

INTERNATIONAL GCSE

Accounting (9-1)

EXEMPLARS WITH EXAMINER
COMMENTARIES PAPER 2

Pearson Edexcel International GCSE in Accounting (4AC1)



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Introduction

1.1 About this booklet

This booklet has been produced to support teachers delivering the Pearson Edexcel International GCSE in Accounting specification. The Paper 2 exemplar materials will enable teachers to guide their students in the application of knowledge and skills required to successfully complete this course. The booklet looks at questions 1, 2, 3, 4, 5 and 6, from the May/June 2019 examination series, showing real candidate responses to questions and how examiners have applied the mark schemes to demonstrate how student responses should be marked.

1.2 How to use this booklet

Each example covered in this booklet contains:

- Question
- Mark scheme
- Exemplar responses for the selected question
- Example of the marker grading decision based on the mark scheme, accompanied by examiner commentary including the rationale for the decision and where relevant, guidance on how the answer can be improved to earn more marks.

The examples highlight the achievement of the assessment objectives at lower to higher levels of candidate responses.

Centres should use this content to support their internal assessment of students and incorporate examination skills into the delivery of the specification.

1.3 Further support

A range of materials are available from the Pearson qualifications website to support you in planning and delivering this specification.

Centres may find it beneficial to review this document in conjunction with [the Examiner's Report](#) and other assessment and support materials available on [the Pearson Qualifications website](#).

Question 1(a)

1 Yu Win provided the following information.

At 1 June 2017	\$
Provision for irrecoverable debts	3 000
Fixtures and fittings	
Cost	20 000
Accumulated depreciation	5 000
Motor vehicles	
Cost	50 000
Accumulated depreciation	13 550
Inventory	37 150

At 31 May 2018	\$
Carriage inwards	3 625
Discount received	1 250
General expenses	24 375
Purchases	185 375
Purchases returns	12 500
Sales	329 500
Sales returns	15 500
Wages and salaries	38 650

During the year ended 31 May 2018:

- fixtures and fittings purchased on 1 January 2013 for \$7 500 were sold for \$5 400
- a motor vehicle costing \$20 000 was purchased.

The following adjustments have not yet been made:

- closing inventory \$43 950
- Yu Win took goods for personal use costing \$2 500
- wages and salaries owing \$1 350
- general expenses paid in advance \$1 125
- a decrease in the provision for irrecoverable debts of \$750
- depreciation charge:
 - fixtures and fittings 5% per annum straight line
 - motor vehicles 10% per annum reducing balance
 - a full year's depreciation is charged in the year of purchase and none in the year of disposal.

Mark scheme

Question number	Answer	Mark																																																																																																				
1(a)	<p>Award marks as indicated. Award one mark for all correct labels.</p> <p style="text-align: center;">Yu Win</p> <p style="text-align: center;">Income statement for the year ended 31 May 2018</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> <th style="text-align: right;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td style="text-align: right;">329 500</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Returns inwards</td> <td style="text-align: right;">(15 500)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">314 000</td> <td></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">37 150</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">185 375</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Returns outwards</td> <td style="text-align: right;">(12 500)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Goods for own use</td> <td style="text-align: right;">(2 500)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;">3 625</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(43 950)</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(167 200)</td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">146 800</td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Other income</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Allowance for doubtful debts</td> <td></td> <td style="text-align: right;">750</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Discount received</td> <td></td> <td style="text-align: right;">1 250</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">148 800</td> <td style="text-align: right;">(1 of)</td> </tr> <tr> <td>Expenses</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Loss on disposal</td> <td style="text-align: right;">225</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Depreciation - Fixtures and fittings</td> <td style="text-align: right;">625</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td style="padding-left: 20px;">- Motor vehicles</td> <td style="text-align: right;">5 645</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">23 250</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">40 000</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(69 745)</td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">79 055</td> <td style="text-align: right;">(1 of)</td> </tr> </tbody> </table>		\$	\$		Revenue	329 500		(1)	Returns inwards	(15 500)		(1)			314 000		Cost of sales				Opening inventory	37 150		(1)	Purchases	185 375		(1)	Returns outwards	(12 500)		(1)	Goods for own use	(2 500)		(1)	Carriage inwards	3 625		(1)	Closing inventory	(43 950)		(1)			(167 200)	(1 of)	Gross profit		146 800	(1 of)	Other income				Allowance for doubtful debts		750	(1)	Discount received		1 250	(1)			148 800	(1 of)	Expenses				Loss on disposal	225		(1)	Depreciation - Fixtures and fittings	625		(1)	- Motor vehicles	5 645		(1)	General expenses	23 250		(1)	Wages and salaries	40 000		(1)			(69 745)		Profit for the year		79 055	(1 of)	(20)
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Exemplar response A

Yu Win
Income Statement for the year ended 31 May 2018

	\$	£
Revenue Sales		329500
less: Sales returns		(18500)
Net sales		314000
less: Cost of Sales		
Opening Inventory	37150	
Add: purchases	185375	
: Carriage inwards	3625	
Less Purchases returns	226150 (12500)	
Less: Drawings for goods	(2500)	
Cost of goods available for use	211150 222652	
less: Closing stock Inventory	(43050)	(167200) (142200)
Gross profit		146800 134300
<u>Additional incomes</u>		
Discount received	1250	
Decrease in provision for doubtful debts	750	2000
		148800 136300
<u>Expenses</u>		
Loss on disposal of fixtures and fittings	225	
Wages and salaries (32650 + 1350)	40000	
General expenses (24375 - 1125)	23250	
Depreciation of fixtures and fittings (12500 x 0.05)	625	
Depreciation of motor vehicles (56450 x 0.1)	5645 5225	(69745) (6225)
Net profit	79055	

Examiner's comments:

This response was given 19 marks.

This is an excellent example of the income statement, showing all the figures with labels and subtotals. The candidate lost only one mark - for using incorrect terminology in the labels, for example: 'revenue' or 'profit for the year'.

Exemplar response B

Yu Win
Income Statement for the year ended 31 May 2018

	\$	\$	\$
Sales			329,500
Sales returns			(15,500)
			314,000
Less cost of sale			
Opening inventory	37,150		
Purchases	185,375		
	222,525		
Carriage inwards	3,625		
	226,150		
Purchase returns	(12,500)		
	213,650		
Drawings	(2,500)		
	211,150		
Closing inventory	(43,950)		
Cost of sale			(167,200)
Gross profit			146,800

Workings-

wages and salaries (38,650 + 1,350)	40,000		
Motor vehicle	20,000		
Provision for Depn on: irrecoverable debts (3,000 - 750)	2,250		
Depreciation			
Depn on: fixtures and fittings	1,000		
Motor vehicles	5,645		
	3,645		
Total expenses			(92,145)
Net profit			<u>62,055</u>

Examiner's comments:

This response was given 15 marks.

This response included mistakes which were most commonly seen across responses, such as recording sale proceeds of non-current assets as other income. As a result of this, the candidate lost the subtotal mark for the purchase of a non-current asset as well as the mark for profit for the year. The candidate calculated depreciation on fixtures and fittings and the adjustment of the allowance for doubtful debts incorrectly. Also, labelling was not correct.

Exemplar response C

(a) Prepare the Income Statement for the year ended 31 May 2018.

(20)

Yu Win Income Statement for the year ended 31 May 2018	
Sales	329,500
Sales return	(11,500)
	314,000
Cost of goods sold	
Opening inventory	3,715
Purchases	185,375 - 2,500
Carriage inwards	362.5
	223,650
Purchase return	(12,500)
	211,150
Closing inventory	(43,950)
	167,000
Gross profit	146,800
Income:	
Discount received	1,250
Decrease in provision of irrecoverable debts	2,250
	3,500
	150,300
Expenses:	
General expense (24,375 - 11,250)	13,125
Wages and salaries (38,650 + 13,500)	52,150
Depreciation on fixtures	1,000
Motor vehicles	3,645
	70,520
Net profit	82,405

Examiner's comments:

This response was given 14 marks.

This response included most commonly seen mistakes, such as: showing purchases after adjusting goods taken for personal use (drawings) rather than showing them separately on two lines with labels; the allowance for doubtful debts' adjustment taken as the difference between the opening balance and the decrease provided during the year, with the decrease taken as the closing balance. Depreciation on fixtures and fittings was calculated without adjusting for the disposal and disposal loss was missed out altogether. Depreciation on motor vehicles was also calculated incorrectly, without adjusting for purchases during the year.

Exemplar response D

(a) Prepare the Income Statement for the year ended 31 May 2018.

(20)

Yu Win
Income Statement for the year ended 31 May 2018

	£	£	£
motor vehicles	£ 20,000	(13550)	36490
fixtures & fittings	20,000	(5000)	15,000
Sales			324500 51450
sales			751450
Opening stock	37150		
Add returns inward (less returns outward)	£15600		
	52700	52700	
less closing stock	£ 7	(43950)	8750
			380950
less Expenses			
Depreciation		18550	
Carriage inwards		3625	
Purchases (185375 - 12500)		172875	
Wages & salaries (38650 + 1350)		40,000	
General expenses (24375 - 1125)		23250 24275	(252300)
Net Gross profit			122650
Add: Adjusted Income			
Less Drawings			(2500)
Net profit			120150

Examiner's comments:

This response was given 5 marks.

In this response, the candidate started with the wrong format by showing non-current assets, which should appear on the statement of financial position, not on the income statement. Only three marks were given in the trading section; one mark each for revenue, opening inventory and closing inventory. Further two marks were given for wages and salaries and general expenses. The candidate recorded the carriage inwards, purchases and goods taken for personal use (drawings) under the wrong section. These should have been recorded under cost of sales, in the trading section of the income statement.

Question 1(b)

- (b) Prepare the Statement of Financial Position at 31 May 2018 showing the **non-current assets** section only.

(5)

Mark scheme

Question number	Answer	Mark																																				
1(b)	<p>Award marks as indicated.</p> <p style="text-align: center;">Yu Win</p> <p style="text-align: center;">Statement of financial Position at 31 May 2018</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>\$</th> <th>\$</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td colspan="4">Assets</td> </tr> <tr> <td>Non-current assets</td> <td>Cost</td> <td>Accumulated depreciation</td> <td>Carrying value</td> </tr> <tr> <td>Fixtures and fittings</td> <td>12 500</td> <td>3 750</td> <td>8 750</td> </tr> <tr> <td></td> <td>(1)</td> <td></td> <td>(1of)</td> </tr> <tr> <td>Motor vehicles</td> <td>70 000</td> <td>19 195</td> <td>50 805</td> </tr> <tr> <td></td> <td>(1)</td> <td></td> <td>(1of)</td> </tr> <tr> <td></td> <td></td> <td></td> <td>59 555</td> </tr> <tr> <td></td> <td></td> <td></td> <td>(1)</td> </tr> </tbody> </table>		\$	\$	\$	Assets				Non-current assets	Cost	Accumulated depreciation	Carrying value	Fixtures and fittings	12 500	3 750	8 750		(1)		(1of)	Motor vehicles	70 000	19 195	50 805		(1)		(1of)				59 555				(1)	(5)
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			(1)																																			

Exemplar response A

Yu Win			
Statement of Financial Position at 31 May 2018			
Non-current assets	cost (£)	Dep'n (£)	NBV (£)
Fixtures and fittings	12,500	(3,750) 12,800 (5,625)	8,750 200 6875
Motor vehicles	70,000	(19,195)	50,805
	<u>82,500</u>	<u>24,820</u>	<u>57,680</u>

Examiner's comments:

This response was given 4 marks.

The candidate showed correct costs for both assets and calculated the carrying value (NBV) correctly by using their own figures. The final mark was not awarded although a sub-total was shown as it was not the correct figure.

Exemplar response B

Yu Win
Statement of Financial Position at 31 May 2018

Non-current Assets	cost (£)	Total depn (£)	NBV (£)
Fixtures and fittings	27500	(9000 6225)	20000 21275
Motor vehicles	70000	(19195)	50805
	97500	(24000 25420)	73500 72080

Examiner's comments:

This response was given 3 marks.

The candidate incorrectly added the disposal of fixtures and fittings to show the cost, but they did show the correct cost of motor vehicles and managed to deduct their own accumulated depreciation (total depreciation) figure to calculate the carrying value (NBV) and so was given three marks.

Exemplar response C

Yu Win
Statement of Financial Position at 31 May 2018

ASSETS			
Non-Current Assets			
Fixtures and fittings	14600	(5730)	8870
Motor Vehicles	70000	(20550)	49450
	84600	(26280)	58320

Examiner's comments:

This response was given 3 marks.

The candidate incorrectly deducted the sale proceeds from the original cost of the fixtures and fittings provided to find the cost. However, they had the correct cost of motor vehicles and deducted their own accumulated depreciation (total depreciation) figure to calculate the carrying value (NBV) and managed to score three marks.

Exemplar response D

Yu Win
Statement of Financial Position at 31 May 2018

	Cost	Acc. Depreciation	Net book value
<u>Non-current assets</u>			
Motor vehicles (50,000)	50,000	(17,195)	32,805
Fixtures and fittings	20,000	(6,000)	14,000
	70,000	(23,195)	46,805
	φ	φ	φ

Examiner's comments:

This response was given 2 marks.

The candidate did not adjust the original fixtures and fittings and motor vehicles costs provided, but deducted their own accumulated depreciation (total depreciation) figure to calculate the carrying value (NBV), hence scored two marks.

Question 2(b)

(b) Define the terms:

(i) profitability

(1)

(ii) liquidity.

(1)

Mark scheme

Question number	Answer	Mark
2(b)(i)	Award mark as indicated Profitability is the ability to generate profits from the activities of the business (1).	(1)
Question number	Answer	Mark
2(b)(ii)	Award mark as indicated Liquidity is the ability of a business to pay off its liabilities (1).	(1)

Exemplar response A

(i) profitability

(1)

It measures the ability of a business to earn profit.

(ii) liquidity.

(1)

It measures an organization's financial position and capacity to pay its short term debts.

Examiner's comments:

This response was given 1 mark for (i) and 1 mark for (ii).

The candidate defined both terms correctly by relating these to the ability of the business to earn profits and the capacity to pay short-term liabilities.

Exemplar response B

(i) profitability

(1)

The ability to calculate a businesses profits or losses.

(ii) liquidity.

(1)

The ability of a business to be able to pay its short term debt debts.

Examiner's comments:

This response was given 0 for (i) and 1 mark for (ii).

For part (i), the candidate has only stated the ability to calculate the profit or loss rather than the ability to generate profit. However, the response for part (ii) was correct as to the ability of the business to pay its short-term liabilities.

Question 2(c)

A business provided the following information.

Ratio	2018	2017
Gross profit percentage	23.50%	20.00%
Profit for the year as a percentage of revenue	15.97%	12.47%
Current (working capital) ratio	2.89:1	1.75:1
Liquid (acid test) ratio	1.57:1	0.87:1

(c) Evaluate the performance of the business over the two years.

(5)

Mark scheme

Question number	Answer	Mark
2(c)	<p>Award up to 2 marks for comments on profitability and up to 2 marks for comments on liquidity and 1 mark for overall evaluation.</p> <p>Sample answer</p> <p>Gross profit margin has improved indicating charging higher selling price in relation to lower/constant purchase price or cost of sales (1).</p> <p>Profit for the year as a percentage of revenue has also improved due to better gross profit margin (1).</p> <p>Current (working capital) ratio has improved which indicates that the business was able to pay off its short-term liabilities in both years (1).</p> <p>Liquid (acid test) ratio has improved, which indicates that the business can pay off its short-term liabilities without having to sell inventory (1).</p> <p>Overall profitability and liquidity of the business has improved (1)</p>	(5)

Exemplar response A

In 2017, the gross profit percentage was 20% which increased to 22.5%.

The profit margin also increased over the two years. These two increases indicate that the business ^{became} ~~was~~ more profitable over the two years, and was able to control its expenses more efficiently.

The current ratio as well as the liquid ratio increased from 2017 to 2018. This indicates that the business's liquidity had improved i.e. they were able to repay their debts by easily turning the current assets into cash. Overall, the performance of the business improved greatly over the two years as they were more profitable.

Examiner's comments:

This response was given 2 marks.

The candidate stated that both the profitability and liquidity ratios increased and noted that the reason for the increase in profitability ratios was due to the control of the business's expenses. However, this was not the correct response. The statement about the impact of the increase in liquidity ratios, i.e. that the business was able to pay its debts, was awarded one mark and the overall conclusion earned the second mark.

Exemplar response B

The gross profit percentage increased in 2018 and also the profit for percentage of revenue. This indicates that the business can sell their inventory and get profit. They sell their goods at ~~per~~ better price so they ~~to~~ get ~~per~~ more profit which runs their business efficiently. The current ratio increased in 2018 and the ideal ratio is 2:1 it means that business can pay their debts. Acid test ratio also increased and indicating that the business can pay their short-term debts. For this they have a good relation with creditors.

Examiner's comments:

This response was given 1 mark.

The candidate stated simple facts with relation to all of the ratios, i.e. that these increased. The discussion of the current ratio was more detailed, i.e. the response referred to the impact of the increase. Profitability ratios were referred to in the response, i.e. the candidate stated that the business was able to sell goods at a better price; however, the discussion did not link it to costs. Similarly, the quick (acid test) ratio was not linked to liquid assets. An overall conclusion was also lacking.

Exemplar response C

The performance of the business has improved over the two years. As you can see both the current ratio and acid test ratio has improved to meet the standards (from 1.75:1 to 2.89:1 in the current ratio and ~~0.87:1~~ from 0.87:1 to 1.57:1 in the acid test ratio). The Gross profit percentage and profit for the year as a percentage of revenue have also increased significantly.

Overall, the business is in a better position.

Examiner's comments:

This response was given 1 mark.

This response re-stated that the ratios for liquidity improved and that the generic statement for profitability ratios increased, but provided no analysis to show how these would affect the business or what was causing the increase. The candidate did provide an overall conclusion regarding the performance of the business, and so the response was awarded one mark.

Exemplar response D

The business's gross profit percentage has increased from 2017 to 2019 by 3.50%, also the profit for the year as a percentage of revenue has increased over the two years by 3.50%. This shows that the business's profitability has become more sufficient. However, the current ratio has increased by more than what is wanted (from 1.75:1 to 2.89:1) and needs to be decreased to be closer to the optimum ratio of 2.5:1. The liquid ratio has increased from 0.97:1 to 1.57:1 which is sufficient for the business to be liquid. The business over the two years has become more sufficient.

Examiner's comments:

This response was given 1 mark.

The response mentioned both profitability ratios, including a statement about the difference in the increase, and liquidity ratios, with the ratios provided for both years listed. However, analysis of possible reasons for the change was lacking. An overall conclusion about the performance of the business was present and the response was awarded one mark.

Question 2(e)

(e) Discuss the need for a partnership to prepare different accounts from those prepared by a sole trader.

(6)

Mark scheme

Question number	Indicative content		Mark
2(e)	<ul style="list-style-type: none"> Partners must share the profits/losses, so they must prepare the appropriation accounts to show the share of profit/loss. Being partners, they may be entitled to interest on capital, drawings and interest on drawings, salaries etc so they must prepare the current account to show what business owes to them and what they owe to business. Being partners the drawings and profit share is not adjusted to the capital account so they must show the capital and current account separately in the statement of financial position. <p>The indicative content is not exhaustive; other creditworthy material should be awarded marks as appropriate.</p>		(6)
Level	Mark	Descriptor	
	0	No rewardable material.	
Level 1	1 - 2	Some understanding of the accounting principles demonstrated but explanation has not been developed adequately.	
Level 2	3 - 4	Good understanding of the accounting principles demonstrated with a developed explanation but with limited evidence to support response.	
Level 3	5 - 6	Excellent understanding of the accounting principles demonstrated with a well-developed explanation with sufficient evidence to fully support response.	

Exemplar response A

In a partnership, there are two or more owners of the business. Hence, a capital account showing ~~how they have a part~~ the amount of capital invested by each of them. Further more, a partnership has a partnership deed unlike a sole trader which shows whether salaries and interest on (capital) and drawings should be allowed or given. This requires the business after the income statement to make an appropriation account which shows distribution of ^{profit} income or loss according to the deed to the partners, which this is not the case in a sole trader as there all the profit or loss ^{are made} ~~is made~~ by himself. Also, the double entry of the appropriation is made in current accounts of the partners which is like a division of the capital account showing how much each partner is owed or owned by the business. While for a sole trader, ^{his drawing or} ~~neither~~ ^{only} ~~the~~ capital account shows this.

Examiner's comments:

This response was given 5 marks.

This response demonstrated a good understanding of the need to prepare different accounts for a partnership as compared to sole trader operations.

The candidate provided good development for the appropriation account and the current account, but only very limited development for the capital account.

Exemplar response B

A partnership involves 2 or more individuals operating together in the aim of making profits. Sole trader is an individual operating alone under his/her own name or a trading name. In the case of sole traders only he/she can contribute capital or take out drawings. However, in a partnership, ^{each} partner may contribute a different amount of capital, or take out ^{different} drawings. Therefore, a capital account and current account for each partner needs to be prepared, ^{to know whether the business owes the firm.} A sole trader does not need these. In the case of a sole trader, the individual receives all the profits made by the business. As for partnerships, the profits need to be shared at an agreed ratio. Therefore, partnerships need to prepare an appropriation account after calculating profit for the year. This account will show how much profit each partner will receive for the financial year. The current account balances ~~in the~~ will either be added or subtracted in statement of financial positions, for a partnership.

Examiner's comments:

This response was given 3 marks.

This response demonstrated more than a basic understanding of the need to prepare different accounts for a partnership as compared to sole trader operations.

Exemplar response C

In a partnership it's important to prepare different accounts from those prepared by a sole trader as the profit has to be shared and has to be shared correctly. The partnership A/C includes interest on drawings, interest on capital, salaries, in order to find the profit share.

Examiner's comments:

This response was given 1 mark.

This response demonstrated only limited knowledge. Whilst the candidate stated different appropriations, these were not linked to a specific account.

Question 2(f)

(f) Evaluate whether a sole trader should form a partnership.

(5)

Mark scheme

Question number	Answer	Mark
2(f)	<p>Award up to 2 marks for identification, 2 marks for development and 1 mark for conclusion.</p> <p>Sample answers</p> <p>A sole trader may have limited finance/capital/resources to expand the business (1), but a new partner brings in additional finance/capital/resources available to expand the business (1).</p> <p>A sole trader may find it hard to cope with the demands of the increased business (1), but a new partner will bring in additional skills/knowledge/ideas/ and share workload (1).</p> <p>If a sole trader forms a partnership, he will lose control as all the decision are to be made collectively (1), whereas at present he makes all the decisions (1).</p> <p>If a sole trader forms a partnership, he must share the profits with the other partner (1), whereas at present he takes all the profits (1).</p> <p>Any supported decision (1).</p>	(5)

Exemplar response A

As a sole trader introduces partners, more capital is added into the business, hence it will be easier for it to grow. Moreover, since each partner has a unique talent skill, strategic management shall rise and the business does not need to employ workers with that skill any more, reducing operating expense and increasing profits. However, it may be demotivating as profits will be shared, while before the sole trader enjoyed all profit. This will affect the smooth running of the business. Over all, as more capital is added and business grows also its profit figures rise, hence the sole trader who was the sole trader before will enjoy even higher profits. In this case, he should form a partnership.

Examiner's comments:

This response was given 4 marks.

The candidate indicated more than one point in favour of a partnership, for example: 'more capital' and 'each partner having unique skills'. However, there was no link to sole trader operations, so this point was limited to one mark.

When discussing the sharing of profits, the candidate compared a partnership to sole trader operations, hence gained two marks.

The fourth mark was awarded for the final decision.

Exemplar response B

If a sole trader ~~forms a~~ ^{can form a} partnership ^{because} decision making can be much easier as he can consult many people which relieves his stress. The business can also find it easy to get capital as more partners invest in the business. The performance of the business can also improve as partners bring different skills which enables tasks to be carried out quickly. However, if partners get into conflict or die, the partnership may dissolve and business is stopped. A sole trader should ~~seek for~~ ^{seek} professional advice when taking a decision to form a partnership. but forming a partnership would be a good decision.

Examiner's comments:

This response was given 3 marks.

In this response, the candidate arrived at the decision after stating advantages of a partnership, such as 'more capital' and 'better decision-making due to consultation', 'different skills', etc. (the marks are limited to two for identification). However, the response did not develop the above, e.g. by listing comparative points for sole trader operations and scored only three marks.

Exemplar response C

A sole trader could form a partnership to increase capital for his business quickly. ~~A sole~~ forming a partnership also means that profits and losses are shared between partners and risks would not be borne alone by the sole trader but also amongst partners.

However, forming a partnership would also mean slow decision making in an ordinary partnership as all partners would have to be concerned.

Examiner's comments:

This response was given 2 marks.

This response lists three valid points related to forming a partnership but does not include any development relating to a sole trader and so fails to show comparison between the two. The final decision as to whether the sole trader should form a partnership is also lacking.

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