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# Mark Scheme (Results)

January 2018

Pearson Edexcel IAL Accounting  
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)	<p><b>AO1:(2), AO2(8), AO3(3)</b></p> <p><b>AO1: One mark for transferring balances to the manufacturing account.</b></p> <p><b>AO2: Eight marks for balances requiring adjustment.</b></p> <p><b>AO3: Three marks for balances requiring adjustment and then apportionment.</b></p>	<b>(13)</b>

Wooden Gifts		
Manufacturing Account for the year ended 31 December 2017		
	£	£
Opening inventory of raw materials	20 000	
Purchases of raw materials	<u>85 000</u>	
	105 000	
Closing inventory of raw materials	<u>(21 500)</u>	
Cost of raw materials consumed		83 500 (1) <b>AO2</b>
Direct factory wages		57 000 (1) <b>AO3</b>
Direct packaging costs		<u>23 300 (1) <b>AO1</b></u>
Prime cost		163 800 (1of) <b>AO2 + w no aliens</b>
Overheads:		
Indirect factory wages	19 000 (1) <b>AO3</b>	
Depreciation - Leasehold on building	3 600 (1) <b>AO3</b>	
Manufacturing equipment	9 000 (1) <b>AO2</b>	
Management salaries	23 800 (1) <b>AO2</b>	
Power and heating	9 800 (1) <b>AO2</b>	
General expenses	<u>4 700 (1) <b>AO2</b></u>	
		<u>69 900</u>
		233 700
Work in progress – 1 January 2017	32 300	
31 December 2017	<u>(26 000)</u>	
		<u>6 300 (1) <b>AO2</b></u>
Cost of production		240 000
Manufacturing profit 10%		<u>24 000 (1of) <b>AO2 + w</b></u>
Transferred to Trading Account		<u>264 000 (1of) <b>AO1 + w no aliens</b></u>

Question Number	Answer	Mark
1 (a) (ii)	<p><b>AO1(3), AO3(1)</b></p> <p><b>AO1: Three marks for correctly naming the transfer and balancing.</b></p> <p><b>AO3: One mark for calculating the closing balance of unrealised profit.</b></p>	<b>(4)</b>

Provision for Unrealised Profit Account

Date	Details	£	Date	Details	£
2017			2017		
			Jan 1	Balance b/d	8 000 <b>(1) AO1</b>
Dec 31	Balance c/d	<u>10 000</u>	Dec 31	Income statement <b>(1) AO1</b>	<u>2 000 (1) AO1</u>
		10 000			10 000
			2018		
			Jan 1	Balance b/d	10 000 <b>(1of)AO3</b>

On credit side

Question Number	Answer	Mark
1 (a)(iii)	<p><b>AO1(4), AO2(8), AO3 (2)</b></p> <p><b>AO1: Four marks for transferring balances to the income statement.</b></p> <p><b>AO2: Eight marks for balances requiring adjustment.</b></p> <p><b>AO3: Two marks for balances requiring adjustment and then apportionment.</b></p>	<b>(14)</b>

Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2017

	£	£
Revenue		510 000
Opening inventory of finished goods	88 000	
Goods transferred from manufacture	<u>264 000</u> <b>(1of) AO4</b>	
	352 000	
Closing inventory of finished goods	<u>(110 000)</u>	
Cost of sales		<u>(242 000)</u> <b>(1of) AO2+w</b>
Gross profit		268 000
Manufactured goods profit 10%		<u>24 000</u> <b>(1of) AO2</b>
		292 000
Less Depreciation:		
Leasehold on building	2 400 <b>(1) AO3</b>	
Computing equipment	10 000 <b>(1) AO2</b>	
Fixtures and fittings	1 500 <b>(1) AO2</b>	
Distribution wages	59 000 <b>(1) AO1</b>	
Management salaries	44 200 <b>(1) AO2</b>	
Power and heating	4 200 <b>(1) AO2</b>	
Website consultancy expenses	16 200 <b>(1) AO1</b>	
Advertising expenses 43 000–5 500	37 500 <b>(1) AO2</b>	
Postage on sales	37 000 <b>(1) AO1</b>	
General expenses	14 100 <b>(1) AO2</b>	
Provision for unrealised profit	<u>2 000</u> <b>(1of) AO3</b>	
		<u>(228 100)</u>
Profit for the year		<u><u>63 900</u></u>

Question Number	Answer	Mark
1 (b)	<p><b>AO1(3), AO2(8), AO3 (1)</b></p> <p><b>AO1: Three marks for transferring balances to the financial position statement.</b></p> <p><b>AO2: Eight marks for balances requiring adjustment.</b></p> <p><b>AO3: One mark for adjusting the inventory of finished goods for unrealised profit.</b></p>	<b>(12)</b>

Statement of Financial Position at 31 December 2017

Non-current assets

	Cost	Accumulated depreciation	Carrying value	
	£	£	£	
Leasehold on building – 10 years	60 000	54 000	6 000	<b>(1of) AO2</b>
Manufacturing equipment	90 000	54 000	36 000	<b>(1of) AO2</b>
Computing equipment	75 000	45 000	30 000	<b>(1of) AO2</b>
Fixtures and fittings	<u>15 000</u>	<u>7 500</u>	<u>7 500</u>	<b>(1of) AO2</b>
	240 000	160 500	79 500	

Current assets

Inventory – Raw materials		21 500		
Work in progress		26 000		<b>(1) AO2 for 3 inventories</b>
Finished goods	110 000			
Less Provision for unrealised profit	<u>(10 000)</u>	<b>(1of) AO3</b>		
		<u>100 000</u>		
		147 500		
Trade receivables		8 600		<b>(1) AO1</b>
Other receivables		5 500		<b>(1) AO2</b>
Cash and bank		37 900		<b>(1) AO1</b>
			<u>199 500</u>	
<b>Total assets</b>			<u><u>279 000</u></u>	

Capital  
Profit for the year

200 000

63 900

263 900

Drawings

(30 000)

233 900 **(1of) AO2**

Current liabilities

Trade payables

41 100 **(1) AO1**

Other payables

4 000 **(1) AO2**

45 100

**Total Capital and liabilities**

279 000

Question Number	Indicative Content	Mark
1 (c)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Points for continuing manufacturing</p> <p>The control of the production process will remain with Wooden Gifts.  The quality of the product being produced can be assured by Wooden Gifts.  Social accounting considerations should be considered.  Discontinuing manufacturing could result in redundancy and an impact on the local community and other local businesses.  Ensuing the continuity of supply of finished goods. If manufacture is retained the control to deliver the finished products on time is not passed to the supplier.  The fixed costs are currently shared between production and administration if production was ceased costs such as rent would have to be borne by the administration alone.</p> <p>Points for discontinuing manufacturing</p> <p>The problems of manufacturing goods will be passed to the supplier. Obtaining materials of the required quality and labour issues will become the responsibility of the supplier.  If the business is growing, the space requirement for manufacturing will increase. The majority of the existing space is occupied by manufacturing. If manufacturing is discontinued the space could be used for distribution or the excess space could be sub-let, costs reduced and income increased.  Time and effort of paying and managing staff and maintaining non-current assets would be removed.  Manufacturing non-current assets could be sold to release cash.</p> <p>Decision  Candidates may conclude that Wooden Gifts should continue or discontinue manufacture. Candidates should support that decision with an appropriate rationale.</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><b>A01 (7), A02(3)</b></p> <p><b>A01: Seven marks for posting entries into account.</b></p> <p><b>A02: Three marks for recording interest charges and refunds correctly and balancing without alien items.</b></p>	<b>(10)</b>

Trade Receivables Control Account

Date	Details	£	Date	Details	£
2017			2017		
Oct 1	Balance b/d	40 500 <b>(1) A01</b>	Oct 1	Balance b/d	1 500
Oct 31	Sales	56 000 <b>(1) A01</b>	Oct 31	Bank	50 220 <b>(1) A01</b>
	Interest charged	320 <b>(1) A02</b>		Bad debt	1 650 <b>(1) A01</b>
	Bank (Refund)	900 <b>(1) A02</b>		Discount allowed	2 050 <b>(1) A01</b>
				Returns inwards	4 300 <b>(1) A01</b>
		_____		Balance c/d	<u>38 000</u> <b>(1) A02</b>
		<u>97 720</u>			<u>97 720</u>
Nov 1	Balance b/d	38 000 <b>(1of) A01</b>			
		On debit side			

Question Number	Answer	Mark
2 (b)	<p><b>AO1 (2)</b>  <b>AO1: Two marks for identifying possible reasons.</b>  Customer over payment  Customer prepayment  Goods returned after payment  Incorrect discount allowed calculated by customer  <b>2 x (1) AO1</b></p> <p><b>NOT</b>  Errors in posting  Discount allowed</p>	<b>(2)</b>

Question Number	Answer	Mark
2 (c) (i)	<p><b>AO2 (5)</b>  <b>AO2: Five marks for applying the principle to the scenario to determine the type of error.</b>  (1) Original entry   <b>(1) AO2</b>  (2) Reversal       <b>(1) AO2</b>  (3) Commission   <b>(1) AO2</b>  (4) Omission       <b>(1) AO2</b>  (5) Principle       <b>(1) AO2</b></p> <p><b>NOT</b>  (1) Transposition (2) Compensation</p>	<b>(5)</b>

Question Number	Answer	Mark
2 (c) (ii)	<b>AO2 (8), AO3(2)</b> <b>AO2: Eight marks for recording the correct journal entry.</b> <b>AO3: Two marks for entries requiring identification of ledger accounts and adjustment of financial entries made.</b>	<b>(10)</b>

Journal

	Dr £	Cr £
Raj	180 <b>(1) AO2</b>	
Revenue/sales		180 <b>(1) AO2</b>
Discount allowed	46 <b>(1) AO3</b>	
Copra		46 <b>(1) AO3</b>
Ng	850 <b>(1) AO2</b>	
Nah		850 <b>(1) AO2</b>
Shen	650 <b>(1) AO2</b>	
Revenue/sales		650 <b>(1) AO2</b>
Revenue/sales	2 400 <b>(1) AO2</b>	
Office furniture/fixtures		2 400 <b>(1) AO2</b>

NOT  
Sales day book instead of revenue/sales

Question Number	Answer	Mark
2 (d)	<p><b>AO1(2)</b>  <b>AO1: Two marks for explaining why the error is not revealed by the trial balance.</b>            There is a debit entry and a credit entry of equal value/at least two different errors which cancel each other out <b>(1) AO1</b> therefore both sides of the trial balance will agree. <b>(1) AO1</b></p>	<b>(2)</b>

Question Number	Answer	Mark										
2 (e) (i)	<p><b>AO1(3)</b>  <b>AO1: Three marks for calculating the allowance.</b></p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">£</td> </tr> <tr> <td style="padding-left: 40px;">0 – 1 month</td> <td style="text-align: right;">400 <b>(1) AO1</b></td> </tr> <tr> <td style="padding-left: 40px;">1 – 3 months</td> <td style="text-align: right;">600 <b>(1) AO1</b></td> </tr> <tr> <td style="padding-left: 40px;">3 months plus</td> <td style="text-align: right;"><u>600</u> <b>(1) AO1</b></td> </tr> <tr> <td></td> <td style="text-align: right;">1 600</td> </tr> </table>		£	0 – 1 month	400 <b>(1) AO1</b>	1 – 3 months	600 <b>(1) AO1</b>	3 months plus	<u>600</u> <b>(1) AO1</b>		1 600	<b>(3)</b>
	£											
0 – 1 month	400 <b>(1) AO1</b>											
1 – 3 months	600 <b>(1) AO1</b>											
3 months plus	<u>600</u> <b>(1) AO1</b>											
	1 600											



Question Number	Answer	Mark
2 (f)	<p><b>AO1(1), AO2(4)</b>  <b>AO1: One mark for recording the opening balance.</b>  <b>AO2: Four marks for calculating and recording the remaining entries.</b></p>	<b>(5)</b>

Weston Supplies Account

Date	Details	£	Date	Details	£
2017			2017		
Oct 1	Balance b/d	800 <b>(1) AO1</b>	Oct 6	Returns in	60 <b>(1) AO2</b>
Oct 5	Sales	300 <b>(1) AO2</b>	Oct 20	Bank	520 <b>(1) AO2</b>
				Bad debt	<u>520</u> <b>(1) AO2</b>
		<u>1 100</u>			<u>1 100</u>

Question Number	Indicative Content	Mark
2 (g)	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Positive points for concepts and conventions</p> <p>Ensures consistency of approach when different businesses use the same concepts in preparing their financial statements.</p> <p>Ensures greater accuracy in the calculation of profit for a period when the expenses and incomes have been calculated using accounting concepts and conventions.</p> <p>Stakeholders can have trust and faith in the published financial statements of the business to be used for their assessment of the business</p> <p>Financial statements can be compared from business to business as the financial statements are prepared using the same concepts and conventions.</p> <p>Negative points for concepts and conventions</p> <p>Concepts and conventions are often open to interpretations and different business may take different interpretations when preparing their accounts.</p> <p>Concepts and conventions can on occasions be contradictory e.g. it may be consistent to use straight line depreciation but not prudent in the early years of a non-current assets life when depreciation is high.</p> <p>The application of concepts and conventions requires those preparing the financial statements to be skilled in accounting approaches therefore there is a cost implication.</p> <p>Do not incorporate non-financial factors.</p> <p>Decision</p> <p>Candidates may conclude that the application of concepts and conventions is on balance a positive development in that it provides a consistent approach to the preparation of financial statements. Candidates should support that decision with an appropriate rationale.</p> <p>NOT</p> <p>Description of concepts and conventions.</p>	(12)



Level	Mark	Descriptor
	0	A completely incorrect response.
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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)	<b>AO1 (4), AO2(4)</b> <b>AO1: Four marks for using the correct formula.</b> <b>AO2: Four marks for calculating the ratio/days with correct description.</b>	(8)

- (i)  $\frac{\text{Trade payables} \times 365}{\text{Credit purchases}} = \frac{2\,400 \times 365}{30\,000}$  (1) **AO1** = 29.2 days (1) **AO2**
- (ii)  $\frac{\text{Trade receivables} \times 365}{\text{Credit sales}} = \frac{12\,000 \times 365}{66\,000}$  (1) **AO1** = 66.4 days (1) **AO2**
- (iii)  $\frac{\text{Current assets}}{\text{Current liabilities}} = \frac{6\,000 + 12\,000}{2\,400 + 5\,600}$  (1) **AO1** = 2.25:1 (1) **AO2**
- (iv)  $\frac{\text{Current assets} - \text{Inventory}}{\text{Current liabilities}} = \frac{12\,000}{2\,400 + 5\,600}$  (1) **AO1** = 1.5:1 (1) **AO2**

Reasonable rounding accepted

Question Number	Answer	Mark
3 (b)	<b>AO1 (4)</b> <b>AO1: Four marks for identifying factors which have would limit the funds in the bank.</b>  Allowing too many days credit to trade receivables Paying trade payables too quickly High drawings Inadequate capital for business growth Expenses too high Selling price to low Inventory to high Purchase non-current assets	(4)

Question Number	Answer	Mark
3 (c)	<p><b>AO1 (1), AO2(4)</b>  <b>AO1: One mark for recording the correct opening inventory.</b>  <b>AO2: Four marks for calculating the forecast revenue and costs for the following three month period.</b></p>	(5)

Forecast Statement of Profit or Loss and Other Comprehensive Income  
for the three months ended 30 March 2017

	£	£
Revenue		73 000 (1) <b>AO2</b>
Opening inventory	6 000 (1) <b>AO1</b>	
Purchases	<u>31 500 (1) <b>AO2</b></u>	
	37 500	
Closing Inventory	<u>(4 400)</u>	
Cost of sales		<u>33 100</u>
Gross profit		<u>39 900</u>
Expenses		<u>(13 200) (1) <b>AO2</b></u>
Profit for the three months		<u>26 700(1of) <b>AO2</b></u>

Question Number	Answer	Mark
3 (d)	<b>AO2 (4), AO3 (3)</b> <b>AO2: Four marks for inclusion of correct working figures in calculation.</b> <b>AO3: Three marks for calculating correct closing balances.</b>	<b>(7)</b>

(i) Trade payables

$$2\,400 + 31\,500 \text{ (1of) AO2} - 27\,600 = 6\,300 \text{ (1of) AO3 (2)}$$

(ii) Trade receivables

$$12\,000 + 73\,000 \text{ (1of) AO3} - 73\,000 = 12\,000 \text{ (1of) AO2 (2)}$$

(iii) Bank (overdraft)

$$(5\,600) + 73\,000 \text{ (1of) AO2} - 27\,600 - 13\,200 - 7\,500 \text{ (1) AO2} \\ = 19\,100 \text{ (1of) AO3 (3)}$$

Working: Trade receivable 30 March 2017

$$\frac{12\,000 \text{ (Answer)} \times 365}{73\,000 \text{ (Given)}} = 60 \text{ days (Given)}$$

Question Number	Indicative Content	Mark
3 (e)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b> Own figure rule applies.</p> <p>Potential positive movements in liquidity</p> <p>The bank balance is now positive, moving from an overdraft at the start of the period. The amount owed to trade payables has risen from £2 400 to £6 300. Mathy is obtaining better credit terms but must be cautious to ensure that goods will continue to be supplied to him on credit The inventory level has fallen from £6 000 to £4 400. Inventory is showing signs of being better controlled. Expenses and drawings have been reduced improving cash flow for the business and retaining cash in the business. Profits are being generated at a high rate with gross profit to sales being over 50%. This will not only improve profitability but also liquidity. The trade receivables collection period has fallen from 66 days to 60 days. This is not a major movement and action still needs to be taken to speed up the collection of debts.</p> <p>Potential negative points about liquidity</p> <p>At the start of the period the liquid ratio was showing signs of some idle funds, with the improvements made this may become a greater problem. Action needs to be taken particularly on trade receivables. The trade receivables collection period 60 days is still high.</p> <p>Decision (Own figure rule to apply) Candidates may conclude that the liquidity at the start of the period, as measured by the two ratios, was satisfactory, although there was a bank overdraft. If the forecasts are correct, the liquidity of Mathy's business will improve and the bank will become a positive balance.</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><b>AO1 (4)</b>  <b>AO1: Four marks for explaining the term allocation and its limitation.</b></p> <p>(i) Costs which are wholly identifiable with one cost centre <b>(1) AO1</b> are charged direct to that cost centre. <b>(1) AO1</b></p> <p>(ii) For some costs the benefit of the expenditure are felt by several cost centres. <b>(1) AO1</b> The total has to be shared or apportioned on some equitable basis. <b>(1) AO1</b></p>	<b>(4)</b>

Question Number	Answer	Mark
4 (b)	<p><b>AO1(1), AO2(8), AO3 (3)</b></p> <p><b>AO1: One mark for totalling both the body repair shop and paint shop.</b></p> <p><b>AO2: Eight marks for calculating the re-apportionment.</b></p> <p><b>AO3: Three marks for calculating the effect on the service departments.</b></p>	<b>(12)</b>

Body repair shop £	Paint shop £	Stores £	Administration £
62 000	43 000	16 000	12 000
8 000 (1) <b>AO2</b>	4 000 (1) <b>AO2</b>	(16 000) (1) <b>AO3</b>	4 000
9 600 (1) <b>AO2</b>	4 800 (1) <b>AO2</b>	1 600 (1) <b>AO2</b>	(16 000)
800 (1) <b>AO2</b>	400	(1 600) (1) <b>AO3</b>	400
240	120 (1) <b>AO2</b>	40	(400) (1) <b>AO3</b>
25 (1of) <b>AO2</b>	15	(40)	
80 665	52 335 (1) <b>AO1</b> <b>Both</b>		

Accept reasonable rounding.

Question Number	Answer	Mark
4 (c)	<p><b>AO2(4)</b>  <b>AO2: Four marks for calculating the re-apportionment.</b></p> <p>(i) Body repair shop <math>\frac{\pounds 80\,665}{6\,400 \text{ hrs}}</math> = £12.6 per hour (1) of <b>AO2</b>  (1) <b>AO2</b>  (2)</p> <p>(ii) Paint shop <math>\frac{\pounds 52\,335}{3\,400 \text{ hrs}}</math> = £15.39 per hour (1) of <b>AO2</b>  (1) <b>AO2</b>  (2)</p>	<b>(4)</b>

Question Number	Answer	Mark
4 (d)	<p><b>AO1 (4)</b>  <b>AO1: Four marks for explaining the term under absorbed and identifying two possible reasons.</b></p> <p>(i) The total of the overhead recovered is less (1) <b>AO1</b> than the actual overhead expenditure. (1) <b>AO1</b>  <b>AO1</b></p> <p>OR  Actual overhead costs is greater (1) <b>AO1</b> than budget. (1) <b>AO1</b>  (2)</p> <p>(ii) The original calculation of rate per hour was based upon incorrect figures.  The projection of hours of recovery was overstated.  Expenditure was greater than projected  The time of painters finishing jobs improved.  2 x (1) <b>AO1</b>  (2)</p>	<b>(4)</b>



Question Number	Indicative Content	Mark
<b>4 (e)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Potential positive arguments for apportionment</p> <p>The cost must be recovered in the price charged to the customer and therefore to do this the cost must be charged to a specific productive cost centre. Apportionment is just a means of charging the cost.</p> <p>The cost driver will be used to ensure a reasonable match between the usage of the cost and the sum apportioned to the cost centre.</p> <p>Potential negative points against apportionment</p> <p>Because the cost is used across many cost centres the sum apportioned to a specific cost centre is only an estimate of the usage. With some costs it may be difficult to establish a strong cost driver. Therefore, any apportionment will largely be arbitrary. Continuous allotment when used to re-apportion overheads may be an example of that arbitrary apportionment. The need for an experienced practitioner to carry out the calculations and the time required to do so.</p> <p>Decision Candidates may conclude that it is a satisfactory or unsatisfactory way of determining the cost of operating. The candidate's decision should be supported by reference to positive and negative points.</p>	<b>(6)</b>
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)	<b>AO2(4)</b> <b>AO2 Four marks for calculating the depreciation to be charged on each vehicle.</b>	<b>(4)</b>

Year ended	motor vehicle A £	motor vehicle B £	motor vehicle C £	motor vehicle D £	Total £
31 December 2017	1 500 <b>(1) AO2</b>	3 200 <b>(1) AO2</b>	2 700 <b>(1) AO2</b>	2 000 <b>(1) AO2</b>	9 400

Question Number	Answer	Mark
5 (b)	<b>AO1(1), AO2(2), AO3(1)</b> <b>AO1 One mark for appropriate narrative.</b> <b>AO2 Two marks for journalising motor vehicle and bank entries.</b> <b>AO3 One mark for correct journalising and value of provision for depreciation.</b>	<b>(4)</b>

Journal

	Dr	Cr
	£	£
Provision for depreciation- motor vehicle	4 500	
Disposal		4 500 <b>(1) AO3</b>
		<b>Both</b>
Disposal	15 000	
Motor vehicle		15 000 <b>(1) AO2</b>
		<b>Both</b>
Bank	11 000	
Disposal		11 000 <b>(1) AO2</b>
		<b>Both</b>
Sale of motor vehicle A on 1 July 2017 for £11 000 <b>(1) AO1</b>		

Question Number	Answer	Mark
5 (c)(i)	<b>AO2(4)</b> <b>AO2 Four marks for posting to delivery vehicle account.</b>	(4)

Delivery Vehicles Account

Date	Details	£	Date	Details	£
2017			2017		
1 Jan	Balance b/d	31 000 (1) <b>AO2</b>	1 July	Disposal	15 000 (1) <b>AO2</b>
1 April	Bank	18 000			
1 July	Bank	<u>20 000 (1) <b>AO2</b></u>	31 Dec	Balance c/d	<u>54 000 of</u>
		<u>69 000</u>			<u>69 000</u>
2018					
1 Jan	Balance b/d	54 000 (1) <b>AO2</b>			

On debit side

Question Number	Answer	Mark
5 (c)(ii)	<b>AO2(2), AO3(2)</b> <b>AO2 Two marks for posting to delivery vehicle account.</b> <b>AO3 Two marks for calculating depreciation to 1 July 2017 and correct insertion in disposal account. Correct calculation of loss.</b>	(4)

Disposal Account

Date	Details	£	Date	Details	£
2017			2017		
1 July	Motor vehicle	15 000 (1) <b>AO2</b>	1 July	Prov for Deprec	4 500 (1of) <b>AO3</b>
31 Dec	Profit on disposal/Income statement	<u>500 (1of) <b>AO3</b></u>		Bank	<u>11 000 (1) <b>AO2</b></u>
		<u>15 000</u>			<u>15 000</u>

Question Number	Answer	Mark
5 (d)	<p><b>AO2(4)</b>  <b>AO2 Four marks for explaining the difference between the two accounting concepts.</b></p> <p>Going concern  Assumes business life will continue for the foreseeable future unless the contrary is known  All non-current assets to be depreciated over their economic life</p> <p>Consistency  Assumes same treatment in the accounts over time e.g. using the same method of depreciation  Seeks to avoid distortion in the preparation of the accounts</p> <p>Candidates to distinguish a point for going concern and a point for consistency. <b>2 x (2) AO2</b></p>	(4)

Question Number	Answer	Mark
5 (e)	<p><b>AO1(4)</b>  <b>AO1 Four marks for identification of capital expenditure or revenue expenditure.</b></p> <ul style="list-style-type: none"> <li>• Motor vehicle delivery cost      Capital expenditure (1) <b>AO1</b></li> <li>• Road licence                              Revenue expenditure (1) <b>AO1</b></li> <li>• Insurance                                      Revenue expenditure (1) <b>AO1</b></li> <li>• Sign writing of business name      Capital expenditure (1) <b>AO1</b></li> </ul>	(4)

Question Number	Indicative Content	Mark
5 (f)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Potential positive arguments for straight line</p> <p>Fast Response will obtain many years usage from each motor vehicle. The usage will probably be of equal value over the years. Therefore it seems appropriate to charge equal depreciation to each year.</p> <p>Potential negative points against straight line</p> <p>As the motor vehicle becomes older it will require more maintenance and repair therefore the total cost of operating the motor vehicle in depreciation and repairs will rise distorting profits later in the life of the non-current asset.</p> <p>Motor vehicles tend to lose a greater proportion of their value in the early years. Therefore with the straight line method the carrying value will be in excess of the true market value.</p> <p>It would be prudent to charge higher depreciation in the early years.</p> <p>Decision</p> <p>Candidates may conclude that it is a suitable or not suitable in the depreciation of motor vehicles. The candidate's decision should be supported by reference to positive and negative points.</p> <p>NOT</p> <p>Simple to calculate</p> <p>Easy to calculate</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
6 (a)	<p><b>AO1 (4)</b>  <b>AO1: Four marks for recommending the basis of apportionment and providing a reason.</b></p> <p>Rent and rates – Floor area <b>(1) AO1</b> the expense will be incurred in relation to the area occupied by the respective departments. <b>(1) AO1</b>  Marketing expenses – Revenue <b>(1) AO1</b> marketing will raise awareness of the goods and services that PC Sales and Repairs has to offer which should increase the sales revenue of the respective departments. <b>(1) AO1</b></p>	<b>(4)</b>

Question Number	Answer	Mark
6 (b)	<p><b>AO1 (5), AO2(12), AO3 (3)</b>  <b>AO1: Five marks for recording the figure correctly from the data given.</b>  <b>AO2: Twelve marks for calculating the figure and then recording this correctly.</b>  <b>AO3: Three marks for calculating the correct figure using two calculations and then recording the figure correctly.</b></p>	<b>(20)</b>

PC Support  
Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2017

	Shop		Workshop	
	£	£	£	£
Revenue		75 000 <b>(1)AO1</b>		45 000
Opening inventory	25 500		1 800 <b>(1)</b> <b>AO1</b>	
Purchases	28 000		6 400 <b>(1)</b> <b>AO1</b>	
Transfers	<u>(3 400)</u> <b>(1)AO2</b>		<u>3 400</u>	
	50 100		11 600	
Closing inventory	<u>(29 000)</u>		<u>(2 000)</u> <b>(1)</b> <b>AO1</b>	
Cost of sales		<u>21 100</u> <b>(1of) AO2</b>		<u>9 600</u>
Gross profit		53 900		35 400 <b>(1of)</b> <b>AO1</b>
Wages	40 500 <b>(1)</b> <b>AO3</b>		27 000 <b>(1)</b> <b>AO3</b>	
Rent and rates	7 500 <b>(1)</b> <b>AO2</b>		4 500 <b>(1)</b> <b>AO2</b>	
General expenses	3 150 <b>(1)</b> <b>AO2</b>		1 950 <b>(1)</b> <b>AO2</b>	
Marketing expenses	375 <b>(1)</b> <b>AO2</b>		225 <b>(1)</b> <b>AO2</b>	
Bad debts	-		500 <b>(1)</b> <b>AO2</b>	
Allowance for doubtful debts	70 <b>(1)</b> <b>AO2</b>		70 <b>(1)</b> <b>AO3</b>	
Depreciation – Fixtures and equipment	<u>400</u> <b>(1)</b> <b>AO2</b>		<u>300</u> <b>(1)</b> <b>AO2</b>	
		<u>51 995</u>		<u>34 545</u>
Departmental profit for the year		1 905		855



Question Number	Indicative Content	Mark
6 (c)	<p><b>AO2 (1), AO3 (2), AO4 (3)</b> Own figure applies</p> <p>Potential positive arguments</p> <p>The owner will be required to concentrate more on developing one of the activities. The expanded activity will result in the owner devoting more of his time. He may need to employ a manager for the other department. More floor space will be required to expand whichever department the owner chooses to expand. Additional floor space will cost more and may involve the business moving to new premises. The goods for sale in the shop or the services of the workshop could be expanded.</p> <p>Potential negative arguments</p> <p>Further materials and labour resources will need to be acquired. This will require additional capital from the owner or in the form of a loan. The provision of a complementary service may need to be retained. Customers who have computers repaired may buy the accessories available within the shop. It may not be possible to expand one department without putting additional demand on the other department. The cost of marketing is very low, more concentration on marketing activities may increase the overall demand for both services increasing the profitability of the business. Both departments might naturally expand if the services that are on offer are presented to the public. If you close one department all the fixed costs must be borne by the other department.</p> <p>Decision Candidates may conclude that the owner should/ should not concentrate on a single activity. The candidate's decision should be supported by reference to positive and negative points.</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	<p>Elements of knowledge and understanding, which are applied to the scenario.</p> <p>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.</p> <p>An attempt at an evaluation is presented, using financial and perhaps non-financial information, with a decision.</p>
Level 3	5-6	<p>Accurate and thorough knowledge and understanding. Application to the scenario is relevant and effective.</p> <p>A coherent and logical chain of reasoning, showing causes and effects is present.</p> <p>Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.</p>