Mark Scheme (Results)

October 2019

Pearson Edexcel International Advanced Subsidiary

In Accounting (WAC11)

Paper 01 The Accounting System and Costing

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October 2019
Publications Code WAC11_01_MS_1910
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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.

Section A

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1 (a)</td><td>
AO2(6):
A02: Six marks for calculating adjusted balances
<table>
<tr><th></th><th>Alvor
£</th><th>Bernie
£</th><th></th></tr>
<tr><td>Assets</td><td></td><td></td><td></td></tr>
<tr><td>Goodwill</td><td>18 000</td><td>-</td><td></td></tr>
<tr><td>Non-current assets</td><td>9 000
(1) AO2</td><td>21 000</td><td></td></tr>
<tr><td>Inventory</td><td>5 500
(1)AO2</td><td>8 600</td><td></td></tr>
<tr><td>Trade receivables</td><td>5 700
(1) AO2</td><td>9 500
(1) AO2</td><td></td></tr>
<tr><td>Other receivables</td><td>300</td><td>900</td><td></td></tr>
<tr><td>Bank</td><td>4 500</td><td>-</td><td></td></tr>
<tr><td></td><td>43 000</td><td>40 000</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Liabilities</td><td></td><td></td><td></td></tr>
<tr><td>5% bank loan (repayable 2022)</td><td>-</td><td>12 000</td><td></td></tr>
<tr><td>Trade payables</td><td>3 800</td><td>5 400</td><td></td></tr>
<tr><td>Other payables</td><td>1 200</td><td>500</td><td></td></tr>
<tr><td>Bank overdraft</td><td>-</td><td>6 100</td><td>(1) AO2</td></tr>
<tr><td></td><td>5 000</td><td>24 000</td><td></td></tr>
<tr><td></td><td></td><td></td><td></td></tr>
<tr><td>Capital</td><td>38 000</td><td>16 000</td><td>(1of) AO2
Both</td></tr>
</table>
Alvor:
Non -current assets 14000- 5000 = 9000
Inventory 7000- 1500 = 5500
Trade receivables 6000- 300 = 5700
Bernie:
Trade receivables 11600 – 1600 – 500 = 9500
</td><td>(6)</td></tr>
</table>

Question Number	Answer	Mark
1 (b)	**AO1:(1)AO2(3):AO3(2)** **AO1: One mark for totalling sub section** **A02: Three marks for calculating the bank overdraft** **AO3: Two marks for adjusting capital for goodwill not retained**	

Alvor and Bernie

Statement of Financial Position at 1 October 2018

		£	£
Assets			
Non-current assets (carrying value)			30 000 **(1)** AO1
No alien			
Current assets			
Inventory		14 100	
Trade receivables		15 200	
Other receivables		1 200	
			30 500 **(1of)** AO2
No alien			
Total assets			60 500
Capital and liabilities			
Capital Alvor	38 000 – 12 000	26 000 **(1of)** AO3	
Bernie	16 000 – 6 000	10 000 **(1of)** AO3	
			36 000
Non-current liabilities			
5% bank loan (repayable 2022)			12 000
Current liabilities			
Trade payables		9 200	
Other payables		1 700	
Bank overdraft	4 500 – 6 100	1 600 **(1)** AO2	
			12 500 **(1of)** AO2
Total capital and liabilities			60 500

(6)

Question Number	Answer	Mark
1 (c)	**AO1:(5)AO2(11):AO3(3)** **AO1: Five marks for transferring balances to the income statement** **A02: Eleven marks for calculating or adjusting balances for the income statement** **AO3: Three marks for balances requiring two levels of adjustment** **Statement of Profit or Loss and Comprehensive Income, including an appropriation section, for the year ended 30 September 2019** **£** **£** Revenue 300 000 Less Cost of sales: Opening inventory 14 100 Purchases 148 000 Carriage inwards 7 900 170 000 **(1of)** AO2 Closing inventory (17 600) (152 400) **(1of) +w** AO2 Gross profit 147 600 Plus Other income: Commission receivable 11 750 + 900 12 650 **(1)** AO2 160 250 Less Electricity and water 5 650 - 800 4 850 **(1)** AO2 Telephone and communications 6 150 **(1)** AO1 Supervision salaries 24 000 **(1)** AO1 Rent 16 700 – 6 700 10 000 **(1)** AO2 Wages 38 300 + 2 300 40 600 **(1)** AO2 Bank loan interest 600 **(1)** AO2 General expenses 7 400 **(1)** AO1 Insurance 1 800 **(1)** AO1 Computer repairs 2 900 **(1)** AO1	

	Depreciation:				
	Motor vehicles		3 200 (1) AO2		
	Computers		1 500 (1) AO2		
	Fixtures and fittings		800 (1) AO2		
	Increase in allowance for				
	doubtful debts 2 050 -800		1 250 (1) AO3		
				(105 050)	
	Profit for the year			55 200	
	Add				
	Interest on drawings:				
	Alvor 12 000 - 10 000 x 10%		200		
	Bernie 14 000 - 6 000 x 10%		800		
				1 000 **(1)** AO3	
	Less Salaries:				
	Alvor		10 000		
	Bernie		6 000		
				(16 000) (1) AO2	
				40 200	
	Share of profit:				
	Alvor		26 800 (1of) AO3	If correct split no aliens	
	Bernie		13 400		**(19)**
				40 200	

Question Number	Answer	Mark
1 (d)	**AO1:(6)** **AO1: Six marks for identifying and explaining the characteristics** **Supervision salaries** Semi-fixed **(1)** AO1 Additional supervisors would be required as production or the service expands. This would lead to a stepped increase in costs. **(1)** AO1 **Rent** Fixed **(1)** AO1 The rent would be constant for the accounting period irrespective of the activity undertaken within the premises. **(1)** AO1 **Telephone and communications** Semi-variable **(1)** AO1 There would be a fixed charge plus a variable cost based upon usage. **(1)** AO1	**(6)**

Question Number	Answer	Mark
1 (e)	**AO2(4):AO3(2)** **A02: Four marks for calculating semi-fixed and semi-variable costs** **AO3: Two marks for calculating fixed and variable costs.** **Projected profit or loss for the year ended 30 September 2020** **£** **£** Revenue 450 000 **(1)** AO2 Less Variable cost 180 000 **(1of)** AO2 Fixed cost 46 000 **(1)** AO2 Semi-fixed cost 92 000 **(1of)** AO3 Semi-variable cost 75 000 **(1of)** AO3 (393 000) Profit for the year 57 000 **(1of)** AO2	**(6)**

Question Number	Answer	Mark
1 (f)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Positive points in favour of projections It is a target to work to for the forthcoming year. The plan can aid decision making. Projections of costs can aid control of costs. Gives idea of future profit. Provides a strategy for next year. Can help to manage the business. Sets goals for the business. Negative points for projections Projections are only estimates of what might happen and can be inaccurate. Events may occur outside the control of the partnership, such as changes in demand or government policy which can have a major negative impact on the projections. Investment decisions may be made in advance which are then not supported by increased revenue. Takes time and distracts managers from other tasks. Expertise to prepare accurate budgets. **NOT** Time consuming without development. Discussion of the figures derived from the question. Decision Candidates may conclude that projections are or are not of value to the partnership. Candidates should support that decision with an appropriate rationale.	**(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.

(TOTAL FOR QUESTION 1 = 55 MARKS)

Question Number	Answer	Mark
2 (a) (i)	**AO1:(10)** **AO1: Ten marks for posting to account**	**(10)**

Receipts and Payments Account

Date	Details	£	Date	Details	£
2018			2018/19		
1 Sept	Balance b/d	75		Wages	7 550 **(1)** AO1
	Subscriptions	15 970 **(1)** AO1		Purchase equipment	2 750 **(1)** AO1
	Donations	500 **(1)** AO1		Rent and insurance	2 390 **(1)** AO1
	Sale of equipment	900 **(1)** AO1		Expenses for dance	950 **(1)** AO1
	Sale of tickets	3 200 **(1)** AO1		Catering for dance	250 **(1)** AO1
				General expenses	4 830 **(1)** AO1
		____		Balance c/d	1 925
		20 645			20 645
2019					
1 Sept	Balance b/d	1 925			

Question Number	Answer	Mark
2 (a) (ii)	**AO2(5)** **A02: Five marks for identifying entering balances and calculating bad debts and transfer to income and expenditure**	**(5)**

Subscriptions Account

Date	Details	£	Date	Details	£
2018			2018		
1 Sept	Balance b/d	810	1 Sept	Balance b/d	900 **(1)** AO2 Both
2019			2018/9	Receipts & payment/bank	15 970 **(1)** AO2 **+ w**
31 Aug	Income & expenditure	16 200 **(1) + W** AO2	31 Aug	Bad debts	360 **(1)** AO2
31 Aug	Balance c/d	940	31Aug	Balance c/d	720
		17 950			17 950
1 Sept	Balance b/d	720	1 Sept	Balance b/d	940 **(1)** AO2 **Both**

Question Number	Answer	Mark
2 (a) (iii)	**AO2(5)** **A02: Five marks for identifying entering balances correctly with correct narrative**	

Rent and insurance Account

Date	Details	£	Date	Details	£
2018			2018		
1 Sept	Balance b/d	400 **(1)** AO2	1 Sept	Balance b/d	180 **(1)** AO2
31 Aug	Receipts and payments/ bank	2 390 (1) **+ W** AO2	2018/19	Income and expenditure	2 300 **(1 of)** + w AO2
			2019		
			31 Aug	Balance c/d	310
		2 790			2 790
31 Aug	Balance b/d	310 **(1)** AO2			

(5)

Question Number	Answer	Mark
2 (a) (iv)	**AO2(4)** **A02: Four marks for calculating entries and profit on activity**	

Annual Dance Trading Account
for the year ended 31 August 2019

	£	£
Sale of dance tickets 3 200 + 430		3 630 **(1)** AO2
less		
Expenses 950 – 125	825 **(1)** AO2	
Catering 250 + 2 100	2 350 **(1)** AO2	
		(3 175)
Profit on dance		455 **(1)** AO2 **+w**

(4)

Question Number	Answer	Mark
2 (a) (v)	**AO1:(1)AO2(8):AO3(2)** **AO1: One marks for transferring balances** **A02: Eight marks for calculating and entering balances** **AO3: Two mark for calculating and posting wages and equipment depreciation.**	**(11)**

Income and Expenditure Account
for the year ended 31 August 2019

		£	£
Income			
Subscriptions		16 200 **(1of)** AO2	
Donations		500 **(1)** AO2	
Profit on dance		455 **(1of)** AO2	
			17 155
Expenses			
Bad debts		360 **(1)** AO2	
Rent and insurance		2 300 **(1of)** AO2	
Wages	7 550 -850 + 600	7 300 **(1)** AO3	
General expenses		4 830 **(1)** AO1	
Depreciation:			
	Land and buildings	400 **(1)** AO2	
	Equipment (8 150 -900 +2 750 -9 400)	600 **(1)** AO3	
Allowance for irrecoverable debts		540 **(1)** AO2	
			(16 330)
Surplus			6635 **(1of)** AO2 **+ w**

Question Number	Answer	Mark
2 (b) (i)	**AO1:(2)** **AO1: Two marks for explaining the concept and giving one example.** **Accruals concept** The concept which matches the expenses for an accounting period to the income for the same accounting period. **(1)** AO1 Example: Wages, subscriptions, rent, rates and insurance, depreciation. **(1)** AO1	**(2)**

Question Number	Answer	Mark
2 (b) (ii)	**AO1:(42)** **AO1: Two marks for explaining the concept and giving one example.** **Prudence concept** The concept ensures that profits/surplus and assets are not overstated and the liabilities are not understated. **(1)** AO1 Examples: Allowance for irrecoverable debts, depreciation. **(1)** AO1	**(2)**

Question Number	Answer	Mark
2 (c)	**AO1: (4)** **AO1: Four marks for explaining the concept of ethics** • Ethics begin where the law ends. Actions may be **legal but not necessarily ethical.** e.g applying only minimum safety standards. **(1)** AO1 • Profitability should not be only consideration in business policies, **social and moral aspects** should also be considered. **(1)** AO1 • Policy should consider **honesty and trustworthiness**. **(1)** AO1 • **Fraud and corruption** should be prevented. **(1)** AO1 • Accounting organisations should actively encourage members to apply a **minimum code of conduct. (1)** AO1 • To give a **true** and **fair** view of the business. **(1)** AO1 4 points x 1 mark	**(4)**

Question Number	Answer	Mark
2 (d)	**AO1 (1), AO2 (1), AO3 (5), AO4 (5)** Positive points for ICT Increases accuracy and reduces errors Automatically prepares reconciliations e.g subscriptions Can prepare financial statements automatically Less paperwork easier storage Will be more secure with passwords used Speed of processing You need to input data once and the computer will make the second entry Negative points against ICT Cost of hardware and software Training of staff Cost of updating equipment and training Cost of security and protection against virus Breakdowns caused disruption Incorrect original entries will still lead to errors Decision Candidates may conclude that ICT is or is not valuable to the club. Candidates should support that decision with an appropriate rationale.	**(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.

(TOTAL FOR QUESTION 2 = 55 MARKS)

TOTAL FOR SECTION A = 110 MARKS

SECTION B

Question Number	Answer	Mark
3 (a) (i)	**AO1 (2)AO2(1)** **AO1: One mark for percentage** **AO2: Two marks for calculating cost** 200 000 + 35 000 – 25 000 **(1)** AO1 = 210 000 x 20% **(1)** AO1 = 42 000 **(1of)** AO2	**(3)**

Question Number	Answer	Mark
3 (a) (ii)	**AO1 (1): AO2(2)** **AO1: One mark for percentage** **A02: Three marks for calculating cost** 500 000 + 120 000 – 40 000 = 580 000 **(1)** AO1 - (160 000-40 000) **(1)** AO1 = 460 000 x 25% = 115 000 **(1of)** AO2	**(3)**

Question Number	Answer	Mark
3 (a) (iii)	**A02: Three marks for calculating depreciation** 25 000 + 9 000 = 34 000 **(1)** AO2 – 16 000 + 10 000 **(1)** AO2 = 8 000 **(1of)** A02 OR 15 000 **(1)** AO2 + 9 000 **(1)** AO2 – 16 000 = 8 000 (**1of) A02**	**(3)**

Question Number	Answer	Mark
3 (b)	**AO1:(4)AO2(6):AO3(3)** **AO1: Four marks for transferring balances** **A02: Six marks for calculating adjusted balances** **AO3: Three marks for disposals and depreciation on disposals**	**(13)**

Schedule of Non-current Assets at 30 September 2019

	Motor vehicles	**Plant and equipment**	**Loose tools**
	£	**£**	**£**
Cost at 30 September 2018	200 000	500 000	25 000
Additions for year	35 000 **(1)** AO1	120 000 **(1)** AO1	9 000 **(1)** AO1
Disposals for year	(25 000) (**1**) AO2	(40 000) **(1)** AO3	(-)
Total non-current asset cost	210 000	580 000	34 000
Less Depreciation			
Provision at 30 September 2018	(60 000)	(160 000)	(10 000)
Depreciation on non-current asset disposals	17 000 **(1)** AO3	40 000 **(1)** AO3	-
Depreciation for the year ended 30 September 2019	(42 000) **(1of)** AO2	(115 000) **(1of)** AO2	(8 000) **(1of)** AO2
Total accumulated depreciation	(85 000)	(235 000)	(18 000)
Carrying value at 30 September 2019	125 000 **(1of)** AO2	345 000 **(1of)** AO2	16 000 **(1of)** AO1

Question Number	Answer	Mark
3 (c)	**AO1:(2)** **AO1: Two marks for identifying reasons** • Many small items which are difficult to count and value • Possibility of major fluctuations in value • Book value matches market value/ more accurate 2 x **(1)** AO1	**(2)**

Question Number	Answer	Mark
3 (d)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for using the straight line method Equal usage of non-current assets from year to year should result in equal depreciation charged Applies accruals concept ensuring actual depreciation is matched to the period The application of the method does not distort profits Negative points for using the straight line method Many non-current assets market value depreciates heavily in the first year of ownership The market value of the non-current asset may be substantially different from the book value. Total cost of ownership will increase when annual maintenance costs are added. **NOT:** Easy to calculate Decision Candidates may conclude that straight line depreciation for non-current assets is positive or negative for a club. Candidates should support that decision with an appropriate rationale.	**(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.

(TOTAL FOR QUESTION 3 = 30 MARKS)

Question Number	Answer	Mark
4 (a)	**AO1:(4)** **AO1: Four marks for explaining the difference between profit and profitability** Profit is the difference between income and expenditure **(1)** AO1 for a given period recorded in the income statement. **(1)** AO1 Whereas Profitability is the profit for a period compared to another factor usually revenue or capital employed**. (1)** AO1 It is the ability to generate profits. **(1)** AO1	**(4)**

Question Number	Answer	Mark
4 (b)	**AO1:(3) AO2(5)** **AO1: Three marks for transferring balances to formula** **A02: Five marks for calculating ratios** Gross profit as a percentage of revenue 100 000 x 100 = 41.7% **(1)** AO2 240 000 **(1)** AO1 Net profit for the year as a percentage of revenue 2 000 **(1)** AO1 x 100 = 0.8% **(1)** AO2 240 000 Percentage return on capital employed 2 000 + 1000 x 100 = 6% **(1of)** AO2 40 000 + 10 000 **(1)** AO2 Trade payables payment period. 15 000 x 365 = 34.2 days **(1of)** AO2 160 000 **(1)** AO1	**(8)**

Question Number	Answer	Mark
4 (c)	**AO1:(1)AO2(4)** **AO1: One marks for transferring opening balance of inventory** **A02: Four marks for calculating balances**	**(6)**

Forecast Statement of Profit or Loss and Comprehensive Income for the year ended 30 September 2019

	£	£
Revenue		360 000
Inventory 1 October 2019	35 000 **(1)** AO1	
Purchases	255 000 **(1)** AO2	
	290 000	
Inventory 30 September 2020	(50 000)	
Cost of sales	240 000 **(1of)** AO2	
Gross profit		120 000 **(1)** AO2
Wages	77 000 **(1)** AO2	
Depreciation	10 000	
Bank loan interest	2 000	
General expenses	17 000	
		(106 000)
Profit for the year		14 000 **(1of)** AO1

Question Number	Answer	Mark
4 (d)	**AO2(3):AO3(1)** **A02: Three marks for calculating the ratio** **AO3: One mark for arriving at the correct capital employed** Net profit for the year as a percentage of revenue 14 000 **(1of)** AO2 x 100 = 3.9% **(1of)** AO2 360 000 Percentage return on capital employed. 14 000 **(of)** + 2 000 x 100 = 27.6% **(1of)** AO2 40 000 + 8 000 + 10 000 **(1)** AO3	**(4)**

Question Number	Answer	Mark
4 (e)	**AO3(2)** **AO3: Two marks for arriving at correct trade payables** Trade payables x 365 = 20 959 **(1of)** AO3 x Credit purchases 255 000 **(1of)** AO3 **Or** £255 000 **(1of)** AO3 = £698.6 per day x 30 days = £20 959 **(1of)** AO3 365 days	**(2)**

Question Number	Answer	Mark
4 (f)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for using only financial factors Ratios measure past performance. They can tell us about our current profitability, liquidity and the use of assets. There are accepted performance 'yardsticks' for comparison. Non-financial factors are hard to measure. If they are included ratios are not accurate. Negative points for using only financial factors Non-financial factors will give an indication of performance in the future by considering such things such as quality of management and staff and products for the future/reputation which are within the business Other non-financial factors outside the business control such as and size and development of the market and the level of competition need to be considered. It ignores social and ethical responsibility May understate the business value Decision Candidates may conclude that the use of only financial factors is acceptable or not acceptable. Candidates should support that decision with an appropriate rationale.	**(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.

(TOTAL FOR QUESTION 4 = 30 MARKS)

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>5 (a)</td><td>
AO:1(1):AO2(10):AO3(3)
AO1: One mark for same fuel cost
A02: Ten marks for calculating costs
AO3: Three marks for calculating costs

Option 1
<table>
<tr><th></th><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr>
<tr><th></th><th>£</th><th>£</th><th>£</th></tr>
<tr><td>Depreciation</td><td>2 800 (1) AO2</td><td>2 800</td><td>2 800</td></tr>
<tr><td>Servicing</td><td>150 (1) AO2</td><td>300 (1) AO2</td><td>550 (1) AO3</td></tr>
<tr><td>Repairs</td><td>100 (1) AO2</td><td>800 (1) AO2</td><td>1 500 (1) AO2</td></tr>
<tr><td>Insurance</td><td>600 (1) AO2</td><td>600 (1) AO2</td><td>630 (1) AO3</td></tr>
<tr><td>Fuel</td><td>1 200 (1) AO2</td><td>1 500 (1) AO3</td><td>1 500 (1) AO1 of</td></tr>
<tr><td>Total cost</td><td>4 850</td><td>6 000</td><td>6 980 (1of) AO2
All years</td></tr>
</table>
</td><td>(14)</td></tr>
</table>

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>5 (b)</td><td>AO1:(2) AO2 (2)
AO1: Two marks for calculating costs
A02: Two marks for calculating costs

Option2
<table>
<tr><th></th><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr>
<tr><th></th><th>£</th><th>£</th><th>£</th></tr>
<tr><td>Hire</td><td>4 200</td><td>4 200</td><td>4 200
(1) AO2 All years</td></tr>
<tr><td>Insurance</td><td>600</td><td>600</td><td>630
(1) AO1 All years</td></tr>
<tr><td>Fuel</td><td>1 200</td><td>1 500</td><td>1 500
(1) AO1 All years</td></tr>
<tr><td>Total cost</td><td>6 000</td><td>6 300</td><td>6 330
(1of) AO2 All years</td></tr>
</table></td><td>(4)</td></tr>
</table>

Question Number	Answer	Mark
5 (c)	**AO1:(6)** **AO1: Six marks for comparing the options under the three headings** Cash payments made by Frost Bakeries in year 1 Purchase – The cash payment will be high and include £14 000 for the purchase of the van **(1)** AO1 plus running costs of a further £2 050 Hire- The cash payment will be much lower at £6 000 as no delivery van purchase is involved. **(1)** AO1 Profit for the year in year 3 Purchase – The profit will be lower as the delivery van costs are increasing which makes it more expensive than the hire option. **(1)** AO1 Hire- The profit will be higher as the rising costs of servicing and maintenance are covered in the monthly payment. **(1)** AO1 One mark for identifying which option is the most profitable in year 3. Plus one mark state the reason why. Total cost of running the delivery van over the three years. Purchase – The total costs are marginally lower at £17 830 **(1)** AO1 but the yearly costs rise as the vehicle becomes older. Hire- The total costs are marginally higher at £18 630 which are distributed evenly over the three years. **(1)** AO1 One mark calculating the total costs own figure. One mark stating which is higher and which is lower.	**(6)**

Question Number	Answer	Mark
5 (d)	**AO2 (1), AO3 (2), AO4 (3)** **Own Figure Rule Applies** Positive points for Option 1 purchase The total cost over the three years is lower at £17 680 After the initial payment no ongoing monthly payments with increased administration charges Sell it at the end for cash You can make modifications to the van e.g advertise on the side Under option 2 the hire charges could be increased. Positive points for Option 2 hire No initial expenditure to purchase, hire payments are even over the three years Cash outflow is even over the three years Profits even over three years therefore no distortion You make one payment, do not have to worry about repairs and servicing Stop hiring if business is poor Under option 1 you may need to take a loan. Decision Candidates may conclude that one option is better than the other. Candidates should support that decision with an appropriate rationale.	**(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.

(TOTAL FOR QUESTION 5 = 30 MARKS)

Question Number	Answer	Mark
6 (a) (i)	**AO1:(2)** **AO1: Two marks for explaining the term** Error of commission The entry has been made on the correct side, correct number **(1)** AO1 of the wrong account within the same ledger/ class of account**. (1)** AO1	**(2)**

Question Number	Answer	Mark
6 (a) (ii)	**AO1:(2)** **AO1: Two marks for explaining the term** Error of principle The entry has been made on the correct side, correct number **(1)** AO1 of the wrong account within a different ledger/ class of account. **(1)** AO1	**(2)**

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>6 (b)</td><td>AO2(8)
AO2: Eight marks for naming the correct account and Dr or Cr correct value.
Journal
<table>
<tr><th></th><th>Dr</th><th>Cr</th></tr>
<tr><th></th><th>£</th><th>£</th></tr>
<tr><td>Inventory (1) AO1</td><td>3 500</td><td></td></tr>
<tr><td>Income statement</td><td></td><td>3 500 (1) AO2</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Drawings (1) AO1</td><td>400</td><td></td></tr>
<tr><td>Bank</td><td></td><td>400 (1) AO2</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Income statement</td><td>700 (1) AO2</td><td></td></tr>
<tr><td>Rent</td><td></td><td>700 (1) AO2</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Bank (1) AO1</td><td>7 200</td><td></td></tr>
<tr><td>Basher</td><td></td><td>7 200 (1) AO2</td></tr>
</table></td><td>(8)</td></tr>
</table>

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>6 (c)</td><td>
AO1(2):AO2(3):AO3(1)
AO1: Two mark for calculating revised profit
A02: Three marks for calculating adjusted balances on profit
AO3: One mark for arriving at correct impact of inventory undervaluation

Calculation of revised profit for the year ended 31 December 2019
<table>
<tr><th></th><th>£</th><th>£</th><th>£</th></tr>
<tr><td>Profit for the year</td><td></td><td></td><td>25 000</td></tr>
<tr><td></td><td>Increase</td><td>Decrease</td><td></td></tr>
<tr><td>(1) The closing inventory had been undervalued by £3 500.</td><td>£3 500
(1) AO3</td><td></td><td></td></tr>
<tr><td>(2)Kobi's had drawings £400 from the bank. No entries had been made in the books.</td><td>No effect</td><td>No effect
(1) AO2</td><td></td></tr>
<tr><td>(3) General expenses owing at the end of the year of £700 had not been taken into account in calculating the profit.</td><td></td><td>700
(1) AO2</td><td></td></tr>
<tr><td>(4) A payment received from a credit customer, Basher £7 200, had not been recorded in the books.</td><td>No effect</td><td>No effect
(1) AO2</td><td></td></tr>
<tr><td></td><td>3 500</td><td>700</td><td></td></tr>
<tr><td>Revised profit for the year</td><td></td><td></td><td>27 800
(1of)AO1</td></tr>
</table>
Award full marks if the total figure is correct.
</td><td>(6)</td></tr>
</table>

Question Number	Answer	Mark
6 (d)	**AO2(4):AO3(2)** **A02: Four marks for calculating adjusted balances** **AO3: Two marks for calculating the closing capital and the bank overdraft**	**(6)**

Corrected Statement of Financial Position at 31 December 2019

	£	Workings	£
ASSETS			
Non-current assets (carrying value)	30 000		30 000
Current assets			
Inventory	17 000	+ 3 500	20 500 **(1)** AO2
Trade receivables	14 000	-7 200	6 800 **(1)** AO2
Other receivables	1 500		1 500
	32 500		28 800
Total assets	62 500		58 800
CAPITAL AND LIABILITIES			
Capital	32 500		32 500
Profit for the year	25 000	+3 500 - 700	27 800 **of**
	57 500		60 300
Drawings	(15 000)	+400	(15 400) **(1)** AO2
	42 500		44 900 **(1of)** AO3
Current liabilities			
Trade payables	9 000		9 000
Other payables	1 000	+700	1 700 **(1)** AO2
Bank overdraft	10 000	-7 200 +400	3 200 **(1)** AO3
	20 000		13 900
Total capital and liabilities	62 500		58 800

Question Number	Answer	Mark
6 (e)	**AO2 (1), AO3 (2), AO4 (3)** Positive points for recording goodwill Purchased goodwill may be recorded May value goodwill when the business is about to be sold If very valuable needs to be considered for a realistic value of the business Negative points for recording goodwill Difficult to value accurately/ money measurement concept Can change in value suddenly Not prudent to record goodwill. Decision Candidates may conclude that the recording of goodwill is acceptable or not acceptable. Candidates should support that decision with an appropriate rationale.	**(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.

(TOTAL FOR QUESTION 6 = 30 MARKS)
TOTAL FOR SECTION B = 110 MARKS
TOTAL FOR PAPER = 200 MARKS

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