



Pearson

Mark Scheme (Results)

January 2017

Pearson Edexcel IAL 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.
- 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.

Question Number	Answer	Mark
1(a)	AO1 (4), AO2 (4) AO1: Four marks for recording the given balance and the correct disposal narrative in the account. AO2: Four marks for inserting the reasonable narrative and correct value in the account.	

(i)

Date	Details	£	Date	Details	£
2016			2016		
1 Jan	Balance b/d	140 000(1) AO1	15 Dec	Disposal (1) AO1	14 000
15 Dec	Disposal (Trade in)	4 000(1) AO2	31 Dec	Balance c/d	151 000
	Speed Garage	21 000(1) AO2			
		<u>165 000</u>			<u>165 000</u>
2017					
1 Jan	Balance b/d	151 000			

Note: If debit entry on 15 December combined to 25 000 (1) If narrative is disposal trade in or other reasonable narratives but not banks

(4)

(ii)

Date	Details	£	Date	Details	£
2016			2016		
15 Dec	Delivery Vehicles	14 000	15 Dec	Provision for deprec'n	6 800(1) AO2
		(1) AO1		Delivery Vehicle	4 000(1) AO1
			31 Dec	Income Statement	3 200(1 of) AO2
		<u>14 000</u>			<u>14 000</u>

Note: For own figure income statement other three elements must be present

(4)

Note:

Mark for **reasonable narrative plus correct number**

Ignore dates

Question Number	Answer	Mark																																																																																																																																				
1(b)(i)	<p>AO1 (5), AO2 (12) AO1: Five marks for recording the given expense in the account without adjustment. AO2: Twelve marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.</p> <p style="text-align: center;">Statement of Profit or Loss and Other Comprehensive Income (including an appropriation section) for the year ended 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 10%; text-align: right;">£</th> <th style="width: 20%;"></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">525 000</td> <td></td> </tr> <tr> <td>Commission receivable</td> <td></td> <td style="text-align: right;"><u>16 500</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">541 500</td> <td>(1) AO1</td> </tr> <tr> <td>Less</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Rent and insurance(15 800 +1 250 (1)– 500(1))</td> <td style="text-align: right;">16 550</td> <td></td> <td>AO2</td> </tr> <tr> <td>Premises repairs</td> <td style="text-align: right;">24 000</td> <td></td> <td>(1) AO1</td> </tr> <tr> <td>Delivery vehicle fuel</td> <td style="text-align: right;">106 500</td> <td></td> <td>(1) AO1</td> </tr> <tr> <td>Driver's wages</td> <td style="text-align: right;">185 000</td> <td></td> <td>(1) AO1</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">67 000</td> <td></td> <td>(1) AO1</td> </tr> <tr> <td>Management salaries(56 000–8 000(1)–12 000(1))</td> <td style="text-align: right;">36 000</td> <td></td> <td>AO2</td> </tr> <tr> <td>Depreciation- Delivery vehicles</td> <td style="text-align: right;">18 000</td> <td></td> <td>(1) AO2</td> </tr> <tr> <td>Computers and equipment</td> <td style="text-align: right;">10 000</td> <td></td> <td>(1) AO2</td> </tr> <tr> <td>Loss on sale of Delivery Vehicle B</td> <td style="text-align: right;">3 200</td> <td></td> <td>(1of) AO2</td> </tr> <tr> <td>Increase in allowance for doubtful debts</td> <td style="text-align: right;"><u>500</u></td> <td></td> <td>(1) AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(466 750)</u></td> <td></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">74 750</td> <td></td> </tr> <tr> <td>Plus interest on drawings</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Elodie</td> <td style="text-align: right;">2 300</td> <td></td> <td>(1) AO2 Both</td> </tr> <tr> <td> Harsha</td> <td style="text-align: right;"><u>2 850</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>5 150</u></td> <td></td> </tr> <tr> <td>Less</td> <td></td> <td style="text-align: right;">79 900</td> <td></td> </tr> <tr> <td>Interest on capital</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Elodie</td> <td style="text-align: right;">2 000</td> <td></td> <td>(1) AO2 Both</td> </tr> <tr> <td> Harsha</td> <td style="text-align: right;">2 500</td> <td></td> <td></td> </tr> <tr> <td>Salaries</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Elodie</td> <td style="text-align: right;">8 000</td> <td></td> <td>(1) AO2 Both</td> </tr> <tr> <td> Harsha</td> <td style="text-align: right;"><u>12 000</u></td> <td style="text-align: right;"><u>24 500</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">55 400</td> <td></td> </tr> <tr> <td>Share of profit</td> <td></td> <td></td> <td></td> </tr> <tr> <td> Elodie</td> <td></td> <td style="text-align: right;">27 700</td> <td>(1of) AO2</td> </tr> <tr> <td> Harsha</td> <td></td> <td style="text-align: right;"><u>27 700</u></td> <td>Both</td> </tr> <tr> <td></td> <td></td> <td></td> <td>if correct ratio</td> </tr> </tbody> </table>		£	£		Revenue		525 000		Commission receivable		<u>16 500</u>				541 500	(1) AO1	Less				Rent and insurance(15 800 +1 250 (1)– 500(1))	16 550		AO2	Premises repairs	24 000		(1) AO1	Delivery vehicle fuel	106 500		(1) AO1	Driver's wages	185 000		(1) AO1	General expenses	67 000		(1) AO1	Management salaries(56 000–8 000(1)–12 000(1))	36 000		AO2	Depreciation- Delivery vehicles	18 000		(1) AO2	Computers and equipment	10 000		(1) AO2	Loss on sale of Delivery Vehicle B	3 200		(1of) AO2	Increase in allowance for doubtful debts	<u>500</u>		(1) AO2			<u>(466 750)</u>		Profit for the year		74 750		Plus interest on drawings				Elodie	2 300		(1) AO2 Both	Harsha	<u>2 850</u>					<u>5 150</u>		Less		79 900		Interest on capital				Elodie	2 000		(1) AO2 Both	Harsha	2 500			Salaries				Elodie	8 000		(1) AO2 Both	Harsha	<u>12 000</u>	<u>24 500</u>				55 400		Share of profit				Elodie		27 700	(1of) AO2	Harsha		<u>27 700</u>	Both				if correct ratio	(17)
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Question Number	Answer	Mark
1 (b) (ii)	AO1 (6) A01: Six marks for recording the given appropriation or drawings in the account.	(6)

Current Accounts

	Elodie	Harsha		Elodie	Harsha
	£	£		£	£
Balance b/d		8 300	Balance b/d	4 000	
Drawings	23 000	28 500 (1)	Int on capital	2 000	2 500 (1of)
Int on drawings	2 300	2 850(1of)	Salary	8 000	12 000 (1)
Management Salary	8 000	12 000 (1)	Share of profit	27 700	27 700 (1of)
Balance c/d	<u>8 400</u>	<u> </u>	Balance c/d	<u> </u>	<u>9 450</u>
	<u>41 700</u>	<u>51 650</u>		<u>41 700</u>	<u>51 650</u>
Balance b/d		9 450	Balance b/d	8 400	

Note:

(1) Of **A01** for both partners figures

Question Number	Answer	Mark																																																																																												
1 (b) (iii)	<p>AO1 (2), AO2 (6), AO3 (4) AO1: Two marks for recording the given expense in the statement without adjustment. AO2: Six marks for adjusting the given figure or calculating the figure and inserting this correctly in the statement. AO3: Four marks for calculating the correct figure for Delivery Vehicles cost and accumulated depreciation and inserting this into the statement.</p> <p style="text-align: center;">Statement of Financial Position at 31 December 2016.</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Non-current assets</th> <th style="text-align: center;">Cost</th> <th style="text-align: center;">Accumulated Depreciation</th> <th style="text-align: center;">Carrying Value</th> </tr> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Delivery vehicles</td> <td style="text-align: right;">151 000 (2) AO3</td> <td style="text-align: right;">61 200 (2) AO3</td> <td style="text-align: right;">89 800</td> </tr> <tr> <td>Computers and equipment</td> <td style="text-align: right;"><u>50 000</u></td> <td style="text-align: right;"><u>30 000</u></td> <td style="text-align: right;"><u>20 000</u> (1) of AO2</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>201 000</u></td> <td style="text-align: right;"><u>91 200</u></td> <td style="text-align: right;">109 800</td> </tr> <tr> <td colspan="4">Current assets</td> </tr> <tr> <td>Trade receivables</td> <td style="text-align: right;">38 000</td> <td></td> <td></td> </tr> <tr> <td>Less Allowance</td> <td style="text-align: right;"><u>(1 900)</u></td> <td></td> <td></td> </tr> <tr> <td>Other receivable</td> <td></td> <td style="text-align: right;">36 100 (1of) AO2 <u>500</u> (1) AO2</td> <td style="text-align: right;"><u>36 600</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td style="text-align: right;"><u>146 400</u></td> </tr> <tr> <td>Capital: Elodie</td> <td style="text-align: right;">40 000</td> <td></td> <td></td> </tr> <tr> <td>Harsha</td> <td style="text-align: right;"><u>50 000</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">90 000</td> <td></td> </tr> <tr> <td colspan="4">Current accounts:</td> </tr> <tr> <td>Elodie</td> <td style="text-align: right;">8 400 Cr</td> <td></td> <td></td> </tr> <tr> <td>Harsha</td> <td style="text-align: right;"><u>(9 450) Dr</u></td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(1 050) Dr (1of) AO2</td> <td></td> </tr> <tr> <td colspan="4">Current liabilities</td> </tr> <tr> <td>Trade payables</td> <td style="text-align: right;">26 000 (1) AO1</td> <td></td> <td></td> </tr> <tr> <td>Payable delivery vehicle</td> <td style="text-align: right;">21 000 (1) AO2</td> <td></td> <td></td> </tr> <tr> <td>Bank overdraft</td> <td style="text-align: right;">9 200 (1) AO1</td> <td></td> <td></td> </tr> <tr> <td>Other payable</td> <td style="text-align: right;"><u>1 250</u> (1) AO2</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">57 450</td> <td style="text-align: right;"><u>146 400</u></td> </tr> </tbody> </table> <p><u>Workings: Delivery vehicle</u></p> <p>Non- current asset cost 140 000 -14 000 (1) AO3 + 25 000 (1) AO3 = 151 000</p> <p>Accumulated depreciation 50 000 + 18 000 (1) AO3 – (5 000 + 1 800) (1of) AO3 = 61 200</p> <p>Trade receivables – Allowance must be netted off and be greater than 1400.</p>	Non-current assets	Cost	Accumulated Depreciation	Carrying Value		£	£	£	Delivery vehicles	151 000 (2) AO3	61 200 (2) AO3	89 800	Computers and equipment	<u>50 000</u>	<u>30 000</u>	<u>20 000</u> (1) of AO2		<u>201 000</u>	<u>91 200</u>	109 800	Current assets				Trade receivables	38 000			Less Allowance	<u>(1 900)</u>			Other receivable		36 100 (1of) AO2 <u>500</u> (1) AO2	<u>36 600</u>				<u>146 400</u>	Capital: Elodie	40 000			Harsha	<u>50 000</u>					90 000		Current accounts:				Elodie	8 400 Cr			Harsha	<u>(9 450) Dr</u>					(1 050) Dr (1of) AO2		Current liabilities				Trade payables	26 000 (1) AO1			Payable delivery vehicle	21 000 (1) AO2			Bank overdraft	9 200 (1) AO1			Other payable	<u>1 250</u> (1) AO2					57 450	<u>146 400</u>	(12)
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Question Number	Indicative content	Mark
1(c)	<p>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</p> <p>Potential arguments for</p> <ul style="list-style-type: none"> • Additional capital will be brought into the business by Aja which will enable the business to expand and grow • Work load shared by the partners who will now have a greater opportunity to specialise • Cover for sickness/holidays. When these events occur the business will not need to close but can maintain continuity of service • Shared risks as any losses will be shared between three partners. <p>Potential arguments against</p> <ul style="list-style-type: none"> • Profits will need to be shared by three partners instead of two resulting in the requirement to increase profits to maintain the partners incomes • Extension of joint and several liability. Elodie and Harsha will be liable for the actions of Aja • Decision making possibly more complex as all partners will need consulting. <p>Decision</p> <p>Candidates may conclude that the admission of Aja is a positive or negative development for the business. The candidate's conclusion should be supported by a valid rationale for that conclusion.</p>	(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)	<p>AO1 (13), AO2 (20), AO3 (2)</p> <p>AO1: Thirteen marks for recording the given expense in the account without adjustment.</p> <p>AO2: Twenty marks for apportioning the given figure or calculating the figure and inserting this correctly in the account.</p> <p>AO3: Two marks for calculating the correct figure, apportioning the correct figure to the correct section of the account.</p>	(35)

Departmental Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2016

	Furniture	Carpets	Café
	£	£	£
Revenue	450 000	300 000 (1)	50 000
Less Cost of sales	190 000	140 000	30 000
Adjustment	<u>(11 000)</u>	<u>11 000</u>	
Adjusted Cost of sales	(179 000) (1)	(151 000) (1)	(30 000)
Gross profit	271 000	149 000	20 000
Less expenses			
Wages	83 000 (1)	55 000 (1)	20 000 (1)
Management salaries	32 500 (1)	22 750 (1)	9 750 (1)
Delivery vehicle expenses	18 200 (1)	7 800 (1)	0 (1)
Heat and light	6 000 (1)	3 600 (1)	1 200 (1)
Redecoration of building	7 500 (1)	4 500 (1)	1 500 (1)
Rates for building	10 000 (1)	6 000 (1)	2 000 (1)
General expenses	36 000 (1)	24 000 (1)	4 000 (1)
Depreciation-			
Land and building	2 000 (1)	1 200 (1)	400 (1)
Delivery vehicle	3 500 (1)	1 500 (1)	0 (1)
Fixtures and equipment	1 200 (1)	1 500 (1)	3 300 (1)
Provisions	-	<u>4 000 (1)</u>	<u>600 (1)</u>
	(199 900)	(131 850)	(42 750)
Profit/(loss)	71 100	17 150	(22 750)

Note:

Revenue and provisions **AO1** x 3

Carpets column (excluding delivery vehicle depreciation) **AO2** x 10

Carpet column delivery vehicle depreciation **AO3** x 1

Furniture and café columns: delivery vehicle depreciation **AO3** x 1

Furniture and café columns: Adjusted cost of sales, wages, rates for buildings, building and fixtures depreciations, Profit/(loss) **AO2** x 10

Furniture and café columns: All other items **AO1** x 10

Question Number	Indicative content	Mark
2(b)	<p>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</p> <p>Potential arguments for the proposal</p> <ul style="list-style-type: none"> • The loss would be removed • The space could be used to expand the furniture or carpets departments or to create a new department • Capital could be released from the sale of café fixtures and equipment for general working capital or to fund the redevelopment of the café space. <p>Potential arguments against the proposal</p> <ul style="list-style-type: none"> • Most of the existing fixed costs will have to be borne by the other departments, therefore the improvement in total profit may be minimal or non-existent • The café may stimulate sales as a place for customers to decide upon a purchase or generate purchases from customers who visit the café. • Social accounting factors of redundancy. Although there are only three staff there is a personal impact if the staff cannot be redeployed. <p>Decision</p> <p>Candidates may conclude that it is wise or unwise to close the café. The decision should be supported by reasoned arguments.</p>	(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(c)	<p>AO1 (4) AO1: Four marks for stating the definitions</p> <p>(i) Day work – Payment is made by a rate per hour (1) AO1 x number of hours worked (1) AO1</p> <p>OR</p> <p>Workers are paid daily rate (1) AO1 regardless of output produced (1) AO1</p> <p style="text-align: right;">(2)</p> <p>(ii) Group bonus scheme – Payment is made generally on a day work basis (1) AO1 Plus a bonus generated by a group of workers (1) AO1 divided by the number of workers</p> <p style="text-align: right;">(2)</p>	(4)

Question Number	Answer	Mark
2(d)	<p>AO1 (2) AO1: Two marks for stating two advantages</p> <ul style="list-style-type: none"> • Simple to calculate • Quality provided as worker is not trying to meet bonus targets • Time to spend with customers • Enable to plan costs • Absenteeism rate is minimised <p>NOT</p> <ul style="list-style-type: none"> • Motivated to work harder <p>(1) AO1 x 2</p>	(2)

Question Number	Answer	Mark
2(e)	<p>AO3 (2) A03: Two marks for advice</p> <ul style="list-style-type: none">• Would encourage team work• Would encourage greater efficiency of staff• Café does not lend itself to increasing sales by working more efficiently• Sales may be limited by physical factors such as the availability of seating• Some people may work harder than others and it may be unfair. <p>(1) AO3 x 2</p>	<p>(2)</p>

Question Number	Answer	Mark
3(a)	<p>AO2 (5), AO3 (1) AO2: Five marks for identifying the figures and inserting them in the ratio. AO3: One mark for calculating the correct profit before interest and inserting this into the correct section of the account.</p> <p>(i) Gross profit as a percentage of revenue</p> $\frac{450\,000}{750\,000} (1) \text{ AO2} \times 100 = 60\% (1) \text{ AO2}$ <p>(2)</p> <p>(ii) Profit for the year as a percentage of revenue</p> $\frac{15\,000}{750\,000} (1) \text{ AO2} \times 100 = 2\% (1) \text{ AO2}$ <p>(2)</p> <p>(iii) Percentage return on capital employed.</p> $\frac{(15\,000 + 25\,000)}{(250\,000 + 550\,000)} (1) \text{ AO3} \times 100 = 5\% (1) \text{ AO2}$ <p>(2)</p>	(6)

Question Number	Answer	Mark																																				
3(b)	<p>AO1 (2), AO2 (5), AO3 (3) AO1: Two marks for recording the given expense in the account without adjustment. AO2: Five marks for adjusting the given figure or calculating the figure and inserting this correctly in the account. AO3: Three marks for calculating the correct cost of sales figure and inserting this into the correct section of the account.</p> <p style="text-align: center;">Zollar Power Projected Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 November 2017</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center;">£</th> <th style="width: 20%; text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">900 000 (1) AO3</td> </tr> <tr> <td>Cost of sales</td> <td></td> <td style="text-align: right;"><u>(324 000)</u> (2) AO3</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">576 000</td> </tr> <tr> <td>Wages and salaries</td> <td style="text-align: right;">150 000</td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td>Loan interest</td> <td style="text-align: center;">-</td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td>Marketing</td> <td style="text-align: right;">71 000</td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">40 000</td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td>Rent</td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td>Other expenses</td> <td style="text-align: right;"><u>60 000</u></td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;"><u>(336 000)</u></td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>240 000</u> (1of)AO2</td> </tr> </tbody> </table> <p style="text-align: right;">No aliens</p> <p style="text-align: center;">Working:</p> <p>Cost of sales 300 000+20% = 360 000 (1) – 10%=324 000 (1)</p> <p>If Loan interest absent in income statement award (1) mark</p>		£	£	Revenue		900 000 (1) AO3	Cost of sales		<u>(324 000)</u> (2) AO3	Gross profit		576 000	Wages and salaries	150 000	(1) AO2	Loan interest	-	(1) AO2	Marketing	71 000	(1) AO2	Depreciation	40 000	(1) AO1	Rent	15 000	(1) AO1	Other expenses	<u>60 000</u>	(1) AO2			<u>(336 000)</u>	Profit for the year		<u>240 000</u> (1of) AO2	(10)
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Question Number	Answer	Mark
3(c)	<p>AO1 (2), AO2 (2) AO1: Two marks for recording the given expense in the account without adjustment. AO2: Two marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.</p> <p>(i) Profit for the year as a percentage of revenue</p> $\frac{240\,000}{900\,000} \text{ (1of) AO1} \times 100 = 26.7\% \text{ (1of) AO2}$ <p>(2)</p> <p>(ii) Percentage return on capital employed.</p> $\frac{240\,000 \text{ of matching (c)(i)}}{800\,000} \text{ (1) AO1} \times 100 = 30\% \text{ (1of) AO2}$ <p>(2)</p>	(4)

Question Number	Answer	Mark
3(d)	<p>AO1 (4) AO1: Four marks for explaining social and ethical accounting.</p> <p>This is a non-financial factor</p> <p>Protea Venture Capital should consider the effect of their decisions in a social/ethical context (1) AO1</p> <p>Factors such as the local community, environment, health and safety or the use of natural resources, being honest, not misleading should be considered (1) AO1 x 3 factors</p>	(4)

Question Number	Indicative content	Mark
3(e)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Potential positive arguments for Protea Venture Capital</p> <ul style="list-style-type: none"> • profit is greatly increased from £15 000 to £240 000 per annum • long term external debt is removed due to the additional investment which funded the repayment of the loan • return on capital employed is improved from 2% to 30%. <p>Potential negative points for Protea Venture Capital</p> <ul style="list-style-type: none"> • social accounting factors on the community and employees. There will be 15 staff redundancies which will have a personal and community impact • morale may be effected as more is expected from each individual worker and work colleagues are made redundant • lower quality product is being produced which may in the end impact upon the the sales and viability of the business • a major capital investment has to be made to reduce the debt which could be used for other purposes. <p>Decision Candidates may conclude that it is wise or unwise to purchase Zollar Power. The decision should be supported by reasoned arguments.</p>	(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																																																
4(a)	<p>AO2 (8), AO3 (2) AO2: Eight marks for carrying out the adjustment correctly. AO3: Two marks for calculating and carrying out the adjustment correctly.</p> <p style="text-align: center;">Journal</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 10%; text-align: center;">Dr</th> <th style="width: 10%; text-align: center;">Cr</th> <th style="width: 20%;"></th> </tr> <tr> <td></td> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> <td></td> </tr> </thead> <tbody> <tr> <td>Suspense Kamila</td> <td style="text-align: right;">2 800</td> <td style="text-align: right;">(1)</td> <td>AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2 800</td> <td>(1) AO2</td> </tr> <tr> <td>Kamila Suspense</td> <td style="text-align: right;">800</td> <td style="text-align: right;">(1)</td> <td>AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">800</td> <td>(1) AO3</td> </tr> <tr> <td>Robson Kamila</td> <td style="text-align: right;">2 100</td> <td style="text-align: right;">(1)</td> <td>AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">2 100</td> <td>(1) AO2</td> </tr> <tr> <td>Kamila Suspense</td> <td style="text-align: right;">880</td> <td style="text-align: right;">(1)</td> <td>AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">880</td> <td>(1) AO3</td> </tr> <tr> <td>Kamila Bank</td> <td style="text-align: right;">1 500</td> <td style="text-align: right;">(1)</td> <td>AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">1 500</td> <td>(1) AO2</td> </tr> </tbody> </table>		Dr	Cr			£	£		Suspense Kamila	2 800	(1)	AO2			2 800	(1) AO2	Kamila Suspense	800	(1)	AO2			800	(1) AO3	Robson Kamila	2 100	(1)	AO2			2 100	(1) AO2	Kamila Suspense	880	(1)	AO2			880	(1) AO3	Kamila Bank	1 500	(1)	AO2			1 500	(1) AO2	(10)
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Question Number	Answer	Mark
4(b)	<p>AO1 (4), AO2 (4), AO3 (2) AO1: Four marks for identifying the correct narrative. AO2: Four marks for posting the correct value to the correct side of the account. AO3: Two marks for calculating the correct figure and inserting this into the correct side of the account.</p>	(10)

Kamila Account					
2016		£		2016	£
8 November	Purchases	1 400		1 November	Balance b/d 8 000
15 November	Bank	5 600		15 November	Discount 400
30 November	Suspense	800	(1) AO2	20 November	Returns 530
	Suspense (1) AO1	880	(2) AO3	30 November	Suspense 2 800 (1) AO2
	Bank (1) AO1	1 500	(1) AO2		Robson (1) AO1 2 100 (1) AO2
	Balance c/d	<u>3 650</u>			<u>13 830</u>
		<u>13 830</u>		1 December	Balance b/d 3 650 (1 of) AO1

Note:

Ignore dates

Mark number and narrative separately. If mark for number accept any reasonable narrative.

Note (4) award 350 (1) + 530 (1) = 880

Question Number	Answer	Mark
4(c)	<p>AO1 (4) AO1: Four marks for explaining the differences.</p> <p>(i) Compensation – there is more than one error which collectively cancel each other out (1) AO1</p> <p>Reversal – there has been a debit and a credit entry of equal value (1) AO1 which have been reversed in the books. (2)</p> <p>(ii) Principle is an error of posting to an account of a different class (1) AO1</p> <p>Commission is an error in posting to an account in the same class. (1) AO1 (2)</p>	(4)

Question Number	Indicative content	Mark
4(d)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Potential positive arguments for</p> <ul style="list-style-type: none"> • Gives prima facie evidence of correct posting. It is a checking device for the accuracy of the double entry • Financial statements can be prepared with certainty that the underpinning information is probably accurate. <p>Potential negative points for</p> <ul style="list-style-type: none"> • Errors not affecting the balancing of the trial balance will not be revealed • Time consuming to prepare. <p>NOT</p> <ul style="list-style-type: none"> • Fraud prevention • Eliminates errors • Calculate profit. <p>Decision</p> <p>Candidates will conclude that a trial balance is useful in the accounting system. The decision should be supported by reasoned arguments.</p>	(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)	<p>AO1 (2) AO1: Two marks for identifying the correct narrative.</p> <p>Mark-up is the percentage profit added to cost price (1) AO1</p> <p>OR</p> <p>Gross profit divided by cost of sales (1) AO1</p> <p>Margin is the percentage of profit contained within the revenue (1) AO1</p> <p>OR</p> <p>Gross profit divided by revenue (1) AO1</p>	(2)

Question Number	Answer	Mark
5(b)	<p>AO1 (3), AO2 (3) AO1: Three marks for and stating each costs features. AO2: Three marks for identifying the correct type of cost.</p> <p>(i) Raw materials are a variable cost. (1) AO1 The cost varies directly with production increase or decrease. (1) AO2 (2)</p> <p>(ii) Rent is a fixed cost. (1) AO1 This cost will remain fixed over varying range of production during the accounting period. (1) AO2 (2)</p> <p>(iii) Telephone costs are a semi-variable. (1) AO1 The cost has a fixed element, the network contract, plus a variable cost for each call. (1) AO2 (2)</p>	(6)

Question Number	Answer	Mark																																				
5(c)	<p>AO1 (3), AO2 (5) AO1: Three marks for inclusion of expenses. AO2: Five marks for calculating the correct value and insert in statement.</p> <p style="text-align: center;">Profit for the year ended 30 November 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Income</td> <td></td> <td></td> </tr> <tr> <td>Raw material sales</td> <td></td> <td style="text-align: right;">92 000 (1) AO2</td> </tr> <tr> <td>Own labour</td> <td></td> <td style="text-align: right;"><u>50 000</u> (2) AO2</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">142 000</td> </tr> <tr> <td>Expenditure</td> <td></td> <td></td> </tr> <tr> <td>Raw material costs</td> <td style="text-align: right;">80 000</td> <td style="text-align: right;">(1) AO2</td> </tr> <tr> <td>Rent of builders premises</td> <td style="text-align: right;">12 000</td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td>General expenses</td> <td style="text-align: right;">13 500</td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td>Motor vehicle running costs</td> <td style="text-align: right;"><u>8 500</u></td> <td style="text-align: right;">(1) AO1</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(114 000)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;">28 000 (1of) AO2</td> </tr> </tbody> </table> <p>Workings: Own labour (50 x 50) x 80% = 2 000 (1) AO2 x 25 = 50 000 (1) AO2 Raw materials shown as £12 000 income (92 000 – 80 000) = 2 marks</p>		£	£	Income			Raw material sales		92 000 (1) AO2	Own labour		<u>50 000</u> (2) AO2			142 000	Expenditure			Raw material costs	80 000	(1) AO2	Rent of builders premises	12 000	(1) AO1	General expenses	13 500	(1) AO1	Motor vehicle running costs	<u>8 500</u>	(1) AO1			(114 000)	Profit for the year		28 000 (1of) AO2	(8)
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Question Number	Answer	Mark												
5(d)	<p>AO2 (1), AO3 (3) AO2: One mark for using the current labour rate. AO3: Three marks for calculating the revised rate.</p> <table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td>Existing profit for the year</td> <td style="text-align: right;">£28 000</td> <td></td> </tr> <tr> <td>Required profit</td> <td style="text-align: right;"><u>£40 000</u></td> <td></td> </tr> <tr> <td>Increase required</td> <td style="text-align: right;">£12 000 (1of) AO3</td> <td>Divided by</td> </tr> <tr> <td></td> <td style="text-align: right;">2 000 hours (1) AO2 = £6 per hour extra</td> <td>(1) AO3</td> </tr> </tbody> </table> <p>The rate would need to be £25 per hour + £6 per hour = £31 per hour (1of) AO3</p>	Existing profit for the year	£28 000		Required profit	<u>£40 000</u>		Increase required	£12 000 (1of) AO3	Divided by		2 000 hours (1) AO2 = £6 per hour extra	(1) AO3	(4)
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Question Number	Answer	Mark								
5(e)	<p>AO2 (3), AO3 (1) AO2: Three marks for using the number of labour hours. AO3: One mark for calculating the quotation.</p> <p style="text-align: center;">Job Quotation</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">£</th> </tr> </thead> <tbody> <tr> <td>Raw material 1 100 x 115%</td> <td style="text-align: right;">1 265 (1) AO2</td> </tr> <tr> <td>Labour 35 (1) AO2 x £31 (1of) AO3</td> <td style="text-align: right;"><u>1 085</u></td> </tr> <tr> <td>Total price</td> <td style="text-align: right;"><u>2 350</u> (1of) AO2</td> </tr> </tbody> </table>		£	Raw material 1 100 x 115%	1 265 (1) AO2	Labour 35 (1) AO2 x £31 (1of) AO3	<u>1 085</u>	Total price	<u>2 350</u> (1of) AO2	(4)
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Question Number	Indicative content	Mark
5(f)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Potential positive arguments for</p> <ul style="list-style-type: none"> • Speed, accuracy, reduction in errors are all benefits that Falgu would receive • Security would be improved as passwords would be required • Large storage capacity on disk reducing the storage of paper hard copies. <p>Potential negative points</p> <ul style="list-style-type: none"> • Capital cost of purchase of the hardware and software • Risk of viruses, hacking of data • Training of staff for constant upgrades in software. <p>Decision Candidates may conclude that it is wise or unwise to purchase ICT. The decision should be supported by reasoned arguments.</p>	(6)

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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)	<p>AO1 (4) AO1: Four marks for stating the differences</p> <p>(i) Capital expenditure is mainly purchasing long term non-current assets which will last for many accounting periods. (1) AO1 Revenue expenditure is a day to day expenditure used in the current accounting period. (1) AO1</p> <p style="text-align: right;">(2)</p> <p>(ii) Capital is the net value that the owner has invested in the business. (1) AO1 Capital employed is the owners capital plus any non-current liabilities borrowed to finance the business. (1) AO1</p> <p style="text-align: right;">(2)</p>	(4)

Question Number	Answer	Mark
6(b)	<p>AO1 (2), AO2 (6) , AO3 (3) AO1: Two marks for establishing the revenue and purchases without adjustment. AO2: Six marks for making adjustments. AO3: Three marks analysing the value of (i) to (iii) correctly.</p> <p>(i) Revenue $(47\,200 + 8\,300)$ (1) AO1 + $(10\,350 + 10\,500 + 6\,000 + 2\,000)$ (1) AO2 + $(4\,400 - 5\,750)$ (1) AO2 = 83 000 (1) AO3</p> <p style="text-align: right;">(4)</p> <p>(ii) Purchases $(35\,000 + 2\,000)$ (1) AO1 + $(6\,100 - 2\,750)$ (1) AO2 = 40 350 (1) AO3</p> <p style="text-align: right;">(3)</p> <p>(iii) Depreciation on computers and fixtures $15\,000 + (7\,400 + 6\,000)$ (1) AO2 - 1 300 (1) AO2 = 27 100 - 17 500 (1) AO2 = 9 600 (1) AO3</p> <p style="text-align: right;">(4)</p>	(11)

Question Number	Answer	Mark																																																															
6(c)	<p>AO1 (2), AO2 (6), AO3 (1) AO1: Two marks for correctly bringing forward revenue and depreciation from (b) and correctly applying to the statement. AO2: Six marks for correct calculations and insertion in the statement. AO3: One mark for calculating the correct figure and inserting this into the correct side of the account.</p> <p style="text-align: center;">Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2016</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: right;">£</th> <th style="width: 20%; text-align: right;">£</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">83 000 (1) of AO1</td> </tr> <tr> <td>Cost or sales:</td> <td></td> <td></td> </tr> <tr> <td> Opening inventory</td> <td style="text-align: right;">10 920 (1) AO2</td> <td></td> </tr> <tr> <td> Purchases</td> <td style="text-align: right;"><u>40 350</u></td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">51 270</td> <td></td> </tr> <tr> <td> Closing inventory</td> <td style="text-align: right;"><u>(9 350)</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(41 920) (1 of +w) AO2</td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">41 080</td> </tr> <tr> <td>Other income</td> <td></td> <td></td> </tr> <tr> <td>Commission receivable (5 000+600)</td> <td></td> <td style="text-align: right;"><u>5 600</u> (1) AO3</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">46 680</td> </tr> <tr> <td>Less</td> <td></td> <td></td> </tr> <tr> <td> Wages (9 000 + 10 350)</td> <td style="text-align: right;">19 350 (1) AO2</td> <td></td> </tr> <tr> <td> General expenses (8 630 – 450 – 920)</td> <td style="text-align: right;">7 260 (2) AO2</td> <td></td> </tr> <tr> <td> Depreciation</td> <td style="text-align: right;"><u>9 600</u> (1 of) AO1</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(36 210)</td> </tr> <tr> <td>Profit for the year</td> <td></td> <td style="text-align: right;"><u>10 470</u> (1 of) AO2</td> </tr> <tr> <td> </td> <td></td> <td></td> </tr> <tr> <td>Note: General expenses</td> <td style="text-align: right;">8 180 (1) or 7 710 (1)</td> <td></td> </tr> <tr> <td></td> <td style="text-align: right;">8 160 (1) 9 100 (1)</td> <td></td> </tr> </tbody> </table>		£	£	Revenue		83 000 (1) of AO1	Cost or sales:			Opening inventory	10 920 (1) AO2		Purchases	<u>40 350</u>			51 270		Closing inventory	<u>(9 350)</u>				(41 920) (1 of +w) AO2	Gross profit		41 080	Other income			Commission receivable (5 000+600)		<u>5 600</u> (1) AO3			46 680	Less			Wages (9 000 + 10 350)	19 350 (1) AO2		General expenses (8 630 – 450 – 920)	7 260 (2) AO2		Depreciation	<u>9 600</u> (1 of) AO1				(36 210)	Profit for the year		<u>10 470</u> (1 of) AO2	 			Note: General expenses	8 180 (1) or 7 710 (1)			8 160 (1) 9 100 (1)		(9)
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Question Number	Indicative content	Mark
6(d)	<p>AO2 (1), AO3 (2), AO4 (3)</p> <p>Potential positive arguments for</p> <ul style="list-style-type: none"> • Details of individual accounts will be available • Financial statements can be prepared to ascertain profit on a regular basis • Easier to make decisions because financial information is readily available • 3rd parties such as banks can rely on the information and grant loans. <p>Potential negative points</p> <ul style="list-style-type: none"> • Skill required to complete the books of accounts • Cost implications of employing a specialist. Time required by the owner. <p>Decision</p> <p>Candidates may conclude that it is wise or unwise to maintain double entry records. The decision should be supported by reasoned arguments.</p>	(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.