



# Mark Scheme (Results)

January 2020

Pearson Edexcel International GCSE  
In Accounting 4AC1 Paper 02

Financial Statements

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Question number	Answer	Mark
1(a)	<p><b>Award marks as indicated.</b></p> <p>\$68 400 <b>(3) W</b></p> <p><b>W</b></p> <p>\$109 100 <b>(1)</b>-\$40 700 <b>(1)</b> = \$68 400 <b>(1of)</b></p>	<b>(3)</b>

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1(b)	<p><b>Award marks as indicated.</b></p> <p><b>Award one mark for all correct labels.</b></p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="text-align: center;"><b>Mia</b></th> </tr> <tr> <th colspan="4" style="text-align: center;"><b>Income statement for the year ended 31 December 2019</b></th> </tr> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td></td> <td style="text-align: right;">210 000</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Cost of sales</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Opening inventory</td> <td style="text-align: right;">20 000</td> <td></td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">155 000</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Goods for own use</td> <td style="text-align: right;">(3 000)</td> <td></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Closing inventory</td> <td style="text-align: right;">(25 000)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(147 000)</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Gross profit</td> <td></td> <td style="text-align: right;">63 000</td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table>	<b>Mia</b>				<b>Income statement for the year ended 31 December 2019</b>					\$	\$		Revenue		210 000	<b>(1)</b>	Cost of sales				Opening inventory	20 000			Purchases	155 000		<b>(1)</b>	Goods for own use	(3 000)		<b>(1)</b>	Closing inventory	(25 000)					(147 000)	<b>(1)</b>	Gross profit		63 000	<b>(1of)</b>	<b>(6)</b>
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1(d)	<p><b>Award 1 mark for each correct answer up to a maximum of 2 marks.</b></p> <p>Physical deterioration/ wear and tear/usage/rust/erosion/rot and decay <b>(1)</b></p> <p>Economic reasons/obsolescence <b>(1)</b></p> <p>Passage of time/time factor <b>(1)</b></p> <p>Depletion <b>(1)</b></p>	<b>(2)</b>

Question number	Answer	Mark
1(e)	<p><b>Award 1 mark for each correct answer up to a maximum of 2 marks.</b></p> <p>Accruals <b>(1)</b></p> <p>Prudence <b>(1)</b></p> <p>Consistency <b>(1)</b></p>	<b>(2)</b>

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1(f) (i)	<p><b>Award 1 mark for each correct answer.</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Ratio</th> <th style="width: 50%;">Formula</th> </tr> </thead> <tbody> <tr> <td>current (working capital)</td> <td><math>\frac{\text{Current assets}}{\text{Current liabilities}}</math> <b>(1)</b></td> </tr> <tr> <td>liquid (acid test)</td> <td><math>\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}</math> <b>(1)</b></td> </tr> </tbody> </table>	Ratio	Formula	current (working capital)	$\frac{\text{Current assets}}{\text{Current liabilities}}$ <b>(1)</b>	liquid (acid test)	$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$ <b>(1)</b>	<b>(2)</b>
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Question number	Answer	Mark
1(f) (ii)	<p><b>Award 1 mark for a general statement regarding the change in liquidity over the year. Further 3 marks for discussion on both ratios and the final 1 mark for a conclusion.</b></p> <p><b>Sample answer:</b></p> <p>The liquidity of the business has declined <b>(1)</b> over the year which is evidenced by the reduction in both ratios.</p> <p>The current ratio indicates that the business can pay its short-term debts <b>(1)</b>. However, the acid test ratio indicates that the business will struggle to pay its short-term debts from its liquid assets <b>(1)</b> which is due to the business holding too much inventory <b>(1)</b>.</p> <p>In order to improve liquidity, the business needs to convert inventory into cash quicker to improve the bank balance <b>(1)</b>.</p>	<b>(5)</b>

**(Total for Question 1 = 25 marks)**

Question number	Answer	Mark
2(a)	<p><b>Award marks as indicated.</b></p> <p>Raw materials are the <b>resource</b> needed to make finished goods. <b>(1)</b></p> <p>Work in progress is goods which are <b>partly completed</b> at the end of the financial year. <b>(1)</b></p> <p>Finished goods are goods which are fully <b>completed</b> and ready for sale. <b>(1)</b></p> <p><b>Accept any other appropriate responses.</b></p>	<b>(3)</b>

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2(b)	<p><b>Award marks as indicated.</b></p> <p><b>Award 1 mark for all correct labels.</b></p> <p style="text-align: center;"><b>Jeff</b></p> <p style="text-align: center;"><b>Manufacturing account for the year ended 31 December 2019</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Opening inventory of raw materials</td> <td style="text-align: right;">18 750</td> <td></td> </tr> <tr> <td>Purchases</td> <td style="text-align: right;">238 795</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td style="text-align: right;">8 955</td> <td></td> </tr> <tr> <td>Closing inventory of raw materials</td> <td style="text-align: right;">(16 250)</td> <td></td> </tr> <tr> <td><b>Cost of raw materials consumed</b></td> <td style="text-align: right;"><b>250 250</b></td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Direct expenses / royalties</td> <td style="text-align: right;">50 000</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Direct wages</td> <td style="text-align: right;">99 250</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td><b>Prime cost</b></td> <td style="text-align: right;"><b>399 500</b></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> <tr> <td>Depreciation on factory machinery</td> <td style="text-align: right;">9 216</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Insurance</td> <td style="text-align: right;">10 000</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Supervisor wages</td> <td style="text-align: right;">30 900</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td>Heat, light and power</td> <td style="text-align: right;">28 400</td> <td style="text-align: right;"><b>(1)</b></td> </tr> <tr> <td></td> <td style="text-align: right;">478 016</td> <td></td> </tr> <tr> <td>Opening inventory of work in progress</td> <td style="text-align: right;">21 570</td> <td style="text-align: right;"><b>(1for both)</b></td> </tr> <tr> <td>Closing inventory of work in progress</td> <td style="text-align: right;">(18 590)</td> <td></td> </tr> <tr> <td><b>Cost of production</b></td> <td style="text-align: right;"><b>480 996</b></td> <td style="text-align: right;"><b>(1of)</b></td> </tr> </tbody> </table>		\$		Opening inventory of raw materials	18 750		Purchases	238 795		Carriage inwards	8 955		Closing inventory of raw materials	(16 250)		<b>Cost of raw materials consumed</b>	<b>250 250</b>	<b>(1)</b>	Direct expenses / royalties	50 000	<b>(1)</b>	Direct wages	99 250	<b>(1)</b>	<b>Prime cost</b>	<b>399 500</b>	<b>(1of)</b>	Depreciation on factory machinery	9 216	<b>(1)</b>	Insurance	10 000	<b>(1)</b>	Supervisor wages	30 900	<b>(1)</b>	Heat, light and power	28 400	<b>(1)</b>		478 016		Opening inventory of work in progress	21 570	<b>(1for both)</b>	Closing inventory of work in progress	(18 590)		<b>Cost of production</b>	<b>480 996</b>	<b>(1of)</b>	<b>(11)</b>
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2(d)	<p><b>Award 1 mark for a general statement regarding the reason why it is necessary. Further 3 marks for discussion to develop the reason and the final 1 mark for a conclusion.</b></p> <p><b>Sample answers</b></p> <p>This is an application of the accruals concept <b>(1)</b>. To apply this concept, it is necessary to transfer to the income statement only the amounts covered by that period <b>(1)</b>.</p> <p>This allows a more meaningful comparison of financial statements year on year <b>(1)</b> and allows the business to present a true and fair view of its financial position <b>(1)</b>.</p> <p>It is necessary to account for other receivables and other payables to present a more accurate view of profit and loss and/or current assets and liabilities <b>(1)</b>.</p>	
	<b>(5)</b>	

**(Total for Question 2 = 25 marks)**

**TOTAL FOR PAPER = 50 MARKS**