



Pearson

Pearson Edexcel International Advanced Level Accounting

International Advanced Subsidiary WAC11

The Accounting System and Costing

Exemplar scripts with examiner commentaries

Section A Question 2

Introduction

Exemplar scripts WAC11 Section A (Question 2)

This set of exemplar responses with examiner commentaries for Question 2 is part of the set for Unit 1, The Accounting System and Costing. It has been produced to support teachers and students teaching and studying the International Advanced Level Accounting qualification.

This pack includes examiner commentaries on exemplar scripts which exemplify performances in this component from the June 2017 examination. Due to the nature of accounting questions, considerable data is required upon which questions are set. This document should therefore be used alongside other examination materials on the website.

Link to the May/June 2017 WAC11 Examination Question Papers and Mark schemes are available on IAL Accounting web page [here](#)

There are other IAL Accounting teaching and learning materials on the website [here](#).

Script 3 – A strong all round response to all sections of the question (Q2a)

2 (a) Using only the list of balances provided in the Source Booklet, prepare the Trial Balance at 30 April 2017 and show the value of the accumulated fund.

(10)

| Aviana GYM Club | | |
|---------------------------------|--------------------|-----------------------------|
| Trial balance as | | |
| At 30/4/17. | | |
| | DR @ | Cr @ |
| Members Subscriptions | | 5300. |
| Income from rental of equipment | | 103 1050 |
| Refreshment Sales | | 2400 |
| Refreshment Purchases | 960. | |
| Non-current assets :- | | |
| Gym equipment | 8500. | |
| office fixtures | 3000. | |
| Provision for Depreciation :- | | |
| Gym equipment | | 2500. |
| office fixtures | | 800. |
| Rent of premises | 2000. | |
| Heating and lighting | 1100 | |
| Trade payables - refreshments | | 570. |
| Sundry expenses | 1600 | |
| Cash | 80. | |
| Bank over draft | | 4000. |
| Gym equipment maintenance | 930 | |
| Inventory @ (1 May 2016) | 400 480 | |
| Accumulated fund | <u>12670</u> | <u>2050</u> <u>12670</u> |

Examiner's Comments

The student was awarded 10 marks.

The question required the student to prepare the trial balance from a list of balances and to include the accumulated fund. The student correctly posted all entries to the trial balance and correctly identified the difference figure as the value of the accumulated fund.

Student's answer to Question 2 (b)

(b) Explain **two** differences between a **trial balance** and a **statement of financial position**.

(4)

- 1 Trial balance include the amount of balances of income and expenditure of the period ^{and} ~~with~~ the value where as ~~first~~ of Assets and liability where as the financial position only include Assets and liabilities of the year.
- 2 Trial balance there ~~credit~~ is a credit and debit column and the ~~diff~~ debit and credit columns should be equal. Where as Financial Statement ~~does not~~ include debit or credit column, ^{only has section the Assets and liabilities.} and the Value of Assets should be equal to liabilities.

Examiner's Comments

The student was awarded 4 marks.

There are many differences that the student could explain. This student centered their answer on the type of balances recorded in both statements. The trial balance containing additional expenses and income balances. Secondly that the trial balance tests that the debit entries equal the credit entries but that the financial position statement shows that assets equal equity/capital and liabilities. These were accepted as two valid differences.

Student's answer to Question 2 (c)

(c) Prepare for the year ended 30 April 2017 the:

(i) Subscriptions Account

(5)

| Subscription Account | | | | | |
|----------------------|------------------------|------|------------------------------|-------------|------|
| Date | Details | Amt | Date | Details | Amt |
| 30/4/17 | Income and expenses | 5180 | 30/4/17 | Bank | 5300 |
| | | | 30/4/17 | Bad debts | 140 |
| 30/4 | | | | | |
| 30/4/17 | Balance c/d | 350 | 30/4/17 | Balance b/d | 90 |
| | | 5530 | | | 5530 |
| 1/5/17 | Balance b/f | 90 | 30/4/17 1/5/17 | Balance b/f | 350 |

(ii) Gym Equipment Account

7000 - 1600

(4)

| Gym equipment | | | Gym equipment | | |
|---------------|-------------|--------------|---------------|-------------|--------------|
| Date | Details | Amount | Date | Details | Amount |
| 1/5/16 | Balance b/f | 8500 | 30/4/17 | Disposal | 1500 |
| 30/4/17 | Bank | 4600 | 30/4/17 | Balance b/f | 11600 |
| | | <u>13100</u> | | | <u>13100</u> |
| 9/5/17 | Balance b/f | 11600 | | | |

1080 + 900

(iii) Gym Equipment - Provision for Depreciation Account

900 +

(4)

Gym equipment Provision for Depreciation Account

| Date | Details | Amount | Date | Details | Amount |
|---------|-------------|-------------|---------|------------------------|-------------|
| 30/4/17 | Disposal | 900 | 1/5/16 | Balance b/f | 2500 |
| 30/4/17 | Balance c/d | 3600 | 31/5/17 | Income and expenditure | 2000 |
| | | <u>4500</u> | | | <u>4500</u> |
| | | | 1/5/17 | Balance b/f | 3600 |

(iv) Refreshment Trading Account

(3)

Aviana Gym Club Refreshment Trading Account - on A/c 30/4/17

| | | | |
|-----------------|-------------------|-------|------|
| Revenue | | | 2400 |
| Cost of sales:- | Opening inventory | 480 | |
| | Purchases | 1020 | |
| | Opening inventory | 960 | |
| | Purchases | 1020 | |
| | Closing inventory | (570) | |
| Profit | | | 1470 |

Ariana ~~the~~ GYM club

Income and expenditure Account at 30/4/17

(₹)

(₹)

A. ~~Income~~ Income :-

M. Subscriptions

5180

Income from rental of equipment

1050

Profit from sale of Refreshment

1470

7700

Expenditure:-

Rent of premises

2000

Heating and lighting

1100

Sundry expenses

1600

Gym equipment maintenance

950

Provision for Depreciation:-

20

Gym equipment

2000

Office fixtures

300

Bad debts

140

(8090)

Deficit

(390)

Examiner's Comments

The student was awarded 5 marks for the Subscription Account, 4 marks for the Gym Equipment Account, 4 marks for the Gym Equipment- Provision for Depreciation Account, 3 marks for the Refreshment Trading Account and 6 marks for the Income and Expenditure Account.

This question is primarily examining the double entry skills of the student in (i) to (iii). This student recorded full marks in these sections. In addition to the correct double entries candidates should pay attention to the narratives used. These should be full and not abbreviations and the end of period balance should be correctly brought down for the next period.

In (iv) the Refreshment Trading Account was accurate and correctly labelled showing the cost of sales and a profit.

In (v) the Income Statement was substantially correct but the student had not included the profit on the sale of the non-current asset resulting in a larger deficit, 1 mark was lost for the omission but the deficit was awarded a mark on the own figure rule.

Student's answer to Question 2 (d)

(d) Prepare an extract of the Statement of Financial Position at 30 April 2017 showing the assets of the Aviana Gym Club.

(6)

Aviana GYM Club.

Financial position extract showing Assets

At 30/4/17.

| | £ | £ |
|--|-------|---------------------|
| Non Current Assets | | |
| Gym equipment (2500 - 1500 - 1600 - 2000 + 4500) | 8000. | |
| Office fixtures (3000 - 800 - 300) | 1900 | |
| | | 9900. |
| Current Asset | | |
| Inventory | 570. | |
| Cash | 80. | |
| Other Receivable | 90 | |
| | | <u>740</u> |
| Total assets | | <u><u>10640</u></u> |

Examiner's Comments

The student was awarded 4 marks.

Although the carrying value of the non-current assets were both correct the cost of the gym equipment was not recorded therefore that mark could not be awarded. The cash had not been adjusted for the £800 receipt from the sale of the non-current asset and therefore that mark could not be awarded. All other entries were correct and in their appropriate categories and were awarded the marks.

Student's answer to Question 2 (e)

The Management Committee of the Aviana Gym Club is proposing to purchase its own gym premises rather than renting premises.

(e) Evaluate the proposal of the Management Committee.

(12)

Potential argument for:-

By buying the gym premises rather than renting means that the premises will be owned by Aviana Gym Club. This will ~~not~~ increase the value of Non Current asset held by the business making financial position more attractive.

Moreover, the cost of paying monthly rent will be saved this will reduce cost of the club and ~~increase~~ ~~lead~~ to surplus.

Further more the club can now make changes in the premises as it will be owned by them.

Potential argument against:-

There is huge cost involved in buying the premises which has to be funded with borrowed money increasing liability.

The business club will have to pay interest on ~~bank~~ if a bank loan is taken to fund the cost increasing expenses.

Examiner's Comments

The student was awarded 9 marks.

The student has presented a range of arguments both for and against the proposal. These arguments were both developed and reasoned which would automatically place the response at Level 3. To progress the answer to Level 4 there would need to be a conclusion with some rationale for that conclusion. The student did not present any conclusion therefore the examiners awarded 9 marks which represents the top of Level 3 due to the range of arguments and their development.

Script 4 – A very strong response to the question, the evaluation should be studied as an exemplar

- 2 (a) Using only the list of balances provided in the Source Booklet, prepare the Trial Balance at 30 April 2017 and show the value of the accumulated fund.

(10)

Ariana's Trial Balance as at 30 April 2017

| | Dr £ | Cr £ |
|-----------------------------|---------|-----------------------|
| Member's subscription | | 5300 |
| Income from rental | | 1050 |
| Refreshment Sales | | 2400 |
| Refreshment purchases | 960 | |
| Gym Equipment | 8500 | |
| office fixtures | 3000 | |
| Provision for Depreciation: | | |
| Gym Equipment | | 2800 |
| office fixtures | | 800 |
| Rent of Premises | 2000 | |
| Heating & lighting | 1100 | |
| trade payable | | 570 |
| Sundry expenses | 1600 | |
| Cash | 80 | |
| Bank Overdraft | | 4000 |
| Maintenance (Equipment) | 950 | |
| Inventory | 480 | |
| | 18670 | 16620 |
| Accumulated Fund | | 18670 - 16620 = £2050 |

Examiner's Comments

The student was awarded 10 marks.

The question required the student to prepare the trial balance from a list of balances and to include the accumulated fund. The student correctly posted all entries to the trial balance and correctly identified the difference figure as the value of the accumulated fund. On this occasion the student did not include the accumulated fund balance in the trial balance but this was accepted by the examiners and the marks for the final calculation were awarded.

Student's answer to Question 2 (b)

(b) Explain **two** differences between a **trial balance** and a **statement of financial position**.

(4)

1 The trial Balance does not adjust for accruals and prepayments. It does not show the balances of expenses or income accrued or prepaid.

2 In the statement of financial position the total value of assets ~~are~~ is shown whereas in the trial balance each asset is shown separately, thus the value of a business assets is not shown.

Examiner's Comments

The student was awarded 2 marks.

There are many differences that the student could explain. This student tended to only consider one side of the explanation. They correctly stated that the trial balance does not adjust for accruals and prepayments. Only 1 mark was allowed as the student did not state how these would be treated in the statement of financial position. The second point that the total value of assets would be recorded in the statement of financial position was accepted for 1 mark.

In questions which require a distinction to be drawn, students need to ensure that they concentrate their answers on the differences by reference to both aspects under consideration.

Student's answer to Question 2 (c)

(c) Prepare for the year ended 30 April 2017 the:

(i) Subscriptions Account

(5)

| Subscriptions a/c | |
|--------------------------|-----------------------------------|
| 2017 | 2017 |
| | May 30 balance c/d 350 |
| April 30 5180 | April 30 Receipts & payments 5300 |
| Income & Expenditure | April 30 Bad Debts 140 |
| April 30 balance c/d 350 | April 30 balance c/d 90 |
| 2017 5530 | 2017 5530 |
| May balance b/d 90 | May balance b/d 350 |

(ii) Gym Equipment Account

(4)

| Gym Equipment a/c | |
|-------------------------|----------------------------|
| 2016 | 2017 |
| May 1 Balance b/d 8500 | March Disposal 1500 |
| March 28 Disposal 600 | April 30 balance c/d 12200 |
| March 30 Bana 4600 | |
| 2017 | 13100 |
| May 1 balance b/d 12200 | 13700 13100 |
| | 11600 |

(iii) Gym Equipment - Provision for Depreciation Account

(4)

| Provision for Depreciation a/c | |
|--------------------------------|--------------------------------------|
| 2017 | 2016 |
| March 28 Disposal 900 | May 1 balance b/d 2800 |
| April 30 balance c/d 3420 | 2017 |
| | April 30 Income and expenditure 1820 |
| 4320 | 2017 |
| 3200 | May 1 balance b/d 2800 |
| | 3420 |

(iv) Refreshment Trading Account

(3)

| Trading Account | |
|------------------------------|-------|
| Sales | 2400 |
| less cost of goods sold: | |
| opening inventory | 480 |
| Add purchases | 1020 |
| less closing inventory | 1500 |
| | (570) |
| Gross Profit on Refreshments | 930 |
| | 1470 |

(v) Income and Expenditure Account.

(7)

| Arianna's <u>Income and expenditure account</u> | | |
|--|----------------------|---------------------------|
| Income: | £ | £ |
| Refreshments | 1470 | |
| Subscription | 5000 5180 | |
| Disposal (1500 - (900 + 800)) | <u>200</u> | 6000 |
| less expenditure Income for | | |
| Rental equipment | 1050 | 7900 |
| less expenditure: | | |
| Rent of premises | 2000 | |
| Heating and lighting | 1100 | |
| Sundry expenses | 1600 | |
| Equipment Maintenance | 950 | |
| Provision for Depreciation ^{of equipment} | 1000 1820 | 7770 |
| Provision " of Fixtures | <u>300</u> | (7990) |
| Surplus of Income over expenditure | | 750 <u>130</u> |

Examiner's Comments

The student was awarded 5 marks for the Subscription Account, 4 marks for the Gym Equipment Account, 4 marks for the Gym Equipment- Provision for Depreciation Account, 3 marks for the Refreshment Trading Account and 7 marks for the Income and Expenditure Account.

This question is primarily examining the double entry skills of the student in (i) to (iii). This student recorded full marks in these sections. The student incorrectly recorded the depreciation for the year as £1820 but the mark was still awarded on the own figure rule.

In (iv) the Refreshment Trading Account was accurate and correctly labelled showing the cost of sales and a profit.

In (v) the Income Statement was substantially correct but with the inclusion of the incorrect provision for depreciation on the gym equipment brought forward from the depreciation account. The mark was awarded for depreciation on the own figure rule. All other elements were present and therefore the full 7 marks were awarded.

Student's answer to Question 2 (d)

(d) Prepare an extract of the Statement of Financial Position at 30 April 2017 showing the assets of the Aviana Gym Club.

(6)

Statement of financial position as at
30 April 2017

| | £ | £ | £ |
|--|------|--------|-----------------|
| Non Current Assets: | | | |
| Gym Equipment | 8500 | (4320) | 3420 |
| Office Fixtures | 3000 | (1100) | 1900 |
| Current Assets: | | | 5320 |
| Trade Receivables | | - | |
| Inventory | | 520 | |
| cash | | 80 | |
| accrued income | | 90 | |
| prepaid expenses | | 0 | 740 |
| Total Assets | | | 6060 |
| Equity and liabilities: | | | |
| Accumulated Fund | | 2050 | |
| Add Surplus of Income over Expenditure | | 130 | |
| Add Current liabilities: | | | 2180 |
| trade payables | 630 | | 630 |
| prepaid income | 350 | | 350 |
| accrued expenses | 0 | | - |
| Bank Overdraft | 4000 | | 4000 |
| | | | 4980 |
| Total Equity and liabilities | | | 7160 |

Examiner's Comments

The student was awarded 3 marks.

The carrying value of the office furniture was correct and 1 mark was awarded. All other entries in the non-current assets were incorrect and attracted no marks. Marks were awarded in the current assets for the inventory and the subscriptions in arrears, making 3 marks in total.

Student's answer to Question 2 (e)

The Management Committee of the Aviana Gym Club is proposing to purchase its own gym premises rather than renting premises.

(e) Evaluate the proposal of the Management Committee.

(12)

On one hand, it's a good idea since in the long term the ~~owner~~ ^{owner} will not have to pay the cost of renting, thus the profits in the future will improve. Moreover, by having its own gym premises improvement may be made ^{on them} since he will own them, as a result he may attract more customers since he will have improved premises, thus generate more profits for the club. On the other hand, the owner will have to make a loan in order to buy his own premises which he will have to repay in the future. He will have to pay the interest on loan each year which will decrease the club's profit. In addition, a new loan is a big commitment and since the club don't make sufficient profits it's unwise since it may go bankrupt. To conclude, I believe ~~that~~ as explained above that a loan is a big commitment therefore he shouldn't buy his own premises.

(Total for Question 2 = 55 marks)

Examiner's Comments

The student was awarded 11 marks.

The student has presented a range of arguments both for and against the proposal. These arguments were both developed and reasoned. The saving in rent to be paid and the ability to improve the premises without permissions to attract customers are both positive points. The arguments against are well developed and argued. The need for a loan which will need repaying, this is stated as a big commitment. The need to pay interest on the loan and the absence of a sufficient surplus to fund this payment is well argued. The range of arguments for and against would make the answer Level 3.

The student does provide a conclusion which raises the answer to Level 4. The rationale is present but is limited so therefore the examiners awarded the middle mark available at Level 4.