



Mark Scheme

Extra assessment material for first teaching September 2017

International GCSE in Accounting
(4AC1/02)

Paper 2: Financial Statements

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Summer 2018

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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)	Award marks as indicated \$116 250 (1) - \$38 800 (1) = \$77 450 (1of)	(3)

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1(b)	<p>Award 1 mark for each correct figure as indicated. Award 1 mark for all correct dates and details.</p> <p style="text-align: center;">Trade Receivables Ledger Control Account</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Details</th> <th>\$</th> <th>Date</th> <th>Details</th> <th>\$</th> </tr> </thead> <tbody> <tr> <td>1 Jan 2017</td> <td>Balance b/d</td> <td>42 500</td> <td>31 Dec 2017</td> <td>Cash book (bank)</td> <td>142 000 (1)</td> </tr> <tr> <td>31 Dec 2017</td> <td>Sales day book</td> <td>145 000 (1)</td> <td></td> <td>Journal (irrecoverable debts)</td> <td>3 050 (1)</td> </tr> <tr> <td></td> <td></td> <td></td> <td></td> <td>Balance c/d</td> <td>42 450</td> </tr> <tr> <td></td> <td></td> <td>187 500</td> <td></td> <td></td> <td>187 500</td> </tr> <tr> <td>1 Jan 2018</td> <td>Balance b/d</td> <td>42 450 (1)</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Date	Details	\$	Date	Details	\$	1 Jan 2017	Balance b/d	42 500	31 Dec 2017	Cash book (bank)	142 000 (1)	31 Dec 2017	Sales day book	145 000 (1)		Journal (irrecoverable debts)	3 050 (1)					Balance c/d	42 450			187 500			187 500	1 Jan 2018	Balance b/d	42 450 (1)				(5)
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1(d)(i)	Award mark as indicated. Prudence concept (1)	(1)

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1(d)(ii)	Award marks as indicated. Provision for irrecoverable debts will reduce the trade receivables (1) which will reduce total assets. (1) The total equity will be reduced (1) as the result of the reduction of profit (1) .	(4)

Question number	Indicative content	Mark
1(e)	<p>Award 1 mark for each ratio as indicated.</p> <p>Return on capital employed has improved, which indicates better utilisation of resources / has generated higher profit for every dollar used/employed in the business (1).</p> <p>Although the business was able to pay off its short-term liabilities in 2016 it has improved its current (working capital) ratio, which is slightly higher than the standard and indicates inefficient working capital management (1).</p> <p>Liquid (acid test) ratio has improved, which indicates that the business can pay off its short-term liabilities with liquid assets / this indicates that the business has more inventory than before which will increase inventory holding costs (1).</p> <p>Overall the performance of the business has improved.</p>	(3)

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2(a)	<p>Award 1 mark for each correct figure with understandable label as indicated.</p> <p style="text-align: center;">Sam</p> <p style="text-align: center;">Manufacturing account for the year ended 31 December 2017</p> <table border="1" data-bbox="395 414 1270 1312"> <thead> <tr> <th></th> <th style="text-align: center;">\$</th> <th style="text-align: center;">\$</th> <th></th> </tr> </thead> <tbody> <tr> <td>Opening inventory of raw materials</td> <td></td> <td style="text-align: right;">68 000</td> <td></td> </tr> <tr> <td>Purchases</td> <td></td> <td style="text-align: right;">450 000</td> <td></td> </tr> <tr> <td>Carriage inwards</td> <td></td> <td style="text-align: right;">15 000</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Closing inventory of raw materials</td> <td></td> <td style="text-align: right;">(75 000)</td> <td></td> </tr> <tr> <td>Cost of raw materials consumed</td> <td></td> <td style="text-align: right;">458 000</td> <td style="text-align: right;">(1of w+f)</td> </tr> <tr> <td>Direct wages</td> <td></td> <td style="text-align: right;">147 500</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Direct expenses</td> <td></td> <td style="text-align: right;">33 950</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Prime cost</td> <td></td> <td style="text-align: right;">639 450</td> <td style="text-align: right;">(1of w+f)</td> </tr> <tr> <td>Depreciation on factory machinery</td> <td style="text-align: right;">13 122</td> <td></td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Factory supervisor's salary</td> <td style="text-align: right;">60 000</td> <td></td> <td></td> </tr> <tr> <td>Insurance w1</td> <td style="text-align: right;">20 800</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Rent and rates w2</td> <td style="text-align: right;">76 000</td> <td></td> <td style="text-align: right;">(2)</td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">169 922</td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">809 372</td> <td></td> </tr> <tr> <td>Opening inventory of work in progress</td> <td style="text-align: right;">85 278</td> <td></td> <td></td> </tr> <tr> <td>Closing inventory of work in progress</td> <td style="text-align: right;">(98 000)</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td style="text-align: right;">(12 722)</td> <td style="text-align: right;">(1)</td> </tr> <tr> <td>Production cost</td> <td></td> <td style="text-align: right;">796 650</td> <td style="text-align: right;">(1of w+f)</td> </tr> </tbody> </table> <p>w1: $24\,000 + 2\,000 = 26\,000$ (1) * 80% = 20 800 (1of) w2: $120\,000 - 25\,000 = 95\,000$ (1) * 80% = 76 000 (1of)</p>		\$	\$		Opening inventory of raw materials		68 000		Purchases		450 000		Carriage inwards		15 000	(1)	Closing inventory of raw materials		(75 000)		Cost of raw materials consumed		458 000	(1of w+f)	Direct wages		147 500	(1)	Direct expenses		33 950	(1)	Prime cost		639 450	(1of w+f)	Depreciation on factory machinery	13 122		(1)	Factory supervisor's salary	60 000			Insurance w1	20 800		(2)	Rent and rates w2	76 000		(2)			169 922				809 372		Opening inventory of work in progress	85 278			Closing inventory of work in progress	(98 000)					(12 722)	(1)	Production cost		796 650	(1of w+f)	(12)
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2(c)	<p>Award 1 mark for each statement to explain the difference between different types of inventories as indicated.</p> <p>Raw materials stock is the stock of crude or processed material that can be converted by manufacture into a saleable good (1).</p> <p>Work in progress stock is goods which have started their manufacturing process so are no longer included in the raw materials stock, but have not yet reached a stage where they are fit to be sold (1).</p> <p>Finished goods stock is goods which have completed the manufacturing process and are available to be sold (1).</p>	(3)

(Total for Question 2 = 25 marks)
TOTAL FOR PAPER = 50 MARKS