



Mark Scheme (Results)

January 2023

Pearson Edexcel International Advanced Level
In 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 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.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

1(a)(i)

A01:(4) A02(9) :A03(4)

A01: Four marks for recording balances

A02: Nine marks for adjusting and recording balances

A03: Four marks for calculating cost of raw materials, prime cost and power and water

**Wincombe Manufacturing
Manufacturing Account
For the year ended 31 December 2022**

	£	£
Opening inventory of raw materials	36 900	
Purchases of raw materials	204 000	
Returns of raw materials	<u>(6 800)</u>	
	234 100	
Closing inventory of raw materials	<u>(27 900)</u>	
Cost of raw materials	206 200 A03(1)	
Manufacturing wages	197 000 A01(1)	
Royalties (12 500 + 2 500)	15 000 A02(1)	
Direct expenses	<u>11 800</u> A01(1)	
Prime cost		430 000 A03 (1of) +w
		No aliens
Production overheads:		
Management salaries	105 000 A02(1)	
Indirect expenses	29 200 A01(1)	
Rent and rates payable	13 200 A02(1)	
Insurance	6 000 A02(1)	
Power and water	21 000 A03(1)	
Depreciation – Manufacturing machinery	18 000 A02(1)	
Depreciation – Computer equipment	4 000 A03(1)	
		<u>196 400</u>
		626 400 A02 (1of)
Work in progress – 1 January 2022	46 700	No aliens
31 December 2022	(45 600)	<u>1 100</u> A02(1)
Cost of production		627 500 A01(1of) +w
Profit on manufacture		17 500 A02 (1of) + w
Transfer value / Trading Account		<u>645 000</u> A02 (1) +w

(ii) **AO1:(5) AO2(12) :AO3(1)**

AO1: Five marks for recording balances

AO2: Twelve marks for adjusting balances

AO3: One mark for calculating depreciation on the computer equipment

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022**

	£	£
Income		
Revenue		811 000
Less		
Opening inventory of finished goods	64 000	
Goods transferred from manufacturing	<u>645 000</u> AO1(1of)	
	709 000	
Closing inventory of finished goods	<u>(58 500)</u>	
Cost of sales:		<u>(650 500)</u> AO2(1of)
		+w
Gross profit		160 500 AO2(1of)
		+w
Other incomes		
Rent received	7 500 AO1(1)	
Profit on manufacturing	17 500 AO2(1of)	
Reduction in provision for unrealised profit	<u>500</u> AO2(1)	
		<u>25 500</u>
		186 000
Less Expenses		
Administrative wages	78 000 AO1(1)	
Management salaries	20 000 AO2(1)	
Advertising expenses	20 850 AO2(1)	
Rent and rates payable	4 800 AO2(1)	
Insurance	4 000 AO2(1)	
Power and water	9 000 AO2(1)	
Irrecoverable debts	3 650 AO1(1)	
Depreciation – Computer equipment	8 000 AO3(1)	
Office fixtures	4 500 AO2(1)	
Irrecoverable debts allowance increase	1 900 AO1(1)	
Provision for legal claim	7 800 AO2(1)	
		<u>(162 500)</u>
Profit for the year		<u>23 500</u>
		AO2(1of)+w
		No aliens

(iii) **A01:(3) A02(1)**

A01: Three marks for recording balances

A02: One mark for transfer to income statement

Provision for Unrealised Profit Account

Date	Details	£	Date	Details	£
2022			2022		
31 Dec	Income statement	500 A02(1)	1 Jan	Balance b/d	2 000 A01(1)
	Balance c/d	<u>1 500</u> A01(1)			
		<u>2 000</u>			<u>2 000</u>
			2023		
			1 Jan	Balance b/d	1 500 A01(1)

(4)

(b) **A01:(4)**

A01: Four marks for explanation

To ensure that the **profit is not overstated** **A01(1)** by **recording profit on unsold inventory**. **A01(1)**

This will also ensure that the **inventory is not overvalued** **A01(1)** by deducting the value of the provision from the inventory **A01(1) in the statement of financial position**.

(4)

(c) **A01 (1), A02 (1), A03 (5), A04 (5)**

Own figure rule applies

Positive points in favour of accepting the offer

Wincombe Manufacturing would be able to concentrate on other aspects of their business.

Problems in production would become the concern of the other supplier.

The manufacturing space could be used to expand the business or raise additional income by renting it out.

Manufacturing non-current assets could be sold increasing the liquidity of the business and funding other expansion plans that Wincombe Manufacturing might have.

Negative points for not accepting the offer

Wincombe Manufacturing would lose control of the manufacturing process.

There may be quality issues with the products supplied.

The price of £21.50 may gradually be raised in real terms in the future.
 If more units are required in future. The other supplier may be unable to supply these.
 Some of the fixed costs are apportioned, these will now have to all be borne by administration.
 Need to consider social accounting aspects of the decision. Jobs would be lost and the community would suffer with a major loss of income in the area.

Accept any other valid points

Decision

Candidates may conclude that Wincombe Manufacturing should accept or reject the offer. Candidates should support that decision with an appropriate rationale.

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.

(12)

Q1	Total marks	55
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2(a) (i) **A01:(2) A02(2)**

A01: Two marks for opening and closing balances

A02: Two marks for recording increase and decrease in capital accounts

Capital Accounts

Date	Details	Javid	Kirstie	Date	Details	Javid	Kirstie
		£	£			£	£
2022				2022			
1 July	Loan		20 000	1 Jan	Balance b/d	50 000	50 000
31 Dec	Balance c/d	<u>80 000</u>	<u>30 000</u>	1 July	Bank	<u>30 000</u>	_____
		<u>80 000</u>	<u>50 000</u>			<u>80 000</u>	<u>50 000</u>
				2023			
				1 Jan	Balance b/d	80 000	30 000

(4)

Both opening balances with correct narrative **A01(1)**

Both closing balances with correct narrative **A01(1of)**

Loan correctly posted with correct narrative **A02(1)**

Increased capital correctly posted with correct narrative **A02(1)**

(ii) **A01:(2) A02(7)**

A01: Two marks for opening and closing balances

A02: Seven marks for each appropriation or charge

Current Accounts

Date	Details	Javid	Kirstie	Date	Details	Javid	Kirstie
		£	£			£	£
2022				2022			
1 Jan	Balance b/d		250	1 Jan	Balance b/d	800	
31 Dec	Int on draw	420	280	31 Dec	Int on cap	2 600	1 600
	Drawings	6 000	4 000		Int on loan	-	1 250
	Salary paid	7 800	5 900		Salary	8 500	6 800
					Share of profit	4 500	3 000
	Balance c/d	<u>2 180</u>	<u>2 220</u>			_____	_____
		<u>16 400</u>	<u>12 650</u>			<u>16 400</u>	<u>12 650</u>
				2023			
				1 Jan	Balance b/d	2 180	2 220

One mark for both opening and closing balances **A01(1)** x 2 of for closing balances

One mark for both entries with correct narrative for each appropriation or charge

A02(1) x 7

(9)

(b) (i) **A02(1); A03(1)**

A02: One mark for calculating the capital and the percentage

A03: One mark for calculating the average capital

	Javid	OR	Kirstie
<u>Interest paid</u> x 100 =	$\frac{2\,600}{65\,000} \times 100 = 4\%$		$\frac{1\,600}{40\,000} \times 100 = 4\%$ A02(1of)
Average capital	65 000		A03 (1)

(2)

(ii) **A01(1) A02(1)**

A01: One mark for recording the divisor

A02: One mark for calculating the percentage

	Javid	OR	Kirstie
<u>Interest paid</u> x 100	$\frac{420}{6\,000} \times 100 = 7\%$		$\frac{280}{4\,000} \times 100 = 7\%$ A02 (1of)
Drawings	6 000		A01 (1)

(2)

(iii) **A02(1)**

A02: One mark for calculating the profit-sharing ratio

	Javid		Kirstie
Share of profit	$\frac{4\,500}{7\,500} = 3:$		$\frac{3\,000}{7\,500} = 2$ A02 (1)

(1)

(c) **A01(1) A02(3): A03(1)**

A01: One mark for bringing down the closing balance

A02: Three marks for posting payments and receipt

A03: One mark for calculating and correctly posting the opening balance

6% 10-year Bank Loan Account

Date	Details	£	Date	Details	£
2022			2022		
1 Mar	Bank/Cash	2 000 A02 (1)	1 Jan	Balance b/d	36 000 A03 (1)
1 Sept	Bank/Cash	2 000 A02 (1)	1 Oct	Bank/Cash	20 000 A02 (1)
31 Dec	Balance c/d	<u>52 000</u>			
		<u>56 000</u>			<u>56 000</u>
			2023		
			1 Jan	Balance b/d	52 000 A01 (1of)

(5)

(d) **A01(2) A02(7)**

A01: Two marks for the opening and closing balance

A02: Seven marks for posting totals to the account

Trade Payables Ledger Control Account

Date	Details	£	Date	Details	£
2022			2022		
31 Dec	Purchase returns	4 400 A02 (1)	1 Jan	Balance b/d	8 540 A01 (1)
	Bank	59 750 A02 (1)	31 Dec	Purchases	64 800 A02 (1)
	Discount received	1 650 A02 (1)		Bank (refunds)	800 A02 (1)
	Trade rec' ledger	160 A02 (1)		Interest charges	170 A02 (1)
	Balance c/d	<u>8 350</u>			<u> </u>
		<u>74 310</u>			<u>74 310</u>
			2023		
			1 Jan	Balance b/d	8 350 A01 (1of)
					Cr only. No aliens

(9)

Accept reasonable narratives

(e) **AO1(3) AO2(2) AO3(2)**

AO1: Three marks for carrying balances

AO2: Two marks for calculating and inserting totals

AO3: Two marks for calculating totals requiring multiple entries

Javid and Kirstie

Extract from the Statement of Financial Position at 31 December 2022

	Javid	Kirstie	
	£	£	£
CAPITAL AND LIABILITIES			
Capital accounts	80 000	30 000	110 000 AO1 (1of)
Current accounts	2 180	2 220	<u>4 400</u> AO1 (1of)
			114 400
Non-current Liabilities			
6% ten-year bank loan		52 000 AO1 (1)	
5% five-year loan from Kirstie		<u>20 000</u> AO2 (1)	
			72 000 AO3 (1of)
Current liabilities			
Trade payables		8 350 AO2 (1of)	
Other payables:			
Rent payable		150	
Wages		650	
Bank overdraft		<u>750</u>	
			9 900 AO3 (1of)
			All items. No aliens
TOTAL CAPITAL AND LIABILITIES			<u>196 300</u>

(7)

(f) **AO1(4)**

AO1: Four marks for explaining application of concepts

Business entity Separation between **business and personal**. **AO1 (1)**
Current accounts include drawings made by the owners. **AO1 (1)**

Money measurement

Only assets or liabilities that can be **measured in money** are included. **AO1 (1)**

Non-current liabilities and current liabilities that can be valued will **shown in the financial statement** at the end of the year. **AO1 (1)**

(4)

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

Positive points in favour of complying with IAS

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

Provides consistency and comparability between different businesses and years.

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 complying with IAS

Javid and Kirstie are not required to comply as the Standards are only compulsory for corporate bodies.

Concepts and conventions are open to interpretation.

Skilled staff are required to apply the accounting techniques.

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

Accept other valid answers

Decision

Candidates may conclude that Javid and Kirstie should or should not comply with International Accounting Standards when preparing their financial statements.

Candidates should support that decision with an appropriate rationale.

Note: Description of accounting concepts no marks

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(12)

Q2	Total marks	55
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3(a) **AO1:(4)**

AO1: Four marks for identifying nature of expenditure with one reason

- Conversion and sign writing Capital expenditure **AO1** (1)
The **benefits will remain for many years** **AO1** (1)
 - Maintenance. Revenue expenditure **AO1** (1)
The benefits will remain for a short period of less than one year/ are day to day expenses. **AO1** (1)
- (4)**

(b) AO1: (2)

AO1: Two marks for identifying characteristics of overheads

- Road tax Fixed **AO1** (1)
- Insurance Semi-fixed **AO1** (1)

(c) AO1:(2) AO2(5) AO3 (2)

AO1: Two marks for transferring totals from question

AO2: Five marks for calculations of cost

AO3: Two marks for two stage calculations

Delivery vehicle costs.

Cost	Workings £	£ per year
Depreciation	(30 000 + 6 000 (1) AO2 - 7 600) /4	7 100 AO3 (1)
Road tax		600 AO1 (1)
Insurance	1 200 + 200	1 400 AO2 (1)
Maintenance		3 860 AO1 (1)
Fuel	(20 000/25) AO2 (1) x £1.30	1 040 AO3 (1)
Driver's wages	(80 x 50) x £5	<u>20 000</u> AO2 (1)
		34 000 AO2 (1of) All six items. No aliens

(d) AO2:(2)

AO2: Two marks for calculating delivery cost

$\frac{34\ 000}{200 \times 50}$ of = £3.40 per delivery **AO2 (1of)**
AO2 (1)

(e) **A01:(1) A02(5) A03 (1)**

A01: One mark for transferring totals from question

A02: Five marks for calculating costs and profit/loss

A03: One mark for calculating revenue

	Workings £	£ per year
Income	200 x 5 A02 (1) x £5 200	5 200 000 A03 (1of)
Cost		(3 120 000) A02(1of)
Gross profit		2 080 000 A02 (1of)
Delivery vehicle costs	£34 000 of x 5	(170 000) A02 (1of)
Management		(25 000) A01 (1)
Home delivery profit		<u>1 885 000</u> A02 (1of) All

(7)

(f) **A02 (1), A03 (2), A04 (3)**

Own figure rule applies

Positive points in favour of introducing home deliveries

The project does increase the profit earned by Star Stores substantially.
More sales will be generated and Star Stores will gain a larger share of the market.
Larger sales may result in greater buying power and reduced costs.
New customers who previously have not visited Star Stores can now be reached.
The project will create extra employment in the locality.
The reputation of Star Stores for meeting customer needs will be enhanced.
The additional profit at £1 885 000 is substantial when compared to the extra turnover.

Negative points against introducing home deliveries

Star Stores is working on its own estimates which could be incorrect.
The project will require a considerable initial cash injection to purchase delivery vehicles and hire extra staff.
Cost of maintaining a fleet of vehicles and staff of drivers.
Competition in the market may be strong.

Accept any other valid reason

Decision

Candidates may conclude that undertaking the home delivery project should be undertaken. 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) **A01:(3) A02(1) A03 (2)**

A01: Three marks for transferring balances from question

A02: One mark for calculating irrecoverable debts

A03: Two marks for calculating bank and income and expenditure transfer

Subscriptions Account

Date	Details	£	Date	Details	£
2022			2022		
1 Jan	Balance b/d	2 600 A01 (1)	1 Jan	Bank/Cash	18 300 A03 (1)
	Income and expend're	17 000 A03 (1)	31 Dec	Irrecoverable debts/Bad debts	1 800 A02 (1)
31 Dec	Balance c/d	<u>1 250</u>		Balance c/d	<u>750</u>
		<u>20 850</u>			<u>20 850</u>
2023			2023		
1 Jan	Balance b/d	750 A01 (1)	1 Jan	Balance b/d	1 250 A01 (1)

(6)

Workings - Subscription $68 \times £250 = 17\,000$

Bank $(4 \times 200) + (65 \times 250) + (5 \times 250) = 18\,300$

(b)(i) A01:(3) A02(2)

A01: Three marks for accurately recording expenditure and shop sales

A02: Two marks for calculating and recording rent and sales income

Bank balance

	£		£
Subscriptions	18 300 A02 [1of]	Balance b/d	900
Rent received	6 500 A02 [1]	Operating expenses	18 000 A01 [1]
Art shop sales income	16 000 A01 [1]	Art shop trade payables	15 000 A01 [1]
	<u> </u>	Balance c/d	<u>6 900</u>
	<u>40 800</u>		<u>40 800</u>
Balance b/d	6 900 (5)		

(5)

(ii) **A01:(1) A02(3)**

A01: One mark for establishing the balance

A02: Three marks for recording purchases and payments

Trade payables

	£		£
Bank	15 000 A02 (1)	Balance b/d	3 750 A02 (1)
Balance c/d	<u>2 250</u> A01 (1)	Purchases	<u>13 500</u> A02 (1)
	17 250		<u>17 250</u>
		Balance b/d	2 250

(4)

(c) **A01:(2) A02(1) A03 (1)**

A01: Two marks for recording given balances

A02: One mark for calculating closing inventory

A03: One mark for calculating the cost of sales

Trading Account for the year ended 31 December 2022

	£	£
Sales		16 000
less		
Opening inventory	6 450 A01 (1)	
Purchases	<u>13 500</u> A01 (1)	
	19 950	
Closing inventory	(5 550) A02 (1)	
Cost of sales		(14 400) A03 (1)
Gross profit		<u>1 600</u>

(4)

Workings

$$\text{Closing inventory} = 13\,500 - (16\,000 \times 90\%) = -900$$

$$6\,450 - 900 = 5\,550$$

(d) **A02(5)**

A02: Five marks for calculating balances

Income and Expenditure Account for the year ended 31 December 2022

	£	£
Income		
Subscriptions	17 000 A02 (1)	
Profit from art shop	1 600 A02 (1)	
Rent received	6 000 A02 (1)	_____
		24 600
Less Expenditure		
Operating expenses	18 900	
Depreciation on non-current assets	4 100 A02(1)	
Irrecoverable debt	1 800	
		(24 800)
Deficit		_____ (200) A02 (1of)

(5)

(e) **A02 (1), A03 (2), A04 (3)**

Own figure rule applies

Positive points on financial position

- A positive bank balance has been restored to the Club.
- The trade payables of the Club have reduced in the year.
- Inventory has been reduced in the year tying up less funds.

Negative points on financial position

- There is still a small deficit for the year which is largely due to a high volume of irrecoverable debts written off.
- There are still members who have still not paid their 2022 subscriptions.

Decision

Candidates may conclude that the Quarry Art Club has a stronger or weaker financial position. Candidates should support that decision with an appropriate rationale.

Accept any other valid point

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)**

AO1: Four marks for explaining the terms.

(i) Inventory rotation

The **physical movement** of inventory. **AO1 (1)**

The oldest inventory (the first in) will be the first to be sold to **avoid deterioration**. **AO1 (1)**

(ii) Perpetual inventory valuation.

Inventory would be valued **after each receipt or issue**. **AO1 (1)** using an **agreed valuation method** such as FIFO or LIFO. **AO1 (1)**

(4)

(b) **AO1:(1) AO2(5)**

AO1: One mark for correct opening balance

AO2: Five marks for recording inventory movement

Inventory valuation

Date	Receipts	Issues	Balance
Balance			500@£10 =£5 000 AO1 (1)
January-March	1 000@£11	500@£10	
		700@£11	300 @£11 =£3 300 AO2 (1)
April -June	1 500 @ £12	300@£11	
		900@£12	600@£12 = £7 200 AO2 (1)
July -September	2 000 @ £13	600 @ £12	
		900 @ £13	1 100@£13 = £14 300 AO2 (1)
October - December	1 000 @ £12	900 @ £13	200@ £13 AO2 (1)
			1 000@ £12 = £14 600 AO2 (1)

(6)

(c) **A01:(2) A02(1): A03(3)**

A01: Two marks for recording opening inventory and gross profit

A02: One mark for calculating cost of sales

A03: Three marks for calculating revenue, purchases and closing inventory

Trading Account for the year ended 31 December 2022

	£	£
Revenue		82 200 A03(1)
less		
Opening inventory	5 000 A01 (1)	
Purchases	<u>67 000</u> A03 (1)	
	72 000	
Closing inventory	<u>(14 600)</u> A03 (1of)	
Cost of sales		<u>(57 400)</u> A02 (1of) + W
Gross profit		<u>24 800</u> A01 (1of) + W

(6)

(d) **A01 (2): A02(6)**

A01: Two marks for ratio components

A02: Six marks for calculating ratios

Ratio	Workings	Answer
Gross profit as a percentage of turnover	$\frac{24\,800}{82\,200} \times 100$ A01 (1)	30.17% A02 (1of)
Rate of inventory turnover	$\frac{57\,400}{(5\,000 + 14\,600)/2}$ A02 (1)	5.86 Times A02 (1of)
Trade payables payment period (in days)	$\frac{11\,500 \times 365 \text{ days}}{67\,000}$ A01 (1)	62.65 days A02 (1of)
Liquid ratio (acid test).	$\frac{9\,000}{11\,500 + 3\,500}$ A02 (1)	0.6:1 A02 (1)

(8)

(e) **A02 (1), A03 (2), A04 (3)**

Own figure rule applies

Positive points for the business

The business is making a reasonable total gross profit
The percentage gross profit to sales has improved in the year

Negative points for the business

The rate of inventory turnover has deteriorated. This may be due to price increases resulting in the improvement in the percentage gross profit to sales.
Inventory levels have increased from £5 000 to £14 600 which puts pressure on the business ensuring that it can sell all inventory before the shelf life expires.
Trade payables payment period has deteriorated to more than double that of the previous year which will put pressure on suppliers continuing to supply on credit.
Liquid ratio (acid test) has further deteriorated and is below the accepted 'yard stick'
The business has an overdraft and this will limit ability to pay trade payables or expenses.

Decision

Candidates may conclude that the business is in a good or difficult position. 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(2): AO2(2)**

AO1: Two marks for explaining the term

AO2: Two marks for development

- **Prudence**

The income statement must give a **true and fair view of incomes and expenditure** for the period **AO1 (1)** All expenditures must be included if there is a **good chance that they will impact profit**/Show **all anticipated losses** and expenses. **AO2 (1)**

- **Consistency**

Same approach should be **used from period to period** to e.g calculate depreciation. Treat similar items in the same way. **AO1 (1)**

This will **avoid a distortion of the profit** calculation. **AO2 (1)**

(4)

(b) **AO1:(5)**

AO1: Five marks for stating the name of the concept

(1) Realisation

(2) Accrual/ Matching

(3) Business entity

(4) Materiality

(5) Going concern/Accrual/Matching

AO1 (1) x5

(5)

(c) **A01(2):A02(10): A03(3)**

A01: Two marks for calculating and correctly naming profit

A02: Twelve for correct calculation

A03: Three mark for calculating value of revenue

**Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022**

	£	£
Revenue 124 000 - 9 200 [1] + 8 250 [1] - 4 200 [1]		118 850 A03 (3)
Less		
Inventory 1 January 2022	6 720 A02 (1)	
Purchases	60 630 A02 (1)	
Purchase returns	<u>(1 400) A02 (1)</u>	
	65 950	
Inventory at 31 December 2022 (7 900 + 2 600)	<u>(10 500) A02 (1)</u>	
Cost of sales		(55 450) A02 (1) +w
Gross profit		63 400 A01 (1of) +w
Add		
Commission received (3 700 + 230)		<u>3 930 A02 (1)</u>
		67 330
Less		
Wages (20 500 - 285)	20 215 A02 (1)	
Rent payable	9 000 A02 (1)	
General expenses	11 000 A02 (1)	
Depreciation - non-current assets	10 500 A02 (1)	
		(50 715)
Profit for the year		<u>16 615 A01 (1of)</u> +w
		No aliens

(15)

(d) **A02 (1), A03 (2), A04 (3)**

Positive points for cash purchases

- Good relationships will be maintained with suppliers.
- Amin can ask for better trade discounts if paying by cash.
- Amin has less paperwork such as invoices and bookkeeping entries for trade receivables and trade payables.

Negative points for cash purchases

- Amin always needs cash funds available for payments.
- Impact on Amin's cash flow with customers receiving goods on credit.
- Security issues with a large volume of cash available
- Probably needs to meet face to face with suppliers to make payment for purchases.

Accept other valid points

Decision

Candidates may conclude that it is beneficial or not beneficial to continue purchasing for cash. 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)

Q6	Total marks	30
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