



# Mark Scheme (Results)

Summer 2024

Pearson Edexcel International Advanced Level  
In Accounting (WAC11) Paper 01  
Unit 1: The Accounting System and Costing

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

**Q1 (a) AO1:(11) AO2(10)**

**AO1: Eleven marks for recording given balances**

**AO2: Ten marks for calculating and correct use of balance**

**Rapid Supplies**  
**Statement of Profit Loss and Other Comprehensive Income for the**  
**year ended 30 April 2024**

|                                     | £                            | £                                |
|-------------------------------------|------------------------------|----------------------------------|
| Revenue                             | 345 000                      |                                  |
| Less returns inwards                | <u>(11 180)</u>              |                                  |
|                                     |                              | 333 820 <b>(1)AO1</b>            |
| Opening inventory                   | 9 800                        |                                  |
| Purchases                           | 187 900                      |                                  |
| Less returns outwards               | <u>(5 700) <b>(1)AO1</b></u> |                                  |
|                                     |                              | <u>192 000</u>                   |
| Less closing inventory              |                              | (12 000)                         |
| Cost of sales                       |                              | <u>180 000 <b>(1of)AO2+W</b></u> |
| Gross profit                        |                              | <u>153 820</u>                   |
| Plus Other Income                   |                              |                                  |
| Commission received                 | 8 000 <b>(1)AO1</b>          |                                  |
| Discount received                   | 950 <b>(1)AO1</b>            |                                  |
| Profit on disposal                  | <u>1 250 <b>(1)AO1</b></u>   |                                  |
|                                     |                              | <u>10 200</u>                    |
|                                     |                              | 164 020                          |
| Less Expenses                       |                              |                                  |
| Allowance for irrecoverable debts   | 320 <b>(1)AO2</b>            |                                  |
| Bank loan interest (500 + 250)      | 750 <b>(1)AO2</b>            |                                  |
| Delivery vehicle expenses           | 6 250 <b>(1)AO1</b>          |                                  |
| Discount allowed                    | 1 350 <b>(1)AO1</b>          |                                  |
| General expenses                    | 7 450 <b>(1)AO1</b>          |                                  |
| Insurance                           | 2 100 <b>(1)AO1</b>          |                                  |
| Irrecoverable debts (850 + 400)     | 1 250 <b>(1)AO2</b>          |                                  |
| Depreciation                        |                              |                                  |
| - Premises                          | 1 800 <b>(1)AO2</b>          |                                  |
| - Delivery vehicles                 | 4 000 <b>(1)AO2</b>          |                                  |
| - Office equipment                  | 7 500 <b>(1)AO2</b>          |                                  |
| Marketing costs (11 250 – 1 500)    | 9 750 <b>(1)AO2</b>          |                                  |
| Power and water (13 500+1 100- 400) | 14 200 <b>(1)AO2</b>         |                                  |
| Rates                               | 11 900 <b>(1)AO1</b>         |                                  |
| Wages and salaries                  | <u>60 400 <b>(1)AO1</b></u>  |                                  |
|                                     |                              | (129 020)                        |
| Profit for the year                 |                              | <u>35 000 <b>(1of)AO2 +W</b></u> |
|                                     |                              | No Aliens                        |

**(21)**

**Note:** Discount allowed deducted from revenue **(1)AO1**

Discount received deducted from purchases **(1)AO1**

(b) AO1:(5) AO2(12):AO3(1)

AO1: Five marks for recording given balances

AO2: Twelve marks for calculating and correct use of balance

AO3: One mark for calculating delivery vehicle accumulated depreciation.

Statement of Financial Position at 30 April 2024

| Non-current assets                     |                     |                          |                       |
|----------------------------------------|---------------------|--------------------------|-----------------------|
|                                        | Cost                | Accumulated depreciation | Carrying value        |
|                                        | £                   | £                        | £                     |
| Premises                               | 90 000              | 10 800                   | 79 200 (1of)AO2       |
| Delivery vehicles                      | 40 000 (1)AO2       | 24 000 (1)AO3            | 16 000                |
| Office equipment                       | <u>30 000</u>       | <u>20 900</u>            | <u>9 100 (1of)AO2</u> |
|                                        | <u>160 000</u>      | <u>55 700</u>            | 104 300 (1of)AO1      |
|                                        |                     |                          |                       |
| <b>Current assets</b>                  |                     |                          |                       |
| Inventory                              |                     | 12 000 (1)AO1            |                       |
| Trade receivables less                 | 12 800              |                          |                       |
| Less irrecoverable debts               | (400)               |                          |                       |
|                                        | 12 400 [1]AO2       |                          |                       |
| Less allowance for irrecoverable debts | <u>(620) [1]AO2</u> | 11 780 (3)AO1            |                       |
| Other receivables<br>400[1] +1 500[1]  |                     | 1 900 (2)AO2             |                       |
| Cash and bank<br>10 120[1] + 3 750[1]  |                     | 13 870 (2)AO2            |                       |
|                                        |                     |                          | <u>39 550</u>         |
| <b>TOTAL ASSETS</b>                    |                     |                          | <u>143 850</u>        |
|                                        |                     |                          |                       |
| Capital                                |                     | 100 000                  |                       |
| Profit for the year                    |                     | <u>35 000</u>            |                       |
|                                        |                     | 135 000                  |                       |
| Drawings                               |                     | <u>(28 000)</u>          |                       |
|                                        |                     |                          | 107 000 (1of)AO2      |
| <b>Non-current liabilities</b>         |                     |                          |                       |
| 5% bank loan                           |                     |                          | 20 000 (1)AO1+W       |
|                                        |                     |                          |                       |
| <b>Current liabilities</b>             |                     |                          |                       |
| Trade payables                         |                     | 15 500 (1)AO1            |                       |
| Other payables<br>1 100[1] +250[1]     |                     | <u>1 350 (2)AO2</u>      |                       |
|                                        |                     |                          | 16 850                |
|                                        |                     |                          |                       |
| <b>TOTAL CAPITAL AND LIABILITIES</b>   |                     |                          | <u>143 850</u>        |

(18)

**(c) (i) AO1:(2)**

**AO1: Two marks for explaining the terms**

**Hours** worked (1)AO1 x fixed **rate per hour** (1)AO1

**(2)**

**(c) (ii) AO1:(2)**

**AO1: Two marks for explaining the terms**

**Items** completed (1)AO1 x **rate per item** (1)AO1

**(2)**

**(d) AO1 (1), AO2 (1), AO3 (5), AO4 (5)**

**Points in favour of a change to piecework**

The delivery driver will be incentivised to increase the number of deliveries which would increase their income and the profit for the business.

More customers may be able to be reached more quickly and faster.

Delivery drivers will become motivated to work hard will be rewarded with higher pay.

**Points against a change to piecework**

Other employees are remunerated on a day work basis.

Delivery drivers will be in a hurry and not have the time to provide good customer service.

From the employee's point of view income is not guaranteed as it would be with day rate.

Some deliveries may take longer because of distance travelled and size/number of items delivered. Unfair to penalise drivers for long journeys or large loads.

Drivers will be in a hurry and take driving risks with speeding and possible accidents.

As the drivers are rushing possible damage to customers goods.

**Conclusion**

Candidates may conclude that it will be better to continue with the current remuneration arrangement or to change to a piecework basis. The candidate's conclusion should be supported by an appropriate rationale.

**Note**

Accept other valid answers

| Level          | Mark    | Descriptor                                                                                                                                                                                                                                                                                                                                                                     |
|----------------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0       | A completely incorrect response.                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1-3     | Isolated elements of knowledge and understanding recall based.<br>Weak or no relevant application to the scenario set.<br>Generic assertions may be present.                                                                                                                                                                                                                   |
| <b>Level 2</b> | 4 - 6   | Elements of knowledge and understanding, which are applied to the scenario.<br>Chains of reasoning are present, but may be incomplete or invalid.<br>A generic or superficial assessment is present.                                                                                                                                                                           |
| <b>Level 3</b> | 7 - 9   | Accurate and thorough understanding, supported throughout by relevant application to the scenario.<br>Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects.<br>An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations |
| <b>Level 4</b> | 10 - 12 | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario.<br>A coherent and logical chain of reasoning, showing causes and effects.<br>Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.       |

(12)

|           |                    |           |
|-----------|--------------------|-----------|
| <b>Q1</b> | <b>Total marks</b> | <b>55</b> |
|-----------|--------------------|-----------|

## Q2

(a) AO1(5):AO2(22):AO3(1)

**AO1: Five marks for transferred balances or repeat balances**

**AO2: Twenty-two marks key figures and for calculating ratio**

**AO3: One mark for calculating purchases**

|                                                    | Alpha Stores                                                      | Beta Bargains                                              |
|----------------------------------------------------|-------------------------------------------------------------------|------------------------------------------------------------|
|                                                    | £000's                                                            | £000's                                                     |
| (i)Gross profit as a percentage of revenue         | $\frac{320}{800} \times 100 = 40\%$<br>(1)AO2                     | $\frac{380}{800} \times 100 = 47.50\%$<br>(1)AO2           |
| (ii)Profit for the year as a percentage of revenue | $\frac{20}{800} \times 100 = 2.50\%$<br>(1)AO2                    | $\frac{120}{800} \times 100 = 15.00\%$<br>(1)AO2           |
| (iii)Inventory turnover (times)                    | $\frac{480}{(28 + 32)/2} = 16 \text{ times}$<br>(1)AO2            | $\frac{420}{(48 + 36)/2} = 10 \text{ times}$<br>(1)AO2     |
| (iv)Current ratio                                  | $\frac{32+40+10}{35} = 2.34:1$<br>(1)AO2                          | $\frac{36+50}{55+24+10} = 0.97:1$<br>(1)AO2                |
| (v)Liquid (acid test) ratio                        | $\frac{40+10}{35} = 1.43:1$<br>(1)AO2                             | $\frac{50}{55+24+10} = 0.56:1$<br>(1)AO2                   |
| (vi)Trade payables payment period (days)           | $\frac{35 \times 365}{484} = 26.39 \text{ days}$<br>(1)AO3 (1)AO2 | $\frac{55 \times 365}{408} = 49.20 \text{ days}$<br>(1)AO2 |
| (vii)Trade receivables collection period (days)    | $\frac{40 \times 365}{640} = 22.81 \text{ days}$<br>(1)AO2 (1)AO2 | $\frac{50 \times 365}{400} = 45.63 \text{ days}$<br>(1)AO2 |
| <b>Workings</b><br>Purchases                       | 480+32-28 =484                                                    | 420+36-48 =408                                             |

(28)



**(b) (i) AO3(3)**

**AO3: Three marks for comments about profitability**

**OWN FIGURE RULE APPLIES**

**Alpha stores**

Gross profit as a percentage of revenue is low **(1)** compared to competitors. This may be due to the reducing prices to increase sales or selling an inferior product to that which competitors sell. **(1)**

Net profit as a percentage of revenue is very small **(1)** at 2.50% this may be due to a lack of control on expenses. **(1)**

The inventory is turning over at a higher rate **(1)** than competitors indicating reduced prices or lower inventory holdings. **(1)**

**Max 3 marks for comments x (1)AO3**

**(3)**

**(b) (ii) AO3(3)**

**AO3: Three marks for comments about liquidity**

**OWN FIGURE RULE APPLIES**

**Beta Bargains**

The liquidity of Beta Bargains is poor. **(1)**

The current ratio at 0.97:1 is considerably below the bench mark of 1.4 to 2:1. **(1)** This may be due to a high inventory level. **(1)**

The liquid (acid test) ratio at 0.56:1 is slightly below the bench mark of 0.7:1 **(1)** this may be due to a high level of trade payables which are not being paid on time. **(1)**

Trade receivable collection period is higher **(1)** than we would wish to see at 46 days. Effective credit control is required to reduce this level. **(1)**

Trade payables are very high at 49 days **(1)** and suppliers may soon restrict supplies or stop supplying altogether until payment is made. **(1)**

There is a bank overdraft of up to £24 000 and a bank loan of £10 000 is scheduled for repayment on 30 September 2024. **(1)**

**Max 3 marks for comments x (1)AO3**

**(3)**

(c) AO1:(2)

**AO1: Two marks for explaining the term**

Goodwill is an intangible asset (1)AO1 calculated from the excess of the selling price (1)AO1 above the net value of the assets (1)AO1 purchased.

**Max 2 marks**

(2)

(d) AO1:(3)

**AO1: Three marks for explaining the term**

Existing customers

Existing reputation of the business being purchased

Location of business

Quality of products or service/reputation

Quality of staff

**Max 3 x (1)AO1**

(3)

(e) AO1 (1):AO2: (3)

**AO1: One mark for capital**

**AO2: Three marks for calculating goodwill**

| Assets      | £             | Liabilities | £             | Capital<br>Goodwill | £                         |
|-------------|---------------|-------------|---------------|---------------------|---------------------------|
| Receivables | 50 000        | Payables    | 55 000        |                     |                           |
| Non-current | 80 000        | Cash/bank   | 24 000        | Purchase<br>price   | 100 000                   |
| Inventory   | <u>36 000</u> | Bank loan   | <u>10 000</u> |                     |                           |
|             | 166 000       |             | 89 000        | Capital             | <u>77 000</u><br>[1of]AO1 |
|             | [1]AO2        |             | [1]AO2        | Goodwill            | <u>23 000</u><br>(4)AO2   |

(4)

**(f) AO1 (1), AO2 (1), AO3 (5), AO4 (5)**

**Points in favour of using ICT**

A greater volume of data can be processed faster by the computer.

Accuracy will increase as the computer does not make mistakes if data is input correctly.

Accounts and statements can be prepared on a regular basis to aid the businesses management.

Storage space required is much reduced.

Security can be improved as data can be password protected.

Speed of entering transactions in the accounts with automatic posting of entries.

Reduction in errors when completing entries in accounts.

**Points against using ICT**

The cost of purchasing hardware and software can be significant.

Initial training will be required and ongoing training on software updates.

Software upgrades can be expensive.

Vulnerability to equipment breakdowns, virus and 'hacking'.

Possible data losses through systems failures.

**Conclusion**

Candidates may conclude that it will be better to use ICT or not to use ICT. The candidate's conclusion should be supported by an appropriate rationale.

**Note**

Accept other valid answers

| Level          | Mark    | Descriptor                                                                                                                                                                                                                                                                                                                                                                     |
|----------------|---------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | 0       | A completely incorrect response.                                                                                                                                                                                                                                                                                                                                               |
| <b>Level 1</b> | 1-3     | Isolated elements of knowledge and understanding recall based.<br>Weak or no relevant application to the scenario set.<br>Generic assertions may be present.                                                                                                                                                                                                                   |
| <b>Level 2</b> | 4 - 6   | Elements of knowledge and understanding, which are applied to the scenario.<br>Chains of reasoning are present, but may be incomplete or invalid.<br>A generic or superficial assessment is present.                                                                                                                                                                           |
| <b>Level 3</b> | 7 - 9   | Accurate and thorough understanding, supported throughout by relevant application to the scenario.<br>Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects.<br>An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations |
| <b>Level 4</b> | 10 - 12 | Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario.<br>A coherent and logical chain of reasoning, showing causes and effects.<br>Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.       |

(12)

|           |                    |           |
|-----------|--------------------|-----------|
| <b>Q2</b> | <b>Total marks</b> | <b>55</b> |
|-----------|--------------------|-----------|

**Q3**

**(a) AO1:(4)**

**AO1: Four marks for stating two characteristics**

| <b>Non-profit making club</b>          | <b>Sole trader</b>                                                  |
|----------------------------------------|---------------------------------------------------------------------|
| Non-profit making                      | Profit motive                                                       |
| Prepare income and expenditure account | Prepares statement of profit or loss and other comprehensive income |
| Prepares receipts and payments account | Prepares cash book                                                  |
| Accumulated fund                       | Capital account                                                     |
| Main income subscriptions              | Main income sales                                                   |

**2 differences x 2 marks per difference**

**(4)**

**(b) (i) AO2(4):AO3(1)**

**AO2: Four marks for calculating and correct use of balance**

**AO3: One marks for calculating bank entry**

**Subscriptions Account**

| <b>Date</b> | <b>Details</b>         | <b>£</b>                  | <b>Date</b> | <b>Details</b>             | <b>£</b>                 |
|-------------|------------------------|---------------------------|-------------|----------------------------|--------------------------|
| 2023        |                        |                           | 2023        |                            |                          |
| 1 May       | Balance b/d            | 300 <b>(1)AO2</b><br>Both | 1 May       | Balance b/d                | 420                      |
| 2024        |                        |                           | 2024        |                            |                          |
| 30 Apr      | Income and Expenditure | 5 400<br><b>(1)AO2</b>    | 30 Apr      | Bank/Receipts and payments | 4 980<br><b>(1of)AO3</b> |
|             |                        |                           | 30 Apr      | Irrecoverable/Bad debts    | 180<br><b>(1)AO2</b>     |
| 30 Apr      | Balance c/d            | <u>240</u>                | 30 Apr      | Balance c/d                | <u>360</u>               |
|             |                        | <u>5 940</u>              |             |                            | <u>5 940</u>             |
| 1 May       | Balance b/d            | 360 <b>(1)AO2</b><br>Both | 1 May       | Balance b/d                | 240                      |

**(5)**

(b) (ii) AO1:(1) AO2(2) :AO3(1)

AO1: One mark for recording given balances

AO2: Two marks for calculating purchases and gross profit

AO3: One mark for calculating closing inventory

**Oldmixon Tennis Club**  
**Refreshment Trading Account for the year ended 30 April 2024**

|                           | £                     | £                        |
|---------------------------|-----------------------|--------------------------|
| Revenue                   |                       | 11 900 (1)AO1            |
| Less                      |                       |                          |
| Opening inventory         | 950                   |                          |
| Purchases (4 500 + 1 200) | <u>5 700</u> (1)AO2   |                          |
|                           | 6 650                 |                          |
| Less Closing inventory    | <u>(1 120)</u> (1)AO3 |                          |
| Cost of sales             |                       | <u>(5 530)</u>           |
| Gross profit              |                       | <u>6 370</u> (1of)AO2 +W |
|                           |                       | No aliens                |

(4)

(b) (iii) AO1:(4) AO2(6) :AO3(1)

AO1: Four marks for recording given balances

AO2: Six marks for calculating and correct use of balance

AO3: One mark for calculating electricity and water

**Income and expenditure Account for the year ended 30 April 2024**

|                                     | £                   | £                               |
|-------------------------------------|---------------------|---------------------------------|
| <b>Income</b>                       |                     |                                 |
| Subscriptions                       | 5 400 (1of)AO1      |                                 |
| Grant                               | 5 000 (1)AO1        |                                 |
| Profit on refreshment sales         | 6 370               |                                 |
| Profit on sale of equipment         | <u>700 (1)AO2</u>   |                                 |
|                                     |                     | 17 470                          |
| less                                |                     |                                 |
| <b>Expenditure</b>                  |                     |                                 |
| Irrecoverable debts                 | 180 (1of)AO1        |                                 |
| Depreciation                        | 6 400 (1)AO2        |                                 |
| Rent (1 500 + 500)                  | 2 000 (1)AO2        |                                 |
| Electricity and water (890+190-135) | 945 (1)AO3          |                                 |
| Wages (4 655 – 400)                 | 4 255 (1)AO2        |                                 |
| Equipment repairs                   | 1 500 (1)AO1        |                                 |
| Sundry expenses (1 200 – 100)       | <u>1 100 (1)AO2</u> |                                 |
|                                     |                     | (16 380)                        |
| Surplus                             |                     | <u><u>1 090 (1of)AO2 +W</u></u> |
|                                     |                     | No aliens                       |

(11)

(c ) AO2 (1), AO3 (2), AO4 (3)

**Points for suitability of a bank loan**

Monies may be quicker to be raised rather than waiting for subscriptions to be approved and collected.

The cost of the refurbishment and loan interest may be repaid from subscriptions over a ten-year period.

A large increase in subscriptions in the order of £200 per member can be avoided reducing the potential loss of members.

### Points for suitability of raising subscriptions

No approvals will be required from the bank.

No interest will be paid on the loan.

The works can be paid for in a single year.

May not be able to raise the required sum.

### Conclusion

Candidates may conclude that it will be better finance the refurbishment with a bank loan or raised subscription fees. The candidate's conclusion should be supported by an appropriate rationale.

| Level   | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                            |
|---------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | 0    | A completely incorrect response.                                                                                                                                                                                                                                                                                                                                      |
| Level 1 | 1-2  | Isolated elements of knowledge and understanding which are recall based.<br>Generic assertions may be present.<br>Weak or no relevant application to the scenario set.                                                                                                                                                                                                |
| Level 2 | 3-4  | Elements of knowledge and understanding, which are applied to the scenario.<br>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.<br>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.<br>A coherent and logical chain of reasoning, showing causes and effects is present.<br>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.                                 |

(6)

|    |             |    |
|----|-------------|----|
| Q3 | Total marks | 30 |
|----|-------------|----|



#### Q4

(i) AO1:(2)

**AO1: Two marks for explaining the term**

The transaction is posted to the **incorrect class** of account **(1)AO1** although there is a **debit and credit** of equal value/ recorded the **correct values** on the correct sides/ this will **not affect the balancing of the trial balance**. **(1)AO1**

**(2)**

(ii) AO1:(2)

**AO1: Two marks for explaining the term**

A **temporary account** / balance the trial balance **(1)AO1** until errors are found and corrected. **(1)AO1**

**(2)**

(b) AO1:(5) AO2(5)

**AO1: Five marks for correct narrative**

**AO2: Five marks for narrative and value**

#### Journal

|                                                 | Dr                  | Cr    |
|-------------------------------------------------|---------------------|-------|
|                                                 | £                   | £     |
| Purchases                                       | 5 400 <b>(1)AO2</b> |       |
| Suspense <b>(1)AO1</b>                          |                     | 5 400 |
|                                                 |                     |       |
| Drawings                                        | 1 560 <b>(1)AO2</b> |       |
| General expenses <b>(1)AO1</b>                  |                     | 1 560 |
|                                                 |                     |       |
| Suspense                                        | 750 <b>(1)AO2</b>   |       |
| Commission receivable <b>(1)AO1</b>             |                     | 750   |
|                                                 |                     |       |
| Income statement/Depreciation                   | 250 <b>(1)AO2</b>   |       |
| Provision for depreciation <b>(1)AO1</b>        |                     | 250   |
|                                                 |                     |       |
| Allowance/Provision for irrecoverable/bad debts | 650 <b>(1)AO2</b>   |       |
| Income Statement <b>(1)AO1</b>                  |                     | 650   |

**(10)**

(c) AO2(7) :AO3(3)

AO2: Seven marks for calculating and using the correct value or correct orientation

AO3: Three marks for calculating and items (1), (4) and (5)

**Corrected Profit**

|                                       | £               | £               | £             |
|---------------------------------------|-----------------|-----------------|---------------|
| Draft profit                          |                 |                 | 19 000        |
|                                       | <b>Increase</b> | <b>Decrease</b> |               |
| Error                                 |                 |                 |               |
| (1) Purchases                         |                 | 5 400 (1)AO3    |               |
| (2) Payment to owner                  | 1 560 (1)AO2    |                 |               |
| (3) Commission receivable             | 750 (1)AO2      |                 |               |
| (4) Depreciation                      |                 | 250 (1)AO3      |               |
| (5) Allowance for irrecoverable debts | 650 (1)AO3      |                 |               |
|                                       | <u>2 960</u>    | <u>5 650</u>    |               |
| Revised profit                        |                 |                 | <u>16 310</u> |

1 mark for correct value (1)AO2 plus 1 mark for each correct orientation (1)AO2  
(10)

**(d) AO2 (1), AO3 (2), AO4 (3)**

**Positive points in favour of IAS**

Gives more accurate profit calculation when revenues and expenses are calculated using accounting concepts.

Provides consistency and comparability between different businesses.

Users of the information can rely on the information and make informed decisions.

The standards provide a common standard that can be applied across the world.

**Negative points against IAS**

Only corporate bodies are required to comply as the Standards.

Concepts and conventions are open to interpretation.

Skilled staff are required to apply the accounting techniques therefore there will be a cost implication.

IAS only covers financial factors so non-financial implications of business activities are ignored.

**Decision**

Candidates may conclude that International Accounting Standards are of value when preparing their financial statements. Candidates should support that decision with an appropriate rationale.

| Level   | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                            |
|---------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | 0    | A completely incorrect response.                                                                                                                                                                                                                                                                                                                                      |
| Level 1 | 1-2  | Isolated elements of knowledge and understanding which are recall based.<br>Generic assertions may be present.<br>Weak or no relevant application to the scenario set.                                                                                                                                                                                                |
| Level 2 | 3-4  | Elements of knowledge and understanding, which are applied to the scenario.<br>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.<br>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.<br>A coherent and logical chain of reasoning, showing causes and effects is present.<br>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.                                 |

**(6)**

|           |                    |           |
|-----------|--------------------|-----------|
| <b>Q4</b> | <b>Total marks</b> | <b>30</b> |
|-----------|--------------------|-----------|

**Q5**

**(a) AO1:(4)**

**AO1: Four marks for explaining two causes of depreciation**

1. Physical deterioration/ wear and tear/ usage. **(1)AO1** The result of using the non-current asset is that over time the item will deteriorate to a poor physical state. **(1)AO1**
2. Economic reason/ obsolescence. **(1)AO1** Most commonly because the non-current asset has become old technology and replaced by more efficient assets. **(1)AO1**
3. Passing of time. **(1)AO1** Where an asset such as a lease depreciates because the remaining period is reduced. **(1)AO1**
4. Depletion. **(1)AO1** Usually in the case of wells or mines where extraction of the materials has devalued the non-current asset. **(1)AO1**

**2 points x 2 marks**

**(4)**

**(b) AO1:(4)**

**AO1: Four marks for explaining why different depreciation methods might be used**

Reducing balance method. Used when the non-current assets loses **more of the value in the early years (1)AO1** and this needs to be **reflected in the Income Statement** and the value in the Statement of Financial Position. **(1)AO1** These non-current assets may incur higher maintenance costs as time passes so the total cost of ownership will even out.

Straight-line method. Used where the non-current asset **loses value evenly over the years (1)AO1** and the **benefit given** is consistent over a number of years. **(1)AO1**

**Note**

**Not** simpler to calculate for straight line.

**(4)**

(c) AO1:(1) AO2(8):AO3(3)

AO1: One marks for recording the total costs

AO2: Eight marks for calculating each individual cost

AO3: Three marks for calculating fuel costs and the insurance on the Classic

|                     | (i) Classic petrol | (ii) Super electric           |
|---------------------|--------------------|-------------------------------|
| Per Year            | £                  | £                             |
| Depreciation        | 4 000 (1)AO2       | 6 500 (1)AO2                  |
| Fuel cost           | 3 750 (1)AO3       | 600 (1)AO3                    |
| Service maintenance | 600 (1)AO2         | 350 (1)AO2                    |
| Repairs             | 200 (1)AO2         | 150 (1)AO2                    |
| Road tax            | 150 (1)AO2         | -                             |
| Insurance           | 300 (1)AO3         | 400 (1)AO2                    |
| <b>Total</b>        | <u>9 000</u>       | <u>8 000</u> (1of)AO1<br>Both |

(6) (6)

(d) AO2(4)

AO2: Four marks for calculating the cost per kilometre

|                                 | (i) Classic petrol                                             | (ii) Super electric                                           |
|---------------------------------|----------------------------------------------------------------|---------------------------------------------------------------|
| <b>Total cost per kilometre</b> | <u>£9 000</u> (1of)AO2<br>20 000 km<br>= £0.45 per km (1of)AO2 | <u>£8 000</u> (1of)AO2<br>20 000 km<br>= £0.40 per km(1of)AO2 |

(2) (2)

**(d) AO2 (1), AO3 (2), AO4 (3)**

**One comment on the petrol car and one comment on the electric car.**

| <b>Points for Classic petrol</b>                        | <b>Points for Super electric</b>                             |
|---------------------------------------------------------|--------------------------------------------------------------|
| Fuel stations available and the refuel process is quick | No or limited environmental damage from emissions.           |
| The capital cost of the car is cheaper                  | The running cost of the car for a year is lower. <b>(of)</b> |
| <b>Points against Classic petrol</b>                    | <b>Points against Super electric</b>                         |
| Pollution of the environment ongoing.                   | The range is only 200 km on a single charge.                 |
| Less cost effective than electric. <b>(of)</b>          | May be difficult to find a charging point on a long journey. |
|                                                         | New technology which may have hidden problems.               |
|                                                         | Re-charging the vehicle can be time consuming.               |

**Decision**

Candidates may conclude that the Classic car or the Super car is the most appropriate to purchase. Candidates should support that decision with an appropriate rationale.

| <b>Level</b> | <b>Mark</b> | <b>Descriptor</b>                                                                                                                                                                                                                                                                                                                                                     |
|--------------|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|              | 0           | A completely incorrect response.                                                                                                                                                                                                                                                                                                                                      |
| Level 1      | 1-2         | Isolated elements of knowledge and understanding which are recall based.<br>Generic assertions may be present.<br>Weak or no relevant application to the scenario set.                                                                                                                                                                                                |
| Level 2      | 3-4         | Elements of knowledge and understanding, which are applied to the scenario.<br>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.<br>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.<br>A coherent and logical chain of reasoning, showing causes and effects is present.<br>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.                                 |

**(6)**

|           |                    |           |
|-----------|--------------------|-----------|
| <b>Q5</b> | <b>Total marks</b> | <b>30</b> |
|-----------|--------------------|-----------|

**Q6 (a) AO1:(4)****AO1: Four marks for explaining the terms**

Allocation.

**Charging costs to a cost centre (1)AO1** with costs which are **completely** associated **(1)AO1** with **one cost centre**

Apportionment.

Sharing of overheads between **all cost centres that benefit (1)AO1** from the overhead expense on the **most appropriate basis** e.g floor area. **(1)AO1**

**(4)****(b) AO1:(2) AO2(7)****AO1: Two marks for adding totals****AO2: Seven marks for calculating re-allotment**

| <b>Machining</b>               | <b>Assembly</b>               | <b>Design</b>       | <b>Administration</b> |
|--------------------------------|-------------------------------|---------------------|-----------------------|
| <b>£</b>                       | <b>£</b>                      | <b>£</b>            | <b>£</b>              |
| 100 000                        | 70 000                        | 30 000              | 30 000                |
| 12 000                         | 12 000                        | (30 000)            | 6 000 <b>(1)AO2</b>   |
| 18 000                         | 14 400                        | 3 600 <b>(1)AO2</b> | (36 000)              |
| 1 440                          | 1 440                         | (3 600)             | 720 <b>(1)AO2</b>     |
| 360                            | 288                           | 72 <b>(1)AO2</b>    | (720)                 |
| 29                             | 29                            | (72)                | 14 <b>(1)AO2</b>      |
| 8 <b>(1)AO2</b>                | 6                             | 0                   | (14) <b>(1)AO2</b>    |
| <u>131 837</u> <b>(1of)AO1</b> | <u>98 163</u> <b>(1of)AO1</b> | 0                   | 0                     |

**(9)****Accept responsible rounding**

The accounting convention is that the largest figure is re-allotted first, however, **accept own figures if candidates start by allocating Administration first.**

**(c) AO1:(2) AO2(4)****AO1: Two marks for recording balances from (b)****AO2: Four marks for calculating and correct information given**

| <b>Machining</b>                                                |
|-----------------------------------------------------------------|
| <u>131 837</u> <b>(1of)AO1</b> =£31.02 per hour <b>(1of)AO2</b> |
| 4 250 <b>(1)AO2</b>                                             |
| <b>Assembly</b>                                                 |
| <u>98 163</u> <b>(1of)AO1</b> =£16.64 per hour <b>(1of)AO2</b>  |
| 5 900 <b>(1)AO2</b>                                             |

**(6)**



(d) AO1:(1) AO2(1):AO3(3)

AO1: One mark for recording given balances

AO2: One mark for identifying over absorbed

AO3: Three marks for calculating overhead recovered and annual return

|                                                  | Actual | Rate per hour | Total                         |
|--------------------------------------------------|--------|---------------|-------------------------------|
|                                                  | Hours  | £             | £                             |
| Overhead recovered                               |        |               |                               |
| Machining                                        | 4 400  | 31 02 (of)    | 136 488 (1of)AO3              |
| Assembly                                         | 5 500  | 16.64 (of)    | <u>91 520 (1of)AO3</u>        |
|                                                  |        |               | 228 008                       |
| Actual overhead                                  |        |               | (184 000) (1)AO1              |
| <b>Over</b> absorbed overhead<br><b>(1of)AO2</b> |        |               | <u><u>44 008 (1of)AO3</u></u> |

(5)

(e) AO2 (1), AO3 (2), AO4 (3)

#### Points in favour of overhead recovery rates

Provides a basis for jobs to be estimated with greater accuracy.

Allows management control of costs.

Information aids decision making and management

#### Points against overhead recovery rates

Everything is based upon estimates of overhead cost at the beginning of the year, this can result in inaccurate estimation.

There is considerable work in calculating overhead recovery rates and therefore a high cost.

#### Decision

Candidates may conclude that overhead recovery rates are of value/not of value to the business of Abeer. Candidates should support that decision with an appropriate rationale.

| Level   | Mark | Descriptor                                                                                                                                                                                                                                                                                                                                                            |
|---------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|         | 0    | A completely incorrect response.                                                                                                                                                                                                                                                                                                                                      |
| Level 1 | 1-2  | Isolated elements of knowledge and understanding which are recall based.<br>Generic assertions may be present.<br>Weak or no relevant application to the scenario set.                                                                                                                                                                                                |
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| Level 3 | 5-6  | Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective.<br>A coherent and logical chain of reasoning, showing causes and effects is present.<br>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.                                 |

(6)

|           |                    |           |
|-----------|--------------------|-----------|
| <b>Q6</b> | <b>Total marks</b> | <b>30</b> |
|-----------|--------------------|-----------|

