



Mark Scheme (Results)

Summer 2017

Pearson Edexcel IAL Accounting
(WAC11)
Paper 01 The Accounting System and
Costing

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General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked unless the candidate has replaced it with an alternative response.

Question Number	Answer	Mark																																																																					
1 (a)(i)	AO1 (11), AO2 (17), AO3 (2) AO1: Eleven marks for recording the correct balance into the financial statements without adjustment. AO2: Seventeen marks for recording the correct balance into the financial statements with adjustment. AO3: Two marks for calculating and applying two stage adjustment. Amsha Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017 <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: right;">£</th><th style="text-align: right;">£</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td style="text-align: right;">525 000 (1)AO1</td></tr> <tr> <td>Inventory 1 April 2016</td><td style="text-align: right;">17 500 (1)AO1</td><td></td></tr> <tr> <td>Purchases</td><td></td><td></td></tr> <tr> <td>(88 100 (1)AO1 + 2 500 (1)AO2)</td><td style="text-align: right;"><u>90 600</u></td><td></td></tr> <tr> <td></td><td style="text-align: right;">108 100</td><td></td></tr> <tr> <td>Inventory 30 March 2017</td><td style="text-align: right;"><u>(20 800) (1)AO1</u></td><td></td></tr> <tr> <td>Cost of sales</td><td></td><td style="text-align: right;"><u>(87 300)</u></td></tr> <tr> <td>Gross profit</td><td></td><td style="text-align: right;">437 700</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Plumbing technician's wages</td><td style="text-align: right;">139 200 (1)AO1</td><td></td></tr> <tr> <td>Management salaries (75 000 - 18 000)</td><td style="text-align: right;">57 000 (1)AO2</td><td></td></tr> <tr> <td>Motor vehicle running expenses</td><td style="text-align: right;">45 000 (1)AO1</td><td></td></tr> <tr> <td>Electricity and gas</td><td style="text-align: right;">5 700 (1)AO1</td><td></td></tr> <tr> <td>Rent of premises (32 000 - 4 000)</td><td style="text-align: right;">28 000 (1)AO2</td><td></td></tr> <tr> <td>Marketing expenses (65 000 + 1 900)</td><td style="text-align: right;">66 900 (1)AO2</td><td></td></tr> <tr> <td>Bank loan interest (3 000 + 1 800)</td><td style="text-align: right;">4 800 (1)AO2</td><td></td></tr> <tr> <td>Provisions for depreciation:</td><td></td><td></td></tr> <tr> <td> Motor vehicles</td><td style="text-align: right;">36 000 (1)AO2</td><td></td></tr> <tr> <td> Office equipment</td><td style="text-align: right;">6 000 (1)AO2</td><td></td></tr> <tr> <td> Loose tools</td><td style="text-align: right;">12 000 (1)AO2</td><td></td></tr> <tr> <td>Allowance for doubtful debts</td><td style="text-align: right;"><u>1 200 (1)AO2</u></td><td></td></tr> <tr> <td>Profit for the year</td><td></td><td style="text-align: right;"> 401 800 <u>35 900 (1)of + w AO2</u> <u>437 700</u> </td></tr> </tbody> </table>		£	£	Revenue		525 000 (1)AO1	Inventory 1 April 2016	17 500 (1)AO1		Purchases			(88 100 (1)AO1 + 2 500 (1)AO2)	<u>90 600</u>			108 100		Inventory 30 March 2017	<u>(20 800) (1)AO1</u>		Cost of sales		<u>(87 300)</u>	Gross profit		437 700	Less			Plumbing technician's wages	139 200 (1)AO1		Management salaries (75 000 - 18 000)	57 000 (1)AO2		Motor vehicle running expenses	45 000 (1)AO1		Electricity and gas	5 700 (1)AO1		Rent of premises (32 000 - 4 000)	28 000 (1)AO2		Marketing expenses (65 000 + 1 900)	66 900 (1)AO2		Bank loan interest (3 000 + 1 800)	4 800 (1)AO2		Provisions for depreciation:			Motor vehicles	36 000 (1)AO2		Office equipment	6 000 (1)AO2		Loose tools	12 000 (1)AO2		Allowance for doubtful debts	<u>1 200 (1)AO2</u>		Profit for the year		401 800 <u>35 900 (1)of + w AO2</u> <u>437 700</u>	(17)
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1 (b)(i)	AO1 (1), AO2 (7), AO3 (1) AO1: One mark for correctly including the annual wage. AO2: Seven marks for correctly calculating the annual costs and hourly rate. AO3: One mark for correctly calculating the productive hours per annum. <table><tr><td></td><td>Per plumbing Technician</td></tr><tr><td></td><td>£</td></tr><tr><td>Wages</td><td>10 000 (1)AO1</td></tr><tr><td>Employment taxes</td><td>2 000 (1)AO2</td></tr><tr><td>Motor vehicle depreciation</td><td>3 000 (1)AO2</td></tr><tr><td>Motor vehicle running exp</td><td>4 000 (1)AO2</td></tr><tr><td>Loose tools depreciation</td><td><u>1 000 (1of)AO2</u></td></tr><tr><td></td><td>20 000</td></tr><tr><td>Overheads and profit</td><td><u>7 000 (1of)AO2</u></td></tr><tr><td></td><td>27 000 (1of)AO2</td></tr></table>		Per plumbing Technician		£	Wages	10 000 (1) AO1	Employment taxes	2 000 (1) AO2	Motor vehicle depreciation	3 000 (1) AO2	Motor vehicle running exp	4 000 (1) AO2	Loose tools depreciation	<u>1 000 (1of)AO2</u>		20 000	Overheads and profit	<u>7 000 (1of)AO2</u>		27 000 (1of) AO2	(7)
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Productive hours per annum	1 800 hours per annum (45 x 50 x 80%) (1)AO3							
	£15 per hour (1of)AO2							

Question Number	Answer	Mark
1 (c)	AO1 (4) AO1: Four marks for describing a group incentive scheme. A standard time would be established for each job (1)AO1 All of the jobs undertaken by all of the plumbing technicians would be allocated a standard time. The total standard time to complete all jobs for all technicians could then be established. (1)AO1 This would be compared with the actual time taken to complete all jobs to establish the time saved. (1)AO1 The plumbing technicians would then share a percentage (usually 50%) of the monetary value of time saved. (1)AO1 NOT Benefits and disadvantages of a group incentive	(4)

Question Number		Indicative Content
1(d)		AO1 (1), AO2 (1), AO3 (5), AO4 (5) Potential arguments for • Technicians may complete the job in less time • More efficient use of time, more jobs completed • Cost of each job reduces • Fixed overheads spread over more jobs • Quick completion of jobs would make the business more competitive, gaining customers • Improved team work. Potential arguments against • Quality issues/more supervision required • Some technicians may not work more efficiently but may leave others to complete the task more quickly • Possible reduction in customer service • More efficient technicians may see the bonus scheme as unfair and become demotivated. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed. (12)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4-6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7-9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10-12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Question Number	Answer	Mark																																																																		
2 (a)	AO1 (8), AO2 (2) AO1: Eight marks for correctly locating the balances in the trial balance. AO2: Two marks for correctly calculating the accumulated fund and applying the balances to the trial balance. Aviana Gym Club Trial Balance at 30 April 2017 <table> <thead> <tr> <th></th><th style="text-align: center;">Dr £</th><th style="text-align: center;">Cr £</th></tr> </thead> <tbody> <tr> <td>Members' subscriptions</td><td></td><td>5 300 (1) AO1</td></tr> <tr> <td>Equipment rental income</td><td></td><td>1 050 (1) AO1</td></tr> <tr> <td>Refreshment sales</td><td></td><td>2 400</td></tr> <tr> <td>Refreshment purchase</td><td>960</td><td></td></tr> <tr> <td>Non-current assets (cost)</td><td></td><td></td></tr> <tr> <td> Gym equipment</td><td>8 500 (1) AO1</td><td></td></tr> <tr> <td> Office fixtures</td><td>3 000</td><td></td></tr> <tr> <td>Provisions for depreciation</td><td></td><td></td></tr> <tr> <td> Gym equipment</td><td></td><td>2 500 (1) AO1</td></tr> <tr> <td> Office fixtures</td><td></td><td>800</td></tr> <tr> <td> Rent of premises</td><td>2 000</td><td></td></tr> <tr> <td>Heating and lighting</td><td>1 100</td><td></td></tr> <tr> <td>Trade payable –refreshment</td><td></td><td>570 (1) AO1</td></tr> <tr> <td>Sundry expenses</td><td>1 600</td><td></td></tr> <tr> <td>Cash</td><td>80 (1) AO1</td><td></td></tr> <tr> <td>Bank overdraft</td><td></td><td>4 000 (1) AO1</td></tr> <tr> <td>Gym equipment maintenance</td><td>950 (1) AO1</td><td></td></tr> <tr> <td>Inventory of refreshments</td><td></td><td></td></tr> <tr> <td> 1 May 2016</td><td>480</td><td></td></tr> <tr> <td>Accumulated fund</td><td>_____</td><td><u>2 050</u> (2) AO2 / (1) of AO2</td></tr> <tr> <td></td><td style="text-align: right;"><u>18 670</u></td><td style="text-align: right;"><u>18 670</u></td></tr> </tbody> </table>		Dr £	Cr £	Members' subscriptions		5 300 (1) AO1	Equipment rental income		1 050 (1) AO1	Refreshment sales		2 400	Refreshment purchase	960		Non-current assets (cost)			Gym equipment	8 500 (1) AO1		Office fixtures	3 000		Provisions for depreciation			Gym equipment		2 500 (1) AO1	Office fixtures		800	Rent of premises	2 000		Heating and lighting	1 100		Trade payable –refreshment		570 (1) AO1	Sundry expenses	1 600		Cash	80 (1) AO1		Bank overdraft		4 000 (1) AO1	Gym equipment maintenance	950 (1) AO1		Inventory of refreshments			1 May 2016	480		Accumulated fund	_____	<u>2 050</u> (2) AO2 / (1) of AO2		<u>18 670</u>	<u>18 670</u>	(10)
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2 (b)	AO1 (4) A01: Four marks for stating the differences. <table><tr><th>Trial balance</th><th>Statement of financial position</th></tr><tr><td>Consists of all balances in the ledger from which Financial statements will be prepared. (1)AO1</td><td>Consists of only year-end assets and liabilities carrying forward to next year. (1)AO1</td></tr><tr><td>Not adjusted for year-end adjustments. (1)AO1</td><td>Contains only year-end adjustments carrying forward to the next financial year. (1)AO1</td></tr><tr><td>Prepared before income statement. (1)AO1</td><td>Prepared after income statement. (1)AO1</td></tr><tr><td>Not part of published financial statements (1)AO1</td><td>Part of published financial statements (1)AO1</td></tr></table> NOT Monthly and yearly Relating to errors or fraud	Trial balance	Statement of financial position	Consists of all balances in the ledger from which Financial statements will be prepared. (1)AO1	Consists of only year-end assets and liabilities carrying forward to next year. (1)AO1	Not adjusted for year-end adjustments. (1)AO1	Contains only year-end adjustments carrying forward to the next financial year. (1)AO1	Prepared before income statement. (1)AO1	Prepared after income statement. (1)AO1	Not part of published financial statements (1)AO1	Part of published financial statements (1)AO1	(4)
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2 (c) (i)	AO1 (3), AO2 (23), AO3 (3) AO1: Three marks for recording the correct opening balances. AO2: Twenty three marks for correctly applying the balances to the accounts AO3: Three marks for calculating and applying the correct adjustment to the correct account for the disposal of gym equipment. <table><tr><th colspan="6">Subscriptions Account</th></tr><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2017 30 April</td><td>Income and expenditure</td><td>5 180 (1of)AO2</td><td>2017</td><td>Bank/members subscriptions/R & P</td><td>5 300 (1)AO2</td></tr><tr><td></td><td></td><td></td><td>30 April</td><td>Bad debts/irrecoverable debts/written off</td><td>140 (1)AO2</td></tr><tr><td>30 April</td><td>Balance c/d</td><td><u>350</u></td><td>30 April</td><td>Balance c/d</td><td><u>90</u></td></tr><tr><td></td><td></td><td><u>5 530</u></td><td></td><td></td><td><u>5 530</u></td></tr><tr><td>1 May</td><td>Balance b/d</td><td>90 (1)AO2</td><td>1 May</td><td>Balance b/d</td><td>350 (1)AO2</td></tr></table>	Subscriptions Account						Date	Details	£	Date	Details	£	2017 30 April	Income and expenditure	5 180 (1of)AO2	2017	Bank/members subscriptions/R & P	5 300 (1)AO2				30 April	Bad debts/irrecoverable debts/written off	140 (1)AO2	30 April	Balance c/d	<u>350</u>	30 April	Balance c/d	<u>90</u>			<u>5 530</u>			<u>5 530</u>	1 May	Balance b/d	90 (1)AO2	1 May	Balance b/d	350 (1)AO2	
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Question Number	Answer						Mark																																				
2 (c)(ii)	<table><tr><th colspan="6">Gym Equipment Account</th></tr><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2016 1 May</td><td>Balance b/d</td><td>8 500 (1)AO1</td><td>2017 30 April</td><td>Disposal</td><td>1 500 (1)AO3</td></tr><tr><td>2017 30 March</td><td>Bank</td><td><u>4 600</u> (1)AO2</td><td>30 April</td><td>Balance c/d</td><td><u>11600</u></td></tr><tr><td></td><td></td><td><u>13 100</u></td><td></td><td></td><td><u>13 100</u></td></tr><tr><td>2017 1 May</td><td>Balance b/d</td><td>11 600 (1of)AO2</td><td></td><td></td><td></td></tr></table>						Gym Equipment Account						Date	Details	£	Date	Details	£	2016 1 May	Balance b/d	8 500 (1)AO1	2017 30 April	Disposal	1 500 (1)AO3	2017 30 March	Bank	<u>4 600</u> (1)AO2	30 April	Balance c/d	<u>11600</u>			<u>13 100</u>			<u>13 100</u>	2017 1 May	Balance b/d	11 600 (1of)AO2				(4)
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2(c)(iii)	<table><tr><th colspan="6">Gym Equipment – Provision for Depreciation Account</th></tr><tr><th>Date</th><th>Details</th><th>£</th><th>Date</th><th>Details</th><th>£</th></tr><tr><td>2017 30 April</td><td>Disposal</td><td>900 (1)AO3</td><td>2016 1 May</td><td>Balance b/d</td><td>2 500 (1)AO1</td></tr><tr><td>30 April</td><td>Balance c/d</td><td><u>3 600</u></td><td>2017 30 April</td><td>Income & Expenditure</td><td><u>2 000</u> (1of)AO2</td></tr><tr><td></td><td></td><td><u>4 500</u></td><td></td><td></td><td><u>4 500</u></td></tr><tr><td></td><td></td><td></td><td>2017 1 May</td><td>Balance b/d</td><td>3 600 (1of)AO2</td></tr></table>	Gym Equipment – Provision for Depreciation Account						Date	Details	£	Date	Details	£	2017 30 April	Disposal	900 (1)AO3	2016 1 May	Balance b/d	2 500 (1)AO1	30 April	Balance c/d	<u>3 600</u>	2017 30 April	Income & Expenditure	<u>2 000</u> (1of)AO2			<u>4 500</u>			<u>4 500</u>				2017 1 May	Balance b/d	3 600 (1of)AO2	
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Question Number	Answer	Mark																														
2 (c) (iv)	Avianna Gym Club Refreshment Trading Account for the year ended 30 April 2017 <table> <thead> <tr> <th></th><th>£</th><th>£</th></tr> </thead> <tbody> <tr> <td>Revenue</td><td></td><td>2 400</td></tr> <tr> <td>Less</td><td></td><td></td></tr> <tr> <td>Opening inventory</td><td>480</td><td></td></tr> <tr> <td>Purchases (960 + 60)</td><td><u>1 020</u> (1)AO2</td><td></td></tr> <tr> <td></td><td>1 500</td><td></td></tr> <tr> <td>Closing inventory</td><td><u>(570)</u></td><td></td></tr> <tr> <td>Cost of sales</td><td></td><td>930 (1of + w)AO2</td></tr> <tr> <td>Trading profit</td><td></td><td><u>1 470</u> (1of + w)AO2</td></tr> <tr> <td></td><td></td><td><u>2 400</u></td></tr> </tbody> </table>		£	£	Revenue		2 400	Less			Opening inventory	480		Purchases (960 + 60)	<u>1 020</u> (1)AO2			1 500		Closing inventory	<u>(570)</u>		Cost of sales		930 (1of + w)AO2	Trading profit		<u>1 470</u> (1of + w)AO2			<u>2 400</u>	(3)
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Question Number	Answer	Mark																																																						
2 (c)(v)	Income and Expenditure Account for the year ended 30 April 2017 <table> <tr> <td></td><td>£</td><td>£</td></tr> <tr> <td>Income</td><td></td><td></td></tr> <tr> <td>Subscriptions</td><td></td><td>5 180 (1of)AO2</td></tr> <tr> <td>Income from rental of equipment</td><td></td><td>1 050</td></tr> <tr> <td>Profit on refreshment</td><td></td><td>1 470 (1of)AO2</td></tr> <tr> <td>Profit on sale of gym equipment</td><td></td><td><u>200</u> (1)AO3</td></tr> <tr> <td></td><td></td><td>7 900</td></tr> <tr> <td>Less Expenditure</td><td></td><td></td></tr> <tr> <td>Rent of premises</td><td>2 000</td><td></td></tr> <tr> <td>Heating and lighting</td><td>1 100</td><td></td></tr> <tr> <td>Sundry expenses</td><td>1 600</td><td></td></tr> <tr> <td>Equipment maintenance</td><td>950</td><td></td></tr> <tr> <td>Bad debts</td><td>140</td><td></td></tr> <tr> <td>Depreciation - Gym equipment</td><td>2 000 (1of)AO2</td><td></td></tr> <tr> <td>Office fixtures</td><td><u>300</u> (1)AO2</td><td></td></tr> <tr> <td></td><td></td><td>(8 090) (1of)AO2</td></tr> <tr> <td>Deficit</td><td></td><td><u>190</u> (1of) + wAO2</td></tr> <tr> <td></td><td></td><td><u>7 050</u></td></tr> </table>		£	£	Income			Subscriptions		5 180 (1of)AO2	Income from rental of equipment		1 050	Profit on refreshment		1 470 (1of)AO2	Profit on sale of gym equipment		<u>200</u> (1)AO3			7 900	Less Expenditure			Rent of premises	2 000		Heating and lighting	1 100		Sundry expenses	1 600		Equipment maintenance	950		Bad debts	140		Depreciation - Gym equipment	2 000 (1of)AO2		Office fixtures	<u>300</u> (1)AO2				(8 090) (1of)AO2	Deficit		<u>190</u> (1of) + wAO2			<u>7 050</u>	(7)
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Question Number	Answer	Mark																																			
2 (d)	Statement of Financial Position (Extract) at 30 April 2017 Non-current Assets <table><thead><tr><th></th><th>Cost</th><th>Accumulated Depreciation</th><th>Carrying value</th></tr><tr><th></th><th>£</th><th>£</th><th>£</th></tr></thead><tbody><tr><td>Gym equipment</td><td>11 600 (1)AO2</td><td>3 600</td><td>8 000 (1)AO2</td></tr><tr><td>Office fixtures</td><td><u>3 000</u></td><td><u>1 100</u></td><td><u>1 900</u> (1)AO2</td></tr><tr><td></td><td><u>14 600</u></td><td><u>4 700</u></td><td>9 900</td></tr></tbody></table> Current Assets Inventory of refreshments Subscriptions in arrears(230 – 140) Cash (80 + 800) <table><tbody><tr><td></td><td>570 (1)AO2</td><td></td></tr><tr><td></td><td>90 (1)AO2</td><td></td></tr><tr><td></td><td><u>880</u> (1)AO1</td><td></td></tr><tr><td></td><td></td><td><u>1 540</u></td></tr><tr><td></td><td></td><td><u>11 440</u></td></tr></tbody></table>		Cost	Accumulated Depreciation	Carrying value		£	£	£	Gym equipment	11 600 (1)AO2	3 600	8 000 (1)AO2	Office fixtures	<u>3 000</u>	<u>1 100</u>	<u>1 900</u> (1)AO2		<u>14 600</u>	<u>4 700</u>	9 900		570 (1)AO2			90 (1)AO2			<u>880</u> (1)AO1				<u>1 540</u>			<u>11 440</u>	(6)
	Cost	Accumulated Depreciation	Carrying value																																		
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Question Number	Indicative Content	Mark
2 (e)	AO1 (1), AO2 (1), AO3 (5), AO4 (5) Potential arguments for • The club will have control of the premises • The club can change premises to meet their needs • Potential additional source of income through renting • Will no longer have to pay rent which will reduce the expenses of the club. Potential arguments against • The costs involved in purchase – large long term loan • Long term nature of purchase • All running costs will fall on the club • The club is making a loss, can it support such a long term project. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed	(12)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
Level 2	4 - 6	Elements of knowledge and understanding, which are applied to the scenario. Chains of reasoning are present, but may be incomplete or invalid. A generic or superficial assessment is present.
Level 3	7 - 9	Accurate and thorough understanding, supported throughout by relevant application to the scenario. Some analytical perspectives are present, with developed chains of reasoning, showing causes and/or effects. An attempt at an assessment is presented, using financial and non-financial information, in an appropriate format and communicates reasoned explanations
Level 4	10 - 12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective application to the scenario. A coherent and logical chain of reasoning, showing causes and effects. Assessment is balanced, wide ranging and well contextualised using financial and non-financial information and makes informed recommendations and decisions.

Question Number	Answer	Mark
3 (a)	AO1 (4) A01: Four marks for stating the difference between trade receivable ledger and sales day book. The trade receivables ledger consists of the individual accounts (1)AO1 of customers to whom we have sold goods or services on credit (1)AO1. The sales day book lists all of the credit sales (1)AO1 made in a day/specific period. (1)AO1 before it is totalled and posted to the ledger. Accept The trade receivables ledger is not a book of prime entry (1) the sales day book is a book of prime entry (1) NOT All sales (must be credit)	(4)

Question Number	Answer	Mark															
3 (b)	AO1 (2), AO2 (4) A01: Two mark for identifying the account. A02: Four marks for calculating the figure and inserting this correctly in the journal. Journal <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: center;">Dr £</th><th style="text-align: center;">Cr £</th></tr> </thead> <tbody> <tr> <td>Sales returns/TRCA (1)AO1</td><td style="text-align: right;">70 (1)AO2</td><td></td></tr> <tr> <td>Mill Street Stores</td><td></td><td style="text-align: right;">70 (1)AO2</td></tr> <tr> <td>Mill Street Stores</td><td style="text-align: right;">45 (1)AO2</td><td></td></tr> <tr> <td>Revenue (Sales)/TRCA (1)AO1</td><td></td><td style="text-align: right;">45 (1)AO2</td></tr> </tbody> </table>		Dr £	Cr £	Sales returns/TRCA (1)AO1	70 (1)AO2		Mill Street Stores		70 (1)AO2	Mill Street Stores	45 (1)AO2		Revenue (Sales)/TRCA (1)AO1		45 (1)AO2	(6)
	Dr £	Cr £															
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Revenue (Sales)/TRCA (1)AO1		45 (1)AO2															

Question Number	Answer	Mark																		
3 (c)	AO1 (2), AO2 (2) A01: Two marks for recording the opening and closing balances. A02: Two marks for making the correct adjustments. Mill Street Stores <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th><th style="text-align: center;">£</th><th></th></tr> </thead> <tbody> <tr> <td>Balance b/d</td><td style="text-align: right;">700</td><td>(1)AO1</td></tr> <tr> <td>Less Returns</td><td style="text-align: right;"><u>(70)</u></td><td>(1)AO2</td></tr> <tr> <td></td><td style="text-align: right;">630</td><td></td></tr> <tr> <td>Plus Trade discount</td><td style="text-align: right;"><u>45</u></td><td>(1of from (b))AO2</td></tr> <tr> <td>Corrected balance</td><td style="text-align: right;"><u>675</u></td><td>(1of)AO1</td></tr> </tbody> </table>		£		Balance b/d	700	(1)AO1	Less Returns	<u>(70)</u>	(1)AO2		630		Plus Trade discount	<u>45</u>	(1of from (b))AO2	Corrected balance	<u>675</u>	(1of)AO1	(4)
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Corrected balance	<u>675</u>	(1of)AO1																		

Question Number	Answer	Mark																																																
3 (d)	AO1 (1), AO2 (6), AO3 (3) A01: One mark for recording the correct closing credit balance. A02: Six marks for correctly applying the monthly balances to the account. A03: Three marks for calculating the corrected figure from the journal adjustment before applying the corrected figure to the account.	(10)																																																
Trade Receivables Control Account <table><tr><td></td><td>£</td><td></td><td></td><td>£</td><td></td></tr><tr><td>Balance b/d</td><td>3 450</td><td></td><td>Balance b/d</td><td>50</td><td></td></tr><tr><td>Revenue7830(1)A02 +45</td><td>7 875</td><td>(1)A03</td><td>Sales returns 470(1)A02 +70</td><td>540</td><td>(1)A03</td></tr><tr><td>Bank (cash refund)</td><td>210</td><td>(1)A02</td><td>Discount allowed</td><td>520</td><td>(1)A02</td></tr><tr><td>Interest charged</td><td>95</td><td>(1)A02</td><td>Bank (receipts)</td><td>6 695</td><td>(1)A02</td></tr><tr><td>Balance c/d</td><td><u>150</u></td><td></td><td>Balance c/d</td><td><u>3 975</u></td><td></td></tr><tr><td></td><td><u>11 780</u></td><td></td><td></td><td><u>11 780</u></td><td></td></tr><tr><td>Balance b/d</td><td>3 975</td><td>(1)A03</td><td>Balance b/d</td><td>150</td><td>(1)A01</td></tr></table>				£			£		Balance b/d	3 450		Balance b/d	50		Revenue7830(1)A02 +45	7 875	(1)A03	Sales returns 470(1)A02 +70	540	(1)A03	Bank (cash refund)	210	(1)A02	Discount allowed	520	(1)A02	Interest charged	95	(1)A02	Bank (receipts)	6 695	(1)A02	Balance c/d	<u>150</u>		Balance c/d	<u>3 975</u>			<u>11 780</u>			<u>11 780</u>		Balance b/d	3 975	(1)A03	Balance b/d	150	(1)A01
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Question Number	Answer	Mark
3 (e)	AO2 (1), AO3 (2), AO4 (3) Potential positive arguments for control accounts • Checking device on the double entry • Facilitates total balances for financial statement preparation • Restricts fraud • Owner can see total trade payables and trade receivables Potential negative points against control accounts • Additional resources required to prepare. • Require an experienced book-keeper to prepare • Not all errors will be revealed. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.	(6)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

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Question Number	Answer	Mark
4 (d)(i)	AO2 (2) A02: Two marks for applying the formula correctly. $\frac{\text{Cost of sales}}{\text{Average inventory}} = \frac{87\,000}{32\,500} \text{ (1of) AO2} = 2.68 \text{ times (1of) AO2}$	(2)

Question Number	Answer	Mark
4 (d)(ii)	AO2 (2) A02: Two marks for applying the formula correctly. $\frac{\text{Trade receivables} \times 365}{\text{Credit sales}} = \frac{37\,000 \times 365}{135\,000} \text{ (1of) AO2} = 100 \text{ days/3.29 months (1of) AO2}$	(2)

Question Number	Answer	Mark
4 (d)(iii)	AO2 (2) A02: Two marks for applying the formula correctly. $\frac{\text{Trade payables} \times 365}{\text{Credit purchases}} = \frac{7\,000 \times 365}{72\,000} \text{ (1of) AO2} = 35 \text{ days/1.17 months (1of) AO2}$	(2)

Question Number	Indicative Content	Mark
4 (e)	AO2 (1), AO3 (2), AO4 (3) Own figure rules apply Potential positive arguments for Easi Spend • Trade payables have a reasonable settlement period of just over a month • The level of inventory has fallen during the year • High current ratio/ Quick ratio. (This could also be seen as a negative point). Potential negative points for Easi Spend • It is taking a long while (100 days) to collect the debts • Inventory levels are still high only turning over every 4 months. For most businesses this is a low rate of inventory turnover. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.	(6)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the scenario. Some analysis is present, with developed chains of reasoning, showing causes and/or effects applied to the scenario, although these may be incomplete or invalid. An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.
Level 3	5-6	Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective. A coherent and logical chain of reasoning, showing causes and effects is present. Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.

Question Number	Answer	Mark
5 (a)(i)	AO1 (2) A01: Two marks for defining fixed costs Fixed costs – costs which are constant for a period of time or range of output. (1) AO1 They are unaffected by the volume of output (1) AO1	(2)

Question Number	Answer	Mark
5 (a)(ii)	AO1 (2) A01: Two marks for defining semi-fixed costs. Semi-fixed costs- costs which are fixed for a range of production and then step increase (1) AO1 where they are fixed for a further range of production (1) AO1 until a further step increase is required.	(2)

Question Number	Answer	Mark
5 (b)	AO1 (4) A01: Four marks for stating how depreciation will be calculated and identifying two concepts. Accruals (matching) concept (1) AO1 each year should be charged with a proportion of the cost (1) AO1 Consistency (1) AO1 each year should be charged with depreciation calculated on the same basis with previous years (1) AO1 Going concern (1) AO1 concepts will assume that this business has continuity into the future (1) AO1 Two concepts x 2 marks	(4)

Question Number	Answer	Mark																						
5 (c)(i)	AO1 (1), AO2 (12), AO3 (3) A01: One mark for recording the given expense in the total running costs without adjustment. A02: Twelve marks for calculating the figure and inserting this correctly in the total running costs. A03: Three marks for calculating the correct figure requiring a two stage calculation before applying the figure to the total running costs. <table><tr><td>Total running cost</td><td>£</td></tr><tr><td>4% loan interest</td><td>5 600 (1) AO2</td></tr><tr><td>Electricity 600 + 5 000</td><td>5 600 (1) AO2</td></tr><tr><td>Water and gas</td><td>2 400 (1) AO2</td></tr><tr><td>Cable TV and internet</td><td>900 (1) AO2</td></tr><tr><td>Insurance</td><td>800 (1) AO1</td></tr><tr><td>Management and marketing costs 1 000 +1 000</td><td>2 000 (1) AO2</td></tr><tr><td>Repairs and maintenance 1 200 + 2 000</td><td>3 200 (1) AO3</td></tr><tr><td>Villa cleaning 100 x 20</td><td>2 000 (1) AO2</td></tr><tr><td>Depreciation 3 000 + 1 500</td><td><u>4 500</u> (1) AO3</td></tr><tr><td></td><td>27 000 (1of) AO2</td></tr></table>	Total running cost	£	4% loan interest	5 600 (1) AO2	Electricity 600 + 5 000	5 600 (1) AO2	Water and gas	2 400 (1) AO2	Cable TV and internet	900 (1) AO2	Insurance	800 (1) AO1	Management and marketing costs 1 000 +1 000	2 000 (1) AO2	Repairs and maintenance 1 200 + 2 000	3 200 (1) AO3	Villa cleaning 100 x 20	2 000 (1) AO2	Depreciation 3 000 + 1 500	<u>4 500</u> (1) AO3		27 000 (1of) AO2	
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Question Number	Answer	Mark									
5 (c)(ii)	<table><tr><td>Income</td><td>250 x 125</td><td>31 250 (1)AO2</td></tr><tr><td>Total running costs</td><td></td><td><u>27 000</u> (1)ofAO2</td></tr><tr><td>Profit for the year</td><td></td><td>4 250 (1)ofAO2</td></tr></table>	Income	250 x 125	31 250 (1)AO2	Total running costs		<u>27 000</u> (1)ofAO2	Profit for the year		4 250 (1)ofAO2	(3)
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Question Number	Answer	Mark
5 (c)(iii)	Profit before interest x 100 Capital + Non-current liabilities = 4 250 of + 5600 60 000 + 140 000 = 9 850 (1of) AO2 200 000 (1) AO2 = 4.93% (1)of AO2	(3)

Question Number	Answer	Mark
5 (d)	AO2 (1), AO3 (2), AO4 (3) Own figure rule applies Potential positive arguments for Sunshine Villa • The project makes a profit and a reasonable ROCE • In the long term residential property prices tend to rise • Bookings may increase next year with repeat business. Potential negative points for Sunshine Villa • A major capital investment for low returns • Risk that the property may lose value due to economic conditions • Economic conditions may reduce income if bookings reduce. Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed	(6)
Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
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Question Number	Answer	Mark																												
6 (a)	AO2 (4) A02: Four marks for selecting the units and prices remaining in the inventory at the end of each quarter. <table><tr><th>Date</th><th>Receipts</th><th>Issues</th><th>Balance</th></tr><tr><td>Opening balance</td><td></td><td></td><td>120 @ £800</td></tr><tr><td>April - June 2016</td><td>80 @ £750</td><td>90 @ £800</td><td>30 @ £800 80 @ £750 (1)AO2</td></tr><tr><td>July – September 2016</td><td>70 @ £700</td><td>30 @ £800 30 @ £750</td><td>50 @ £750 70 @ £700 (1)AO2</td></tr><tr><td>October – December 2016</td><td>100 @ £650</td><td>50 @ £750 30 @ £700</td><td>40 @ £700 100 @ £650 (1)AO2</td></tr><tr><td>January – March 2017</td><td>60 @ £600</td><td>40 @ £700 30 @ £650</td><td>70 @ £650 60 @ £600 (1)AO2</td></tr><tr><td>Closing balance</td><td></td><td></td><td>£81 500</td></tr></table>	Date	Receipts	Issues	Balance	Opening balance			120 @ £800	April - June 2016	80 @ £750	90 @ £800	30 @ £800 80 @ £750 (1)AO2	July – September 2016	70 @ £700	30 @ £800 30 @ £750	50 @ £750 70 @ £700 (1)AO2	October – December 2016	100 @ £650	50 @ £750 30 @ £700	40 @ £700 100 @ £650 (1)AO2	January – March 2017	60 @ £600	40 @ £700 30 @ £650	70 @ £650 60 @ £600 (1)AO2	Closing balance			£81 500	(4)
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Question Number	Answer	Mark
6 (c) (i)	AO1 (4), AO2 (2) A01: Four marks for demonstrating knowledge of the treatment of prepaid expenses and depreciation. A02: Two marks for applying knowledge of unrealised profits to profits on manufacture. The value of the prepaid wages would be recorded under the heading of Other receivables (1)AO1 under current assets. (1)AO1	(2)

Question Number	Answer	Mark
6 (c) (ii)	The annual depreciation would be added to the accumulated depreciation and deducted from the cost (1)AO1 to establish the carrying (Net Book) value. (1)AO1	(2)

Question Number	Answer	Mark
6 (c) (iii)	The value of the inventory of finished goods (1)AO2 would be reduced by the balance of the provision for unrealised profit. (1)AO2	(2)

Question Number	Answer	Mark
6 (d)	AO2 (1), AO3 (2), AO4 (3) Potential positive arguments for LIFO - When prices are falling issues will be close to current replacement cost - Product/sales will not be overpriced in current market conditions. Potential negative points for LIFO - Not accepted by tax authorities or IAS - When prices are falling remaining inventory will become increasingly over-valued - LIFO may under state cost of sales which is against the prudence concept. NOT An evaluation of inventory rotation Decision Candidates may conclude that the arguments for or against outweigh the counter arguments. Having reached a decision the rationale for that position should be developed.	(6)

Level	Mark	Descriptor
	0	A completely incorrect response.
Level 1	1-2	Isolated elements of knowledge and understanding which are recall based. Generic assertions may be present. Weak or no relevant application to the scenario set.
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