



# Mark Scheme (Results)

Summer 2017

Pearson Edexcel IAL Accounting  
(WAC11)

Paper 01 The Accounting System and  
Costing

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## **General marking guidance**

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- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked unless the candidate has replaced it with an alternative response.

Question Number	Answer	Mark																																																																					
1 (a)(i)	<p><b>AO1 (11), AO2 (17), AO3 (2)</b>  <b>AO1: Eleven marks for recording the correct balance into the financial statements without adjustment.</b>  <b>AO2: Seventeen marks for recording the correct balance into the financial statements with adjustment.</b>  <b>AO3: Two marks for calculating and applying two stage adjustment.</b></p> <p style="text-align: center;"><b>Amsha</b></p> <p style="text-align: center;">Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th><th style="width: 20%; text-align: right;">£</th><th style="width: 20%; text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">525 000 <b>(1)AO1</b></td></tr> <tr> <td>Inventory 1 April 2016</td><td style="text-align: right;">17 500 <b>(1)AO1</b></td><td></td></tr> <tr> <td>Purchases</td><td></td><td></td></tr> <tr> <td>(88 100 <b>(1)AO1</b> + 2 500 <b>(1)AO2</b>)</td><td style="text-align: right;"><u>90 600</u></td><td></td></tr> <tr> <td></td><td style="text-align: right;">108 100</td><td></td></tr> <tr> <td>Inventory 30 March 2017</td><td style="text-align: right;"><u>(20 800) <b>(1)AO1</b></u></td><td></td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;"><u>(87 300)</u></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">437 700</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Plumbing technician's wages</td><td style="text-align: right;">139 200 <b>(1)AO1</b></td><td></td></tr> <tr> <td>Management salaries (75 000 - 18 000)</td><td style="text-align: right;">57 000 <b>(1)AO2</b></td><td></td></tr> <tr> <td>Motor vehicle running expenses</td><td style="text-align: right;">45 000 <b>(1)AO1</b></td><td></td></tr> <tr> <td>Electricity and gas</td><td style="text-align: right;">5 700 <b>(1)AO1</b></td><td></td></tr> <tr> <td>Rent of premises (32 000 - 4 000)</td><td style="text-align: right;">28 000 <b>(1)AO2</b></td><td></td></tr> <tr> <td>Marketing expenses (65 000 + 1 900)</td><td style="text-align: right;">66 900 <b>(1)AO2</b></td><td></td></tr> <tr> <td>Bank loan interest (3 000 + 1 800)</td><td style="text-align: right;">4 800 <b>(1)AO2</b></td><td></td></tr> <tr> <td>Provisions for depreciation:</td><td></td><td></td></tr> <tr> <td>    Motor vehicles</td><td style="text-align: right;">36 000 <b>(1)AO2</b></td><td></td></tr> <tr> <td>    Office equipment</td><td style="text-align: right;">6 000 <b>(1)AO2</b></td><td></td></tr> <tr> <td>    Loose tools</td><td style="text-align: right;">12 000 <b>(1)AO2</b></td><td></td></tr> <tr> <td>Allowance for doubtful debts</td><td style="text-align: right;"><u>1 200 <b>(1)AO2</b></u></td><td></td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;">           401 800  <u>35 900 <b>(1)of+w AO2</b></u>  <u>437 700</u> </td></tr> </tbody> </table>		£	£	Revenue		525 000 <b>(1)AO1</b>	Inventory 1 April 2016	17 500 <b>(1)AO1</b>		Purchases			(88 100 <b>(1)AO1</b> + 2 500 <b>(1)AO2</b> )	<u>90 600</u>			108 100		Inventory 30 March 2017	<u>(20 800) <b>(1)AO1</b></u>		Cost of sales		<u>(87 300)</u>	Gross profit		437 700	Less			Plumbing technician's wages	139 200 <b>(1)AO1</b>		Management salaries (75 000 - 18 000)	57 000 <b>(1)AO2</b>		Motor vehicle running expenses	45 000 <b>(1)AO1</b>		Electricity and gas	5 700 <b>(1)AO1</b>		Rent of premises (32 000 - 4 000)	28 000 <b>(1)AO2</b>		Marketing expenses (65 000 + 1 900)	66 900 <b>(1)AO2</b>		Bank loan interest (3 000 + 1 800)	4 800 <b>(1)AO2</b>		Provisions for depreciation:			Motor vehicles	36 000 <b>(1)AO2</b>		Office equipment	6 000 <b>(1)AO2</b>		Loose tools	12 000 <b>(1)AO2</b>		Allowance for doubtful debts	<u>1 200 <b>(1)AO2</b></u>		Profit for the year		401 800 <u>35 900 <b>(1)of+w AO2</b></u> <u>437 700</u>	<b>(17)</b>
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1 (b)(i)	<p><b>AO1 (1), AO2 (7), AO3 (1)</b> <b>AO1: One mark for correctly including the annual wage.</b> <b>AO2: Seven marks for correctly calculating the annual costs and hourly rate.</b> <b>AO3: One mark for correctly calculating the productive hours per annum.</b></p> <table><tr><td></td><td><b>Per plumbing Technician</b></td></tr><tr><td></td><td><b>£</b></td></tr><tr><td>Wages</td><td>10 000 (1)<b>AO1</b></td></tr><tr><td>Employment taxes</td><td>2 000 (1)<b>AO2</b></td></tr><tr><td>Motor vehicle depreciation</td><td>3 000 (1)<b>AO2</b></td></tr><tr><td>Motor vehicle running exp</td><td>4 000 (1)<b>AO2</b></td></tr><tr><td>Loose tools depreciation</td><td><u>1 000</u> (1of)<b>AO2</b></td></tr><tr><td></td><td>20 000</td></tr><tr><td>Overheads and profit</td><td><u>7 000</u> (1of)<b>AO2</b></td></tr><tr><td></td><td>27 000 (1of)<b>AO2</b></td></tr></table>		<b>Per plumbing Technician</b>		<b>£</b>	Wages	10 000 (1) <b>AO1</b>	Employment taxes	2 000 (1) <b>AO2</b>	Motor vehicle depreciation	3 000 (1) <b>AO2</b>	Motor vehicle running exp	4 000 (1) <b>AO2</b>	Loose tools depreciation	<u>1 000</u> (1of) <b>AO2</b>		20 000	Overheads and profit	<u>7 000</u> (1of) <b>AO2</b>		27 000 (1of) <b>AO2</b>	
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Question Number	Answer	Mark
1 (c)	<p><b>AO1 (4)</b>  <b>AO1: Four marks for describing a group incentive scheme.</b></p> <p>A <b>standard time</b> would be established for each job (1)<b>AO1</b> All of the jobs undertaken by all of the plumbing technicians would be allocated a standard time. The <b>total standard time</b> to complete all jobs for all technicians could then be established. (1)<b>AO1</b></p> <p>This would be compared with the actual time taken to complete all jobs to establish the <b>time saved</b>. (1)<b>AO1</b>  The plumbing technicians would then <b>share</b> a percentage (usually 50%) of the monetary value of time saved. (1)<b>AO1</b></p> <p><b>NOT</b>  Benefits and disadvantages of a group incentive</p>	(4)

Question Number		Indicative Content
1(d)		<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Potential arguments for</p> <ul style="list-style-type: none"> <li>• Technicians may complete the job in less time</li> <li>• More efficient use of time, more jobs completed</li> <li>• Cost of each job reduces</li> <li>• Fixed overheads spread over more jobs</li> <li>• Quick completion of jobs would make the business more competitive, gaining customers</li> <li>• Improved team work.</li> </ul> <p>Potential arguments against</p> <ul style="list-style-type: none"> <li>• Quality issues/more supervision required</li> <li>• Some technicians may not work more efficiently but may leave others to complete the task more quickly</li> <li>• Possible reduction in customer service</li> <li>• More efficient technicians may see the bonus scheme as unfair and become demotivated.</li> </ul> <p>Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.</p> <p style="text-align: right;"><b>(12)</b></p>
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.

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2 (a)	<p><b>AO1 (8), AO2 (2)</b>  <b>AO1: Eight marks for correctly locating the balances in the trial balance.</b>  <b>AO2: Two marks for correctly calculating the accumulated fund and applying the balances to the trial balance.</b></p> <p style="text-align: center;">Aviana Gym Club Trial Balance at 30 April 2017</p> <table> <thead> <tr> <th></th><th style="text-align: center;">Dr £</th><th style="text-align: center;">Cr £</th></tr> </thead> <tbody> <tr> <td>Members' subscriptions</td><td></td><td>5 300 (1)<b>AO1</b></td></tr> <tr> <td>Equipment rental income</td><td></td><td>1 050 (1)<b>AO1</b></td></tr> <tr> <td>Refreshment sales</td><td></td><td>2 400</td></tr> <tr> <td>Refreshment purchase</td><td>960</td><td></td></tr> <tr> <td>Non-current assets (cost)</td><td></td><td></td></tr> <tr> <td>    Gym equipment</td><td>8 500 (1)<b>AO1</b></td><td></td></tr> <tr> <td>    Office fixtures</td><td>3 000</td><td></td></tr> <tr> <td>Provisions for depreciation</td><td></td><td></td></tr> <tr> <td>    Gym equipment</td><td></td><td>2 500 (1)<b>AO1</b></td></tr> <tr> <td>    Office fixtures</td><td></td><td>800</td></tr> <tr> <td>    Rent of premises</td><td>2 000</td><td></td></tr> <tr> <td>Heating and lighting</td><td>1 100</td><td></td></tr> <tr> <td>Trade payable –refreshment</td><td></td><td>570 (1)<b>AO1</b></td></tr> <tr> <td>Sundry expenses</td><td>1 600</td><td></td></tr> <tr> <td>Cash</td><td>80 (1)<b>AO1</b></td><td></td></tr> <tr> <td>Bank overdraft</td><td></td><td>4 000 (1)<b>AO1</b></td></tr> <tr> <td>Gym equipment maintenance</td><td>950 (1)<b>AO1</b></td><td></td></tr> <tr> <td>Inventory of refreshments</td><td></td><td></td></tr> <tr> <td>    1 May 2016</td><td>480</td><td></td></tr> <tr> <td>Accumulated fund</td><td>_____</td><td><u>2 050</u>(2)<b>AO2/(1)of AO2</b></td></tr> <tr> <td></td><td style="text-align: right;"><b><u>18 670</u></b></td><td style="text-align: right;"><b><u>18 670</u></b></td></tr> </tbody> </table>		Dr £	Cr £	Members' subscriptions		5 300 (1) <b>AO1</b>	Equipment rental income		1 050 (1) <b>AO1</b>	Refreshment sales		2 400	Refreshment purchase	960		Non-current assets (cost)			Gym equipment	8 500 (1) <b>AO1</b>		Office fixtures	3 000		Provisions for depreciation			Gym equipment		2 500 (1) <b>AO1</b>	Office fixtures		800	Rent of premises	2 000		Heating and lighting	1 100		Trade payable –refreshment		570 (1) <b>AO1</b>	Sundry expenses	1 600		Cash	80 (1) <b>AO1</b>		Bank overdraft		4 000 (1) <b>AO1</b>	Gym equipment maintenance	950 (1) <b>AO1</b>		Inventory of refreshments			1 May 2016	480		Accumulated fund	_____	<u>2 050</u> (2) <b>AO2/(1)of AO2</b>		<b><u>18 670</u></b>	<b><u>18 670</u></b>	(10)
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Refreshment sales		2 400																																																																		
Refreshment purchase	960																																																																			
Non-current assets (cost)																																																																				
Gym equipment	8 500 (1) <b>AO1</b>																																																																			
Office fixtures	3 000																																																																			
Provisions for depreciation																																																																				
Gym equipment		2 500 (1) <b>AO1</b>																																																																		
Office fixtures		800																																																																		
Rent of premises	2 000																																																																			
Heating and lighting	1 100																																																																			
Trade payable –refreshment		570 (1) <b>AO1</b>																																																																		
Sundry expenses	1 600																																																																			
Cash	80 (1) <b>AO1</b>																																																																			
Bank overdraft		4 000 (1) <b>AO1</b>																																																																		
Gym equipment maintenance	950 (1) <b>AO1</b>																																																																			
Inventory of refreshments																																																																				
1 May 2016	480																																																																			
Accumulated fund	_____	<u>2 050</u> (2) <b>AO2/(1)of AO2</b>																																																																		
	<b><u>18 670</u></b>	<b><u>18 670</u></b>																																																																		



Question Number	Answer	Mark										
2 (b)	<p><b>AO1 (4)</b> <b>AO1: Four marks for stating the differences.</b></p> <table><tr><th>Trial balance</th><th>Statement of financial position</th></tr><tr><td>Consists of all balances in the ledger from which Financial statements will be prepared. <b>(1)AO1</b></td><td>Consists of only year-end assets and liabilities carrying forward to next year. <b>(1)AO1</b></td></tr><tr><td>Not adjusted for year-end adjustments. <b>(1)AO1</b></td><td>Contains only year-end adjustments carrying forward to the next financial year. <b>(1)AO1</b></td></tr><tr><td>Prepared before income statement. <b>(1)AO1</b></td><td>Prepared after income statement. <b>(1)AO1</b></td></tr><tr><td>Not part of published financial statements <b>(1)AO1</b></td><td>Part of published financial statements <b>(1)AO1</b></td></tr></table> <p><b>NOT</b> Monthly and yearly Relating to errors or fraud</p>	Trial balance	Statement of financial position	Consists of all balances in the ledger from which Financial statements will be prepared. <b>(1)AO1</b>	Consists of only year-end assets and liabilities carrying forward to next year. <b>(1)AO1</b>	Not adjusted for year-end adjustments. <b>(1)AO1</b>	Contains only year-end adjustments carrying forward to the next financial year. <b>(1)AO1</b>	Prepared before income statement. <b>(1)AO1</b>	Prepared after income statement. <b>(1)AO1</b>	Not part of published financial statements <b>(1)AO1</b>	Part of published financial statements <b>(1)AO1</b>	<p><b>(4)</b></p>
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Question Number	Answer	Mark																																										
2 (c) (i)	<p><b>AO1 (3), AO2 (23), AO3 (3)</b></p> <p><b>AO1: Three marks for recording the correct opening balances.</b></p> <p><b>AO2: Twenty three marks for correctly applying the balances to the accounts</b></p> <p><b>AO3: Three marks for calculating and applying the correct adjustment to the correct account for the disposal of gym equipment.</b></p> <table><tr><th colspan="6">Subscriptions Account</th></tr><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2017 30 April</td><td>Income and expenditure</td><td>5 180 <b>(1of)AO2</b></td><td>2017</td><td>Bank/members subscriptions/R &amp; P</td><td>5 300 <b>(1)AO2</b></td></tr><tr><td></td><td></td><td></td><td>30 April</td><td>Bad debts/irrecoverable debts/written off</td><td>140 <b>(1)AO2</b></td></tr><tr><td>30 April</td><td>Balance c/d</td><td><u>350</u></td><td>30 April</td><td>Balance c/d</td><td><u>90</u></td></tr><tr><td></td><td></td><td><u>5 530</u></td><td></td><td></td><td><u>5 530</u></td></tr><tr><td>1 May</td><td>Balance b/d</td><td>90 <b>(1)AO2</b></td><td>1 May</td><td>Balance b/d</td><td>350 <b>(1)AO2</b></td></tr></table>	Subscriptions Account						Date	Details	£	Date	Details	£	2017 30 April	Income and expenditure	5 180 <b>(1of)AO2</b>	2017	Bank/members subscriptions/R & P	5 300 <b>(1)AO2</b>				30 April	Bad debts/irrecoverable debts/written off	140 <b>(1)AO2</b>	30 April	Balance c/d	<u>350</u>	30 April	Balance c/d	<u>90</u>			<u>5 530</u>			<u>5 530</u>	1 May	Balance b/d	90 <b>(1)AO2</b>	1 May	Balance b/d	350 <b>(1)AO2</b>	
Subscriptions Account																																												
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(5)

Question Number	Answer	Mark																																				
2 (c) (ii)	<table><tr><th colspan="6">Gym Equipment Account</th></tr><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2016 1 May</td><td>Balance b/d</td><td>8 500 (1)AO1</td><td>2017 30 April</td><td>Disposal</td><td>1 500 (1)AO3</td></tr><tr><td>2017 30 March</td><td>Bank</td><td>4 600 (1)AO2</td><td>30 April</td><td>Balance c/d</td><td><u>11600</u></td></tr><tr><td></td><td></td><td><u>13 100</u></td><td></td><td></td><td><u>13 100</u></td></tr><tr><td>2017 1 May</td><td>Balance b/d</td><td>11 600 (1of)AO2</td><td></td><td></td><td></td></tr></table>	Gym Equipment Account						Date	Details	£	Date	Details	£	2016 1 May	Balance b/d	8 500 (1)AO1	2017 30 April	Disposal	1 500 (1)AO3	2017 30 March	Bank	4 600 (1)AO2	30 April	Balance c/d	<u>11600</u>			<u>13 100</u>			<u>13 100</u>	2017 1 May	Balance b/d	11 600 (1of)AO2				(4)
Gym Equipment Account																																						
Date	Details	£	Date	Details	£																																	
2016 1 May	Balance b/d	8 500 (1)AO1	2017 30 April	Disposal	1 500 (1)AO3																																	
2017 30 March	Bank	4 600 (1)AO2	30 April	Balance c/d	<u>11600</u>																																	
		<u>13 100</u>			<u>13 100</u>																																	
2017 1 May	Balance b/d	11 600 (1of)AO2																																				

Question Number	Answer						Mark
2(c)(iii)	Gym Equipment – Provision for Depreciation Account						
	Date	Details	£	Date	Details	£	
	2017 30 April	Disposal	900 (1)AO3	2016 1 May	Balance b/d	2 500 (1)AO1	
	30 April	Balance c/d	<u>3 600</u>	2017 30 April	Income & Expenditure	<u>2 000</u> (1of)AO2	
			<u>4 500</u>			<u>4 500</u>	
				2017 1 May	Balance b/d	3 600 (1of)AO2	

(4)

Question Number	Answer	Mark																														
2 (c) (iv)	<p style="text-align: center;">Avianna Gym Club Refreshment Trading Account for the year ended 30 April 2017</p> <table style="width: 100%;"> <thead> <tr> <th></th><th style="text-align: right;">£</th><th style="text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">2 400</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td style="text-align: right;">480</td><td></td></tr> <tr> <td>Purchases (960 + 60)</td><td style="text-align: right;"><u>1 020</u> (1)AO2</td><td></td></tr> <tr> <td></td><td style="text-align: right;">1 500</td><td></td></tr> <tr> <td>Closing inventory</td><td style="text-align: right;"><u>(570)</u></td><td></td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;">930 (1of + w)AO2</td></tr> <tr> <td>Trading profit</td><td></td><td style="text-align: right;"><u>1 470</u> (1of+ w)AO2</td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>2 400</u></td></tr> </tbody> </table>		£	£	Revenue		2 400	Less			Opening inventory	480		Purchases (960 + 60)	<u>1 020</u> (1)AO2			1 500		Closing inventory	<u>(570)</u>		Cost of sales		930 (1of + w)AO2	Trading profit		<u>1 470</u> (1of+ w)AO2			<u>2 400</u>	(3)
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Question Number	Answer	Mark																																																						
<b>2 (c) (v)</b>	<p>Income and Expenditure Account for the year ended 30 April 2017</p> <table> <tr> <td></td><td>£</td><td>£</td></tr> <tr> <td>Income</td><td></td><td></td></tr> <tr> <td>Subscriptions</td><td></td><td>5 180 <b>(1of)AO2</b></td></tr> <tr> <td>Income from rental of equipment</td><td></td><td>1 050</td></tr> <tr> <td>Profit on refreshment</td><td></td><td>1 470 <b>(1of)AO2</b></td></tr> <tr> <td>Profit on sale of gym equipment</td><td></td><td><u>200</u> <b>(1)AO3</b></td></tr> <tr> <td></td><td></td><td>7 900</td></tr> <tr> <td>Less Expenditure</td><td></td><td></td></tr> <tr> <td>Rent of premises</td><td>2 000</td><td></td></tr> <tr> <td>Heating and lighting</td><td>1 100</td><td></td></tr> <tr> <td>Sundry expenses</td><td>1 600</td><td></td></tr> <tr> <td>Equipment maintenance</td><td>950</td><td></td></tr> <tr> <td>Bad debts</td><td>140</td><td></td></tr> <tr> <td>Depreciation - Gym equipment</td><td>2 000 <b>(1of)AO2</b></td><td></td></tr> <tr> <td>Office fixtures</td><td><u>300</u> <b>(1)AO2</b></td><td></td></tr> <tr> <td></td><td></td><td>(8 090) <b>(1of)AO2</b></td></tr> <tr> <td>Deficit</td><td></td><td><u>190</u> <b>(1of) + wAO2</b></td></tr> <tr> <td></td><td></td><td><u>7 050</u></td></tr> </table>		£	£	Income			Subscriptions		5 180 <b>(1of)AO2</b>	Income from rental of equipment		1 050	Profit on refreshment		1 470 <b>(1of)AO2</b>	Profit on sale of gym equipment		<u>200</u> <b>(1)AO3</b>			7 900	Less Expenditure			Rent of premises	2 000		Heating and lighting	1 100		Sundry expenses	1 600		Equipment maintenance	950		Bad debts	140		Depreciation - Gym equipment	2 000 <b>(1of)AO2</b>		Office fixtures	<u>300</u> <b>(1)AO2</b>				(8 090) <b>(1of)AO2</b>	Deficit		<u>190</u> <b>(1of) + wAO2</b>			<u>7 050</u>	<b>(7)</b>
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Question Number	Answer	Mark																																			
2 (d)	<div>Statement of Financial Position (Extract) at 30 April 2017</div> <div>Non-current Assets</div> <table><thead><tr><th></th><th>Cost</th><th>Accumulated Depreciation</th><th>Carrying value</th></tr><tr><th></th><th>£</th><th>£</th><th>£</th></tr></thead><tbody><tr><td>Gym equipment</td><td>11 600 (1)AO2</td><td>3 600</td><td>8 000 (1)AO2</td></tr><tr><td>Office fixtures</td><td><u>3 000</u></td><td><u>1 100</u></td><td><u>1 900</u> (1)AO2</td></tr><tr><td></td><td><u>14 600</u></td><td><u>4 700</u></td><td>9 900</td></tr></tbody></table> <div>Current Assets</div> <div>Inventory of refreshments</div> <div>Subscriptions in arrears(230 – 140)</div> <div>Cash (80 + 800)</div> <table><tbody><tr><td></td><td>570 (1)AO2</td><td></td></tr><tr><td></td><td>90 (1)AO2</td><td></td></tr><tr><td></td><td><u>880</u> (1)AO1</td><td></td></tr><tr><td></td><td></td><td><u>1 540</u></td></tr><tr><td></td><td></td><td><u>11 440</u></td></tr></tbody></table>		Cost	Accumulated Depreciation	Carrying value		£	£	£	Gym equipment	11 600 (1)AO2	3 600	8 000 (1)AO2	Office fixtures	<u>3 000</u>	<u>1 100</u>	<u>1 900</u> (1)AO2		<u>14 600</u>	<u>4 700</u>	9 900		570 (1)AO2			90 (1)AO2			<u>880</u> (1)AO1				<u>1 540</u>			<u>11 440</u>	(6)
	Cost	Accumulated Depreciation	Carrying value																																		
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		<u>1 540</u>																																			
		<u>11 440</u>																																			

Question Number	Indicative Content	Mark
<b>2 (e)</b>	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Potential arguments for</p> <ul style="list-style-type: none"> <li>• The club will have control of the premises</li> <li>• The club can change premises to meet their needs</li> <li>• Potential additional source of income through renting</li> <li>• Will no longer have to pay rent which will reduce the expenses of the club.</li> </ul> <p>Potential arguments against</p> <ul style="list-style-type: none"> <li>• The costs involved in purchase – large long term loan</li> <li>• Long term nature of purchase</li> <li>• All running costs will fall on the club</li> <li>• The club is making a loss, can it support such a long term project.</li> </ul> <p>Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed</p>	<b>(12)</b>
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)	<p><b>AO1 (4)</b>  <b>AO1: Four marks for stating the difference between trade receivable ledger and sales day book.</b></p> <p>The trade receivables ledger consists of the <b>individual accounts (1)AO1</b> of customers to whom we have <b>sold goods or services on credit (1)AO1</b>.</p> <p>The sales day book <b>lists all of the credit sales (1)AO1</b> made in a day/specific period. <b>(1)AO1</b> before it is <b>totalled and posted to the ledger</b>.</p> <p><b>Accept</b>  The trade receivables ledger is not a book of prime entry <b>(1)</b> the sales day book is a book of prime entry <b>(1)</b></p> <p><b>NOT</b>  All sales (must be credit)</p>	(4)

Question Number	Answer	Mark																		
3 (b)	<p><b>AO1 (2), AO2 (4)</b>  <b>AO1: Two mark for identifying the account.</b>  <b>AO2: Four marks for calculating the figure and inserting this correctly in the journal.</b></p> <p style="text-align: center;">Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: center;">Dr</th><th style="text-align: center;">Cr</th></tr> <tr> <th></th><th style="text-align: center;">£</th><th style="text-align: center;">£</th></tr> </thead> <tbody> <tr> <td>Sales returns/TRCA (1)AO1</td><td style="text-align: right;">70 (1)AO2</td><td></td></tr> <tr> <td>Mill Street Stores</td><td></td><td style="text-align: right;">70 (1)AO2</td></tr> <tr> <td>Mill Street Stores</td><td style="text-align: right;">45 (1)AO2</td><td></td></tr> <tr> <td>Revenue (Sales)/TRCA (1)AO1</td><td></td><td style="text-align: right;">45 (1)AO2</td></tr> </tbody> </table>		Dr	Cr		£	£	Sales returns/TRCA (1)AO1	70 (1)AO2		Mill Street Stores		70 (1)AO2	Mill Street Stores	45 (1)AO2		Revenue (Sales)/TRCA (1)AO1		45 (1)AO2	(6)
	Dr	Cr																		
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Question Number	Answer	Mark																		
3 (c)	<p><b>AO1 (2), AO2 (2)</b>  <b>AO1: Two marks for recording the opening and closing balances.</b>  <b>AO2: Two marks for making the correct adjustments.</b></p> <p style="text-align: center;">Mill Street Stores</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: center;">£</th><th></th></tr> </thead> <tbody> <tr> <td>Balance b/d</td><td style="text-align: right;">700</td><td>(1)AO1</td></tr> <tr> <td>Less Returns</td><td style="text-align: right;"><u>(70)</u></td><td>(1)AO2</td></tr> <tr> <td></td><td style="text-align: right;">630</td><td></td></tr> <tr> <td>Plus Trade discount</td><td style="text-align: right;"><u>45</u></td><td>(1of from (b))AO2</td></tr> <tr> <td>Corrected balance</td><td style="text-align: right;"><u>675</u></td><td>(1of)AO1</td></tr> </tbody> </table>		£		Balance b/d	700	(1)AO1	Less Returns	<u>(70)</u>	(1)AO2		630		Plus Trade discount	<u>45</u>	(1of from (b))AO2	Corrected balance	<u>675</u>	(1of)AO1	(4)
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Question Number	Answer	Mark																																								
3 (d)	<p><b>AO1 (1), AO2 (6), AO3 (3)</b></p> <p><b>A01:</b> One mark for recording the correct closing credit balance.</p> <p><b>A02:</b> Six marks for correctly applying the monthly balances to the account.</p> <p><b>A03:</b> Three marks for calculating the corrected figure from the journal adjustment before applying the corrected figure to the account.</p>	(10)																																								
<div>Trade Receivables Control Account</div> <table><thead><tr><th></th><th>£</th><th></th><th>£</th><th></th></tr></thead><tbody><tr><td>Balance b/d</td><td>3 450</td><td>Balance b/d</td><td>50</td><td></td></tr><tr><td>Revenue7830<b>(1)AO2</b> + 45</td><td>7 875 <b>(1)AO3</b></td><td>Sales returns 470<b>(1)AO2</b> + 70</td><td>540 <b>(1)AO3</b></td><td></td></tr><tr><td>Bank (cash refund)</td><td>210 <b>(1)AO2</b></td><td>Discount allowed</td><td>520 <b>(1)AO2</b></td><td></td></tr><tr><td>Interest charged</td><td>95 <b>(1)AO2</b></td><td>Bank (receipts)</td><td>6 695 <b>(1)AO2</b></td><td></td></tr><tr><td>Balance c/d</td><td><u>150</u></td><td>Balance c/d</td><td><u>3 975</u></td><td></td></tr><tr><td></td><td><u>11 780</u></td><td></td><td><u>11 780</u></td><td></td></tr><tr><td>Balance b/d</td><td>3 975 <b>(1)AO3</b></td><td>Balance b/d</td><td>150 <b>(1)AO1</b></td><td></td></tr></tbody></table>				£		£		Balance b/d	3 450	Balance b/d	50		Revenue7830 <b>(1)AO2</b> + 45	7 875 <b>(1)AO3</b>	Sales returns 470 <b>(1)AO2</b> + 70	540 <b>(1)AO3</b>		Bank (cash refund)	210 <b>(1)AO2</b>	Discount allowed	520 <b>(1)AO2</b>		Interest charged	95 <b>(1)AO2</b>	Bank (receipts)	6 695 <b>(1)AO2</b>		Balance c/d	<u>150</u>	Balance c/d	<u>3 975</u>			<u>11 780</u>		<u>11 780</u>		Balance b/d	3 975 <b>(1)AO3</b>	Balance b/d	150 <b>(1)AO1</b>	
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Question Number	Answer	Mark
<b>3 (e)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Potential positive arguments for control accounts</p> <ul style="list-style-type: none"> <li>• Checking device on the double entry</li> <li>• Facilitates total balances for financial statement preparation</li> <li>• Restricts fraud</li> <li>• Owner can see total trade payables and trade receivables</li> </ul> <p>Potential negative points against control accounts</p> <ul style="list-style-type: none"> <li>• Additional resources required to prepare.</li> <li>• Require an experienced book-keeper to prepare</li> <li>• Not all errors will be revealed.</li> </ul> <p>Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.</p>	<b>(6)</b>
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)	<p><b>AO1 (4)</b></p> <p><b>AO1: Four marks for stating the importance of liquidity.</b></p> <p>Liquidity is the <b>ability of a business to meet its short term debts</b>. (1) <b>AO1</b> Failure to meet short term debts will result in the <b>delay/failure to provide supplies</b> (1) <b>AO1</b> which the business <b>can resell at a profit</b> (1) <b>AO1</b>. This could lead to <b>bankruptcy/cease trading</b> (1) <b>AO1</b>. Need to have <b>good cash flow</b> to meet obligations (1) <b>AO1</b>. Ability to convert <b>inventory to cash</b> in a short period of time (1) <b>AO1</b>. The liquidity of the business should be within the range 1.4 - 2:1 for the current ratio or 0.7 – 1:1 for the acid test ratio (1) <b>AO1</b>.</p> <p>Max 4</p>	(4)

Question Number	Answer	Mark
4 (b)(i)	<p><b>AO1 (2)</b></p> <p><b>AO1: Two marks for applying the formula correctly.</b></p> <p><u>Current assets</u>                      <math>\frac{70\,000}{15\,000} = 4.67:1</math> (1) <b>AO1</b></p> <p>Current liabilities                      15 000 (1) <b>AO1</b></p>	(2)

Question Number	Answer	Mark
4 (b) (ii)	<p><b>AO1 (2)</b></p> <p><b>AO1: Two marks for applying the formula correctly.</b></p> <p><u>Current assets – inventory</u>    <u>70 000 – 40 000</u> <b>(1)</b>    <b>AO1 = 2:1 (1) AO1</b></p> <p>Current liabilities                      15 000</p>	(2)



Question Number	Answer	Mark																																																																																																												
4 (c)	<p><b>AO1 (1), AO2 (12), AO3 (3)</b> <b>AO1:</b> One mark for recording the given expense in the account without adjustment. <b>AO2:</b> Twelve marks for calculating the figure and inserting this correctly in the statement. <b>AO3:</b> Three marks for calculating the corrected figure from a number of adjustments before applying the figure to the correct statement.</p> <table><tr><th colspan="4">Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2017</th></tr><tr><th></th><th>Workings</th><th>£</th><th>£</th></tr><tr><td>Revenue</td><td></td><td></td><td>135 000</td></tr><tr><td>less</td><td></td><td></td><td>(1)AO1</td></tr><tr><td>Opening inventory</td><td></td><td>40 000</td><td>(1)AO1</td></tr><tr><td>Purchases</td><td></td><td><u>72 000</u></td><td>(1)AO1</td></tr><tr><td>less</td><td></td><td>112 000</td><td></td></tr><tr><td>Closing inventory</td><td></td><td><u>(25 000)</u></td><td></td></tr><tr><td>Cost of sales</td><td></td><td></td><td><u>(87 000)</u></td></tr><tr><td><b>Gross profit</b></td><td></td><td></td><td>48 000</td></tr><tr><td>Expenses</td><td></td><td>33 000</td><td>(1)AO1</td></tr><tr><td>Depreciation</td><td></td><td><u>4 500</u></td><td>(1)AO2</td></tr><tr><td></td><td></td><td></td><td><u>37 500</u></td></tr><tr><td><b>Profit for the year</b></td><td></td><td></td><td><u>10 500</u></td></tr><tr><td></td><td></td><td></td><td></td></tr></table> <table><tr><th colspan="4">Statement of Financial Position at 30 April 2017</th></tr><tr><th></th><th>Workings</th><th>£</th><th>£</th></tr><tr><td><b>Assets</b></td><td></td><td></td><td></td></tr><tr><td>Non-current assets</td><td>30000-4 500</td><td>25 500</td><td>(1)AO2</td></tr><tr><td>Inventory</td><td></td><td>25 000</td><td></td></tr><tr><td>Trade receivables</td><td>25 000+135 000 - 123 000</td><td>37 000</td><td>(1)AO3</td></tr><tr><td>Bank</td><td>5 000-33 000+ 123 000-80 000</td><td><u>15 000</u></td><td>(1)AO3</td></tr><tr><td></td><td></td><td><u>102 500</u></td><td></td></tr><tr><td><b>Capital and liabilities</b></td><td></td><td></td><td></td></tr><tr><td>Capital</td><td>85 000 +10 500</td><td>95 500</td><td>(1)AO2</td></tr><tr><td>Trade payables</td><td>15 000+72 000 - 80 000</td><td><u>7 000</u></td><td>(1)AO3</td></tr><tr><td></td><td></td><td><u>102 500</u></td><td></td></tr></table>	Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2017					Workings	£	£	Revenue			135 000	less			(1)AO1	Opening inventory		40 000	(1)AO1	Purchases		<u>72 000</u>	(1)AO1	less		112 000		Closing inventory		<u>(25 000)</u>		Cost of sales			<u>(87 000)</u>	<b>Gross profit</b>			48 000	Expenses		33 000	(1)AO1	Depreciation		<u>4 500</u>	(1)AO2				<u>37 500</u>	<b>Profit for the year</b>			<u>10 500</u>					Statement of Financial Position at 30 April 2017					Workings	£	£	<b>Assets</b>				Non-current assets	30000-4 500	25 500	(1)AO2	Inventory		25 000		Trade receivables	25 000+135 000 - 123 000	37 000	(1)AO3	Bank	5 000-33 000+ 123 000-80 000	<u>15 000</u>	(1)AO3			<u>102 500</u>		<b>Capital and liabilities</b>				Capital	85 000 +10 500	95 500	(1)AO2	Trade payables	15 000+72 000 - 80 000	<u>7 000</u>	(1)AO3			<u>102 500</u>		
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(10)

Question Number	Answer	Mark
4 (d) (i)	<b>AO2 (2)</b> <b>A02: Two marks for applying the formula correctly.</b>  $\frac{\text{Cost of sales}}{\text{Average inventory}} = \frac{87\,000}{32\,500} \text{ (1of) AO2} = 2.68 \text{ times (1of) AO2}$	(2)

Question Number	Answer	Mark
4 (d) (ii)	<b>AO2 (2)</b> <b>A02: Two marks for applying the formula correctly.</b>  $\frac{\text{Trade receivables} \times 365}{\text{Credit sales}} = \frac{37\,000 \text{ of } \times 365}{135\,000} \text{ (1of) AO2} = 100 \text{ days/3.29 months (1of) AO2}$	(2)

Question Number	Answer	Mark
4 (d) (iii)	<b>AO2 (2)</b> <b>A02: Two marks for applying the formula correctly.</b>  $\frac{\text{Trade payables} \times 365}{\text{Credit purchases}} = \frac{7\,000}{72\,000} \text{ (1of) AO2} \times 365 = 35 \text{ days/1.17 months (1of) AO2}$	(2)

Question Number	Indicative Content	Mark
4 (e)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p><b>Own figure rules apply</b></p> <p>Potential positive arguments for Easi Spend</p> <ul style="list-style-type: none"> <li>• Trade payables have a reasonable settlement period of just over a month</li> <li>• The level of inventory has fallen during the year</li> <li>• High current ratio/ Quick ratio. (This could also be seen as a negative point).</li> </ul> <p>Potential negative points for Easi Spend</p> <ul style="list-style-type: none"> <li>• It is taking a long while (100 days) to collect the debts</li> <li>• Inventory levels are still high only turning over every 4 months. For most businesses this is a low rate of inventory turnover.</li> </ul> <p>Decision</p> <p>Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.</p>	(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.
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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.

Question Number	Answer	Mark
5 (a) (i)	<b>AO1 (2)</b> <b>AO1: Two marks for defining fixed costs</b>  Fixed costs – costs which are <b>constant for a period</b> of time or range of output. (1) <b>AO1</b> They are <b>unaffected by the volume</b> of output (1) <b>AO1</b>	(2)

Question Number	Answer	Mark
5 (a) (ii)	<b>AO1 (2)</b> <b>AO1: Two marks for defining semi-fixed costs.</b>  Semi-fixed costs- costs which are <b>fixed for a range</b> of production and then step increase (1) <b>AO1</b> where they are <b>fixed for a further range</b> of production (1) <b>AO1</b> until a further step increase is required.	(2)

Question Number	Answer	Mark
5 (b)	<b>AO1 (4)</b> <b>AO1: Four marks for stating how depreciation will be calculated and identifying two concepts.</b>  <b>Accruals (matching) concept</b> (1) <b>AO1</b> each year should be charged with a proportion of the cost (1) <b>AO1</b>  <b>Consistency</b> (1) <b>AO1</b> each year should be charged with depreciation calculated on the same basis with previous years (1) <b>AO1</b>  <b>Going concern</b> (1) <b>AO1</b> concepts will assume that this business has continuity into the future (1) <b>AO1</b>  Two concepts x 2 marks	(4)

Question Number	Answer	Mark																						
5 (c) (i)	<p><b>AO1 (1), AO2 (12), AO3 (3)</b></p> <p><b>AO1:</b> One mark for recording the given expense in the total running costs without adjustment.</p> <p><b>AO2:</b> Twelve marks for calculating the figure and inserting this correctly in the total running costs.</p> <p><b>AO3:</b> Three marks for calculating the correct figure requiring a two stage calculation before applying the figure to the total running costs.</p> <table><tr><td><b>Total running cost</b></td><td><b>£</b></td></tr><tr><td>4% loan interest</td><td>5 600 (1) <b>AO2</b></td></tr><tr><td>Electricity          600 + 5 000</td><td>5 600 (1) <b>AO2</b></td></tr><tr><td>Water and gas</td><td>2 400 (1) <b>AO2</b></td></tr><tr><td>Cable TV and internet</td><td>900 (1) <b>AO2</b></td></tr><tr><td>Insurance</td><td>800 (1) <b>AO1</b></td></tr><tr><td>Management and marketing costs 1 000 + 1 000</td><td>2 000 (1) <b>AO2</b></td></tr><tr><td>Repairs and maintenance 1 200 + 2 000</td><td>3 200 (1) <b>AO3</b></td></tr><tr><td>Villa cleaning    100 x 20</td><td>2 000 (1) <b>AO2</b></td></tr><tr><td>Depreciation      3 000 + 1 500</td><td><u>4 500</u> (1) <b>AO3</b></td></tr><tr><td></td><td>27 000 (1of) <b>AO2</b></td></tr></table>	<b>Total running cost</b>	<b>£</b>	4% loan interest	5 600 (1) <b>AO2</b>	Electricity          600 + 5 000	5 600 (1) <b>AO2</b>	Water and gas	2 400 (1) <b>AO2</b>	Cable TV and internet	900 (1) <b>AO2</b>	Insurance	800 (1) <b>AO1</b>	Management and marketing costs 1 000 + 1 000	2 000 (1) <b>AO2</b>	Repairs and maintenance 1 200 + 2 000	3 200 (1) <b>AO3</b>	Villa cleaning    100 x 20	2 000 (1) <b>AO2</b>	Depreciation      3 000 + 1 500	<u>4 500</u> (1) <b>AO3</b>		27 000 (1of) <b>AO2</b>	
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(10)

Question Number	Answer	Mark									
5 (c)(ii)	<table><tr><td>Income</td><td>250 x 125</td><td>31 250 (1)AO2</td></tr><tr><td>Total running costs</td><td><u>27 000</u></td><td>(1)ofAO2</td></tr><tr><td>Profit for the year</td><td>4 250</td><td>(1)ofAO2</td></tr></table>	Income	250 x 125	31 250 (1)AO2	Total running costs	<u>27 000</u>	(1)ofAO2	Profit for the year	4 250	(1)ofAO2	(3)
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Total running costs	<u>27 000</u>	(1)ofAO2									
Profit for the year	4 250	(1)ofAO2									

Question Number	Answer	Mark
5 (c)(iii)	<div><div>Profit before interest x 100</div><div>Capital + Non-current liabilities</div></div> <div><div>=</div><div><div><div>4 250 of + 5600</div><div>60 000 + 140 000</div></div></div><div>=</div></div> <div><div><div><div><div>9 850 (1of) AO2</div><div>200 000 (1) AO2</div></div></div><div>=</div><div>4.93% (1)of AO2</div></div></div>	(3)

Question Number	Answer	Mark
5 (d)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p><b>Own figure rule applies</b></p> <p>Potential positive arguments for Sunshine Villa</p> <ul style="list-style-type: none"> <li>• The project makes a profit and a reasonable ROCE</li> <li>• In the long term residential property prices tend to rise</li> <li>• Bookings may increase next year with repeat business.</li> </ul> <p>Potential negative points for Sunshine Villa</p> <ul style="list-style-type: none"> <li>• A major capital investment for low returns</li> <li>• Risk that the property may lose value due to economic conditions</li> <li>• Economic conditions may reduce income if bookings reduce.</li> </ul> <p>Decision</p> <p>Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed</p>	(6)
Level	Mark	Descriptor
	0	A completely incorrect response.
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6 (a)	<p><b>AO2 (4)</b></p> <p><b>A02: Four marks for selecting the units and prices remaining in the inventory at the end of each quarter.</b></p> <table><tr><th>Date</th><th>Receipts</th><th>Issues</th><th>Balance</th></tr><tr><td>Opening balance</td><td></td><td></td><td>120 @ £800</td></tr><tr><td>April - June 2016</td><td>80 @ £750</td><td>90 @ £800</td><td>30 @ £800 80 @ £750 <b>(1)AO2</b></td></tr><tr><td>July – September 2016</td><td>70 @ £700</td><td>30 @ £800 30 @ £750</td><td>50 @ £750 70 @ £700 <b>(1)AO2</b></td></tr><tr><td>October – December 2016</td><td>100 @ £650</td><td>50 @ £750 30 @ £700</td><td>40 @ £700 100 @ £650 <b>(1)AO2</b></td></tr><tr><td>January – March 2017</td><td>60 @ £600</td><td>40 @ £700 30 @ £650</td><td>70 @ £650 60 @ £600 <b>(1)AO2</b></td></tr><tr><td>Closing balance</td><td></td><td></td><td>£81 500</td></tr></table>	Date	Receipts	Issues	Balance	Opening balance			120 @ £800	April - June 2016	80 @ £750	90 @ £800	30 @ £800 80 @ £750 <b>(1)AO2</b>	July – September 2016	70 @ £700	30 @ £800 30 @ £750	50 @ £750 70 @ £700 <b>(1)AO2</b>	October – December 2016	100 @ £650	50 @ £750 30 @ £700	40 @ £700 100 @ £650 <b>(1)AO2</b>	January – March 2017	60 @ £600	40 @ £700 30 @ £650	70 @ £650 60 @ £600 <b>(1)AO2</b>	Closing balance			£81 500	(4)
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6 (b)	<p><b>AO1 (5), AO2 (6), AO3 (3)</b>  <b>A01: Five marks for recording the given expense in the account without adjustment.</b>  <b>A02: Six marks for calculating the figure and inserting this correctly in the account.</b>  <b>A03: Three marks for calculating the corrected figure and then carrying out the correct apportionment before applying the figure to the correct section of the account.</b></p> <p style="text-align: center;">Banwell Products  Manufacturing Account for the year ended 31 April 2017</p> <table style="width: 100%;"> <thead> <tr> <th></th><th style="text-align: right;">£</th><th style="text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Opening inventory</td><td></td><td style="text-align: right;">96 000</td></tr> <tr> <td>Purchases</td><td></td><td style="text-align: right;"><u>210 000</u> (1)<b>AO2</b></td></tr> <tr> <td></td><td></td><td style="text-align: right;">306 000</td></tr> <tr> <td>Closing inventory</td><td></td><td style="text-align: right;"><u>(81 500)</u> (1)<b>of AO1</b></td></tr> <tr> <td>Cost of raw materials</td><td></td><td style="text-align: right;">224 500</td></tr> <tr> <td>Machinists wages</td><td></td><td style="text-align: right;">93 000 (1)<b>AO1</b></td></tr> <tr> <td>Assembly wages (83 500 – 6 500)</td><td></td><td style="text-align: right;"><u>77 000</u> (1)<b>AO2</b></td></tr> <tr> <td>Prime cost</td><td></td><td style="text-align: right;">394 500 (1)<b>of AO2w+f</b></td></tr> <tr> <td>Manufacturing overheads:</td><td></td><td></td></tr> <tr> <td>Production management salaries</td><td style="text-align: right;">84 000 (1)<b>AO1</b></td><td></td></tr> <tr> <td>Indirect manufacturing wages</td><td style="text-align: right;">16 800 (1)<b>AO1</b></td><td></td></tr> <tr> <td>Depreciation on equipment</td><td style="text-align: right;">45 000 (1)<b>AO1</b></td><td></td></tr> <tr> <td>Rent</td><td style="text-align: right;">34 000 (1)<b>AO3</b></td><td></td></tr> <tr> <td>Insurance</td><td style="text-align: right;"><u>21 000</u> (1)<b>AO3</b></td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>200 800</u></td></tr> <tr> <td></td><td></td><td style="text-align: right;">595 300 (1)<b>AO2</b></td></tr> <tr> <td>Work in progress:</td><td></td><td></td></tr> <tr> <td>Opening inventory 1 April 2016</td><td style="text-align: right;">55 000</td><td></td></tr> <tr> <td>Closing inventory 31 March 2017</td><td style="text-align: right;"><u>(47 300)</u></td><td></td></tr> <tr> <td></td><td></td><td style="text-align: right;"><u>7 700</u> (1)<b>AO2</b></td></tr> <tr> <td>Cost of production</td><td></td><td style="text-align: right;">603 000</td></tr> <tr> <td>Manufacturing profit</td><td></td><td style="text-align: right;"><u>37 000</u> (1)<b>of AO3</b></td></tr> <tr> <td>Transfer to trading account</td><td></td><td style="text-align: right;"><u>640 000</u> (1)<b>AO2w+f</b></td></tr> </tbody> </table>		£	£	Opening inventory		96 000	Purchases		<u>210 000</u> (1) <b>AO2</b>			306 000	Closing inventory		<u>(81 500)</u> (1) <b>of AO1</b>	Cost of raw materials		224 500	Machinists wages		93 000 (1) <b>AO1</b>	Assembly wages (83 500 – 6 500)		<u>77 000</u> (1) <b>AO2</b>	Prime cost		394 500 (1) <b>of AO2w+f</b>	Manufacturing overheads:			Production management salaries	84 000 (1) <b>AO1</b>		Indirect manufacturing wages	16 800 (1) <b>AO1</b>		Depreciation on equipment	45 000 (1) <b>AO1</b>		Rent	34 000 (1) <b>AO3</b>		Insurance	<u>21 000</u> (1) <b>AO3</b>				<u>200 800</u>			595 300 (1) <b>AO2</b>	Work in progress:			Opening inventory 1 April 2016	55 000		Closing inventory 31 March 2017	<u>(47 300)</u>				<u>7 700</u> (1) <b>AO2</b>	Cost of production		603 000	Manufacturing profit		<u>37 000</u> (1) <b>of AO3</b>	Transfer to trading account		<u>640 000</u> (1) <b>AO2w+f</b>	<b>(14)</b>
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Question Number	Answer	Mark
6 (c) (i)	<p><b>AO1 (4), AO2 (2)</b>  <b>A01: Four marks for demonstrating knowledge of the treatment of prepaid expenses and depreciation.</b>  <b>A02: Two marks for applying knowledge of unrealised profits to profits on manufacture.</b></p> <p>The value of the prepaid wages would be recorded under the heading of <b>Other receivables</b> (1)<b>AO1</b> under <b>current assets</b>. (1)<b>AO1</b></p>	<b>(2)</b>



Question Number	Answer	Mark
6 (c) (ii)	The annual depreciation would be added to the accumulated depreciation and <b>deducted from the cost (1)AO1</b> to establish the <b>carrying (Net Book) value. (1)AO1</b>	(2)

Question Number	Answer	Mark
6 (c) (iii)	The value of the <b>inventory of finished goods (1)AO2</b> would be <b>reduced by the balance of the provision</b> for unrealised profit. <b>(1)AO2</b>	(2)

Question Number	Answer	Mark
6 (d)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Potential positive arguments for LIFO</p> <ul style="list-style-type: none"> <li>When prices are falling issues will be close to current replacement cost</li> <li>Product/sales will not be overpriced in current market conditions.</li> </ul> <p>Potential negative points for LIFO</p> <ul style="list-style-type: none"> <li>Not accepted by tax authorities or IAS</li> <li>When prices are falling remaining inventory will become increasingly over-valued</li> <li>LIFO may under state cost of sales which is against the prudence concept.</li> </ul> <p>NOT</p> <p>An evaluation of inventory rotation</p> <p>Decision</p> <p>Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.</p>	(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.