



Mark Scheme (Results)

January 2014

International A Level Accounting

WACO1 Paper 01

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January 2014

Publications Code IA037540

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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.

FOR ALL QUESTIONS: No markscheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the markscheme.

SECTION A

1(a)(ii)

	Journal		
	Dr	CR	
	£	£	
Goodwill	75 000		
Delivery vehicle	9 000		
Inventory	16 000		
Trade receivables	7 000		
Trade payables		15 000	
Capital Anthi		92 000 ✓	
Land and buildings	80 000		
Capital Keri		80 000 ✓	
Opening assets and liabilities of the partnership			✓
			(3)
Capital Anthi	45 000		✓
Capital Keri	30 000		✓
Goodwill		75 000	
Goodwill of the partnership written off			✓
			(3)

(b)(i)

Anthi and Keri – Statement of Comprehensive Income and Appropriation Account for the year ended 31 December 2013

	£	£
Gross profit		103 350
Less expenses:		
Wages and salaries (47 000 – 15 000)	32 000	✓
Loan interest (2 000 + 1 000)	3 000	✓
Delivery vehicle expenses (12 250 – 650)	11 600	✓
Sundry expenses	21 900	✓
Depreciation – Delivery vehicles	2 800	✓
Fixtures and fittings	1 200	✓
Bad debts	800	✓
Provision for Doubtful Debts	<u>700</u>	✓
		<u>74 000</u>
Profit for the year		29 350

Interest on capital:

Anthi	2 350	✓✓(✓of)
Keri (2 500 + 500)	<u>3 000</u>	✓✓ (✓of)
	5 350	
Salary Anthi	15 000	✓

Share of profit:

Anthi	5 400	✓of if in correct ratio
Keri	<u>3 600</u>	✓of if in correct ratio
	9 000	

29 350

(15)

(ii)

Capital Accounts

	Anthi	Keri		Anthi	Keri
	£	£		£	£
Goodwill	45 000	30 000 ✓	Journal	92 000	80 000 ✓
Balance c/d	<u>47 000</u>	<u>70 000</u>	Bank	<u>20 000</u> ✓	
	<u>92 000</u>	<u>100 000</u>		<u>92 000</u>	<u>100 000</u>
			Balance b/d	47 000	70 000 ✓of

(4)

(iii)

Current Accounts

	Anthi	Keri		Anthi	Keri
	£	£		£	£
Salary paid	15 000 ✓	-	Interest	2 350	3 000 ✓ of
Drawings	5 500	6 000 ✓	Salary	15 000	-
Balance c/d	<u>2 250</u>	<u>600</u>	Share of profit	<u>5 400</u>	<u>3 600</u>
	<u>22 750</u>	<u>6 600</u>		<u>22 750</u>	<u>6 600</u>
			Balance b/d	2 250	600 ✓of

(4)

(c)

Statement of Financial Position at 31 December 2013

	Cost	Accumulated Depreciation	Carry over
	£	£	£
<u>Non-current assets</u>			
Land and buildings			80 000
Delivery vehicles	19 000	2 800	16 200 ✓of if <19 000
Fixtures and fittings	14 000	1 200	<u>12 800</u> ✓of if <14 000
			109 000 ✓
<u>Current assets</u>			
Inventory	63 000		✓
Trade receivables	17 500		✓
Less PDD	<u>700</u>	16 800	✓of
Other receivables	650		✓
Cash and Bank	<u>7 800</u>		✓
			<u>88 250</u>
			<u>197 250</u>
<u>Capital and equity:</u>			
Capital accounts:			
Anthi	47 000		
Keri	<u>70 000</u>		
	117 000		✓of
Current accounts:			
Anthi	2 250		
Keri	<u>600</u>		
	2 850		✓of
			119 850
<u>Creditors: due in less than one year</u>			
Trade payables	25 900		✓
8% Bank loan repayment	10 000		✓
Other payables (1 000 + 500)	<u>1 500</u>		✓✓
			37 400
<u>Creditors: due in more than one year</u>			
8% Bank loan	<u>40 000</u>		✓ (✓of £50,000)
			<u>40 000</u>
			<u>197 250</u>

(15)

(d) Valid points may include:

Positive

- Land generally does not decrease in value through deterioration
- Historically land and buildings have appreciated in value
- Annual depreciation charge would be very small due to the long life of the asset

Negative

- Buildings will deteriorate with the passage of time
- Does not comply with concept of prudence, matching or going concern
- Unrealistic not to charge
- Non current assets not overstated

Do not accept higher profit, save time, make it easier

✓✓ per point x 4 - MAX 2 points positive and 2 points negative

(8)

(Total 52 marks)

2 (a)	£	£	£
	Plus	Minus	Balance
Inventory count			15 600
(1)	900		✓✓
(2)		(750)	✓✓
(3)		(500)	✓✓
(4)	800		✓✓
(5)	<u>350</u>	<u> </u>	✓✓
	2 050	1 250	<u> </u>
Adjusted inventory balance			<u><u>16 400</u></u>

(10)

(b)

	£
Assets	
Bank	1 680
Fixtures	1 700
Inventory	12 850
Trade receivables	6 170
Prepaid	<u>300</u>
	22 700 ✓
Less	
Liabilities	
Trade payables	<u>(6 700) ✓</u>
Capital	16 000 ✓of

(3)

(c)(i)

Gary - Statement of Comprehensive Income for the year ended 31 December 2013

	£	£
Revenue	52 960 – 6 170 + 6 330	53 120 ✓✓
Less		
Cost of sales:		
Opening inventory	12 850	
Purchases	38 900 – 6 700 + 9 350	<u>41 550</u> ✓✓
	54 400	
Closing inventory	<u>(16 400)</u>	✓of
Cost of sales		<u>38 000</u>
Gross profit		15 120
Plus Other income		
Playing fees	28 800 x 5%	1 440 ✓
Club salary	4 500 + 500	5 000 ✓
Golf tuition fees	8 250	8 250 ✓
		<u>14 690</u>
		29 810
Less Expenses		
Rent	2 150	2 150 ✓
Heat and light	1 760 + 300 + 460	2 520 ✓✓
Sundry expenses	4 420	4 420 ✓
Depreciation – Fixtures and fittings	<u>450</u>	450 ✓
		<u>9 540</u>
Profit for the year		<u>20 270</u>

(13)

(ii)

Statement of Financial Position at 31 December 2013

	£	£
<u>Non-current assets</u>		
Fixtures and fittings		1 650 ✓
 <u>Current assets</u>		
Inventory	16 400	✓of
Trade receivables	6 330	✓
Other receivables	<u>500</u>	✓
		<u>23 230</u>
		<u>24 880</u>
	£	£
<u>Capital and equity:</u>		
Capital	16 000	✓of
Profit for the year	<u>20 270</u>	✓of
	36 270	
Drawings	<u>(29 500)</u>	✓
		6 770
<u>Current liabilities</u>		
Trade payables	9 350	✓
Other payables 2 360 + 250 + 460	3 070	✓✓✓
Bank overdraft	<u>5 690</u>	✓
		<u>18 110</u>
		<u>24 880</u>
		(12)

(d)(i)(ii)

1 January	
Current ratio – Current assets	$\frac{12\ 850 + 6\ 170 + 300 + 1\ 680}{6\ 700} = \frac{21\ 000}{6\ 700} \checkmark = 3.13:1 \checkmark$
Current liabilities	6 700 ✓
	(3)
31 December	
Current assets	$\frac{16\ 400 + 6\ 330 + 500}{9\ 350 + 2\ 360 + 250 + 460 + 5\ 690} = \frac{23\ 230}{18\ 110} \checkmark = 1.28:1 \checkmark$
Current liabilities	18 110 of ✓
	(3)

(e) Valid points may include:

Note : OF Rule applies

Positive

- Although current ratio is low, it is still just sufficient but not 2:1
- A significant profit is still being made if drawings can be reduced liquidity will rise

Negative

- Current ratio has deteriorated significantly during the year
- A positive bank balance has now become an overdraft
- Most of the current assets are in inventory
- Drawings are greater than profit for the year, draining cash
- Trade payables have increased significantly due to lack of cash to pay them

v/v per point x 4 - MAX 2 points positive and 2 points negative

(8)

(Total 52 marks)

3(a)

Vaso Technology

Manufacturing Account for the year ended 31 December 2013

	£	£	
Opening inventory of raw materials	30 000		√
Purchases of raw materials	<u>195 000</u>		√
	225 000		
Less Closing inventory of raw materials	<u>(75 000)</u>		√√
Cost of raw materials consumed		150 000	√
Production wages (134 000 + 6 500)		140 500	√
Packaging (25 000 x 70%)		<u>17 500</u>	√
Prime cost		308 000	√ of +w
Plus overheads:			
Packaging (25 000 x 30%)	7 500		√
Production salaries	85 000		√
Depreciation – Production equipment	16 000		√
Premises rent	22 500		√
Sundry expenses	<u>18 000</u>		√
		<u>149 000</u>	
		457 000	
Work in progress at start	52 000		√
at end	<u>(49 000)</u>		√
		<u>3 000</u>	
Production cost		460 000	√ of +w
Profit on manufacture		<u>20 000</u>	√ (of)
Transfer to trading account		<u>480 000</u>	√ of +w
		(18)	

(b)

Office Computers Account

	£	£
1 Jan Balance b/d	20 000 √	30 June Disposal √ 6 000 √
1 Oct Bank	<u>8 000</u> √	31 Dec Balance c/d <u>22 000</u> √
	<u>28 000</u>	<u>28 000</u>
1 Jan Balance b/d	22 000 √ of	

(6)

Office Computers – Provision for Depreciation Account

	£	£
30 June Disposal √	3 000 √	1 Jan Balance b/d 8 000 √
31 Dec Balance c/d	8 800 √	31 Dec Income statement/deprec. (600 + 400 + 2 800) <u>3 800</u> √ √ √ (√ of)
	<u>11 800</u>	<u>11 800</u>
		1 Jan Balance b/d 8 800 √ of

(8)

(c)

Statement of Comprehensive Income for the year ended 31 December 2013

	£	£	
Sales		650 000	✓
Opening inventory of finished goods	78 000		✓
Goods transferred from manufacturing	<u>480 000</u>		✓ of
	558 000		
Less Closing inventory of finished goods	<u>(63 000)</u>		✓
Cost of sales		<u>495 000</u>	
Gross profit		155 000	✓ of
Less			
Office salaries	106 000		✓
Premises rent	7 500		✓
Sundry expenses	6 000		✓
Depreciation office computers	3 800		✓ of
Loss on sale of office computers	<u>500</u>		✓ of
		<u>(123 800)</u>	
		31 200	
Plus Profit on manufacture		<u>20 000</u>	✓ of
Profit for the year		<u><u>51 200</u></u>	✓ w + of
			(12)

(d) Valid points may include:

Positive

- Office computers will give equal benefit to the business in each year
- Profit will not be distorted over the early years

Negative

- Office computers will lose most of their value in the early years
- Office computers will not be accurately valued in the Financial Position Statement
- The cost of the office computers will increase as repairs are required
- Straight line is not accepted by the tax authorities.

DO NOT ACCEPT easy to calculate or consistency.

✓✓ per point x 4 - MAX 2 points positive and 2 points negative

(8)

(Total 52 marks)

SECTION B

4 (a)

Journal			
	Dr	Cr	
	£	£	
Suspense	400		✓
Discount received		400	✓
Suspense	180		✓
Archana		180	✓
Purchases	2 500		✓
Suspense		2 500	✓
B Vincent	300		✓
C Vissing		300	✓
			(8)

(b)

Purchases Ledger Control Account			
	£		£
Balance b/d	430	Balance b/d	78 000
Payments to creditors	497 000 v✓	Refund	4 000 v✓
Discount rec'd (8 200v+400v)	8 600 ✓	Credit purchases	
Sales ledger contra	2 150 v✓	(505 000v+2 500v)	507 500 ✓
Returns outwards	15 600 v✓		
Balance c/d	<u>66 370</u>	Balance c/d	<u>650</u>
	<u>590 150</u>		<u>590 150</u>
Balance b/d	650 ✓	Balance b/d	66 370 ✓ of
			(16)

(c)

- Goods returned after payment made
- Discount received not posted
- Overpayment to creditor
- Contra from sales ledger

2 marks x 2 points

(4)

(d) Valid points may include:

Positive

- Tests arithmetical accuracy
- Helps to identify areas where errors exist
- Through separation of duties protects against fraud
- Provides total of trade payables or trade receivables.

Negative

- Time consuming
- Requires double entry accounting and a high level of staff skill
- Some errors are not discovered by control accounts e.g errors of omission.

✓✓ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

5 (a)

Allocation occurs where a cost is wholly identifiable with one cost centre ✓✓

Apportionment occurs where costs are shared and must be apportioned across the cost centres on some equitable basis ✓✓

(4)

(b) (i)

	East Town £000's	Weststead £000's	Northerton £000's	
Marketing	90	36	54	✓✓✓✓
Premises running costs	70	50	60	✓✓✓✓
Management salaries	550	125	225	✓✓✓✓
Depreciation	<u>36</u>	<u>12</u>	<u>24</u>	✓✓✓✓
	746	223	363	

(16)

(ii)

Profit for the year	750	260	500	✓✓
Less revised overheads	<u>746</u>	<u>223</u>	<u>363</u>	✓✓ of
Revised profit for the year	4	37	137	✓✓✓✓(✓✓of)

(8)

(c) Valid points may include:

Positive

- Weststead is carrying the least overhead which may be able to be saved
- Less overall management control required

Negative

- Weststead is making the second highest profit
- Some of the costs will be fixed and will need to be charged to other stores if Weststead is closed
- Loses profit
- Reduce their customer base

✓✓ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

6 (a)(i) Mark up $\frac{\text{Gross profit}}{\text{Cost of sales}} \frac{75\,000 \checkmark \times 100 \checkmark}{250\,000 \checkmark} \checkmark = 30\% \checkmark$

(4)

(ii) Profit for the year as a Percentage of Revenue (Sales) $\frac{\text{Profit for the year}}{\text{Revenue (Sales)}} \frac{10\,000 \checkmark \times 100 \checkmark}{325\,000 \checkmark} \checkmark = 3.1\% \checkmark$

(4)

(b) Prices are higher than last year

Cost of sales is lower due to market conditions or more efficient buying

Change in selling mix

2 x ✓✓ per point

(4)

(c)(i) Owners capital refers to the personal investment/equity of the owner(s) in the business ✓✓

Capital employed refers to the total long term capital used by the owner(s) to generate profit. This may include owners' capital, plus long term loans ✓✓ (4)

(ii) $\frac{\text{Profit for the year } \checkmark \text{ before interest } \checkmark}{\text{Owners capital} + \text{Long term liabilities } \checkmark} \times 100 = \quad \%$
(Capital employed)

(3)

(iii) Return on capital employed

Profit for the year(working 1) $\frac{23\,000 \checkmark \times 100 \checkmark}{100\,000 + 100\,000 \checkmark} \checkmark = 11.5\% \checkmark$ of

Capital employed

Working 1: £75 000 - £60 000 = 15 000 + 8 000 = 23 000

(4)

(d)(i) Goodwill ✓ (1)

(ii) Location

Customer base

Reputation

✓✓ x 2 points

(4)

(e) Valid points may include:

OF Rule applies

Positive

- Established business with good mark-up
- Return on capital employed high
- Goodwill/reputation

Negative

- Raising the capital from a bank
- Risk of using all his savings
- Profit to revenue is low at 3.1%

✓✓ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

7(a)

Bourne Cricket Club – Trial Balance at 31 December 2013

	Dr	Cr
	£	£
Accumulated fund		30 200 ✓
Subscriptions (8 850 – 250)		8 600 ✓✓
Competition fees		1 000 ✓
Donations		250 ✓
Purchases of refreshments	14 650	✓
Sales of refreshments		30 250 ✓
Clubhouse (at cost)	35 000	✓
Equipment (at cost) (4 800 – 1 800)	3 000	✓
Provision for depreciation –		
Equipment (3 200 – 1 100)		2 100 ✓
Profit on sale of equipment		100 ✓
Wages and salaries	18 950	✓
Other expenses	10 550	✓
Trade payables		9 850 ✓
Bank (-600 + 800)	<u>200</u>	<u>✓✓</u>
	<u>82 350</u>	<u>82 350</u>

(16)

(b) (i)

Subscriptions Account			
	£		£
Donations	250 ✓	Bank/Balance/	8 850 ✓
Income and expenditure ✓	8 550 ✓of	Subscriptions	
Balance c/d	<u>1 410</u> ✓	Balance c/d	<u>1 360</u> ✓
	<u>10 210</u>		<u>10 210</u>
Balance b/d	1 360 ✓	Balance b/d	1 410 ✓

(8)

(ii) The matching concept ✓✓ must apply to ensure that the income for the period is matched against the expenditure of the period.✓✓

(4)

(c)

Valid points may include:

Positive

- Five year membership would increase short term cash flow
- Tie members into the club long term
- Save annual collection fees
- Reduce bad debts
- May attract more members

Negative

- The discount will reduce the overall income
- Commitment to providing services long term

✓✓ per point x 2 - MAX 1 points positive and 1 points negative

(4)

(Total 32 marks)

		ASSESSMENT GRID				
	Syllabus	AO1	AO2	AO3	AO4	TOTAL
Q1						
(a)	3	2	2	2		6
(b)	3	6	12	5		23
(c)	3	5	5	5		15
(d)	3				8	8
Q2						
(a)	4	2	4	4		10
(b)	3	2	1			3
(c)	3	6	12	7		25
(d)	5	2	2	2		6
(e)	5				8	8
Q3						
(a)	3	4	10	4		18
(b)	1	4	8	2		14
(c)	3	4	4	4		12
(d)	1				8	8
Q4						
(a)	2	4	4			8
(b)	2	6	6	4		16
(c)	2	2	2			4
(d)	2				4	4
Q5						
(a)	4	4				4
(b)	4	8	8	8		24
(c)	4				4	4
Q6						
(a)	5	2	2	2		6
(b)	5			4		4
(c)	5	7	3	3		13
(d)	5	1	4			5
(e)	5				4	4
Q7						
(a)	1	4				4
(b)	3	12	8	4		24
(c)	3				4	4
Marks		87	97	60	40	284
Syllabus(%)		32	34	20	14	100

