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## Mark Scheme (Results)

January 2021

Pearson Edexcel International Advanced  
Subsidiary

In Accounting (WAC11)

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.

**Mark Scheme  
WAC11  
Unit 1  
January 2021  
SECTION A**

**1 (a) AO1 (6), AO2 (13),**

**A01: Six marks for transferring balance and calculating new balance**

**A02: Thirteen marks for entries requiring calculation.**

Borin and Priti

Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2020

	£	£
Revenue		370 000
Less		
Opening inventory	38 000	
Purchases	180 000	
Carriage inwards	<u>4 200</u>	
	222 200 <b>(1) AO2</b>	
Closing inventory	<u>(41 000)</u>	
Cost of sales		<b>(181 200) (1of) AO1 + w</b>
Gross profit		188 800      No aliens
plus		
Rent receivable      (4 000 + 2 000)		6 000 <b>(1) AO2</b>
Decrease in allowance for irrecoverable debts		<u>700 <b>(1) AO1</b></u>
		195 500
Less		
Depreciation:		
Motor vehicles	5 000 <b>(1) AO2</b>	
Office fixtures	3 000 <b>(1) AO2</b>	
Wages and salaries (97 000 – 9 000		
-6 000)	82 000 <b>(1) AO2</b>	
General expenses	27 100 <b>(1) AO1</b>	
Carriage outwards	19 000 <b>(1) AO1</b>	
Bank loan interest (1 200 + 1 200)	2 400 <b>(1) AO2</b>	
Insurance      (6 000 – 500)	5 500 <b>(1) AO2</b>	
Rent payable      (21 000 – 3 000)	18 000 <b>(1) AO2</b>	
Motor vehicles running expenses	11 000 <b>(1) AO1</b>	
		<b>(173 000)</b>
Profit for the year		<u><u>22 500</u></u>

Add Interest on drawings		
Borin	400 (1) AO2	
Priti	<u>500 (1) AO2</u>	
		<u>900</u>
		23 400
Less Interest on capital		
Borin	2 000 (1) AO2	
Priti	<u>2 500 (1) AO2</u>	
		(4 500)
Less Salaries:		
Borin	9 000	
Priti	<u>6 000</u>	
		<u>(15 000) (1) AO1</u>
		3 900
Share of profit:		
Borin		2 340 (1of) AO2 if
Priti		<u>1 560</u> correct split
		<u>3 900</u>

(19)

(b) AO2 (5)

**AO2: Five marks for calculations of total additions and deductions and calculating final balances.**

	Borin	Priti
	£	£
Opening balance	(200)	2 500
Plus		
Interest on capital	2 000 of	2 500 of
Salaries	9 000	6 000
Share of profit	<u>4 770 of</u>	<u>1 560 of</u>
	13 140 (1of) AO2	12 560 (1of) AO2
less	All three	All three
Interest on drawings	(400)	(500)
Salaries paid	(9 000)	(6 000)
Drawings	<u>(4 000)</u>	<u>(5 000)</u>
	(13 400) (1of) AO2	(11 500) (1of) AO2
	All three	All three
Closing balance	260 Dr	1 060 Cr (1of) AO2

(5)

(c) AO1 (8), AO2 (3), AO3 (3)

A01: Eight marks for transferring balance and calculating simple balances

A02: Three marks for calculating correct figure and inclusion in correct section.

A03: Three marks for correct carrying values and total partners salaries due

Statement of Financial Position at 31 December 2020

**Non-current Assets**

	Cost	Accumulated depreciation	Carrying value
	£	£	£
Motor vehicles	55 000	– 35 000	= 20 000 (1of) AO3
Office fixtures	20 000	– 11 000	= <u>9 000</u> (1of) AO3
			29 000

**Current Assets**

Inventory		41 000 (1) AO1	
Trade receivables	50 000		
less Allowance for doubtful debts	<u>(2 000)</u>		
		48 000 (1of) AO3	
Other receivables:			
Insurance	500 (1) AO1		
Rent receivable	2 000 (1) AO1		
Rent payable	3 000 (1) AO1	5 500	
Bank (17 500 – 3 800)		<u>13 700</u> (1) AO2	
			<u>108 200</u>
			<u>137 200</u>

**Capital and liabilities**

Capital Accounts:			
Borin	40 000		
Priti	<u>50 000</u>		
		90 000 (1) AO1	
Current Accounts:			
Borin	260 Dr		
Priti	<u>1 060 Cr</u>		
		800 (1of) AO1	

**Non-current Liabilities**

8% bank loan		24 000 (1) AO1	
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**Current liabilities**

8% bank loan	6 000 (1) AO2		
Trade payables (19 000 – 3 800)	15 200 (1) AO2		
Other payables:			
Bank loan interest	<u>1 200</u> (1) AO1		
			<u>22 400</u>
			<u>137 200</u>

**(d) AO1 (3), AO3 (2)**

**A01: Three marks for the cash and bank entries and the balance brought down.**

**A03: Two marks for correctly recording the balances at 1 January.**

Capital Accounts

Date	Details	Borin	Priti	Date	Details	Borin	Priti
		£	£			£	£
2020				2020			
1 April	Bank	25 000 <b>(1)</b>		1 Jan	Balance b/d	65 000 <b>(1of)</b>	30 000 <b>(1of)</b>
31 Dec	Balance c/d	<u>40 000</u>	<u>50 000</u>	1 Mar	Cash	_____	<u>20 000 (1)</u>
		<u>65 000</u>	<u>50 000</u>			<u>65 000</u>	<u>50 000</u>
				2021			
				1 Jan	Balance b/d	40 000	50 000 <b>(1)</b>
							Both

No own figures if capital at 1 Jan 40 000 and 50 000

**(5)**

<b>1(e)</b>	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b>  <b>A01: One marks for knowing identifying positive and negative aspects of this proposal.</b>  <b>A02: One marks for applying positive or negative aspects of this proposal.</b>  <b>A03: Five marks for interpreting and analysing the proposal.</b>  <b>A04: Five marks for evaluating the scenario counter balancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</b></p> <p>Potential arguments for inclusion</p> <p style="padding-left: 20px;">Additional capital will be introduced although this is limited.  Javid will take more responsibility for the management and ownership of the business.  As an existing manager Javid will be aware of how the business works.  Sharing risks with existing partners.  Can still bring in new ideas.</p> <p>Potential arguments against inclusion</p> <p style="padding-left: 20px;">Profits may not increase greatly but must be distributed amongst three partners.  Javid’s investment is modest and will not enable a major expansion of investment.  Javid must be consulted on all decisions made. Three partners would need to now agree making decisions more difficult to make.  This may lead to conflict between partners.</p> <p>Decision</p> <p>Candidates may conclude that the partnership is positive or negative. Candidates conclusion should be supported by an appropriate rationale.</p>	<b>(12)</b>
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Level	Mark	Descriptor
	0	A completely incorrect response.
<b>Level 1</b>	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
<b>Level 2</b>	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.
<b>Level 3</b>	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
<b>Level 4</b>	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.

(Total: 55 marks)

2(a) **AO1 (8), AO3 (2)**

**AO1: Eight marks for recording entries in the trial balance**

**AO3: Two marks for correctly calculating the suspense balance.**

Teemu  
Trial Balance as at 31 December 2020

	<b>Dr</b>	<b>Cr</b>
	<b>£</b>	<b>£</b>
Equipment (cost)	4 000	
Equipment- Provision for depreciation		1 600
Sundry expenses	1 900	
Wages	26 330	
Inventory	6 750	
Purchases	52 000	
Revenue		89 000
Equipment maintenance	1 120	
Discount allowed	300	
Discount received		730
Bank (overdraft)		700
Electricity and water	2 800	
Trade receivables	7 800	
Trade payables		4 700
Capital		8 000
Drawings	900	
Suspense	830 <b>(2)/1of)</b>	
	<b>AO3</b>	
	<u>104 730</u>	<u>104 730</u>

**(1) AO1** for each **two correct** entries x 8. Round up if uneven score.

**(2)** for Suspense Account balance

**(10)**

(b) **AO1 (5)**

**AO1: Five marks for identifying the type of error.**

- (1) Principle **(1) AO1**
- (2) Reversal **(1) AO1**
- (3) Commission **(1) AO1**
- (4) Omission **(1) AO1**
- (5) Original entry **(1) AO1**

**(5)**

(c) AO2 (16), AO3 (2)

AO2: Sixteen marks for correct journal entry, name and number.

AO3: Two marks for suspense entries in compensating error.

General Journal

	Dr	Cr
	£	£
Equipment maintenance/repairs	470 (1) AO2	
Equipment		470 (1) AO2
Discount allowed	120 (1) AO2	
Dominic		120 (1) AO2
Riaz	290 (1) AO2	
Robin		290 (1) AO2
Tower Industries	800 (1) AO2	
Revenue/Sales		800 (1) AO2
Collinge	270 (1) AO2	
Purchases		270 (1) AO2
Bank	50 (1) AO2	
Suspense		50 (1) AO3
Suspense	50 (1) AO3	
Wages		50 (1) AO2
Bank	950 (1) AO2	
Suspense		950 (1) AO2
Suspense	120 (1) AO2	
Bank		120 (1) AO2

(18)

(d) AO1 (1): AO2 (4)

AO1: One mark for transferring balance from trial balance

AO2: Four marks for journal transfers and details

Suspense Account

Date	Details	£	Date	Details	£
2020			2020		
31 Dec	Balance	830 (1of) AO1	31 Dec		
	Wages	50 (1) AO2		Bank	50 (1) AO2
	Bank	120 (1) AO2		Bank	950 (1) AO2
		<u>1 000</u>			<u>1 000</u>

Ignore aliens. Accept reasonable narratives.

(5)

(e) **AO2 (5)**,

**AO2: Five marks for calculating the closing balance**

	£	£
Opening balance (overdraft)		(700)
Plus		
Sundry expenses	50 <b>(1) AO2</b>	
Richard	950 <b>(1) AO2</b>	
		<u>1 000</u>
		300
Less		
Drawings	120 <b>(1) AO2</b>	
		<u>120</u>
Closing balance		<u><u>180</u></u> <b>(2/1of)</b> <b>AO2</b>

Ignore aliens. No narratives required.

If in account format allow Dr as plus and Cr as minus

(5)

2(f)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b>  <b>A01: One marks for knowing identifying positive and negative aspects of this advice.</b>  <b>A02: One marks for applying positive or negative aspects of this advice.</b>  <b>A03: Five marks for interpreting and analysing the advice.</b>  <b>A04: Five marks for evaluating the scenario counter balancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.</b></p> <p>Potential arguments for ICT</p> <p>Double entry will be completed <b>automatically</b>.  Calculations will be made by the computer and will be <b>accurate</b>.  There will be <b>no</b> errors which will affect the balancing of the trial balance, such as those <b>single entry</b> and requiring a suspense account.  <b>Audit trail</b> can be kept.</p> <p>Potential arguments against ICT</p> <p>Cost and updating of system to ensure that <b>software operates correctly</b>, using latest version.  <b>Inputting errors</b> will still occur resulting in incorrect accounts.  Considerable <b>staff training to ensure accurate inputting</b> for the use of ICT.  Errors <b>not affecting the balancing of the trial balance</b> such as errors of commission and omission may still occur.</p> <p>Decision</p> <p>Candidates may conclude that ICT is positive or negative. Candidates conclusion should be supported by an appropriate rationale.</p> <p><b>NOT</b> General advantages and disadvantages of ICT</p>	<b>(12)</b>
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Level	Mark	Descriptor
	0	A completely incorrect response.
<b>Level 1</b>	1-3	Isolated elements of knowledge and understanding recall based. Weak or no relevant application to the scenario set. Generic assertions may be present.
<b>Level 2</b>	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.
<b>Level 3</b>	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
<b>Level 4</b>	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.

**(Total: 5 marks)**

**SECTION B**

3(a) **AO1 (4)**

**A01: Four marks for explaining the terms**

Going concern

It is assumed that the business will **continue** to operate **(1) AO1** for an **indefinite** period of time. **(1) AO1**

Business entity

The business is treated as a completely **separate** entity **(1) AO1** from the **owner**. **(1) AO1**

**(4)**

**(b) AO2 (6)**

**A02: Six marks for calculating correct figure and inclusion in correct section.**

Departmental Trading Account for the year ended 31 December 2020

	Food	Magazines
	£	£
Revenue	65 000	50 000
less		
Opening inventory	3 500	5 000
Purchases	46 500	44 000
Purchase returns	( - )	(1 000)
	50 000 <b>(1) AO2</b>	48 000 <b>(1) AO2</b>
Closing inventory	(3 000)	(5 500)
Cost of sales	47 000 <b>(1of) AO2</b>	42 500 <b>(1of) AO2</b>
Gross profit	<u>18 000 (1of) AO2</u>	<u>7 500 (1of) AO2</u>

**(6)**

**(c) AO1 (3), AO2 (4), AO3 (3)**

**A01: Three marks for transferring balances correctly**

**A02: Four marks for calculating correct figure**

**A03: Three marks for using correct formula and correct process.**

Food  $65\,000 \times \frac{30}{100}$  **(1) AO2** = 19 500 **(1) AO2** – 18 000 **(1of) AO1** = 1 500 **(1of) AO3**

Magazines  $50\,000$  **(1) AO1**  $\times \frac{20}{100}$  **(1) AO3** = 10 000 **(1) AO2** – 7 500 **(1of) AO1** = 2 500 **(1of) AO3**

Total 2 500 of + 1 500 of = 4 000 **(1of) AO2**

**(10)**

(d) AO1 (2), AO2 (2)

A01: Two marks for transferring balance and calculating total annual cost

A02: Two marks for calculating correct annual capital cost.

£

Capital cost  $9\ 000 + 2\ 000 = 11\ 000$  (1) AO2 divided by 5 = 2 200 (1) AO2

Annual cost 1 500 (1) AO1

3 700 (1) AO1

(4)

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

Own figure rule applies

Positive points for purchase of the security system

There is a net saving on losses by purchasing the system but this is small.

A security system could deter theft.

Negative points against the purchase of the security system

Capital outlay of £11 000 has to be found, this will impact on cash flow.

Ongoing maintenance costs may rise.

The potential saving is low.

Decision

Candidates may conclude that the purchase of the security system is/ is not beneficial.

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. 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.

(6)

Q3	Total marks	30
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4.(a) **AO1 (2)**

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

Capital expenditure is the money spent by the business in purchasing, improving or extending non-current assets **(1) AO1** Costs include, carriage and installation/ will last for more than one year/ non recurrent/long term. **(1) AO1**

**(2)**

(b) **AO1 (4)**

**AO1: Four marks for identifying the category**

- (i) Capital **(1) AO1**
- (ii) Revenue **(1) AO1**
- (iii) Revenue **(1) AO1**
- (iv) Capital **(1) AO1**

**(4)**

(c) **AO1 (3), AO2 (12), AO3 (3)**

**AO1: Three marks for transferring balance and calculating simple balances**

**AO2: Twelve marks for correct entries**

**AO3: Three marks for correct entry in motor vehicle account and balances brought down**

(i) Motor Vehicle Account

Date	Details	£	Date	Details	£
2020			2020		
1 Jan	Balance b/d	80 000	1 April	Disposal	10 000 <b>(1)AO2</b>
1 May	Part exchange/bank	52 000 <b>(1)AO2</b>	1 May	Disposal	30 000 <b>(1)AO2</b>
			31 Dec	Balance c/d	<u>92 000</u>
		<u>132 000</u>			<u>132 000</u>
2021			2021		
1 Jan	Balance b/d	92 000 <b>(1of)AO2</b>			<b>No aliens</b>

(ii)

Motor Vehicle – Provision for Depreciation Account

Date	Details	£	Date	Details	£
2020			2020		
1 April	Disposal	2 000 <b>(1)AO2</b>	1 Jan	Balance b/d	18 000
1 May	Disposal	9 000 <b>(1)AO3</b>	31 Dec	Income statement/ Depreciation	9 200 <b>(1of)AO3</b>
31 Dec	Balance c/d	<u>16 200</u>			
		<u>27 200</u>			<u>27 200</u>
2021			2021		
	<b>No aliens</b>		1 Jan	Balance b/d	16 200 <b>(1of)AO1</b>

(iii)

Motor Vehicles Disposal Account

Date	Details	£	Date	Details	£
2020			2020		
1 April	Motor vehicles	10 000 (1)AO2	1 April	Provision for dep'n	2 000 (1of)AO2
1 May	Motor vehicles	30 000 Both		Bank	4 500 (1)AO2
			1 May	Provision for dep'n	9 000 (1of)AO2
				Part exchange	12 500 (1)AO2
		_____		Income statement	<u>12 000 (1of) AO3</u>
		<u>40 000</u>			<u>40 000</u>

Income statement £12 000 of only if last entry on credit side.

(iv)

Motor Vehicles Maintenance Account

Date	Details	£	Date	Details	£
2020			2020		
Year	Trade payables/	16 300 (1) AO1	1 Jan	Balance b/d	2 400 (1) AO2
	Bank/ Cash		31 Dec	Income statement	12 400 (1) AO2
		_____		Balance c/d	<u>1 500</u>
		<u>16 300</u>			<u>16 300</u>
2021			2021		
1 Jan	Balance b/d	1 500 (1) AO1			

(18)

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

Positive points for the current straight-line method

This method does not distort profits, as the same value of depreciation is allowed each year.

Method reflects equal benefit received from the motor vehicles in each year.

Negative points against the straight-line method

Losses incurred on the motor vehicles sold suggest that the 10% is inadequate.

The value of motor vehicles tends to fall sharply in the early years. Straight line may be inappropriate to reflect an accurate carrying value in the books.

The total cost of owning the motor vehicle rises each year when depreciation and repair costs are added together.

Profits may be overstated in the early years. Prudent to use Reducing balance.

Decision

Candidates may conclude that the straight-line method is/is not appropriate Candidates should support that decision with an appropriate rationale.

**NOT**

Easier to calculate/ understand

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.

(6)

Q4	Total marks	30
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5 (a)AO1 (4),

**A01: Four marks for explaining the two reasons for the use of apportionment.**

- Where a single **cost relates to a number of departments (1) AO1** and cannot be directly allocated. The cost must be apportioned on the **most reasonable basis (1) AO1** e.g floor area,
- To calculate the **total overhead cost for a department (1) AO1** and **enable the recovery** of those costs through a machine or labour hour rate/ identify and reduce cost. **(1) AO1**
- To enable **pricing** of customers jobs **(1) AO1** to **sell the services** of the business. **(1) AO1**

MAX (4)

(b) AO2 (3)

**A02: Three marks for calculating correct figure**

$40 \times 50 = 2\ 000$  **(1) AO2**  $\times 65\% = 1\ 300$  **(1) AO2**  $\times 5 = 6\ 500$  **(1) AO2** **(3)**

(c) AO1 (2)

**A01: Two marks for identifying activities**

- Travelling to jobs
- Ordering or collecting materials
- Completing paperwork
- Training
- Remedial work for jobs not completed correctly.

**NOT** Holiday, Leisure time

2 x **(1) AO1**

(2)

(d) AO1 (1), AO2 (3),

A01: One mark for totalling quotation

A02: Three marks for calculating correct figures

<b>Job 73</b>			
		£	
Materials	80 + 15%	92	(1) AO2
Labour	10 x 12	120	(1) AO2
Overheads	15 x 12	<u>180</u>	(1) AO2
		<u>392</u>	(1of) AO1 All 3 elements present

(4)

(e) AO1 (2), AO2 (6), AO3 (3)

A01: Two marks for adding up total profit

A02: Six marks for calculating correct figure and inclusion in correct section.

A03: Three marks for labour and overheads profit and formula for materials.

- (i)  $\frac{£9\ 200 \times 15}{115}$  (1) AO3 = £1 200 (1) AO2
- (ii)  $6\ 700$  (1) AO2 x £10 = £67 000 (1) AO2 - £58 000 (1) AO2 = £9 000 (1) AO3
- (iii)  $6\ 700 \times £15 = £100\ 500$  (1) AO2 - £104 000 (1) AO2 = (£3 500) (1) AO3
- (iv)  $£1\ 200 + £9\ 000 - £3\ 500 = £6\ 700$  profit (2/1of) AO1 All three elements

(11)

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

Positive points for piecework

- Output per operator would probably be increased and cost of a job decreased.
- Electricians may spend less time on non-productive activities.

Negative points against piecework

- Quality of output may become an issue.
- There will be difficulty of setting the rates because all jobs are different.
- Slower workers may not be able to keep up and may leave.
- Disagreements between workers may increase.
- Accidents may increase.

Decision

Candidates may conclude that piecework is/ is not beneficial. 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. 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.

(6)

Q5	Total marks	30
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**6(a) AO1 (4)**

**AO1: Four marks for explaining the terms.**

Liquidity

The ease and speed with which current assets **(1) AO1** can be turned into cash. **(1) AO1**

The ability of the business to meet short term **(1) AO1** debts. **(1) AO1**

Accept current assets less current liabilities. **(1) AO1**

MAX 2 marks

Capital employed

Total funds being used in the business. **(1) AO2**

Owners capital plus any long term liabilities. **(1) AO2**

(4)

**(b) AO1 (5), AO2 (12), AO3 (3)**

**AO1: Five marks for transferring balance to the correct ratio**

**AO2: Twelve marks for calculating correct figure or including multiple entries**

**AO3: Three marks for correctly adjusting profit for interest or identifying effect of overdraft**

	Alpha Retail	Zulu Shopping
	£000	£000
Net profit for the year as a percentage of revenue	$\frac{55}{500} \times 100 = 11\%$ <b>(1) AO2</b> <b>(1) AO1</b>	$\frac{10}{500} \times 100 = 2\%$ <b>(1) AO2</b> <b>(1) AO1</b>
Revenue to non-current assets	$\frac{500}{120} = 4.17$ <b>(1) AO2</b> <b>(1) AO1</b> Accept 417%/ 4.17:1	$\frac{500}{30} = 16.67$ <b>(1) AO2</b> <b>(1) AO1</b> Accept 1667%/16.67:1
percentage return on capital employed	$\frac{55 + 5}{50 + 100} \times 100 = 40\%$ <b>(1) AO3</b> <b>(1) AO2</b>	$\frac{10}{80} \times 100 = 12.5\%$ <b>(1) AO2</b> <b>(1) AO1</b>

current ratio	$\frac{40+30}{10+30} = 1.75:1$ (1) AO2 (1) AO3	$\frac{35+35+5}{25} = 3:1$ (1) AO3 AO2
liquid (acid test) ratio	$\frac{30}{10+30} = 0.75:1$ (1) AO2 (1) AO2	$\frac{35+5}{25} = 1.6:1$ (1) AO2 (1) AO2

Accept reasonable rounding

(20)

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

**OWN FIGURE RULE APPLIES**

Alpha Retail	Zulu Shopping
Positive	Positive
<p>The business owns its own premises.</p> <p>The net profit is considerably greater.</p> <p>The net profit as a percentage of revenue is <b>better</b> and acceptable at 11%.</p> <p>ROCE at 40% is <b>very good</b>.</p> <p>Liquidity is <b>good</b> and within the accepted 'yardsticks' of 1.4:1 and 0.7:1</p>	<p>The business rents its premises so may be more flexible e.g ability to move.</p> <p>The business gets <b>greater</b> revenue for every £ of non-current assets at 16.67.</p> <p>The return on capital employed is <b>good</b> at 12.5%.</p>
Negative	Negative
<p>The business has an overdraft and long term debt.</p>	<p>Liquidity is high/safer at 3:1 and 1.6:1 and there seems to be an element of <b>idle funds</b>.</p> <p>The business rents its premises which will be subject to rent increases in the future.</p>

**Decision**

Candidates may conclude that the Alpha Retail or Zulu Shopping should be purchased.

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. 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.

**(6)**

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