



# **Mark Scheme (Results)**

January 2019

Pearson Edexcel IAL Accounting

In Accounting (WAC11)

Paper 01 The Accounting System and Costing

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January 2019

Publications Code WAC11\_01\_1901\_MS

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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(2)</b>  <b>AO1: Two marks for balances and introducing capital.</b>  <b>AO2: Two marks for goodwill calculation and posting.</b></p>	(4)

**Capital Account**

Date	Details	Rach	Saada	Galenia	Date	Details	Rach	Saada	Galenia
<b>2018</b>		<b>£</b>	<b>£</b>	<b>£</b>	<b>2018</b>		<b>£</b>	<b>£</b>	<b>£</b>
1 Jan	Goodwill	20 000	20 000	10 000	1 Jan	Balance	25 000	30 000	
		All	balances	<b>1 AO2</b>		Introduced			15 000
									<b>1 AO1</b>
31 Dec	Balance	30 000	35 000	5 000		Goodwill	25 000	25 000	
		<u>          </u>	<u>          </u>	<u>          </u>			<b>1 AO2</b>	<u>Both</u>	<u>          </u>
		<u>50 000</u>	<u>55 000</u>	<u>15 000</u>			<u>50 000</u>	<u>55 000</u>	<u>15 000</u>
					2019				
					1 Jan	Balance b/d	30 000	35 000	5 000
							All	balances	<b>1 AO1</b>

Question Number	Answer	Mark
1 (a)(ii)	<p><b>AO1 (5), AO2(12), AO3(2)</b></p> <p><b>AO1: Five marks for transferring balances to the income statement.</b></p> <p><b>AO2: Twelve marks for calculating or adjusting balances in the income statement.</b></p> <p><b>AO3: Two marks for balances requiring two levels of adjustment.</b></p>	(19)

**Rach, Saada and Galenia**

**Statement of Profit or Loss and Other Comprehensive Income  
for the year ended 31 December 2018**

	£	£	£
Revenue		246 400 + 7 000	253 400(1) <b>AO2</b>
Less			
Telephone and broadband expenses		6 200 +300	6 500 (1) <b>AO1</b>
Depreciation –Leasehold premises			8 000 (1) <b>AO2</b>
Motor vehicles			6 000 (1) <b>AO2</b>
Fixtures and computers			11 000 (1) <b>AO2</b>
Loss on sale of computer			1 150 (1) <b>AO3</b>
Motor vehicle running expenses			24 350 (1) <b>AO1</b>
Computer maintenance			17 950 (1) <b>AO1</b>
Insurance			30 000 (1) <b>AO1</b>
Electricity and water			8 550 (1) <b>AO1</b>
Marketing		15 000 - 2 100	12 900 (1) <b>AO2</b>
Wages and salaries		75 500 +4 600	80 100 (1) <b>AO2</b>
Bank loan interest			1 800 (1) <b>AO2</b>
Bad debt			3 000 (1) <b>AO2</b>
Allowance for doubtful debts			<u>2 100 (1) <b>AO3</b></u>
			(213 400)
Profit for the year			40 000
Plus			
Interest on drawings- Rach			400 (1) <b>AO2</b>
Saada			300 (1) <b>AO2</b>
Galenia			<u>300</u>
			<u>1 000</u>
			41 000
Less			
Interest on capital Rach			3 000 (1of) <b>AO2 All</b>
Saada			3 500
Galenia			<u>500</u>

		(7 000)
		34 000
Share of profit	Rach	13 600 <b>(1of) AO2 All</b>
	Saada	13 600 Correct split
	Galenia	<u>6 800</u>
		<u>(34 000)</u>

Question Number	Answer	Mark
<b>1 (a)(iii)</b>	<b>AO1 (4)</b> <b>AO1: Four marks for posting balances.</b>	<b>(4)</b>

**Current Account**

Date	Details	Rach	Saada	Galenia	Date	Details	Rach	Saada	Galenia
2018		£	£	£	2018		£	£	£
31 Dec	Drawings	10 000	7 500	7 500	1 Jan	Balance	2 600	4 100	-
		All	balances	<b>1 AO1</b>	31 Dec	In't on cap	3 000	3 500	500
	Dr'gs int	400	300	300			All	balances	<b>1 AO1</b>
		All	balances	<b>1 AO1</b>					
						Profit	13 600	13 600	6 800
							All	balances	<b>1 AO1</b>
	Balance	<u>8 800</u>	<u>13 400</u>	<u>      </u>		Balance	<u>      </u>	<u>      </u>	<u>500</u>
		<u>19 200</u>	<u>21 200</u>	<u>7 800</u>			<u>19 200</u>	<u>21 200</u>	<u>7 800</u>
2019					2019				
1 Jan	Balance			500	1 Jan	Balance b/d	8 800	13 400	

Question Number	Answer	Mark
1 (b)	<p><b>AO1 (5), AO2 (9), AO3(2)</b></p> <p><b>AO1: Five marks for transferring balances to the position statement.</b></p> <p><b>AO2: Nine marks for calculating or adjusting balances in the position statement.</b></p> <p><b>AO3: Two marks for balances requiring two levels of adjustment.</b></p>	(16)

Statement of Financial Position at 31 December 2018

Non-current Assets

	Cost	Accumulated depreciation	Carrying value
	£	£	£
Leasehold premise	160 000	94 900	65 100 (1)of AO2
Motor vehicles	62 000	38 000	24 000(1)of AO2
Fixtures and computers	<u>44 000(1) AO2</u>	<u>22 400(1)of AO3</u>	<u>21 600</u>
	<u>266 000</u>	<u>155 300</u>	<u>110 700(1)of AO2</u>

Current Assets

Trade receivables	38 000-3 000+7 000	42 000(1)of AO2
Less Allowance for doubtful debts		<u>(2 100)</u>
		39 900(1) AO3
Other receivables:		2 100(1) AO2
Cash and bank	2 450 + 250	<u>2 700 (1) AO2</u>
		<u>44 700</u>
Total Assets		<u>155 400</u>

CapitalAccounts

Rach	30 000	
Saada	35 000	
Gallenia	<u>5 000</u>	
		70 000 (1)of AO2

Current Accounts

Rach	8 800	
Saada	13 400	
Gallenia	<u>(500)</u>	
		21 700 (1of) AO2

Non-current Liabilities

6% Bank loan (repayable 2022)	40 000 (1) AO1
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Current Liabilities

Trade payables		17 000 <b>(1) AO1</b>
Other payables:	(300+4 600+1 800)	<u>6 700</u>
	<b>(1) AO1 (1) AO1 (1) AO1</b>	<u>23 700</u>
Total Capital and Liabilities		<u>155 400</u>

Question Number	Indicative Content	Mark
<b>1 (c)</b>	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p>Positive points for concepts and conventions</p> <p>Enables the financial statements of different businesses to be prepared using the same approach. Enables different periods and businesses to be ompared. Trust on the reliability of the information by stakeholders.</p> <p>Negative points for concepts and conventions</p> <p>Requires professional input to apply the concepts and conventions. Concepts and conventions can contradict each other. Interpretation of concepts and conventions can vary.</p> <p>Decision Candidates may conclude concepts and conventions are critical for accounting or not critical for accounting. Candidates should support that decision with an appropriate rationale.</p> <p><b>NOTE</b> Candidates are required to evaluate the use <b>NOT</b> to describe particular concepts or conventions. No marks will be awarded for descriptions of concepts and conventions.</p>	<b>(12)</b>

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>AO1 (3), AO2 (9), AO3 (4)</b></p> <p><b>AO1: Three marks for transferring balances to the position statement.</b></p> <p><b>AO2: Nine marks for calculating or adjusting balances in the position statement.</b></p> <p><b>AO3: Four marks for balances requiring two levels of adjustment.</b></p>	(16)

**Abhra Sandwiches**

**Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2018.**

	£	£
Revenue		
	180 000 + 39 000 + 18 000 + 1 700 – 4 900 + 5 700	239 500 <b>(4) AO2</b>
Cost of sales	115 000 – 12 350 + 17 800	<u>(120 450) <b>(2) AO2</b></u>
Gross profit		119 050
Other income		
Commission received		9 100 <b>(1) AO1</b>
Rent received		<u>5 900 <b>(1) AO1</b></u>
		134 050
Expenses		
Wages	23 450 + 39 000	62 450 <b>(1) AO2</b>
Motor vehicle expenses	14 100 + 1 700 – 600 – 350	14 850 <b>(2) AO3</b>
Premises rent		10 000 <b>(1) AO1</b>
Bank loan interest	7 300 – 6 000	1 300 <b>(1) AO2</b>
General expenses	15 800 – 750 + 1 300	16 350 <b>(1) AO2</b>
Depreciation – Motor vehicles		6 500 <b>(1) AO3</b>
Fixtures and fittings	-	<u>800 <b>(1) AO3</b></u>
		112 250
Profit for the year		<u>21 800</u>

Note:

Revenue adjustment to 180 000, 1 mark for two correct, 2 marks for three correct. 3 marks for four correct.

Cost of sales adjustment to 135 000, 1 mark for one correct.

Question Number	Answer	Mark
<b>2 (b)</b>	<p><b>AO1 (4), AO2 (1)</b>  <b>AO1: Four marks for transferring balances given in resource booklet.</b>  <b>AO2: One mark for correctly recording purchases.</b></p>	<b>(5)</b>

**Quality Catering Account**

Date	Details	£	Date	Details	£
2018			2018		
	Bank	115 000 <b>(1) AO1</b>	1 Jan	Balance b/d	12 350 <b>(1) AO1</b>
31 Dec	Balance c/d	<u>17 800</u> <b>(1) AO1</b>		Purchases	<u>120 450</u> <b>(1of) AO2</b>
		<u>132 800</u>			<u>132 800</u>
			2019		
			1 Jan	Balance b/d	17 800 <b>(1) AO1</b>

Question Number	Answer	Mark
<b>2 (c)</b>	<p><b>AO1 (4)</b>  <b>AO1: Four marks for identifying advantages.</b></p> <p>Valid answers may include:</p> <ul style="list-style-type: none"> <li>• Running balance in accounts such as Quality Catering</li> <li>• Queries about account balances can be discussed with reference to the account</li> <li>• Statements of account can be sent out each month</li> <li>• The existence of errors can be identified by a trial balance</li> <li>• Financial statements can be prepared at regular intervals and profit ascertained</li> </ul> <p>4 x 1 mark</p>	<b>(4)</b>

Question Number	Answer	Mark
2 (d)	<p><b>AO1 (2), AO2 (8), AO3 (2)</b></p> <p><b>AO1: Two marks for arriving at a total cost.</b></p> <p><b>AO2: Eight marks for calculating raw material, labour and direct expenses.</b></p> <p><b>AO3: Two marks for arriving at the overhead cost.</b></p>	(12)

Sandwich type	Basic	Superior
<b>Production required per week</b>	800	300
	£	£
<b>Raw materials</b>		
Bread – 2 slices per sandwich	100 (1) <b>AO2</b>	60 (1) <b>AO2</b>
Fillings	400 (1) <b>AO2</b>	240 (1) <b>AO2</b>
<b>Labour</b>		
Production time @ £7.20 per hour	576 (1) <b>AO2</b>	360 (1) <b>AO2</b>
<b>Direct expenses</b>		
Packaging	124 (1) <b>AO2</b>	90 (1) <b>AO2</b>
<b>Overheads</b>		
Total additional overheads	400 (1) <b>AO3</b>	150 (1) <b>AO3</b>
<b>Total production cost (£)</b>	1600 (1) <b>AO1</b>	900 (1) <b>AO1</b>

Question Number	Answer	Mark
2 (e)	<p><b>AO1 (2)</b>  <b>A01: Two marks for calculating the production cost.</b></p> <p>Production cost per sandwich</p> $\frac{1600}{800} = \text{£}2 \text{ per (1of) AO1} \quad \frac{900}{300} = \text{£}3 \text{ per (1of) AO1}$	(2)

Question Number	Answer	Mark
2 (f)	<p><b>AO2 (4)</b>  <b>A02: Four marks for calculating the selling price.</b></p> <p>Selling price</p> $\frac{\text{£}2 \times 100}{60} = \text{£}3.33 \text{ (1of) AO2} \quad \frac{\text{£}3 \times 100}{60} = \text{£}5 \text{ (1of) AO2}$	(4)

Question Number	Indicative Content	Mark
<b>2 (g)</b>	<p><b>AO1 (1), AO2 (1), AO3 (5), AO4 (5)</b></p> <p><b>Own figure rule applies.g vtdrv</b></p> <p><b>Potential positive points for production of sandwiches</b></p> <p>Production will be secure and within his control. The sandwiches can be made cheaper than the current purchase arrangements.</p> <p>Quality control can be assured.</p> <p><b>Potential negative points against production of sandwiches</b></p> <p>Production problems will now be for Abhra to resolve. There will be more calls on his management time in the business. He could not really reduce the selling prices so there is no advantage in increased sales potential. Extra staff required to carry out work. Hygiene requirements for production which might be costly.</p> <p><b>Decision)</b></p> <p>Candidates may conclude that the production in house is advantageous or not advantageous. The candidate's decision should be supported by an appropriate rationale.</p>	<b>(12)</b>
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
<b>3 (a)</b>	<p><b>AO1 (4)</b>  <b>AO1: Four marks for describing the difference.</b></p> <p>Error of compensation</p> <p>More than one error <b>(1) AO1</b> which cancel each other out <b>(1) AO1</b></p> <p>Error of reversal</p> <p>A single error <b>(1) AO1</b> where the debiting and crediting are reversed <b>(1) AO1</b></p>	<b>(4)</b>

Question Number	Answer	Mark
<b>3 (b)</b>	<p><b>AO1 (4), AO2 (8)</b>  <b>AO1: Four marks for correct description of account.</b>  <b>AO2: Eight marks for correct description of account and numeric entry.</b></p>	<b>(12)</b>

### General Journal

	Debit	Credit
	£	£
Johns <b>(1) AO1</b>	2 800	
Revenue/Sales		2 800 <b>(1) AO2</b>
Sales returns	600 <b>(1) AO2</b>	
Johns		600 <b>(1) AO2</b>
Income statement <b>(1) AO1</b>	1 300	
Inventory		1 300 <b>(1) AO2</b>
Motor vehicle expenses <b>(1) AO1</b>	800	
General expenses		800 <b>(1) AO2</b>
Provision for depreciation <b>(1) AO1</b>	1 750	
Income statement		1 750 <b>(1) AO2</b>
Advertising	2 500 <b>(1) AO2</b>	
Income statement		2 500 <b>(1) AO2</b>

Question Number	Answer	Mark
3 (c)	<p><b>AO1 (3), AO2 (3), AO3 (2)</b>  <b>AO1: Three marks for arriving at profits.</b>  <b>AO2: Three marks for calculating adjusted balances.</b>  <b>AO3: Two marks for arriving at adjusted balances where two errors have occurred.</b></p>	(8)

**Statement of Profit or Loss and Other Comprehensive Income for the year ended  
31 December 2018**

	Draft	Workings	Revised
	£	£	£
Revenue	84 000	+ 2 800 - 600	86 200 <b>(1) AO3</b>
Cost of sales	<u>(47 000)</u>	+1 300	<u>(48 300)</u> <b>(1) AO2</b>
Gross profit	37 000		37 900 <b>(1of) AO1</b>
General expenses	(8 000)	-800	(7 200) <b>(1) AO2</b>
Motor vehicle expenses (including depreciation)	(18 000)	-1 750 +800	(17 050) <b>(1) AO3</b>
Advertising	<u>(12 000)</u>	- 2 500	<u>(9 500)</u> <b>(1) AO2</b>
Profit/(loss) for the year	(1 000)		4 150 <b>(2/1of) AO1</b>

Question Number	Indicative Content		Mark
<b>3 (d)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Positive points for ICT</p> <p>Errors will be reduced because many of the functions of the software are automated. The software will ensure that for every debit there is a credit so single entry errors will not occur. Regular reconciliations are available to minimise errors.</p> <p>Negative points ICT</p> <p>Requires professional input. Expenses and incomes can still be incorrectly categorised.</p> <p>Decision Candidates may conclude that errors would be significantly reduced but not eliminated. Candidates should support that decision with an appropriate rationale.</p>		<b>(6)</b>
Level	Mark	Descriptor	
	0	A completely incorrect response.	
Level 1	1-2	<p>Isolated elements of knowledge and understanding which are recall based.</p> <p>Generic assertions may be present.</p> <p>Weak or no relevant application to the scenario set.</p>	
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.</p> <p>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>	

Question Number	Answer	Mark								
<b>4 (a)</b>	<p><b>AO1 (4)</b>  <b>AO1: Four marks for explaining differences.</b></p> <table border="1"> <thead> <tr> <th>Receipts and payments</th> <th>Income and expenditure</th> </tr> </thead> <tbody> <tr> <td>The cash book of the club</td> <td>Establishes the surplus/deficit for a period</td> </tr> <tr> <td>Cash payments and receipts unadjusted</td> <td>Incomes/expenses adjusted for prepayments and accruals</td> </tr> <tr> <td>Only records non-current assets when purchased or sold</td> <td>Annual depreciation set against income.</td> </tr> </tbody> </table> <p><b>2 x (1) AO1</b> from Receipts and payments section</p> <p><b>2 x (1) AO1</b> from Income and expenditure section</p>	Receipts and payments	Income and expenditure	The cash book of the club	Establishes the surplus/deficit for a period	Cash payments and receipts unadjusted	Incomes/expenses adjusted for prepayments and accruals	Only records non-current assets when purchased or sold	Annual depreciation set against income.	<b>(4)</b>
Receipts and payments	Income and expenditure									
The cash book of the club	Establishes the surplus/deficit for a period									
Cash payments and receipts unadjusted	Incomes/expenses adjusted for prepayments and accruals									
Only records non-current assets when purchased or sold	Annual depreciation set against income.									

Question Number	Answer	Mark
<b>4 (b)(i)</b>	<p><b>AO2 (2)</b>  <b>AO2: Two marks for calculating the accumulated fund.</b></p>	<b>(2)</b>

Accumulated fund			
Asset	£	liabilities	£
Receipts and payments	800	Trade payables	110
Equipment and fixtures	12 400	Subs in advance	1 250
Subs in arrears	500	Life subscriptions	<u>11 500</u>
Inventory	<u>85</u>		12 860 <b>(1)AO2</b>
	13 785		
Accumulated fund		$13\,785 - 12\,860 = 925$	<b>(1of) AO2</b>

Question Number	Answer	Mark
4 (b)(ii)	<b>AO2 (2), AO3 (1)</b> <b>AO2: Two marks for calculating annual subscriptions and those in arrears.</b> <b>AO3: One mark for arriving at subscriptions paid involving multiple calculation.</b>	(3)

Annual subscriptions in arrears

	£	
Subscriptions	18 900 + 1 250 - 500 - 250 = 19 400	<b>(1) AO3</b>
Annual subscription	= <u>20 000</u>	<b>(1) AO2</b>
Subscriptions in arrears	600	<b>(1of) AO2</b>

Question Number	Answer	Mark
4 (b)(iii)	<b>AO1 (1), AO2 (1), AO3 (1)</b> <b>AO1: One mark for arriving at profits.</b> <b>AO2: One mark for calculating income.</b> <b>AO3: One mark for arriving at expenses involving multiple calculation.</b>	(3)

Profit from competitions

Income	£	£
Competition fees	1475 + 30	1 505 <b>(1) AO2</b>
Expenditure		
Expenses	430 + 75	505
Prizes	<u>910</u>	
		<b>(1 415) (1) AO3</b>
Profit on competitions		<u>90</u> + w <b>(1of) AO1</b>

Question Number	Answer	Mark
4 (b)(iv)	<b>AO1 (1), AO2 (2)</b> <b>AO1: One mark for arriving at profits.</b> <b>AO2: Two marks for calculating adjusted cost of sales.</b>	(3)

Profit on refreshments

	£	£	
Income	2 050		
Sales			
Opening inventory	85		
Purchases 1875 -110 +125	<u>1 890</u> (1) <b>AO2</b>		
	1 975		
Closing inventory	(160)		
Cost of sales		(1 815) +w (1) <b>AO2</b>	
Profit on refreshments		<u>235</u> + w (1) <b>AO1</b>	

Question Number	Answer	Mark
4 (c)(i)	<b>AO1 (3), AO2 (1)</b> <b>AO1: Three marks for transferring balances and balancing account.</b> <b>AO2: One mark for calculating transfer to income and expenditure account.</b>	(4)

### Life Subscriptions Account

Date	Details	£	Date	Details	£
2018			2018		
31 Dec	Income & Exp'ure	1 750 (1) <b>AO2</b>	1 Jan	Balance b/d	11 500 (1) <b>AO1</b>
	Balance c/d	<u>15 750</u>		Receipts & paym't	<u>6 000</u> (1) <b>AO1</b>
		<u>17 500</u>			<u>17 500</u>
			2019		
			1 Jan	Balance b/d	15 750 (1of) <b>AO1</b>

Question Number	Answer	Mark
4 (c)(ii)	<p><b>AO1 (1), AO2 (3), AO3(1)</b></p> <p><b>AO1: One mark for transferring balances and balancing account.</b></p> <p><b>AO2: Three marks for calculating adjusted balances.</b></p> <p><b>AO3: One mark for arriving at correct depreciation.</b></p>	(5)

**Income and Expenditure Account for the year ended 31 December 2018**

	£	£
<b>Income</b>		
Subscriptions–Annual 80 x £250	20 000 (1)AO2	
Life members	1 750	
Profit from competitions	90	
Profit on refreshments	235	
Donations	<u>700 (1)AO1</u>	
		22 775
<b>Expenditure</b>		
General expenses	9 000	
Wages	10 930	
Depreciation –equipment and fixtures		
12 400 + 3 850 – 450 – 13 300	<u>2 500 (1) AO3</u>	
		<u>22 430 (1of)AO2</u>
		(three entries)
Surplus		<u>345 +w(1of)AO2</u>

Question Number	Indicative Content		Mark
<b>4 (d)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Positive points for Life membership</p> <p>Initial inflow of cash.                      'Locks in' members to the club.                      Eliminates chance of bad debts or late payment.                      Less administration in collecting subscriptions.</p> <p>Negative points for life membership</p> <p>Life memberships will be at a heavy discount so loss of income.                      Service must now be supplied for an extended period.</p> <p>Decision                      Candidates may conclude that life membership is positive or negative for a club. Candidates should support that decision with an appropriate rationale.</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)	<p><b>AO1 (2)</b>  <b>AO1: Two marks for explaining the accounting terms.</b></p> <p>Job costing – Used where jobs are unique <b>(1) AO1</b> and to meet the specific order requirements <b>(1) AO1</b> of the customer.</p>	(2)

Question Number	Answer	Mark
5 (b)(i)	<p><b>AO1 (1), A02 (1)</b>  <b>A01: One mark for calculating rates.</b>  <b>A02: One mark for total budgeted labour.</b></p>	(2)

Chargeable hours  $50 \times 48 = 2\,400$  **(1) AO1**  $\times 75\% = 1\,800$  hours **(1) AO2**

Question Number	Answer	Mark
5 (b)(ii)	<p><b>A02 (2), A03 (1)</b>  <b>A02: Two marks for calculating rate to be charged.</b>  <b>A03: One mark for total budgeted labour cost.</b></p>	(3)

Labour rate per hour

$$\frac{((40 \times £7) + (10 \times £10.5) + £32) \times 48}{1\,800} = \frac{20\,016}{1\,800} = £11.12 \text{ per hour}$$

**(1) AO3**      **(1of)**      **AO2**

Or

$$\frac{100\,080}{9\,000} = £11.12 \text{ per hour}$$

**(1) AO3**      **(1of)**      **AO2**

Question Number	Answer	Mark
5 (b)(iii)	<b>A02 (2)</b> <b>A02: Two marks for calculating overhead recovery rate.</b>	(2)

Overhead recovery rate

$\frac{135\,000}{9\,000} = \text{£}15$  **(1of) A02** per direct labour hour

**A02**

Question Number	Answer	Mark
5 (c)	<b>A01 (1), A02 (4)</b> <b>A01: One mark for calculating total price.</b> <b>A02: Four marks for calculating quotation components.</b>	(5)

	Quotation	
	£	£
Raw materials 103 + 15	118	<b>(1of) A02</b>
Direct labour 7 x £11.12	77.84	<b>(1of) A02</b>
Overheads 7 x £15	<u>105</u>	<b>(1of) A02</b>
		<u>300.84</u>
Profit		<u>75.21</u> <b>(1of) A02</b>
Price to customer		<u>376.05</u> <b>(1of) A01</b>

Question Number	Answer	Mark
5 (d)	<p><b>AO1 (2)</b>  <b>AO1: Two marks for stating reasons.</b></p> <ul style="list-style-type: none"> <li>• Workers worked more hours on productive work than planned</li> <li>• Less overtime was worked than planned</li> <li>• Actual overheads were lower than budgeted.</li> </ul> <p>2 x (1) <b>AO1</b></p>	(2)

Question Number	Answer	Mark
5 (e)(i)	<p><b>AO1(2)</b>  <b>AO1: Two marks for explaining the difference between terms.</b></p> <p>Allocated costs are those which are wholly identifiable to one cost centre. <b>(1) AO1</b>            Apportioned costs are shared between cost centres on some equitable basis. <b>(1) AO1</b></p>	(2)

Question Number	Answer	Mark																																
5 (e)(ii)	<p><b>AO1 (1), AO2 (3), AO3 (2)</b></p> <p><b>AO1: One mark for calculating totals</b></p> <p><b>AO2: Three marks for allocated overheads and two way apportionment.</b></p> <p><b>AO3: Two marks for overheads requiring three way apportionment.</b></p> <table border="1" data-bbox="384 566 1121 1211"> <thead> <tr> <th></th> <th>Administration</th> <th>Stores</th> <th>Repairs</th> </tr> <tr> <th></th> <th>£</th> <th>£</th> <th>£</th> </tr> </thead> <tbody> <tr> <td>Allocated</td> <td>9 800</td> <td>2 700 <b>(1)</b></td> <td>4 500</td> </tr> <tr> <td>Motor vehicle expenses</td> <td>5 000</td> <td>5 000 <b>(1)</b></td> <td>25 000</td> </tr> <tr> <td>Rent and rates</td> <td>20 000</td> <td>5 000 <b>(1)</b></td> <td>-</td> </tr> <tr> <td>Management salaries</td> <td>19 200</td> <td>4 800 <b>(1)</b></td> <td>24 000</td> </tr> <tr> <td>Premises insurance</td> <td><u>8 000</u></td> <td><u>2 000</u> <b>(1)</b></td> <td>-</td> </tr> <tr> <td></td> <td>62 000</td> <td>19 500 <b>(1)</b></td> <td>53 500</td> </tr> </tbody> </table> <p><b>(1) AO1 x 1</b> <b>(2) AO2 x 2</b> <b>(3) AO3 x 3</b></p>		Administration	Stores	Repairs		£	£	£	Allocated	9 800	2 700 <b>(1)</b>	4 500	Motor vehicle expenses	5 000	5 000 <b>(1)</b>	25 000	Rent and rates	20 000	5 000 <b>(1)</b>	-	Management salaries	19 200	4 800 <b>(1)</b>	24 000	Premises insurance	<u>8 000</u>	<u>2 000</u> <b>(1)</b>	-		62 000	19 500 <b>(1)</b>	53 500	(6)
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Question Number	Indicative Content	Mark
<b>5 (f)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Positive points for apportionment</p> <p>Uses the most appropriate 'cost driver' to divide the overhead into departments. Enables costs of departments etc to be calculated and used for management purposes.</p> <p>Negative points for apportionment</p> <p>Lacks precision, only the best cost driver available can be used. Only an estimate of cost of a department or activity.</p> <p>Decision Candidates may conclude that apportionment of overheads is positive or negative. Candidates should support that decision with an appropriate rationale.</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
<b>6 (a)</b>	<p><b>AO2 (2)</b>  <b>A02: Two marks for calculating ratio.</b></p> $\frac{9\,000}{4\,000 + 12\,000 + 2\,000} = \frac{9\,000}{18\,000} = 0.5:1 \text{ (1) AO2}$ <p style="text-align: right;"><b>(2)</b></p>	

Question Number	Answer	Mark
<b>6 (b)</b>	<p><b>AO1 (4)</b>  <b>A01: Four marks for stating reasons.</b></p> <ul style="list-style-type: none"> <li>• Suppliers will probably limit credit to a new business</li> <li>• Sales will take time to grow</li> <li>• Customers will take time to pay debts</li> <li>• Expenses such as wages will need to be paid in cash</li> <li>• Non-current assets must be purchased.</li> </ul> <p style="text-align: right;"><b>(4)</b></p>	

Question Number	Answer	Mark
6 (c)	<b>AO1 (2), AO2 (10), AO3 (2)</b> <b>AO1: Two marks for calculating accrued expenses.</b> <b>AO2: Ten marks for calculating trade receivables, trade payables and bank.</b> <b>AO3: Two marks for calculating inventory.</b>	(14)

Balances 30 November 2018	Workings	Balances 31 December 2018
trade receivables £9 000	-2 000 (1) – 7 000 (1) +15 000 (1)	15 000
trade payables £4 000	-3 500 (1) +6 000 (1)	6 500
inventory £15 000	+6 000 (1) -10 000 (1)	11 000
bank overdraft £12 000	+500 (1) + 7 000(1) -3 500 (1) – 2000 (1) +3 000 (1)	7 000
accrued expenses £2 000	+2 500 (1) -2 000 (1)	2 500

2 x (1) **AO1**

10 x (1) **AO2**

2 x (1) **AO3**

(1) mark for each correct adjustment

Question Number	Answer	Mark
6 (d)(i)	<b>AO1(1): AO2 (1)</b> <b>AO1: One mark for final answer.</b> <b>AO2: One mark for calculating component costs.</b>	(2)

$$\frac{15\,000}{6\,500 + 7\,000 + 2\,500}$$

$$= \frac{15\,000}{16\,000} = 0.94:1 \text{ (1of) AO1}$$

$$16\,000 \text{ (1of) AO2}$$

Question Number	Answer	Mark
6 (d)(ii)	<b>AO1 (1), AO2 (1)</b> <b>AO1: One mark for identifying liquidity changes.</b> <b>AO2: One mark for development of possible reason.</b>	(2)

The bank overdraft has reduced by £5 000. **(1) AO1**

The acid test ratio at 0.94:1 is close to the guide of 1:1 **(1) AO1**

Sales are increasing and with good credit control cash will flow into the business. **(1) AO2**

Expenses and inventory are controlled.

**(1) AO2**

Trade payables have increased but not out of proportion to the inventory required to meet increased sales. **(1) AO2**

Max 2 x (1)

Question Number	Indicative Content		Mark
<b>6 (e)</b>	<p><b>AO2 (1), AO3 (2), AO4 (3)</b></p> <p>Positive points for credit control</p> <p>If the customer Fowler had been 'vetted' correctly the bad debt. may not have occurred and Mabon would not have incurred that expense of the bad debt. Credit control will limit the risk of debtors over extending their debt with Mabon and then being unable to pay.</p> <p>Negative points for credit control</p> <p>Sales could be lost if debtors can obtain better terms with another seller. It does require resources to constantly monitor and 'chase' debtors.</p> <p>Decision Candidates may conclude that credit control is positive or negative for a club. Candidates should support that decision with an appropriate rationale.</p>		<b>(6)</b>
Level	Mark	Descriptor	
	0	A completely incorrect response.	
Level 1	1-2	<p>Isolated elements of knowledge and understanding which are recall based.</p> <p>Generic assertions may be present.</p> <p>Weak or no relevant application to the scenario set.</p>	
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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>	

		Evaluation is balanced and wide ranging, using financial and perhaps non-financial information and an appropriate decision is made.
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