



Pearson

International Advanced Level Accounting

Unit 2 WAC12

Corporate and Management Accounting

Question 5

Exemplar scripts with examiner commentaries

Introduction

This set of exemplar responses with examiner commentaries for Unit 2, Corporate and Management Accounting, has been produced to support teachers delivering and students studying the International Advanced Level Accounting specification.

This pack includes examiner commentaries and exemplar scripts.

The scripts selected exemplify performances for this component of the examination.

This document should be used alongside other IAL Accounting teaching and learning materials available on the website [here](#).

Link to May/June 2017 WAC12 Mark scheme is [here](#) on the IAL Accounting web page.

Exemplar scripts

Script 7

Source material for Question 5 is on page 12 of the source booklet.

If you answer Question 5 put a cross in the box .

- 5 (a) Prepare the journal entries to show item (iii) recorded in the books. Narratives are **not** required.

(6)

CRE value = 100,000 x 61

= £100,000

Dr Retained Earnings 100,000

Cr Capital Redemptio reserve (CRE) 100,000

Dr Ordinary shares £1 1,000,000

Cr Bank 1,000,000

(b) Complete, using the table below, the Statement of Changes in Equity for the year ended 31 March 2017, showing the figures in millions of pounds (£m).

You should show totals both horizontally and vertically.

Details (Notes)	Ordinary share capital	Share premium	Retained Earnings	General reserves	Foreign exchange reserves	Capital reserves (Sec 449)		(18) Changes in equity	
						Capital reserves (Sec 449)	Reserves	Share premium	Total Equity
Balances B/F (1/4/2016)	12,000,000	36,000,000	8,650,000	750,000	2,000,000	-	-	-	59,400,000
(i)	-	-	-	-	-	-	-	-	
(ii)			(900,000)	900,000					
(iii)			(1,000,000)			1,000,000			
(iv)			(121,000)					(121,000)	
(v)								1,150,000	1,150,000
(vi)			900,000		(900,000)				
(vii)			2,450,000						2,450,000
Total Equity	12,000,000	36,000,000	9,779,000	1,650,000	1,100,000	1,000,000		1,150,000	62,879,000

(iv) 11,000,000 X 0.011 = 121,000 (v) 4850,000 - 3700,000 = 1,150,000
 Total equity at 31 March 2017

(c) Evaluate, from the point of view of Knightswell Hotels plc, the redemption of ordinary shares on 8 July 2016.

(6)

(+) More dividends for ordinary share holders

~~Market price~~ Dividends per share rises

Earnings per share rises

Dividends cover increases

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(-) Costly to pay redeeming shareholder

Affects cash flow

Have to create a creditors buffer (CRR)

Less owners to rely on

(Total for Question 5 = 30 marks)

Examiner commentary

Question: 5

In part (a) the student debits ordinary share capital and credits bank with the correct amount. However, there is no date stated, which means the mark for the first correct entry is not awarded. It was good to see retained earnings debited and the capital redemption reserve credited, because this was often omitted. However, the amount was incorrect so no marks were attained for this entry.

This answer scored 1 out of the 6 marks available.

The Statement of Changes in Equity attained 14 out of 18 marks.

The labelling of the first seven headings was correct and was awarded a mark. However, Total equity had been crossed out, and Changes in equity incorrectly entered. Although 59 400 000 had been crossed out, there was no alternative answer offered, so this was marked and achieved a mark. Entries were correct in rows (ii) through to (vii) and achieved 9 marks. The own figure rule from (a) applied to row (iii). The own figure rule also applied to the final row, based on the entries above, and the 3 marks were awarded.

This gave a total of 14 marks out of 18.

In part (c), all the statements made were correct, but there was little analysis. The points made were well thought out, but there were no causes or effects. There was also no evaluation/conclusion. This meant the answer stayed in level 1, and achieved only 2 marks. The levels based mark scheme means that students will not score very well if they merely list a number of bullet points with no explanations. An answer with fewer points made, but with greater explanation and analysis will score higher. An evaluation/conclusion/decision is crucial in order to move into the higher levels.