$ **(1)** AO2= 19 500 **(1)** AO2– 18 000 **(1of)** AO1= 1 500 **(1of)** AO3

Magazines 50 000 **(1)** AO1 x $\frac{20}{100}$ **(1)** AO3= 10 000 **(1)** AO2 – 7 500**(1of)** AO1 = 2 500 **(1of)** AO3

Total 2 500 of + 1 500 of = 4 000 **(1of)** AO2

(10)

(d) AO1 (2), AO2 (2)
A01: Two marks for transferring balance and calculating total annual cost
A02: Two marks for calculating correct annual capital cost.

	£
Capital cost 9 000 + 2 000 = 11 000 **(1)** AO2 divided by 5 = 2 200 **(1)** AO2	
Annual cost	1 500 **(1)** AO1
	3 700 **(1)** AO1

(4)

(e) AO2 (1), AO3 (2), AO4 (3)
Own figure rule applies

Positive points for purchase of the security system
- There is a net saving on losses by purchasing the system but this is small.
- A security system could deter theft.

Negative points against the purchase of the security system
- Capital outlay of £11 000 has to be found, this will impact on cash flow.
- Ongoing maintenance costs may rise.
- The potential saving is low.

Decision
Candidates may conclude that the purchase of the security system is/ is not beneficial.
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)

Q3	**Total marks**	**30**

4.(a) **AO1 (2)**

A01: Two marks for explaining the meaning of the term

Capital expenditure is the money spent by the business in purchasing, improving or extending non-current assets **(1)** AO1 Costs include, carriage and installation/ will last for more than one year/ non recurrent/long term. **(1)** AO1

(2)

(b) **AO1 (4)**

A01: Four marks for identifying the category

(i) Capital **(1)** AO1

(ii) Revenue **(1)** AO1

(iii) Revenue **(1)** AO1

(iv) Capital **(1)** AO1 **(4)**

(c) **AO1 (3), AO2 (12), AO3 (3)**

A01: Three marks for transferring balance and calculating simple balances

A02: Twelve marks for correct entries

AO3: Three marks for correct entry in motor vehicle account and balances brought down

(i) Motor Vehicle Account

Date	Details	£	Date	Details	£
2020			2020		
1 Jan	Balance b/d	80 000	1 April	Disposal	10 000 **(1)AO2**
1 May	Part exchange/bank	52 000 **(1)AO2**	1 May	Disposal	30 000 **(1)AO2**
			31 Dec	Balance c/d	92 000
		132 000			132 000
2021			2021		
1 Jan	Balance b/d	92 000 **(1of)AO2**			**No aliens**

(ii)

Motor Vehicle – Provision for Depreciation Account

Date	Details	£	Date	Details	£
2020			2020		
1 April	Disposal	2 000 **(1)AO2**	1 Jan	Balance b/d	18 000
1 May	Disposal	9 000 **(1)AO3**	31 Dec	Income statement/	9 200 **(1of)AO3**
31 Dec	Balance c/d	16 200		Depreciation	
		27 200			27 200
2021			2021		
	No aliens		1 Jan	Balance b/d	16 200 **(1of) AO1**

(iii)

Motor Vehicles Disposal Account

Date	Details	£	Date	Details	£
2020			2020		
1 April	Motor vehicles	10 000 **(1)AO2**	1 April	Provision for dep'n	2 000 **(1of)AO2**
1 May	Motor vehicles	30 000 **Both**		Bank	4 500 **(1)AO2**
			1 May	Provision for dep'n	9 000 **(1of)AO2**
				Part exchange	12 500 **(1)AO2**
		_____		Income statement	12 000 **(1of) AO3**
		40 000			40 000

Income statement £12 000 of only if last entry on credit side.

(iv)

Motor Vehicles Maintenance Account

Date	Details	£	Date	Details	£
2020			2020		
Year	Trade payables/	16 300 **(1)** AO1	1 Jan	Balance b/d	2 400 **(1)** AO2
	Bank/ Cash		31 Dec	Income statement	12 400 **(1)** AO2
		_____		Balance c/d	1 500
		16 300			16 300
2021			2021		
1 Jan	Balance b/d	1 500 **(1)** AO1			

(18)

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

Positive points for the current straight-line method

This method does not distort profits, as the same value of depreciation is allowed each year.

Method reflects equal benefit received from the motor vehicles in each year.

Negative points against the straight-line method

Losses incurred on the motor vehicles sold suggest that the 10% is inadequate.

The value of motor vehicles tends to fall sharply in the early years. Straight line may be inappropriate to reflect an accurate carrying value in the books.

The total cost of owning the motor vehicle rises each year when depreciation and repair costs are added together.

Profits may be overstated in the early years. Prudent to use Reducing balance.

Decision

Candidates may conclude that the straight-line method is/is not appropriate Candidates should support that decision with an appropriate rationale.

NOT

Easier to calculate/ understand

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)

Q4	Total marks	30

5 (a)**AO1 (4),**

A01: Four marks for explaining the two reasons for the use of apportionment.

- Where a single **cost relates to a number of departments (1)** AO1 and cannot be directly allocated. The cost must be apportioned on the **most reasonable basis (1)** AO1 e.g floor area,
- To calculate the **total overhead cost for a department (1)** AO1 and **enable the recovery** of those costs through a machine or labour hour rate/ identify and reduce cost. **(1)** AO1
- To enable **pricing** of customers jobs **(1)** AO1 to **sell the services** of the business. **(1)** AO1

MAX **(4)**

(b) AO2 (3)

A02: Three marks for calculating correct figure

40 x 50 =2 000 **(1)** AO2 x 65% = 1 300 **(1)** AO2 x 5 = 6 500 **(1)** AO2 **(3)**

(c) AO1 (2)

A01: Two marks for identifying activities

- Travelling to jobs
- Ordering or collecting materials
- Completing paperwork
- Training
- Remedial work for jobs not completed correctly.

NOT Holiday, Leisure time

2 x **(1)** AO1

(2)

(d) AO1 (1), AO2 (3),
A01: One mark for totalling quotation
A02: Three marks for calculating correct figures

	Job 73		
		£	
Materials	80 + 15%	92	**(1)** AO2
Labour	10 x 12	120	**(1)** AO2
Overheads	15 x 12	180	**(1)** AO2
		392	**(1of)** AO1 All 3 elements present

(4)

(e) AO1 (2), AO2 (6), AO3 (3)
A01: Two marks for adding up total profit
A02: Six marks for calculating correct figure and inclusion in correct section.
AO3: Three marks for labour and overheads profit and formula for materials.

(i) £9 200 x $\frac{15}{115}$ **(1)** AO3= £1 200 **(1)** AO2

(ii) 6 700 **(1)** AO2 x £10 = £67 000 **(1)** AO2 - £58 000 **(1)** AO2= £9 000 **(1)** AO3

(iii) 6 700 x £15 = £100 500 **(1)** AO2- £104 000 **(1)** AO2 = (£3 500) **(1)** AO3

(iv) £1 200 + £9 000 – £3 500 = £6 700 profit **(2/1of)** AO1 All three elements

(11)

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

Positive points for piecework

Output per operator would probably be increased and cost of a job decreased.
Electricians may spend less time on non-productive activities.

Negative points against piecework

Quality of output may become an issue.
There will be difficulty of setting the rates because all jobs are different.
Slower workers may not be able to keep up and may leave.
Disagreements between workers may increase.
Accidents may increase.

Decision

Candidates may conclude that piecework is/ is not beneficial. 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)
A01: Four marks for explaining the terms.

Liquidity
The ease and speed with which current assets **(1)** AO1 can be turned into cash. **(1)** AO1
The ability of the business to meet short term **(1)** AO1 debts. **(1)** AO1
Accept current assets less current liabilities. **(1)** AO1

MAX 2 marks

Capital employed
Total funds being used in the business. **(1)** AO2
Owners capital plus any long term liabilities. **(1)** AO2

(4)

(b) AO1 (5), AO2 (12), AO3 (3)
A01: Five marks for transferring balance to the correct ratio
A02: Twelve marks for calculating correct figure or including multiple entries
AO3: Three marks for correctly adjusting profit for interest or identifying effect of overdraft

	Alpha Retail	Zulu Shopping
	£000	**£000**
Net profit for the year as a percentage of revenue	55 x 100 = 11% **(1)** AO2 500 **(1)** AO1	10 **(1)** AO1x 100 = 2% **(1)** AO2 500
Revenue to non-current assets	500 = 4.17 **(1)** AO2 120 **(1)** AO1 Accept 417%/ 4.17:1	500 **(1)** AO1= 16.67 **(1)** AO2 30 Accept 1667%/16.67:1
percentage return on capital employed	55 + 5 **(1)** AO3 x100= 40% **(1)** 50 + 100 AO2	10 x 100 = 12.5% **(1)** AO2 80 **(1)** AO1

current ratio	40 +30 = 1.75:1 **(1)** AO2 10 +30 **(1)** AO3	35 +35 +5 **(1)** AO3 = 3:1 **(1)** AO2 25
liquid (acid test) ratio	30 = 0.75:1 **(1)** AO2 10 +30 **(1)** AO2	35 +5 **(1)** AO2= 1.6:1 **(1)** AO2 25

Accept reasonable rounding **(20)**

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

OWN FIGURE RULE APPLIES

Alpha Retail	**Zulu Shopping**
Positive	Positive
The business owns its own premises. The net profit is considerably greater. The net profit as a percentage of revenue is **better** and acceptable at 11 %. ROCE at 40% is **very good.** Liquidity is **good** and within the accepted 'yardsticks' of 1.4:1 and 0.7:1	The business rents its premises so may be more flexible e.g ability to move. The business gets **greater** revenue for every £ of non-current assets at 16.67. The return on capital employed is **good** at 12.5%.
Negative	Negative
The business has an overdraft and long term debt.	Liquidity is high/safer at 3:1 and 1.6:1 and there seems to be an element of i**dle funds**. The business rents its premises which will be subject to rent increases in the future.

Decision
Candidates may conclude that the Alpha Retail or Zulu Shopping should be purchased.
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**

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