WAC02 or WAC12

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Candidate surname		Other names
Pearson Edexcel nternational Advanced Level	Centre Number	Candidate Number
Tuesday 6 No	vembe	r 2018
Afternoon (Time: 3 hours)	Paper Ref	erence WAC12/01
Accounting International Advance Paper 2: Corporate and	d Level d Managemei	nt Accounting
You must have:		Total Marl

Instructions

- Use **black** ink or ball-point pen.
- Fill in the boxes at the top of this page with your name, centre number and candidate number.
- Answer **both** questions in Section A and **three** questions from Section B.
- All calculations must be shown.
- Answer the questions in the spaces provided there may be more space than you need.
- Do not return the insert with the question paper.

Information

- The total mark for this paper is 200.
- The marks for each question are shown in brackets
 use this as a guide as to how much time to spend on each question.
- Calculators may be used.
- The source material for use with Questions 1 to 6 is in the enclosed source booklet.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.





Turn over 🕨



SECTION A

Answer BOTH questions in this section.

1 Tittan Foods plc is a large, multinational producer of a range of foods, including chocolate products.

Roseberry plc has been producing a chocolate bar, Cocoatopa, from its factory for many years.

On 1 October 2018 Tittan Foods plc agreed to purchase Roseberry plc.

The purchase price was agreed as follows:

For every five shares held in Roseberry plc, shareholders would receive:

- two shares in Tittan Foods plc, valued at the trading price of £1.95 per share
- a cash payment of £0.32 (32 pence)

The Statements of Financial Position of the two companies on 30 September 2018, before any revaluations were as follows:

	TITTAN FOODS plc		ROSEBE	RRY plc
	£ 000	£ 000	£ 000	£ 000
Assets				
Non-current Assets (carrying value)				
Property, plant and equipment	525 000		74 280	
Intangible assets	<u>142 000</u>		<u>28 000</u>	
		667 000		102 280
Current Assets				
Inventories	41 900		11 788	
Trade and other receivables	21 600		2 354	
Cash and cash equivalents	<u>238 000</u>		<u>164</u>	
		<u>301 500</u>		<u>14 306</u>
Total Assets		<u>968 500</u>		<u>116 586</u>

Equity and Liabilities				
Equity				
Ordinary shares of £1 each	210 000			
Ordinary shares of £0.25 each			38 000	
Share premium	50 000		4 750	
General reserve	40 000		14 250	
Retained earnings	<u>314 597</u>		<u>9 137</u>	
Total Equity		614 597		66 137
Non-current Liabilities				
Mortgage	185 000		26 475	
Debenture	75 000			
Bank loan	<u></u>		<u>15 000</u>	
		260 000		41 475
Current Liabilities				
Trade and other payables	18 638		3 393	
Current tax payable	75 265		4 781	
Short-term provisions			800	
		<u>93 903</u>		<u>8 974</u>
Total Equity and Liabilities		<u>968 500</u>		<u>116 586</u>

(5)

Required

(a) Calculate the purchase price of Roseberry plc.

The directors at Tittan Foods plc proposed the following:

Tittan Foods plc to take-over all of the assets of Roseberry plc except cash and cash equivalents.

Tittan Foods plc to settle all the liabilities of Roseberry plc except:

- the current tax payable
- trade payables of £2 170 000
- the short-term provision of £800 000

The assets of Roseberry plc were revalued:

- property with a carrying value of £27 000 000 to a current market value of £35 000 000
- plant with a carrying value of £11 000 000 was reduced by 10%
- inventories were reduced by £750 000
- the chocolate brand, Cocoatopa, was classed as an intangible, and the total intangible assets value increased to £62 000 000

The proposals of the directors of Tittan Foods plc were approved by the shareholders of Roseberry plc.

Required

(b) Calculate the value of the goodwill paid by Tittan Foods plc when purchasing Roseberry plc.

(11)

(c) Prepare the Acquisition Account in the books of Tittan Foods plc to show the purchase of Roseberry plc.

(11)

(d) Prepare the Statement of Financial Position of Tittan Foods plc at 1 October 2018 **after** the purchase of Roseberry plc.

(16)

Two weeks after the purchase of Roseberry plc, Tittan Foods plc announced that the:

- factory producing the Cocoatopa would be closed and production would move to a low cost factory abroad
- size of the chocolate bars would be reduced although the price would remain the same, in order to increase profits.
- (e) Evaluate the purchase by Tittan Foods plc of Roseberry plc, from the point of view of a shareholder of Tittan Foods plc. Your evaluation should include financial and non-financial considerations.

(12)

(Total for Question 1 = 55 marks)

Question Number	Answer	Mark
1 (a)	AO1 (5) AO1: Five marks for correct calculation of purchase price of Roseberry plc.	
		(5)

Number of shares in Roseberry = $38\ 000\ 000\ x\ 4 = 152\ 000\ 000\ (1)\ AO1$ Number of shares to be awarded in Tittan = $\frac{152\ 000\ 000}{5}$ = $30\ 400\ 000\ (1\ of)$ AO1

Two shares trading at £1.95 per share =30 400 000x 2 x1.95= £118 560 000 (1 of)AO1 Plus 0.32 pence cash = 30 400 000 x 0.3 = $\underline{\text{fg 728 000}}$ (1 of)AO1 Purchase price = £128 288 000 (1 of)AO1

Question Number	Answer	Mark
1 (b)	AO1 (11) AO1: Eleven marks for correct calculation of value of goodwill.	
		(11)

Calculation of goodwill

Value of assets	£		£	
Property, plant and	74 280 000	both		
equipment		Notifi		
Plus revaluation	8 000 000	(1) AO1		
Less plant	(1 100 000)	(1) AO1		
revaluation				
Intangibles	28 000 000	both		
Plus Cocoatopa	34 000 000	(1) AO1		
brand				
Inventories	11 788 000			
Less revaluation	(750 000)	all three		
Trade receivables	2 354 000	(1) AO1		
Total asset value			156 572 000	(1 of) AO1
Value of liabilities				
purchased				
Mortgage	26 475 000	both		
Bank loan	15 000 000	(1) <mark>AO1</mark>		
Trade and other	3 393 000	both		
Less adjustments	(2 170 000)	(1) AO1		
Total value of			(42 698 000)	(1 of) AO1
liabilities				
Purchase price			128 288 000	(1 of) AO1
Less value of net			<u>113 874 000</u>	(1 of) AO1
assets purchased				
= Goodwill			14 414 000	(1 of) AO1

Question Number	Answer	Mark
1 (c)	AO2 (8), AO3 (3) AO2: Eight marks for correct entries in Acquisition account. AO3: Three marks for correct calculation of share premium.	
		(11)

			Acquisitio	n Ac	<u>count</u>		
£			£				
1 Oct	Property, Plant + Equipment	81 180 000	(1 of) <mark>AO2</mark>	1 Oct	Mortgage	26 475 000	(1) both AO2
	Intangibles	62 000 000	(1) <mark>AO</mark> 2		Bank loan	15 000 000	
	Inventories	11 038 000	(1 of) <mark>AO2</mark>		Trade Payables	1 223 000	(1) AO2
	Trade Receivables	2 354 000	both		Purchase price		(1 of)
	Goodwill	14 414 000	(1 of) <mark>AO2</mark>		Cash	9 728 000	AO2 (1 of)
					Shares of £1 each	60 800 000	AO2
					Share Premium	<u>57 760 000</u>	(3 of) AO3
		<u>170 986 000</u>				<u>170 986 000</u>	

Workings for share premium:

60 800 000(1 of)AO3 shares at a premium of £0.95 per share(1)AO3 = £57 760 000 (1 of)AO3

This Acquisition Account acts as a control account for the acquisition. It is acceptable to show entries going straight into i.e. Assets and Liabilities accounts, with the double entry in the Acquisition Account. This would be a mirror image of the above account.

Question Number	Answer	Mark
1 (d)	AO2 (13), AO3 (3) AO2: Thirteen marks forcorrect calculation of each of the assets and the total assets, each of the liabilities and the total equity and liabilities, and each reserve. AO3: Three marks for correct calculation of value of cash and cash equivalents, ordinary shares, and share premium.	(16)

Statement of Financial Position of Tittan Foods plc at 1 October					
	<u>20</u>	<u>18</u>		-	
Assets	£		£		
Non-current Assets					
Property, plant and equipment	606 180 000	(1 of) <mark>AO2</mark>			
Intangible assets	20400000	(1) <mark>AO2</mark>			
Goodwill	14414000	(1 of) AO2			
			824594000		
Current Assets					
Inventories	52938000	(1 of) <mark>AO2</mark>			
Trade and other receivables	23954000	(1) <mark>AO2</mark>			
Cash and cash equivalents	228272000	(1) <mark>AO3</mark>			
-			305164000		
Total Assets			1129758000	(1 of) <mark>AO2</mark>	
Equity and Liabilities					
Equity					
Ordinary Shares of £1 each	270800000	(1) <mark>AO3</mark>			
Share premium	107760000	(1) <mark>AO3</mark>			
General reserve	4000000	(1) <mark>AO</mark> 2			
Retained earnings	314597000	(1) AO2			
Total capital and reserves		-	733157000		

Non-current liabilities				
Mortgage	211475000	(1) <mark>AO2</mark>		
Debenture	7500000	both		
Bank loan	1500000	(1) <mark>AO2</mark>		
			301475000	
Current Liabilities				
Trade and other payables	19861000	(1) <mark>AO2</mark>		
Current tax payable	75265000	(1) <mark>AO2</mark>		
			95126000	
Total Equity and Liabilities			1129758000	(1 of) <mark>AO2</mark>

Question Number	Indicative Content	Mark
1 (e)	AO1 (1), AO2 (1), AO3 (4), AO4 (6) Answers may include:	
	 <u>For Purchase</u> Tittan may see an increase in their market share in the chocolate/confectionary market. Tittan may enjoy economies of scale eg bulk buying of materials, machinery etc. Tittan may enjoy benefits of vertical integration as in both companies are in the same line of business. Assets and liabilities taken over have been given agreed/market values by both sets of directors, so Tittan should not be overpaying for assets purchased. Roseberry appears to be in a healthy financial state. eg large positive figure for retained earnings. Liquidity position of Roseberry is good as they appear to have a healthy working capital ratio. Roseberry should not be a drain on the liquid resources of Tittan, especially as Tittan is not taking over tax bill and trade payables. Some shareholders may like the proactive decisionmaking of the board, which should increase profits and returns to shareholders. 	
	<u>Against Purchase</u> Shareholders in Roseberry have been paid goodwill of nearly £14.5 million. More shareholders means a dilution of ownership and voting power for existing shareholders in Tittan. Some shareholders may not like the closure of the factory and the redundancy, especially after a long history of being in the same location. Some shareholders may not like the reduction of size in the products, and the bad publicity, which often comes with these decisions.	
	<u>Other points</u> We do not know the market price of Tittan shares after the purchase. The market will indicate whether the purchase, and the money paid, was a good idea.	
	Decision Overall, the take-over is potentially a good decision	
		(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.

- 2 Galle Homes Limited produces soft furnishings at its factory. You are the Cost Accountant and have been asked to look at the performance of the Curtains section in October Week 3.
 - The company has a contract to supply 462 curtains a week, which must be met.
 - Each member of staff has a target output of 66 curtains per week.
 - The section employs 7 workers.
 - The standard cost of producing one curtain is:
 - 40 minutes labour, with labour being paid at £7.20 per hour
 - 6 square metres of cotton material at 28 pence (£0.28) per square metre.
 - Labour is scheduled to work 44 hours per week paid at £7.20 per hour.
 - Any overtime worked is paid at the rate of £9.60 per hour.

The staff production sheets for the Curtains section for October Week 3 recorded the following details.

STAFF PRODUCTION SHEET				
NAME HOURS PRODUCTION – CURTAINS				
Ashan De Silva	44	66		
Amaya Corea	44	63		
Lakmal Jayasuriya	44	68		
Pradeep Jayakody	28	42		
Ravi Liyange	49	74		
Roshani Perera	50	76		
Sanju Ranatunga	48	73		

Pradeep Jayakody was absent for two days.

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Re	quired	
(a)	Calculate, for the production of 462 curtains for October Week 3, the:	
	(i) budgeted labour cost of production	(3)
	(ii) actual labour cost of production	(4)
	(iii) labour efficiency variance	(4)
	(iv) labour rate variance	(4)
	(v) total labour cost variance.	(3)
Ga fol	lle Homes Limited's inventory records for the start of October Week 3 recorded th lowing:	e
•	opening balance of 1 150 metres of cotton material, valued at £0.27 (27 pence) per metre, in the inventory at the start of the week	
•	deliveries received:	
	 October 16 – 1 500 metres at £0.28 (28 pence) per metre 	
	 October 18 – 1 500 metres at £0.29 (29 pence) per metre 	
•	At the end of October Week 3 there were 1 020 metres of cotton material in inventory	
•	The company uses the FIFO (First In First Out) method of inventory valuation.	
Re	quired	
(b)	Calculate, for the production of 462 curtains for October Week 3, the:	
	(i) actual material cost of production	(5)
	(ii) budgeted material cost of production	(2)
	(iii) material usage variance	(4)
	(iv) material price variance	(4)
	(v) total material cost variance.	(3)

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(c)	Calculate, for the production of 462 curtains for October Week 3, the:	
	(i) total budgeted cost	(2)
	(ii) total actual cost	(2)
	(iii) total variance.	(-)
(d)	Evaluate the performance of the Curtains section for the third week of Od Your evaluation should include some recommendations for improvemen performance of the Curtains section.	ctober. ts in the (12)
	(Total for Question 2	2 = 55 marks)
	TOTAL FOR SECTION A =	= 110 MARKS

Question Number	Answer	Mark
2 (a)(i)	AO2(2), AO3 (1) AO2: Two marks for standard hourly pay and budgeted labour cost of production. AO3: One mark for correct calculation of budgeted labour time.	
	Budgeted labour cost	
	= (462 x <u>40</u>)(1) AO3x £7.20 (1) AO2 60	
	= £2 217.60 (1) AO2	(3)

Question Number	Answer	Mark
2 (a)(ii)	AO1(3), AO3 (1) AO1: Three marks for correct calculation of normal rate pay and total actual cost of production. AO3: One mark for calculation of overtime paid.	
	6 workers x 44 hours x £7.20= £1 900.80 (1)AO1	
	1 worker x 28 hours x £7.20 = £201.60(1) AO1	
	Overtime hours $(5 + 6 + 4) \times \pounds 9.60 = \pounds 144.00(1)AO3$	
	Actual cost = £2 246.40(1)AO1	(4)

Question Number	Answer	Mark
2 (a)(iii)	AO2(3), AO3 (1) AO2: Three marks forcorrect calculation of budgeted hours, budgeted rate and labour efficiency variance. AO3: One mark for correct calculation of total hours worked.	
	Labour efficiency variance = (Actual hours – Budgeted hours) x Budgeted rate = (307 (1) AO3–308 (1) AO2) x £7.20(1)AO2	
	= £7.20 Fav (1) AO2	(4)

Question Number	Answer	Mark
2 (a)(iv)	AO2(3), AO3 (1) AO2: Three marks forcorrect calculation of actual hours, budgeted rate, and labour rate variance. AO3: One mark for correct calculation of actual rate.	
	Labour rate variance = (Actual rate – budgeted rate) x Actual hours	
	$= (\underline{\text{f2246.40}}(1 \text{ of})\text{AO3}-\underline{\text{f7.20}}(1))\text{AO2}\times307 (1)$ 307 AO2	
	= (£7.32-£7.20) x 307	
	= £36.84 (£36.00) Adv (1) AO2	(4)

Question Number	Answer	Mark
2 (a)(v)	AO1 (3) AO1: Three marks for correct calculation of total labour variance.	
	Total labour variance = Actual labour cost - Budgeted labour cost	
	= (£2246.40(1 of) AO1 - £2 217.60 (1 of) AO1)	
	= £28.80 Adv (1 of) AO1	(3)

Question Number	Answer	Mark
2 (b)(i)	AO2 (4), AO3 (1) AO2: Four marks for calculating actual material cost of production. AO3: One mark for setting out actual material cost of production. Actual material cost of production =(1 150 x £0.27)+(1500 x £0.28)+(480 x0.29)(1) AO3	
	= £310.50(1) AO2+£420.00 (1) AO2+ £139.20 (1) AO2 = £869.70 (1) AO2	(5)

Question Number	Answer	Mark
2 (b)(ii)	AO2 (2) AO2: Two marks for correct calculation of budgeted material cost of production.	
	Budgeted material cost of production	
	= (£0.28 x 6 x 462) (1) AO2= £776.16 (1) AO2	
		(2)

Question Number	Answer	Mark
2 (b)(iii)	AO2 (4) AO2: Four marks for correct calculation of material usage variance.	
	Material usage variance =(Actual usage - Budgeted usage)x Budgeted price	
	= ((1 150 + 1500 + 480) - 2772) x £0.28	
= (3 130 (1)AO2 – 2772 (1)AO2) x £0.28 (1) AO2		
	= £100.24 Adv (1) AO2	(4)

Question Number	Answer	Mark
2 (b) (iv)	AO2 (3), AO3 (1) AO2: Three marks forbudgeted price, actual usage and calculation of material price variance. AO3: One mark for correct calculation of actual price. Material price variance = (Actual Price - Budgeted price) x Actual usage = (<u>£869.70</u> (1of)AO3-£0.28(1)AO2)x3130(1)AO2 3130 = (0.278 - £0.28) x 3 130	
	= £6.70 Favourable (1) AO2	(4)

Question Number	Answer	Mark
2 (b)(v)	AO1 (3) AO1: Three marks for correct calculation of total material cost variance.	
	Total Material Cost variance = Actual material cost - Budgeted material cost	
	= (£869.70 (1 of) AO1 - £776.16 (1 of) AO1)	
	= £93.54 Adverse (1 of) AO1	
		(3)

Question Number	Answer	Mark
2 (c)(i)	AO1 (2) AO1: Two marks for correct calculation of total budgeted cost.	
	Total budgeted cost = budgeted labour + budgeted material	
	= (£2 217.60 + £776.16) (1 of) AO1	
	= £2993.76 (1 of) AO1	
		(2)

Question Number	Answer	Mark
2 (c)(ii)	AO1 (2) AO1: Two marks for correct calculation of total actual cost.	
	Total actual cost = actual labour + actual material	
	= (£2246.40 + £869.70) (1 of) AO1	
	= £3 116.10 (1 of) AO1	
		(2)

Question Number	Answer	Mark
2 (c)(iii)	AO1 (3) AO1: Three marks for correct calculation of total variance.	
	Total variance = Actual total cost - Budgeted total cost	
	= (£3 116.10 (1of)AO1 - £2993.76 (1of)AO1)	
	= £122.34 Adverse (1of) AO1	
		(3)

Question		Indicative	e Content	Mark
Number		AO1 (1)	A02 (1) A02 (4) A04 (/)	
2 (a)		Performed	AU2 (1), AU3 (4), AU4 (6)	
		Labour rat	e variance is adverse. This is due to	
		having to	pay overtime at a higher rate to meet	
		production	n target, to cover an absence. Possible	
		solutions r	may include paying overtime at budgeted	
		Alternative	elv. transferring workers who work	
		elsewhere	in the company, to the Curtains section,	
		having pre	eviously trained them. Other solutions	
		could inclu	ide having a reserve pool of temporary	
		curtains C	Company can call upon to step in to make	
		workers.	si use an agency to supply temporary	
		Material us	sage variance is adverse. Solutions could	
		include be	tter training of staff, or buying better	
		machinerv	to reduce production problems.	
		J	in the former of the second	
		Performed	well	
		Labour effi	iciency variance is favourable. This maybe	
		overtime	rkers completing the Job quickly during	
		Material pr	rice variance is favourable. This was	
		because th	here was still material in inventory that had	
		been purci	nased at a price of 27 pence a metre, the budgeted price of 28 pence per	
		metre. How	wever, new material has been bought at	
		29 pence p	per metre. This may result in the budgeted	
		price being	g raised for the next week. Other solutions	
		could be to	o find alternative suppliers, negotiate	
		better pric	iss, or pay quickly to clisure discourts.	
		Section ma	ay be efficient, it is just that the budget set	
		is unrealist	tic. Maybe they are not reviewed regularly	
		In which ca	ase review and change the budget.	
		appears th	ney are reviewed regularly.	
			, , ,	
		Decision		
		adverse M	ection has a total cost variance that is	
		usage vari	ance, which indicates poor performance.	
		The labour	r rate variance is relatively small and due	
	to staff absence. The staff worked efficiently to cover			
	D A	this absen	Ce.	(12)
Level	IVIa	rk De	escriptor	

	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.

SECTION B

Answer THREE questions from this section.

3 Dolphin plc produces a wide range of books. The Statement of Financial Position of Dolphin plc at 30 June 2018 has been drawn up in accordance with International Accounting Standards (IAS) 1 and is shown below.

Statement of Financial Position at 30 June 2018			
ASSETS	£000		
Non-current assets			
Intangibles	266		
Property, plant and equipment carrying value	<u>14 000</u>		
	14 266		
Current assets			
Inventories	5 608		
Trade receivables	1 846		
Other receivables	104		
Cash and cash equivalents	<u>249</u>		
	7 807		
Total Assets	<u>22 073</u>		
Equity			
Share capital - Ordinary shares of £1	11 323		
5% Irredeemable preference shares of £1	1 200		
Share premium	2 500		
Revaluation reserve	2 000		
Retained earnings	(578)		
Total equity	16 445		

Non-current liabilities	
5.75% Debenture	2 500
6.5% Bank loan	<u>800</u>
	3 300
Current liabilities	
Trade payables	1 484
Other payables	51
Current tax payable	393
Provisions	<u>400</u>
	2 328
Total liabilities	5 628
Total Equity and Liabilities	<u>22 073</u>

st Paper	This resource was created and owned by Fearson Edexcer	WACUZ OF V
Requi	red	
(a)	(i) State two examples of intangible assets, other than brand names.	(1)
	The cash balance is £377 000	
	(ii) Calculate the bank balance.	(2)
	Interest on the bank loan is paid monthly. The interest for June 2018 has not been paid.	
	(iii) Calculate the amount of interest owing on the bank loan.	(2)
	Debenture interest is paid in two instalments, every six months.	
	(iv) Calculate the value of one instalment.	(2)
	The debenture is secured.	
	(v) Explain the meaning of the term secured .	(2)
	The Retained Earnings Account had a debit balance of £743 000 at the start of the financial year. The profit or loss for the year was the only entry into the Retained Earnings Account.	e
	(vi) Calculate the profit or loss for the year ended 30 June 2018.	(2)
	(vii) State under which line item on the Statement of Financial Position you would show each of the following:	ł
	 rent paid in advance for the warehouse 	
	unsold books in the warehouse.	(2)
	(viii) Explain what is meant by the term irredeemable when describing the Preference shares.	(2)
	(ix) State two examples of provisions that could be included in the figure of £400 000 for Provisions under Current liabilities.	/-/
		(2)

During the year, the following transactions took place:

- 22 October 2017, sold a property that cost £3 500 000, with accumulated • depreciation of £300 000, for £3 800 000 payment being received by cheque
- 20 December 2017, bought printing equipment for £1 600 000 on credit from • **Crown Printing Machinery Limited**
- The Revaluation reserve was created on 3 January 2018.

Required

Autumn 2018

Past Paper

- (b) Prepare the following accounts for the year ended 30 June 2018:
- (i) Property, Plant and Equipment Cost Account (3) (ii) Property, Plant and Equipment Provision for Depreciation Account. (4) (c) Evaluate whether it is beneficial for a company to create provisions.

(6)

(Total for Question 3 = 30 marks)

Question Number	Answer	Mark
3 (a)(i)	 AO1 (1) AO1: One mark for correct identification of two variables. Any two from the following (or other correct answers), one mark each Copyright, goodwill, patents, (1)AO1 	
		(1)

Question Number	Answer	Mark
3 (a)(ii)	AO2 (2) AO2: Two marks forcorrect calculation of bank balance.	
	Bank balance = £377 000 - £249 000 (1) AO2	
	= £128 000 overdraft (1) AO2	
		(2)

Question Number	Answer	Mark
3 (a)(iii)	AO2 (2) AO2: Two marks for correct calculation of interest owing on bank loan.	
	Yearly interest = 6.5% x £800 000 = £52 000 (1) AO2	
	Monthly interest due = <u>£52 000</u> = £4 333.33 (1) AO2	
	12	(2)

Question Number	Answer	Mark
3 (a)(iv)	AO2 (2) AO2: Two marks for correct calculation of amount of one instalment of debenture interest.	
	Yearly interest = 5.75% x £2 500 000 = £143 750 (1) AO2	
	6 month payment = $\frac{\text{£}143\ 750}{2}$ = £71 875 (1) AO2	(2)

Question Number	Answer	Mark
3 (a)(v)	AO1 (2) AO1: Two marks for explanation of term "secured". If the company fail to meet interest payments or repay the debenture when due (1) AO1 The debenture holder may claim the asset(s) on which the debenture is secured. (1) AO1	
		(2)

Question Number	Answer	Mark
3 (a)(vi)	AO2 (2) AO2: Two marks forcorrect calculation of profit or loss for the year.	
	£743 000 - £578 000 (1) AO2	
	= £165 000 profit (1) AO2	
		(2)

Question Number	Answer	Mark
3 (a)(vii)	AO1 (2) AO1: Two marks for correct identification of section.	
	Other receivables (1) AO1	
	Inventory (1) AO1	
		(2)

Question Number	Answer	Mark
3 (a) (viii)	AO3 (2) AO3: Two marks for correct explanation of term "irredeemable". The shares cannot be bought back	
	(redeemed)(1) AO3 by the company. (1) AO3	(2)

Question Number	Answer	Mark
3 (a)(ix)	AO3 (2) AO3: Two marks for correct identification of provisions.	
	Any two from the following, one mark each	
	 Any damages or costs for court cases or legal claims against the company. Any payments for future redundancy costs. Any obligations for the pension fund Any provisions for taxation. 2 x AO3 	(2)

Question Number	Answer	Mark
3 (b)(i)	AO2 (2), AO3 (1) AO2: Two marks for entries in and balances of, the PPE account. AO3: One mark for correct entry of revaluation.	
		(3)

Property, plant and equipment Account

Balance b/d	15 000 000		Bank (Sale	3 500 000	
			/Disposal		
			of property)		
Crown Printing		(1) <mark>AO</mark> 2			
Machinery Ltd	1 600 000	both			
Revaluation		(1)			<u>(1 of)AO2</u>
Reserve	<u>2 000 000</u>	AO3	Balance c/d	<u>15 100 000</u>	<u>both</u>
	<u>18 600 000</u>			<u>18 600 000</u>	
Balance b/d	15 100 000				

Question Number	Answer	Mark
3 (b)(ii)	AO2 (2), AO3 (2) AO2: Two marks for balance at start of year and entry of disposal. AO3: Two marks for entry of depreciation for the year and year end balance.	
		(4)

Depreciation Account

Property sold/		(1)			(1)
Disposal	300 000	AO2	Balance b/d	500 000	AO2
			Depreciation		(1 of)
Balance c/d	<u>1 100 000</u>		for year/ SoCI	<u>900 000</u>	AO3
	<u>1 400 000</u>			<u>1 400 000</u>	
			Balance b/d	1 100 000	(1 of)
					AO3

Question	Indicativ	ve Content	Mark		
Number					
Number 3 (c)	AO4 (6) Case for A provision meet a sy Examples debts, or Provision concept. liability. Provision matching against p before th accountin Provision that may for exam sharehold an expen Case aga Provision that may sharehold shares. Provision prepare. Provision accurate.	<u>creating a provision</u> on is an amount set aside from profit to pecific, although estimated, liability. s include provision for depreciation, or bad damages payable after a court case. s ensure the company follows the prudence Profits are understated, providing for a s may ensure the company follows the concept. For example, make a provision ossible bad debts in this accounting period, e bad debt is realised in the next ng period. s reduce profit, so may reduce the amount be distributed as dividends. This may stop, ple, directors paying large dividends to ders, draining the company of funds, before sive court case. <u>inst creating a provision</u> s reduce profit, so may reduce the amount be distributed as dividends. This may make ders unhappy, and they may sell their s take time and money and expertise to s may only be an estimate and may not be			
	It is bene	eficial to create a provision.	(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	Weak or no relevant application to the scenario set. 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			

	F (
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.

Pape	n 2018 www.mystudybro.com Account er This resource was created and owned by Pearson Edexcel V	Inting Unit 2 VAC02 or WAC1
Z si	imba Timber Limited is to start business on 1 January 2019 buying timber from uppliers, which is then sold to customers.	
Т	ne following budgeted information is available concerning purchases for the store:	
•	In the period January to April 2019 purchases are expected to be 2 600 units per month	
•	The average cost of purchase will be £14 per unit	
•	The breakdown of purchases will be:	
	 45% for cash 35% on one month's credit 15% on two months credit 5% on three months credit. 	
Ye Ce	ou are the accountant for Zimba Timber Limited, and have to prepare the budgets in olumnar format.	
R	equired	
(a) Prepare, for each of the four months from January to April 2019, the:	
	(i) purchases budget, in pounds (£)	(2)
	(ii) cash budget extract, showing the amount paid to suppliers	(8)
	(iii) trade payables budget showing the amount owed to suppliers at the end of each month.	(10)
		(10)
S fc	uppliers have stated that they will offer a 2% discount if Zimba Timber Limited pay or its credit purchases within the same month as the purchase.	
(k	b) Calculate, for the four months January to April 2019, the total amount of discount Zimba Timber Limited would receive if it accepted the offer of a 2% discount for payment within the same month as the credit purchase.	
		(4)
(c) Evaluate, from the viewpoint of Zimba Timber Limited, whether it should pay suppliers within the same month as purchase.	
		(6)
	(Total for Question 4 = 30 ma	rks)

Question Number	Answer	Mark
4(a)(i)	AO1 (2) AO1: Two marks for monthly entries in purchases budget.	
		(2)

<u>(a) (i) Purchases</u> Budget						
	January	February		March	April	
	36 400	36 400	(1) <mark>AO1</mark>	36 400	36 400	(1) <mark>AO1</mark>
						2 marks

Question Number	Answer	Mark
4(a)(ii)	AO1 (2), AO2 (6) AO1: Two marks for entries for cash purchases from February to April and totals. AO2: Six marks for cash entry for January and credit entries.	
		(8)

<u>(a)(ii) Cash B</u>	udget ex	<u>xtract</u>						
	1	r						
	January		February		March		April	
Cash	16 380	(1) <mark>AO2</mark>	16 380		16 380		16 380	(1) <mark>AO1</mark>
One month credit			12 740	(1) <mark>AO2</mark>	12 740		12 740	(1) <mark>AO2</mark>
Two months credit					5 460	(1) <mark>AO2</mark>	5 460	(1) <mark>AO2</mark>
Three months credit							1 820	(1) <mark>AO2</mark>
Total	16 380		29 120		34 580		36 400	(1 of) <mark>AO1</mark>
								8 marks

Question Number	Answer	Mark
4(a)(iii)	 AO1 (1), AO2 (6), AO3 (3) AO1: One mark for totals. AO2: Six marks for all entries for January, one month's credit for February to April entries, two months credit for March and April entries, and April entry for three months credit. AO3: Three marks for two months credit for February and three months credit for February and March. 	(10)

<u>(a)(iii) Trade</u> Payables								
	January		February		March		April	
One month credit	12 740	(1) <mark>AO2</mark>	12 740		12 740		12 740	(1) <mark>AO2</mark>
Two months credit	5 460	(1) <mark>AO</mark> 2	10 920	(1) <mark>AO3</mark>	10 920		10 920	(1) <mark>AO2</mark>
Three months credit	<u>1 820</u>	(1) <mark>AO2</mark>	<u>3 640</u>	(1) <mark>AO3</mark>	<u>5 460</u>	(1) <mark>AO3</mark>	<u>5 460</u>	(1) <mark>AO2</mark>
	20 020		27 300		29 120		29 120	(1 of) <mark>AO1</mark>
								10 marks

Question Number	Answer	Mark
4(b)	AO3 (4) AO3: Four marks for correct calculation of discount.	
	Monthly purchases on credit = (36 400 - 16 380) (1 of) AO3 = £20 020 (1) AO3	
	Discount = $20\ 020\ x\ 2\%$ = £400.40 (1) AO3	
	Four months= £400.40 x 4 = £1 601.60 (1) AO3	(4)

Question Number	Indicativ	Indicative Content Mark					
4 (c)	AO4 (6)	AO4 (6)					
	Case for A total of as a disco help cash month af Better re	ase for paying within the same month total of £1 601.60 (o/f) would be saved / received a discount. This would increase profit and maybe of p cash flow, less would need to be paid out each onth after April. etter relationship with suppliers.					
	Case aga It would There are appear th made in	e against paying in the same month ould not help cash flow for the first four months. re are no details for sales available, but it would ear that a large fraction of sales may have to be de in the same month as purchase.					
	Decision It depend allows, it in the sa	1 1ds upon the cash flow situation. If cash flow it is a good idea to pay for credit purchases ame month (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	a decision. 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.					

5 Jacinda started a business selling soft drinks from mobile freezers in sites popular with tourists. The town authorities have signed a contract that allowed Jacinda to sell drinks from four sites, for the seven summer months of the year, starting 1 March 2018. For the remaining five months, Jacinda does not trade.

The following information is available for the business for the year ended 28 February 2019:

• Each site will be rented for seven months of the year. Rent of site per month:

Downs Park	North Beach	Pavilion Park	South Beach	
£100	£120	£80	£160	

- Drinks are sold for £0.55 (55 pence) each
- Drink sellers receive £0.20 (20 pence) for each drink sold
- Insurance for the year is £1 250
- Drinks are purchased for £0.11 (11 pence) each from wholesalers
- The mobile freezers cost £2 700 each and are expected to last for nine years. Jacinda has one for each site and a spare in case of a breakdown
- A small storage warehouse is rented for £275 per quarter (three months). This warehouse is rented for a full year
- Electricity bill is £35 per month, for every month of the year
- As part of the contract, the town authorities will charge a local tax of £0.01 (1 pence) on every drink sold
- Loan interest and repayment is £285 per month, for every month of the year
- Sales for each site (drinks per day) are:

Downs Park	North Beach	Pavilion Park	South Beach
110	210	175	180

• Drinks are sold for 200 days of the year.

Paper		This resource was created and owned by Pearson Edexcel	WAC02 or WAC12
Re	quired		
(a)	Calculate, for the	e year ended 28 February 2019, the:	
	(i) number of d	rinks that need to be sold to break-even	
			(11)
	(ii) forecast prof	it for the year.	(5)
The 29	e following inforn February 2020:	nation is available for the second year of trading, ended	
•	Fixed costs will t	otal £11 000 for the year	
•	Drinks will be pu	urchased for £0.12 (12 pence) each	
•	The council will	charge a tax of £0.02 (2 pence) for every drink sold	
•	Jacinda has pror second year	nised the drink sellers a pay rise, for every drink sold, in the	
•	Target profit for	the year will be £21 400	
•	The number of c	drinks sold will remain constant.	
Re	quired		
(b)	Calculate, in orde	er to achieve the target profit:	
	(i) the required	contribution per drink sold	
			(5)
	(ii) a suitable pa each drink so	y rate to pay sellers for each drink sold, and a selling price for old.	
			(3)
The aud	e town authoritie dited financial sta	s require all businesses that sign a contract with them to produ itements for their inspection.	ce
(c)	Evaluate the dec	tision of the town authorities requiring Jacinda's business to	
	produce audited	i mancial statements for inspection.	(6)

Question Number	Answer	Mark
5 (a)(i)	AO1 (4), AO2 (7) AO1: Fourmarks for calculation of site rent, electricity, total fixed costs, and variable costs per unit. AO2: Seven marks for correct calculation of warehouse rent, depreciation, loan interest, contribution per unit, and break-even point	
		(11)

Fixed Costs - per year	<u>Variable costs per unit</u> (0.20 + 0.11 + 0.01)
Rent $(\pounds 460 \times 7) = \pounds 3 \ 220 \ (1) \ AO1$ Insurance $= \pounds 1 \ 250$ Warehouse $(\pounds 275 \times 4) = \pounds 1 \ 100 \ (1) \ both \ AO2$ Depreciation $\pounds 2700 \times 5 = \pounds 1 \ 500 \ (1) \ AO2$	Total £0.32 per unit (1)AO1
Electricity (£35 x 12) = £ 420 both Loan (£285 x 12) = $\underline{£3 420}(1) \text{ AO2}$ Total FC £10 910 (1 of) AO1	
<u>Contribution per unit</u> (£0.55 - £0.32) (1 of)AO2 = £0.23 (1 of) AO1	
Break Even Point = $\frac{£10\ 910}{1\ of} = 4$	7 435 drinks (1 of) AO2

£0.23 (1 of) AO2

Question Number	Answer	Mark
5 (a)(ii)	AO2 (5) AO2: Five marks for correct calculation of profit for 2019	(5)

Profit for 2018

Sales = $(110 + 210 + 175 + 180) \times 200 = 135\ 000\ units$ (1) AO2 Sales revenue = $135\ 000\ \times\ 0.55 = \pounds74\ 250\ (1\ of)\ AO2$ Less VC = $135\ 000\ \times\ 0.32\ o/f = (\pounds43\ 200)\ (1\ of)\ AO2$ Less FC = $(\pounds10\ 910)\ (1\ of)\ AO2$ Profit = $\pounds20\ 140\ (1\ of)\ AO2$

Question Number	Answer	Mark
5 (b)(i)	A01 (1) A03 (4) A01: One mark for totalling target profit and fixed costs. A03: Four marks for including target profit and fixed costs, and three marks for calculating the required contribution per unit	(5)

Target profit = £21 400 + Fixed costs = $\frac{£11\ 000\ (1)\ AO3}{£32\ 400\ (1)\ AO1}$

135 000 o/f x Contribution per unit = \pounds 32 400 (1) AO3

Contribution per unit = $\frac{£32\ 400}{135\ 000}$ (1of) AO3 = £0.24 (1of) AO3 135 000

Question Number	Answer	Mark
5 (b)(ii)	AO3 (3) AO3: Three marks for calculating a selling price 38 pence above labour cost (as long as labour cost is above 20 pence)	
		(3)

Selling price – Variable costs = Contribution

SP - (Labour cost per drink + 0.12 + 0.02) = £0.24 (1) AO3

So selling price must be £0.38 higher than labour cost (1) AO3

For example Selling price £0.60 and labour cost £0.22 (1) AO3

(Accept any answer where selling price is ± 0.38 higher than labour cost, as long as labour cost is above 20 pence (± 0.20))

Question Number	Indicativ	ve Content	Mark
5 (c)	AO4 (6)		
	<u>Case for</u> The town authorities could see a true and fair view of the number of drinks sold by the business. This would allow them to charge an accurate tax on Jacinda's business. Jacinda is assured she is meeting all necessary requirements and disclosures, which may ensure future contracts for Jacinda. It will help Jacinda ensure a smooth running of the business helping her e.g. control costs, planning, decision making.		
	Case aga The town staff to si time and Jacinda h her accou Loss of co		
	Decision It would be worthwhile for the town authorities to study the audited financial statements of Jacinda.		
			(6)
Level	Mark	Descriptor	
Level 1	1-2	A completely incorrect response. Isolated elements of knowledge and und which are recall based. Generic assertions may be present. Weak or no relevant application to the so	erstanding cenario set.
Level 2	3-4	Elements of knowledge and understandir applied to the scenario. Some analysis is present, with developed reasoning, showing causes and/or effect the scenario, although these may be inco invalid. An attempt at an evaluation is presented financial and perhaps non-financial inform a decision.	ng, which are d chains of s applied to omplete or I, using mation, with

Level 3	5-6	Accurate and thorough knowledge and understanding.
		Application to the scenario is relevant and effective.
		A coherent and logical chain of reasoning, showing
		causes and effects is present.
		Evaluation is balanced and wide ranging, using
		financial and perhaps non-financial information and
		an appropriate decision is made.

Question Number	Answer	Mark
6 (a)(i)	AO1 (3) AO1: Three marks for correct calculation of total ordinary dividend paid.	
	Total ordinary dividend paid = Dividend per share x number of shares	
	<pre>= 6 pence (1) AO1 x 15 000 000 (1) AO1 = £900 000 (1) AO1</pre>	
		(3)

Question Number	Answer	Mark
6 (a)(ii)	AO3 (3) AO3: Three marks for correct calculation of share price.	
	Share price = Earnings per share x Price/earnings ratio	
	 = 15 pence (1) AO3 x 8.4 times (1) AO3 = £1.26 (1) AO3 	
		(3)

Question Number	Answer		Mark
6 (a)(iii)	AO2 (3) AO2: Three ma dividend yield	arks for correct calculation of	
	Dividend yield	 <u>Dividend per share</u> Market price of a share 	
		= <u>6 pence(1) AO2</u> x 100 126 pence (1 of) AO2	
		= 4.76% (1 of)AO2	(3)

6 Fu Wong has a sum of money, which he wishes to invest in shares. He has decided to invest in one of two companies, Chinoso plc or Paxorient plc. Fu Wong has carried out research on the internet and found the following information.

	Chinoso plc	Paxorient plc
Number of £0.50 (50 pence) ordinary shares issued	15 000 000	20 000 000
5% Bank loan repayable 2020	£5 000 000	
6% Debenture payable in 2022		£2 500 000
Net profit before interest and tax for year	£2 800 000	£3 600 000
Tax payable	£300 000	£450 000
Earnings per ordinary share	£0.15 (15 pence)	To be calculated
Total ordinary dividend paid for the year	To be calculated	£1 000 000
Dividend cover	2.5 times	To be calculated
Market price of shares	To be calculated	£0.90 (90 pence)
Price earnings ratio	8.4 times	To be calculated
Dividend paid per share	£0.06 (6 pence)	To be calculated
Dividend yield	To be calculated	5.55%

Autumn Past Paper	2018 www.mystudybro.com This resource was created and owned by Pearson Edexcel	Accounting Unit 2 WAC02 or WAC12
Fu V assi	Vong knows you are an accountant and asks you for advice. He would like stance in calculating the missing information in the table.	e your
Rec	uired	
(a)	Calculate, for Chinoso plc, the:	
	(i) total ordinary dividend paid for the year	(3)
	(ii) market price of shares	(3)
	(iii) dividend yield.	(3)
(b)	Calculate, for Paxorient plc, the:	
	(i) earnings per ordinary share	(6)
	(ii) dividend cover	(3)
	(iii) price earnings ratio	(3)
	(iv) dividend paid per share.	(3)
(c)	Evaluate the relevant information available and recommend to Fu Wong w company he should invest in.	vhich
		(6)
	(Total for Question 6	= 30 marks)
	TOTAL FOR SECTION B = TOTAL FOR PAPER = 2	= 90 MARKS 200 MARKS

Level 3	5-6	Accurate and thorough knowledge and understanding.
		Application to the scenario is relevant and effective.
		A coherent and logical chain of reasoning, showing
		causes and effects is present.
		Evaluation is balanced and wide ranging, using
		financial and perhaps non-financial information and
		an appropriate decision is made.

Question Number	Answer	Mark
6 (a)(i)	AO1 (3) AO1: Three marks for correct calculation of total ordinary dividend paid.	
	Total ordinary dividend paid = Dividend per share x number of shares	
	<pre>= 6 pence (1) AO1 x 15 000 000 (1) AO1 = £900 000 (1) AO1</pre>	
		(3)

Question Number	Answer	Mark
6 (a)(ii)	AO3 (3) AO3: Three marks for correct calculation of share price.	
	Share price = Earnings per share x Price/earnings ratio	
	 = 15 pence (1) AO3 x 8.4 times (1) AO3 = £1.26 (1) AO3 	
		(3)

Question Number	Answer		Mark
6 (a)(iii)	AO2 (3) AO2: Three ma dividend yield	arks for correct calculation of	
	Dividend yield	 <u>Dividend per share</u> Market price of a share 	
		= <u>6 pence(1) AO2</u> x 100 126 pence (1 of) AO2	
		= 4.76% (1 of)AO2	(3)

Question Number	Answer	Mark
6 (b)(i)	 AO1 (1), AO2 (2), AO3 (3) AO1: One mark for correct calculation of interest on debenture. AO2: Two marks for dividing by number of shares issued and final correct EPS figure. AO3: Three marks for calculating net profit after interest and tax and placing this figure as the numerator to find EPS. 	
	Paxorient	
	Interest on debenture = 6% x £2 500 000 = £150 000 (1)AO1	
	Net profit after interest and tax = £3 600 000 - (£450 000 + £150 000) (1)AO3 = £3 000 000 (1)AO3	
	Earnings per ordinary share = <u>Net profit after interest and tax</u> Issued ordinary shares	
	= <u>£3 000 000</u> (1)AO3 = 15p per share 20 000 000 (1)AO2 (1) AO2	(6)

Question Number	Answer	Mark
6 (b)(ii)	 AO2 (2), AO3 (1) AO2: Two marks for using the correct ordinary dividend figure and calculating dividend cover. AO3: One mark for using the correct net profit after interest and tax figure. 	
	Dividend cover	
	 <u>Net profit after interest and tax</u> Total ordinary dividend 	
	= <u>£3 000 000</u> (1of)AO3 = 3 times(1of)AO2 £1 000 000 (1)AO2	(3)

Question Number	Answer	Mark
6 (b)(iii)	AO2 (3) AO2: Three marks forcorrect calculation of the price/earnings ratio.	
	Price/earnings ratio	
	 Market price of share at year end Earnings per share 	
	= <u>90p (1)AO2</u> = 6 times (1 of)AO2 15p (1 of)AO2	(3)

Question Number	Answer	Mark
6 (b)(iv)	AO2 (3) AO2: Three marks for correct calculation of the dividend paid per share.	
	Dividend paid per share = <u>Total ordinary dividend</u> Issued ordinary shares	
	= <u>£1 000 000 (1)AO2</u> = 5 pence per share 20 000 000 (1) AO2 (1) AO2	(3)

Question	Indicativ	re Content	Mark
Number			
6 (c)	AO4 (6) Own fig from (a For Invest The divid (3 times Paxorient dividends and tax. Paxorient interest a The divid Chinoso p For Invest The price 2.4 times The divid	pure rule applies for calculations) and (b) <u>etiment in Paxorient plc</u> end cover is higher by 0.5 times compared to 2.5 times) which means thave a safer policy with regard to s, when compared to net profit after interest thave a higher net profit before and after, and tax. end yield for Paxorient plc is higher than blc by 0.79% (5.55% compared to 4.76%). <u>Etiment in Chinoso plc</u> /earnings ratio of Chinoso plc is higher by s (8.4 times compared to 6 times). end paid per share is higher in Chinoso by 1	
	Decision With the the best t	information given, dividend yield might be figure to use for investment, making	
	Paxorient	Descriptor	(6)
Level		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.	
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.	