



Mark Scheme (Results)

January 2020

Pearson Edexcel International GCSE
In Accounting 4AC1 Paper 02

Financial Statements

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January 2020

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Question number	Answer	Mark
1(a)	Award marks as indicated. \$68 400 (3) W W \$109 100 (1) - \$40 700 (1) = \$68 400 (1of)	(3)

Question number	Answer	Mark																																												
1(b)	Award marks as indicated. Award one mark for all correct labels. <table><tr><th colspan="4">Mia</th></tr><tr><th colspan="4">Income statement for the year ended 31 December 2019</th></tr><tr><th></th><th>\$</th><th>\$</th><th></th></tr><tr><td>Revenue</td><td></td><td>210 000</td><td>(1)</td></tr><tr><td>Cost of sales</td><td></td><td></td><td></td></tr><tr><td>Opening inventory</td><td>20 000</td><td></td><td></td></tr><tr><td>Purchases</td><td>155 000</td><td></td><td>(1)</td></tr><tr><td>Goods for own use</td><td>(3 000)</td><td></td><td>(1)</td></tr><tr><td>Closing inventory</td><td>(25 000)</td><td></td><td></td></tr><tr><td></td><td></td><td>(147 000)</td><td>(1)</td></tr><tr><td>Gross profit</td><td></td><td>63 000</td><td>(1of)</td></tr></table>	Mia				Income statement for the year ended 31 December 2019					\$	\$		Revenue		210 000	(1)	Cost of sales				Opening inventory	20 000			Purchases	155 000		(1)	Goods for own use	(3 000)		(1)	Closing inventory	(25 000)					(147 000)	(1)	Gross profit		63 000	(1of)	(6)
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1(d)	Award 1 mark for each correct answer up to a maximum of 2 marks. Physical deterioration/ wear and tear/usage/rust/erosion/rot and decay (1) Economic reasons/obsolescence (1) Passage of time/time factor (1) Depletion (1)	(2)

Question number	Answer	Mark
1(e)	Award 1 mark for each correct answer up to a maximum of 2 marks. Accruals (1) Prudence (1) Consistency (1)	(2)

Question number	Answer	Mark						
1(f) (i)	Award 1 mark for each correct answer. <table><tr><th>Ratio</th><th>Formula</th></tr><tr><td>current (working capital)</td><td>$\frac{\text{Current assets}}{\text{Current liabilities}} \quad \mathbf{(1)}$</td></tr><tr><td>liquid (acid test)</td><td>$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} \quad \mathbf{(1)}$</td></tr></table>	Ratio	Formula	current (working capital)	$\frac{\text{Current assets}}{\text{Current liabilities}} \quad \mathbf{(1)}$	liquid (acid test)	$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}} \quad \mathbf{(1)}$	(2)
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1(f) (ii)	Award 1 mark for a general statement regarding the change in liquidity over the year. Further 3 marks for discussion on both ratios and the final 1 mark for a conclusion. Sample answer: The liquidity of the business has declined (1) over the year which is evidenced by the reduction in both ratios. The current ratio indicates that the business can pay its short-term debts (1). However, the acid test ratio indicates that the business will struggle to pay its short-term debts from its liquid assets (1) which is due to the business holding too much inventory (1). In order to improve liquidity, the business needs to convert inventory into cash quicker to improve the bank balance (1).	(5)

(Total for Question 1 = 25 marks)

Question number	Answer	Mark
2(a)	Award marks as indicated. Raw materials are the resource needed to make finished goods. (1) Work in progress is goods which are partly completed at the end of the financial year. (1) Finished goods are goods which are fully completed and ready for sale. (1) Accept any other appropriate responses.	(3)

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2(b)	Award marks as indicated. Award 1 mark for all correct labels. Jeff Manufacturing account for the year ended 31 December 2019 <table border="1"> <tr> <td></td><td style="text-align: center;">\$</td><td></td></tr> <tr> <td>Opening inventory of raw materials</td><td style="text-align: right;">18 750</td><td></td></tr> <tr> <td>Purchases</td><td style="text-align: right;">238 795</td><td></td></tr> <tr> <td>Carriage inwards</td><td style="text-align: right;">8 955</td><td></td></tr> <tr> <td>Closing inventory of raw materials</td><td style="text-align: right;">(16 250)</td><td></td></tr> <tr> <td>Cost of raw materials consumed</td><td style="text-align: right;">250 250</td><td>(1)</td></tr> <tr> <td>Direct expenses / royalties</td><td style="text-align: right;">50 000</td><td>(1)</td></tr> <tr> <td>Direct wages</td><td style="text-align: right;">99 250</td><td>(1)</td></tr> <tr> <td>Prime cost</td><td style="text-align: right;">399 500</td><td>(1of)</td></tr> <tr> <td>Depreciation on factory machinery</td><td style="text-align: right;">9 216</td><td>(1)</td></tr> <tr> <td>Insurance</td><td style="text-align: right;">10 000</td><td>(1)</td></tr> <tr> <td>Supervisor wages</td><td style="text-align: right;">30 900</td><td>(1)</td></tr> <tr> <td>Heat, light and power</td><td style="text-align: right;">28 400</td><td>(1)</td></tr> <tr> <td></td><td style="text-align: right;">478 016</td><td></td></tr> <tr> <td>Opening inventory of work in progress</td><td style="text-align: right;">21 570</td><td rowspan="2">(1for both)</td></tr> <tr> <td>Closing inventory of work in progress</td><td style="text-align: right;">(18 590)</td></tr> <tr> <td>Cost of production</td><td style="text-align: right;">480 996</td><td>(1of)</td></tr> </table>		\$		Opening inventory of raw materials	18 750		Purchases	238 795		Carriage inwards	8 955		Closing inventory of raw materials	(16 250)		Cost of raw materials consumed	250 250	(1)	Direct expenses / royalties	50 000	(1)	Direct wages	99 250	(1)	Prime cost	399 500	(1of)	Depreciation on factory machinery	9 216	(1)	Insurance	10 000	(1)	Supervisor wages	30 900	(1)	Heat, light and power	28 400	(1)		478 016		Opening inventory of work in progress	21 570	(1for both)	Closing inventory of work in progress	(18 590)	Cost of production	480 996	(1of)	(11)
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2(d)	Award 1 mark for a general statement regarding the reason why it is necessary. Further 3 marks for discussion to develop the reason and the final 1 mark for a conclusion. Sample answers This is an application of the accruals concept (1). To apply this concept, it is necessary to transfer to the income statement only the amounts covered by that period (1). This allows a more meaningful comparison of financial statements year on year (1) and allows the business to present a true and fair view of its financial position (1). It is necessary to account for other receivables and other payables to present a more accurate view of profit and loss and/or current assets and liabilities (1).	(5)

(Total for Question 2 = 25 marks)

TOTAL FOR PAPER = 50 MARKS