Mark Scheme (Results)

Summer 2016

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)(i)	**AO1 (5), AO2 (12), AO3 (1)** **A01: Five marks for recording the given expense in the account without adjustment.** **A02: Twelve marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: One mark for calculating the correct figure and inserting this into the correct section of the account.**	**(18)**

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

	£	£	
Revenue		117 300	(1)AO1
Less			
Opening inventory	19 500		
Purchases	54 000		
Purchase returns	(1 700)		
	71 800		
Less Closing inventory	(13 800)		
Cost of sales		(58 000)	(1)AO2
Gross profit		59 300	
Plus Other income			
Commission receivable		900	(1)AO1
		60 200	
Less expenses			
Rates 4 750 – 250	4 500		(1)AO2
Wages and salaries 24 500 – 10 000	14 500		(1)AO2
Electricity and water 8 150 + 600	8 750		(1)AO2
Sundry expenses	10 300		(1)AO1
Interest on loan Azlina	1 600		(1)AO3
Interest on bank loan	2 000		(1)AO2
Increase in ADD	120		(1)AO2
Depreciation- Delivery vehicle	900		(1)AO2
Fixtures & fittings	1 400		(1)AO2
		44 070	
Profit for the year		16 130	(1of)AO1
Less appropriations			No aliens
Interest on capital – Azlina	2 500		(1)AO2
Siti	1 250		(1)AO2
Salaries Azlina	5 000		(1)AO1
Siti	5 000		
		13750	
		2 380	
Share of profit Azlina		1 190	(1 of)AO2
Siti		1 190	(1 of)AO2
			No aliens

Question Number	Answer	Mark
1(a)(ii)	**AO2 (5), AO3 (1)** **A02: Five marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: One mark for calculating the correct figure and inserting this into the correct section of the account.**	**(6)**

Current Accounts

	Azlina £	Siti £		Azlina £	Siti £
Balance b/d	400		Balance b/d		200
(1)AO2 Salaries paid	5 000	5 000	Interest on capital	2 500	1 250(1of)AO2
(1)AO2 Drawings	4 000	1 500	Salaries	5 000	5 000
			Share of profit	1 190	1 190(1of)AO2
Balance c/d	890	1 140	Interest on loan	1 600	(1of)AO3
	10 290	7 640		10 290	7 640
			Balance b/d	890	1 140(1of)AO2

Question Number	Answer	Mark
1(a)(iii)	**AO1 (5), AO2 (7), AO3 (2)** **A01: Five marks for recording the given item in the account without adjustment.** **A02: Seven marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: Two marks for calculating the correct figure and inserting this into the correct section of the account.**	**(14)**

Statement of Financial Position at 31 March 2016

	Cost	Accumulated depreciation	Carrying value	
	£	£	£	
Non-current Assets				
Freehold premises	128 000		128 000	(1)AO2
Delivery vehicles	12 000	- 9 300	2 700	(1of)AO2
Fixtures & fittings	14 000	- 7 000	7 000	(1of)AO2
	154 000	16 300	137 700	
Current Assets				
Inventory		13 800		(1)AO1
Trade receivables	7 500			
Less ADD	(300)			
		7 200		(1of)AO3
Other receivables		250		(1)AO2
			21 250	
Total Assets			158 950	
Capital: Azlina		50 000		
Siti		25 000		
			75 000	(1)AO1
Current Accounts:				
Azlina		890		
Siti		1 140		
			2 030	(1of)AO1
Non-current Liability				
5% Bank loan			40 000	(1)AO2
Current Liabilities				
Loan – Alzina		20 000		(1)AO3
Trade payables		9 800		(1)AO1
Other payables: 2 000(1of) + 600 (1)		2 600		AO2
Bank overdraft		9 520		(1)AO1
			41 920	
Capital and Liabilities			158 950	

Question Number	Answer	Mark
1(b)	**AO1 (5)** **A01: Five marks for identifying whether the expense is capital expenditure or revenue expenditure.** (1) Capital expenditure (1)AO1 (2) Revenue expenditure (1)AO1 (3) Revenue expenditure (1)AO1 (4) Revenue expenditure (1)AO1 (5) Capital expenditure (1)AO1	**(5)**

Question Number	Answer	Mark
1(c)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **A01: One mark for knowing identifying positive and negative aspects of this business.** **A02: One mark for applying positive or negative aspects of this business to the scenario.** **A03: Five marks for interpreting and analysing the aspects of the proposals made.** **A04: Five marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential arguments for changing • The business is in an area with growing demand • The percentage of gross profit to sales is high at 50% • The business has a substantial asset in the Freehold Property which could be used to raise loans • Increased sales may improve profit/profitability **NOT** just sales may increase or profit may increase • Need to take advantage of opportunity otherwise a competitor might. Potential arguments against changing • The business already has substantial liabilities in the form of loans • Loans are repayable in current year leaving weak liquidity • The business has no cash available as it already has an bank overdraft • Loans will have to be raised increasing the risk for the partners • Major risk that business will not expand to the extent expected • Projections made are only estimates • Expenses will increase substantially • Large loans may impact on reputation.	**(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)(i)	**AO1 (6), AO2 (13), AO3 (2)** **A01: Six marks for recording the given expense in the account without adjustment and providing correct labels to key costs.** **A02: Thirteen marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: Two marks for calculating the correct expense and then correctly apportioning.**	**(21)**

Manufacturing Account for the year ended 30 April 2016

	£	£	
Opening inventory of raw materials		23 400	
Purchases of raw materials		97 800	
Carriage inwards		8 450	
		129 650	
Less Closing inventory of raw materials		(16 950)	
Cost of raw materials consumed (1)AO1		112 700	(1)AO2
Manufacturing wages 81 400(1)AO1+ 2 600		84 000	(1)AO2
Direct factory consumables		35 300	(1)AO2
Prime cost (1)AO1		232 000	(1of)AO2
			No aliens
Plus overheads			
Production management salaries	59 500		(1)AO1
Depreciation - equipment	24 000		(1)AO2
computers 18 000x60%	10 800		(1)AO3
Computer technician wages 40 000x60%	24 000		(1)AO2
Indirect factory consumables	9 900		(1)AO2
Rent and rates	12 000		(1)AO2
Electricity and water charges	11 700		(1)AO2
General expenses	10 500		(1)AO2
Property maintenance 11 000+1 800x75%	9 600		(1)AO3
		172 000	
		404 000	
Work in progress at start of period	52 000		
At end of period	(58 000)		
		(6 000)	(1)AO2
Production cost (1)AO1		398 000	
Profit on manufacture 20%		79 600	(1of)AO2
Transfer to trading account (1)AO1		477 600	(1of)AO2
			No aliens

Question Number	Answer	Mark
2(a)(ii)	**AO1 (3), AO3 (2)** **A01: Three marks for correctly recording balances and using correct narrative in the account.** **A03: Two marks for calculating the correct adjustment to the provision and accurately recording this.** Provision for Unrealised Profit on Manufactured Goods Account £ £ Balance b/d 12 000 (1)AO1 Balance c/d 15 000 Income statement (1)AO1 3 000 (2/1of)AO3 15 000 15 000 Balance b/d 15 000 (1of)AO1	**(5)**

Question Number	Answer	Mark
2(a)(iii)	**AO1 (3), AO2 (2)** **A01: Three marks for recording the calculated figure in the ratio without adjustment.** **A02: Two marks for inserting the appropriate figure and carrying out the calculation and correctly identifying the correct descriptor.** Manufacturing Wages Account £ £ Cash Bank 81 400 (1)AO1 Manufacturing Account 84 000 (1)AO2 Balance c/d 2 600 (1)AO2 (1) AO1 84 000 84 000 Balance b/d 2 600(1of)AO1	**(5)**

Question Number	Answer	Mark
2(b)	**AO1 (4),AO2 (8)** **A01: Four marks for identifying the concept which has not been complied with.** **AO2: Eight marks for explaining why the concept would be broken.** **Proposal 1** This would breach the **money measurement** concept (1)AO1 The skill of the workforce **cannot be measured accurately** in monetary terms (1) AO2 **If workers leave** that value will be lost without compensation (1)AO2 **Proposal 2** This would breach the **going concern or accruals** concept (1)AO1 Non-current assets would be **used for many years** (1)AO2 and therefore a proportion of the cost should be **charged to each of those years** (1)AO2 Expenses should be matched to a period (1) AO2 Profit should not be overstated (1)AO2 **Proposal 3** This would breach the concept (1)AO1 **realisation or accruals** Profit is **not realised until the goods are sold** (1)AO2 A profit on manufactured goods is contained in the finished goods inventory which has **yet to be realised** (1)AO2 Expenses should be matched to a period (1) AO2 Profit should not be overstated (1)AO2 **Proposal 4** This would breach the **business entity** concept (1)AO1 There must be a **clear separation** between the business and the owner (1)AO2 Owners drawings should be **recorded separately and set against the profit for the year** in the Financial Position Statement (1)AO2	**(12)**

Question Number	Answer	Mark
2(c)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** **A01: One mark for knowing identifying positive and negative aspects of this business.** **A02: One mark for applying positive or negative aspects of the use of IAS.** **A03: Five marks for interpreting and analysing the aspects of IAS.** **A04: Five marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential arguments for IAS • Provides a common international standard which can be applied across the world • Stakeholders can rely upon the validity of figures in the statements • Greater accuracy of reporting in statements prepared in the same format • Enables comparisons to be made. Potential arguments against IAS • Only legally applies to corporate bodies • Requires trained accounting staff to apply • Cost of implementation will be higher **NOT** just time consuming on its own • Non-financial factors are not included in IAS accounting • Standards can be contradictory. Not Discussion of individual accounting concepts/principals.	**(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
3(a)	**AO1 (3), AO2 (2)** **A01: Three marks for recording the given expense in the account without adjustment.** **A02: Two marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.**	**(5)**

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 April 2016

	£	£	
Revenue		90 000	(1) AO1
Less			
Opening inventory	4 000		(1) AO1
Purchases	60 000		
	64 000		
Less Closing inventory	(6 000)		
Cost of sales		(58 000)	
Gross profit		32 000	
Less expenses			
Wages	12 000		
General expenses	8 000		(1) AO1
Rent of market stall	7 200		all three
Depreciation	800		(1) AO2
Interest on loan	400		(1) AO2
		28 400	
Profit for the year		3 600	

Question Number	Answer	Mark
3(b)	**AO1 (3), AO2 (3)** **A01: Three marks for recording the calculated figure in the ratio without adjustment.** **A02: Three marks for inserting the appropriate figure and carrying out the calculation and correctly identifying the correct descriptor.** (i) Rate of inventory turnover 58 000 (1) AO1 = 11.6 times (1) AO2 (4000 + 6 000/2) (1) AO2 (ii) Profit for the year as a percentage of revenue 3 600 x 100 (1of) AO1 = 4% (1of) AO2 90 000 (1) AO1	**(6)**

Question Number	Answer	Mark
3(c)	**AO1 (1), AO2 (6), AO3 (3)** **A01: One mark for recording the given expense in the account without adjustment.** **A02: Six marks for adjusting the given figure or calculating the figure and inserting this correctly in the account.** **A03: Three marks for calculating the correct figure and inserting this into the correct section of the account.**	**(10)**

Forecast Statement of Profit or Loss and Other Comprehensive Income for the first year of trading in the shop.

	£	£	
Revenue		144 000	(1) AO2
Less			
Opening inventory	6 000		(1) AO1
Purchases	78 000		(1) AO2
	84 000		
Less Closing inventory	(12 000)		
Cost of sales		(72 000)	(1of) AO3
Gross profit		72 000	
Less expenses			
Wages	15 000		(1) AO2
General expenses	10 000		(1) AO2
Rent	18 200		(1) AO2
Depreciation	5 200		(2) AO3
Interest on loan	2 000		(1) AO2
		50 400	
Profit for the year		21 600	

Workings:
Depreciation 21 000 – 15 000 = 6 000 (1) – 800 (1) = 5 200

Question Number	Answer	Mark
3(d)	**AO1 (2), AO2 (1)** **A01: Two marks for recording the calculated figure in the ratio without adjustment.** **A02: One mark for inserting the appropriate figure and carrying out the calculation and correctly identifying the correct descriptor.** Profit for the year as a percentage of revenue 21 600 x 100 (1of) AO1 = 15% (1of) AO2 144 000 (1of) AO1	**(3)**

Question Number	Answer	Mark
3(e)	**AO2 (1), AO3 (2), AO4 (3)** **A02: One mark for applying positive or negative aspects of Channa's business to the scenario set, drawing out key points.** **A03: Two marks for interpreting and analysing courses of action to Channa's dilemma of whether to move his business, using a developed chain of reasoning.** **A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential arguments for changing • The profit for the year is much greater £21 600 per annum as opposed to £3 600 per annum with the market stall • Percentage net profit to revenue is higher • The profile of the business will be much greater with a shop • Wide range of new customers. Potential arguments against changing • Inventory turnover is slower with a shop. Greater chance of inventory becoming outdated. • The debt of the business will increase as the bank loan increases • The total investment by Channa is much higher and therefore the risk is higher if he fails • He has a low owners capital for the project • If own figure shows a loss it would be less profitable • May lose customers because selling price increases. **Not** Greater revenue Greater closing stock Lower/decreased rate of inventory turnover **unless** they quantity by how much Higher expenses for shop, wages and general expenses **unless** it states the impact on profit	**(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	Indicative content
4 (a)	**AO1 (1), AO2 (2), AO3 (1)** **A01: One mark for identifying that depreciation relates to age and usage.** **A02: Two marks for explaining the impact upon the income for the period and non-current asset values in the financial position statement.** **A03: One mark for linking the need for depreciation to the application of accounting concepts.** • Non-current assets generally **fall in value** with age and usage (1)AO1 • The depreciation is a **cost/expense of a period of time** and therefore should be charged against income for that period/**profits should not be overstated** (1)AO2 • Because the non-current assets are generally falling in value this should be **reflected in the financial position statement** (1)AO2 • Charging depreciation complies with the **going concern**(1)AO3 • Charging depreciation complies with the **accruals concepts**. (1)AO3 Max 4 **Not** Prudence concept

Question Number	Indicative content
4 (b)	**AO2 (2)** **A02: One mark for calculating the depreciation on existing non-current assets and additions. One mark for calculating the depreciation on disposals.** Cost 30 April 2015 £30 000 + Additions £10 000 = £40 000 - Disposals £5 000 = £35 000 x 20% = £7000 (1)AO2 + Disposals £5 000 x 20%/2 £500 (1)AO2 = Total £7 500

Question Number	Indicative content
4 (c)	**AO1 (4), AO2 (4), AO3 (2)** **A01: Four marks for correctly recording the opening balances and bringing down the balances to the next period.** **A02: Four marks for correctly recording the transactions for the year.** **A03: Two marks for calculating the disposal sums and correctly recording in the accounts.**

Computer Account

		£			£
2015			2015		
1 May	Balance b/d	30 000 (1)AO1		Disposal	5 000 (1)AO3
			2016		
	Bank/cash	10 000 (1)AO2	30 April	Balance c/d	35 000 (1)AO2
		40 000			40 000
2016					
1 May	Balance b/d	35 000 (1of)AO1			

Computer- Provision for Depreciation Account

		£			£
2015			2015		
	Disposal(1)AO2	2 500 (1)AO3	1 May	Balance b/d	9 200 (1)AO1
2016			2016		
30 April	Balance c/d	14 200	30 April	Income statement	7 500(1of)AO2
		16 700			16 700
			1 May	Balance b/d	14 200 (1of)AO1

Question Number	Indicative content
4(d)	**AO1(4), AO2 (4)** **A01: Four marks for correctly recording or totalling figures in the statement.** **A02: Four marks for calculating and applying the correct figures to the statement.**

Extract
Non-current assets

	Cost	Accumulated depreciation	Carrying over
	£	£	£
Land & buildings	105 000 (1)AO2	- 9 400 (1)AO2	= 95 600
Computers	35 000 (1)AO2	- 14 200(1of)AO1	= 20 800
Fixtures & fittings	11 000 (1)AO1	- 5 400 (1)AO2	= 5 600
	151 000 (1of)AO1	29 000	122 000 (1of)AO1

Question Number	Indicative content
4(e)	**AO2 (1), AO3 (2), AO4 (3)** **A02: One mark for applying positive or negative aspects of Jabir's depreciation policy, drawing out key points.** **A03: Two marks for interpreting and analysing possible solutions to depreciating computers, using a developed chain of reasoning.** **A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential positive arguments for the business • Depreciation is being charged and therefore the accounting concepts are being complied with. • The method will reflect the principle of **equal usage equal charge** for each year. • Does not distort profits. Potential negative points for the business • Computers depreciate quickly due to obsolescence and therefore 20% is a fairly low figure for the early years. • In the early years the computer value in the financial position statement will be overstated. • A full year's depreciation in the year of purchase would result in high depreciation for non-current assets bought late in the year. **Not** Easier to calculate Consistent method

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	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	Indicative content
5 (a)	**AO1 (4)** **A01: Two marks for explaining the term semi-fixed cost and two marks for explaining the term semi-variable cost.** • A semi-fixed cost are fixed over a limited range of output (1 AO1) but once that limit is reached it increases but then remain fixed over the next range of output (1 AO1) • A semi-variable cost includes both a fixed and a variable component (1 AO1) The fixed cost will be incurred if there is no output but the variable element will increase directly with usage (1 AO1) Accept valid diagrams but not examples on their own.

Question Number	Indicative content
5 (b)	**AO1 (4)** **A01: Four marks for differentiating between allocated overheads and apportioned overheads.** Allocated overheads are those costs which directly relate to a department or cost centre (1 AO1) therefore they can be directly allocated to those specific departments or cost centres (1 AO1). Apportioned overheads relate to at least two departments or cost centres (1 AO1) they must be apportioned on the most appropriate and reasonable basis (I AO1).

Question Number	Indicative content
5 (c)	**AO1 (1), AO2 (12), AO3 (3)** **A01: One marks recording the correct raw material.** **A02: Twelve marks for correct calculations.** **A03: Three marks for the correct basis for calculating the product overheads and unit cost.** (c) (i) Total overhead Assembly £ / Finishing £ / Administration £ Rent and rates 8 000 / 4 800 / 3 200 (1 AO2) Employment insurance 4 600 / 2 800 / 1 600 (1 AO2) Premises maintenance 6 000 / 3 600 / 2 400 (1 AO2) Management salaries 9 200 / 5 600 / 3 200 (1 AO2) 27 800 / 16 800 / 10 400 (1 AO2) Re-apportionment 5 200 / 5 200 / (10 400) (1 AO2) 33 000 / 22 000 (1 AO2) (ii) Overhead recovery rate Assembly / Finishing Overhead £33 000 = £3.59 per hour / £22 000 = £3.93 per hour Labour hours 9 200 (1of AO2) / 5 600 (1of AO2) Any reasonable rounding.
5 (d)	(d) Cost of manufacture £ Raw material 303.70 (1 AO1) Direct labour Assembly 30 x £5 150.00 (1 AO2) Finishing 20 x £4 80.00 (1 AO2) Overhead Assembly 30 x £3.59 107.70 (1of AO3) Finishing 20 x £3.93 78.60 (1of AO3) 720.00 Mark up 15% 108.00 (1of AO2) 828.00 Cost per component £4.14 each (1of AO3)

Question Number	Indicative content
5(e)	**AO2 (1), AO3 (2), AO4 (3)** **A02: One mark for applying positive or negative aspects of Hiruni's pricing policy, drawing out key points.** **A03: Two marks for interpreting and analysing possible solutions to pricing, using a developed chain of reasoning.** **A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential positive arguments for reducing the price • The actual manufacturing cost without mark-up is less than the £4 per component requirement • Hiruni will need to consider whether she wishes to lose a major customer for her components • Still leaves a positive contribution. Potential negative points for reducing the price • The actual cost of manufacture at £4.14 per component, including mark-up, is greater than what Wash the World will pay • If Huruni is to meet the price a reduced profit/profit margin will be made on the component.

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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
6(a)	**AO1 (4)** **A01: Four marks for stating a type of error which will not affect the balancing of the books.** Error of original entry Error of omission Error of reversal Error of compensation Error of commission Error of principle (1 AO1) x 4 Not transposition	**(4)**

Question Number	Answer	Mark
6(b)	**AO1 (3), AO2 (6), AO3 (3)** **A01: Three marks for identifying the correct account name to be adjusted.** **A02: Six marks for identifying the correct accounts to be adjusted and applying the correct adjustment.** **AO3 Three marks for identifying the correct accounts to be adjusted and applying the correct adjustment where entries have been made to the wrong side of the account.** Journal Dr £ Cr £ Ruwan 1 500 (1 AO3) Revenue (1 AO1) 1 500 Income statement 450 (1 AO3) Inventory 450 (1 AO2) Motor vehicle expenses/ Income statement 400 (1 AO2) Motor vehicle 400 (1 AO2) Provision for depreciation 80 (1 AO2) Income statement 80 (1 AO2) Suspense (1 AO1) 4 600 Rent receivable 4 600 (1 AO3) Drawings (1 AO1) 6 100 Wages 6 100 (1 AO2)	**(12)**

Question Number	Answer	Mark
6(c)	**AO1 (2), AO2 (6)** **A01: Two marks for arriving at a revised profit for the year.** **A02: Six marks for adjusting the profit for the year with the correct figure and increase/decrease.**	**(8)**

				£
Draft profit for the year				72 000
		Increase	Decrease	
Error		£	£	
(1)	The entries for a sale of goods to Ruwan, £750,had been reversed in the books	1 500 (1 AO2)		
(2)	Some goods had been recorded in the closing inventory check at their retail value of £1 350. All goods are marked-up by 50%		450 (1 AO2)	
(3)	Motor vehicle expenses of £400 had been recorded in the Motor Vehicles Account. Depreciation of £80 had been charged in the draft financial statements	80 (1 AO2)	400 (1 AO2)	
(4)	Rent receivable of £2 300 had been correctly entered in the bank account and debited to the Rent Receivable Account	4 600 (1 AO2)		
(5)	Dula had paid herself a salary of £6 100 which had been recorded in the Wages Account.	6 100 (1 AO2)		
	Total increase and decrease	12 280 (1of AO1)	850	
Revised profit for the year				83 430 (1of AO1))

Question Number	Answer	Mark
6(d)	**AO2 (1), AO3 (2), AO4 (3)** **A02: One mark for applying positive or negative aspects of Dula's business to the scenario set, drawing out key points.** **A03: Two marks for interpreting and analysing courses of action to Dula's dilemma of whether to implement the proposal.** **A04: Three marks for evaluating the scenario counterbalancing the arguments giving weight to a range of financial and non-financial aspects to arrive at a logical conclusion.** Potential arguments for using an ICT accounting software package • Errors should be reduced because the software package determines and carries out the double entry for a given transaction • It will be quicker • Less storage space required • Standard reports can be extracted. Potential arguments against using an ICT accounting software package • The cost of the hardware and software • Training of staff to use the software will be required • Security issues • Risk of losing data.	**(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.

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